

RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE AN AGREEMENT WITH THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM FOR PENSION PLAN CO-INVESTMENT SERVICES

WHEREAS, the Board of Mayor and Aldermen for the City of Franklin, Tennessee (the “Board”) has made an informed decision to have the Tennessee Consolidated Retirement System (“TCRS”) provide certain co-investment services for the City of Franklin Employees’ Pension Plan, which will be closed to new membership effective January 1, 2017 (the “Closed Plan”); and

WHEREAS, pursuant to Tennessee Code Annotated, Section 9-3-507, the Board desires to have the assets of the Closed Plan co-invested with the pension plan assets of TCRS subject to and in conformity with the Group Trust Declaration for the State of Tennessee Retiree Group Trust (“Trust Declaration”) and The Tennessee Consolidated Retirement System Investment Policy (“TCRS Policy”); and

WHEREAS, the Board understands the City of Franklin remains the responsible fiduciary of the Closed Plan, and that neither the State of Tennessee nor TCRS, or any of its officers, agents, employees, or boards shall act as a trustee or be considered the trustee for the Closed Plan; and

WHEREAS, the Board (i) acknowledges reading the TCRS Policy in its entirety, including the history and all amendments; (ii) acknowledges and understands the terms of the TCRS Policy; and (iii) adopts the TCRS Policy (in its current form and any subsequent form adopted by TCRS); and

WHEREAS, the Board acknowledges that it must adopt the Trust Declaration and its Disclosure Brochure (in their current form and any subsequent form as may be adopted by TCRS), which will allow the Closed Pension Plan’s interest in the Group Trust to be accounted for separately from the assets of TCRS; and

WHEREAS, the Board acknowledges that TCRS conducts investment activities through the Tennessee State Treasury Department; and

WHEREAS, the Board acknowledges and understands Tennessee Code Annotated, Title 9, Chapter 3, Part 5 in its entirety; and

WHEREAS, the Board acknowledges and understands Tennessee Code Annotated, Title 8, Chapter 37, Part 1 in its entirety; and

WHEREAS, the Board warrants and represents that it is authorized by law to adopt this Resolution approving the Third Party Co-Investment of Pension Plan Assets Agreement (the “Agreement”), which is attached hereto and made a part of this Resolution.

NOW THEREFORE BE IT RESOLVED by the Board as follows:

1. The City of Franklin adopts Tennessee Code Annotated, Title 9, Chapter 3, Part 5 in its entirety.
2. The City of Franklin adopts the TCRS Policy (in its current form and any subsequent form adopted by TCRS).
3. The City of Franklin adopts the Trust Declaration and its Disclosure Brochure (in their current form and any subsequent form as may be adopted by TCRS).
4. The City of Franklin acknowledges the Agreement does not cover other employee benefit plans maintained by the City of Franklin, and that neither the State of Tennessee nor TCRS, or any of its officers, agents, employees, or boards shall have any responsibility for such other benefit plans.
5. The City of Franklin will abide by the terms of the Agreement, including any and all future amendments, and all applicable provisions of the Internal Revenue Code (the “Code”), Tennessee law, and other applicable law.
6. The City of Franklin accepts the co-investment services to be provided by TCRS and the Tennessee State Treasury Department. The City of Franklin acknowledges that fees will be imposed with respect to the services provided and that such fees will be deducted from the Closed Pension Plan’s interest in the Group Trust.
7. The Agreement may be terminated pursuant to and in accordance with Section F of the Agreement.
8. The City of Franklin acknowledges it remains the fiduciary of the Closed Plan and has sole and exclusive authority to interpret the Closed Plan and is vested with the authority to act as or appoint a plan administrator of the Closed Plan.
9. Upon passage of this Resolution and the execution of the Agreement, TCRS shall provide the appropriate forms, if any, to the City of Franklin to implement services.
10. The City of Franklin shall adhere to Tennessee Code Annotated, Title 9, Chapter 3, Part 5, including the requirement that the City provide to the Chair of the TCRS Board of Trustees at any time requested by the Chair proof that the Closed Plan is a qualified plan and otherwise complies with the applicable provisions of the Code, as amended. The Chair may require an opinion of counsel or other assurances satisfactory to the Chair that the provision of the services described in the Agreement shall not cause TCRS, the State of Tennessee, or any other agencies or employees to violate any federal or state laws or regulations.
11. The City of Franklin shall take all actions that TCRS, in its discretion, deems necessary for compliance by TCRS with all applicable federal and state laws or for qualification of TCRS for any exemptions from regulation available under those laws, including, but not limited

to, the federal Securities Act of 1933, as amended, compiled in 15 U.S.C. § 77a *et seq.*, and the Investment Company Act of 1940, as amended, compiled in 15 U.S.C. § 80(a)-1 *et seq.*

12. The Board hereby acknowledges responsibility for assuring the Agreement is executed by the Mayor on behalf of the City of Franklin in accordance with the requirements of applicable law.

ADOPTED this _____ day of _____, 2016.

CITY OF FRANKLIN, TENNESSEE

Dr. Ken Moore
Mayor

ATTEST:

Eric Stuckey
City Administrator/Recorder

APPROVED AS TO FORM:

Sauna R. Billingsley
City Attorney

**Group Trust Declaration
for the
State of Tennessee Retiree Group Trust**

RECITALS

1. The State of Tennessee (the "State"), pursuant to Tennessee Code Annotated ("TCA"), Title 8, Chapters 34-37 maintains certain pension benefit plans (the "Pension Plans") for the exclusive benefit of providing benefits to certain current and future retired employees and their beneficiaries and dependents. The Tennessee Consolidated Retirement System ("TCRS") and its board of directors ("Board") were established by Tennessee Code Annotated Title 8, Chapters 34-37. The State Treasurer (the "Treasurer") is custodian of TCRS funds pursuant to TCA § 8-37-102.
2. The Board is authorized by TCA § 8-37-104 to adopt a master or group trust for the purpose of pooling funds of TCRS with other assets in the custody of the Treasurer, solely for investment purposes, that consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (such assets referred to herein as "Retirement Assets").
3. The State, pursuant to TCA, Title 8, Chapter 25 maintains certain deferred and tax-sheltered compensation plans (the "DC Plans") for the exclusive benefit of providing benefits to certain current and future retired employees and their beneficiaries and dependents.
4. Should the trustees of a DC Plan authorize that participants in the DC Plan be offered as an investment option one or more comingled funds in which assets in the custody of the Treasurer that consist exclusively of Retirement Assets are pooled, solely for investment purposes, in a common or group trust fund, the trust established under such DC Plan shall be a Participating Trust hereunder in accordance with the terms hereof.
5. The members of the Board will act as trustees, under the terms and conditions of this Group Trust Declaration (hereinafter "Trustees") for the money or property transferred to the Group Trust from time to time (the "Group Trust Funds").
6. The Treasurer shall be the custodian of the Group Trust Funds pursuant to TCA §§ 8-37-102 and 8-37-104. The Group Trust Funds shall be invested solely in accordance with T.C.A. 8-37 Part 1.

**ARTICLE I
ESTABLISHMENT OF THE GROUP TRUST**

Section 1.1 The Group Trust. The Board hereby establishes the State of Tennessee Retiree Group Trust (the "Group Trust") for the purposes stated in the recitals hereto, by adoption of

this declaration (the "Group Trust Declaration"). The members of the Board shall be the trustees of the Group Trust ("Trustees") with the Chairman and Secretary of the Board serving in respective roles for the Group Trust. This Group Trust is intended to qualify as a group trust under Internal Revenue Service Revenue Ruling 81-100, 1981-1 C.B. 326, as amended by Rev. Ruls. 2004-67, 2008-40 and 2011-1, and any successor ruling, regulation or similar pronouncement ("Revenue Ruling 81-100"), and this Group Trust Declaration shall be construed to give effect to that intention.

Section 1.2 Group Trust Fund. The Trustees hereby establish a trust fund consisting of such monies or other property as shall from time to time be transferred to the Group Trust from a Participating Trust (such monies and other property together with the proceeds and reinvestments thereof, the income therefrom and any other increment thereto shall be hereinafter referred to as the "Group Trust Fund"). Deposits into the Group Trust Fund shall be received only from trusts which meet the requirements of Revenue Ruling 81-100. The Treasurer shall serve as custodian of the Group Trust Fund (the "Custodian").

Section 1.3 Participating Trust Assets. Assets of Participating Trusts shall consist exclusively of trust assets held under plans qualified under Internal Revenue Code of 1986, as amended (the "Code") § 401(a) that are exempt under Code § 501(a); funds from Code § 401(a)(24) governmental retiree benefit plans that are not subject to Federal income taxation; funds from individual retirement accounts that are exempt under Code § 408(e); and funds from eligible governmental plan trusts or custodial accounts under Code § 457(b) that are exempt under Code § 457(g). For this purpose, a trust includes a custodial account that is treated as a trust under Code § 401(f), Code § 408(h), or Code § 457(g)(3). Appendix A lists the Participating Trusts.

Section 1.4 Situs of Trust. The Group Trust will be located and administered in the State of Tennessee at the office of the Treasurer.

Section 1.5 Participating Trusts. The Custodian shall be the sole judge of whether a Pension Plan or a DC Plan is eligible to participate hereunder and become a Participating Trust.

ARTICLE II

PROVISIONS RELATING TO THE TRUSTEE AND CUSTODIAN

Section 2.1 Title to Trust Property. The Trustees shall have legal title to the assets of the Group Trust. No Participating Trust shall be deemed to have individual ownership interest of any asset thereof. Instead, each Participating Trust shall have an undivided ownership interest in the Group Trust Funds and shall share proportionately with all other Participating Trusts in the net income, profits, and losses thereof.

Section 2.2 Trustee and Treasurer Responsibility. The Trustees hereby delegate administrative responsibility over the Group Trust to the Custodian. In such capacity, the Treasurer shall (i) serve as Custodian of the Group Trust Fund, (ii) hold, administer, collect the

income of, and make payments from the Group Trust Fund, and (iii) have such other authority and responsibility as set forth herein.

Subject to the conditions and limitations set forth herein, the Custodian shall be responsible only for the property actually received by it hereunder, and shall not be responsible for the administration or interpretation of the Pension Plan or any DC Plan solely by reason of this Group Trust Declaration (including, without limitation, the determination of participation rights of any person and the determination of benefits or rights of any person having or claiming any interest in or benefit under the Group Trust Fund or the Pension Plan or any DC Plan) or for those assets of any Participating Trust that have not been delivered to and accepted by the Custodian. The Custodian shall be under no duty or obligation, and shall have no right, to determine the adequacy of or to compute any amount to be paid to it pursuant to the Pension Plan or any DC Plan, or to enforce the collection of any sums from a Participating Trust solely by reason of this Group Trust Declaration.

Section 2.3 Exclusive Benefit and Prohibited Assignment. At no time shall any part of the Group Trust Fund be used for, or diverted to, any purpose other than for the exclusive purpose of providing benefits to participants and beneficiaries of the Participating Trusts (collectively, the "Eligible Participants"), including providing such benefits through the funding of the benefits payable to such Eligible Participants and by the payment of reasonable expenses of each respective Participating Trust. At no time shall any part of the Group Trust Fund that equitably belongs to any Participating Trust be used for, or diverted to, any purpose other than for the exclusive benefit of the Eligible Participants of the Participating Trust. At no time may any Participating Trust assign any portion of its equity or interest in the Group Trust Fund.

Section 2.4 Policies and Procedures Governing Disbursement of the Group Trust Fund. The Custodian shall adopt policies and procedures to ensure that disbursements from the Group Trust Fund to and/or for the benefit of the Eligible Participants, are made at such times, in such manner, in such amounts, in such form and for such purposes as may be properly specified by a person authorized to act on behalf of the Pension Plan, DC Plan or Participating Trust, as applicable (an "Authorized Person"). The Custodian shall be under no duty or obligation under this Group Trust Declaration to make any inquiry or investigation as to whether any direction is made pursuant to the provisions of the Pension Plan, a DC Plan or Section 2.2. Any such direction from an Authorized Person shall be deemed to include a certification that any payment directed thereby is one which such person is authorized to direct, and the Custodian may conclusively rely on such certification without further inquiry. Payment in response to such direction from an Authorized Person shall be a complete discharge of the Custodian of its responsibility for the holding and safe-keeping of such assets and any assets so paid over shall no longer constitute part of the Group Trust Fund.

Section 2.5 Powers and Duties of Trustee and Treasurer. The Trustees and the Custodian shall have only those powers, rights, duties and responsibilities expressly set forth in this Group Trust Declaration (determined without regard to any Participating Trust), which hereby incorporates by reference those powers and duties described in TCA Chapter 37, including, without limitation, TCA §§ 8-37-104 through 8-37-116, and such other powers

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provided by Tennessee law for fiduciaries acting in a similar capacity, to the extent not inconsistent with such statutes and this Group Trust Declaration.

ARTICLE III ACCOUNTS AND INVESTMENT OF GROUP TRUST FUND

Section 3.1 Commingled Funds and Accounting. The Custodian shall consolidate all assets of the Participating Trusts in a single fund, or multiple funds, which may be commingled for investment purposes, and shall maintain a bookkeeping accounting system whereby the beneficial interest of each Participating Trust in each such fund is identifiable (the "Participating Trust Accounts"). The contributions of, and the disbursements made with respect to, each Participating Trust shall be credited to or charged against such Participating Trust Accounts.

The Custodian shall adjust, account for, and allocate investment transactions, valuations of assets, rates of return and expenses with respect to the Group Trust Fund as a whole and with respect to each separate Participating Trust account, and those records shall be available at all reasonable times to the trustees of the Participating Trusts.

The separate Participating Trust account of each Participating Trust shall reflect the contributions made with respect to such Participating Trust, the share of investment gain and loss attributable to such Participating Trust, and disbursements made with respect to such Participating Trust. The beneficial interest of each Pension Plan or DC Plan in the Group Trust Funds from time to time shall be equal to the balance credited to its Participating Trust account. The Participating Trust, the Eligible Participants of each Pension Plan or DC Plan, and all other persons claiming under, through or against the Pension Plan or DC Plan shall in the aggregate not have any right to or claim against any assets of the Group Trust in excess of the balance credited to the Participating Trust account of such Participating Trust. The Custodian shall cause the separate Participating Trust account of each Pension Plan or DC Plan to be adjusted periodically to reflect the share of each of the Participating Trusts of the fair market value of the Group Trust. For purposes of valuation, the value of the interest maintained by the Group Trust Fund with respect to any Participating Trust account shall be the fair market value of the portion of the fund held for that Participating Trust account, determined in accordance with generally recognized valuation procedures.

The Participating Trust account need not be invested separately or segregated on account of the maintenance of such separate account; the separate Participating Trust accounts shall be maintained only as a bookkeeping entry to reflect the share of each Participating Trust participating in the Group Trust.

Section 3.2 Custodian to Manage and Direct Investment. The Custodian shall be responsible for managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of TCRS.

ARTICLE IV
WITHDRAWAL PROCEDURES, DIRECTIONS TO TRUSTEE

Section 4.1 Withdrawals from Group Trust. Any Participating Trust may at all times have the right to withdraw any or all of its Participating Trust account, provided that such right of withdrawal shall be limited by such policies and procedures that the Custodian may require. Appropriate accounting records pursuant to Section 3.1 herein shall be maintained at all times as to the amount of each Participating Trust account. Upon the withdrawal of assets from the Group Trust Funds, the Custodian shall distribute from the Group Trust Funds to the Participating Trust making such withdrawal the sum properly specified. Such distribution will be made in cash or in kind or some combination of cash or in kind as the Custodian in its sole discretion shall determine.

Section 4.2 Directions to the Trustee. The Custodian shall adopt such policies and procedures necessary to ensure certificates, notices, orders, requests, instructions, directions or objections (sometimes referred to as a "Direction" or "Directions" as the context so requires) received from an Authorized Person are satisfactorily evidenced to the Custodian by a written statement signed by an Authorized Person (provided, however, that the Custodian may, in its sole discretion, accept oral notices, orders, requests, instructions, directions and objections subject to confirmation in writing), and the Custodian shall be fully protected for acting in accordance therewith or for failing to act in the absence thereof. Directions to the Custodian shall be sent to such address as the Custodian shall designate in writing from time to time and in such format as may be mutually agreed between the parties. Such communications to the Custodian shall be binding upon the Group Trust and the Custodian when received by the Custodian. In addition, the Custodian shall be fully protected in acting in accordance with Directions received by it through authenticated telecommunications facilities, including without limitation, communications effected directly between electro-mechanical or electronic devices, to the same extent as if such Directions were in writing.

Notwithstanding anything to the contrary in this Group Trust Declaration, if the Custodian is also an Authorized Person, the Custodian may act in accordance with the terms of the applicable Pension Plan, the DC Plan or a Participating Trust, the terms of which are hereby incorporated herein by reference, and such action may be deemed to be taken in accordance with a Direction received under this Group Trust Declaration.

Section 4.3 The Group Trust Declaration. The Custodian may, in its sole discretion exercised in good faith, consult with legal counsel of its choice, with respect to the meaning or construction of this Group Trust Declaration, the proper administration of the Group Trust Fund or the Custodian's obligations and duties hereunder, and the Custodian shall be fully protected with respect to any action taken or omitted in good faith and in reliance upon the advice of such counsel. If a dispute shall arise as to any act to be performed by it, the Custodian may, based on advice from legal counsel, postpone performance of such act until adjudication of such dispute shall be made in a court of competent jurisdiction.

ARTICLE V
FIDUCIARY OBLIGATIONS

Section 5.1 Standard of Care. The Trustees and Custodian are fiduciaries and shall discharge their duties with respect to the Group Trust solely in the interests of the Eligible Participants and for the exclusive purpose of providing benefits to such persons and defraying the reasonable expenses of administering the Group Trust, in a manner consistent with TCA § 35-14-107, the prudent investor rule of TCA § 35-14-103, the standard of care described in TCA § 35-14-104, and the exercise of reasonable care in delegation of investment and management functions described in TCA § 35-14-111. However, notwithstanding the foregoing, the Trustees and Custodian shall not, solely by reason of this Group Trust Declaration, be under any duty to require payment of any contributions to the Group Trust Fund or to see that any payment made to the Group Trust Fund is computed in accordance with the provisions of the Pension Plan, a DC Plan or policy of reimbursement or otherwise be responsible for the adequacy of the Group Trust Fund to meet and discharge any liabilities under the Pension Plan or a DC Plan. The duties and obligations of the Trustees and Custodian as such shall be limited to those expressly imposed upon them by this Group Trust Declaration. Notwithstanding any reference to the Pension Plan, the DC Plans or provisions thereof, it is hereby expressly agreed that the Trustee is not a party to the Pension Plan or the DC Plans merely by the operation of this Group Trust Declaration.

Section 5.2 Allocation of Responsibility. Except as may be otherwise provided by statute, no fiduciary under this Group Trust Declaration shall be liable for any alleged or actual act or failure to act on the part of another fiduciary in carrying out any fiduciary responsibility where such fiduciary responsibility is allocated to such other fiduciary by this Group Trust Declaration or pursuant to a procedure established in this Group Trust Declaration.

ARTICLE VI
RESIGNATION AND REMOVAL

Section 6.1 Resignation and Removal of Trustee. Any Trustee who is a member of the Board shall be deemed to have automatically resigned as a Trustee on the date he or she ceases to be a member of the Board. This provision shall be self-executing and no further act shall be necessary to effectuate such resignation.

ARTICLE VII
EXPENSES OF FUND

Section 7.1 Expenses of Group Trust Fund. All expenses properly and actually incurred by the Trustees or Custodian, including fees for legal and other services rendered with respect to the establishment and administration of this Group Trust, shall be allocated and paid from the Group Trust. Notwithstanding the foregoing, the Group Trust shall not be liable or responsible for the payment of fees incurred on account of any misfeasance, malfeasance, or nonfeasance of the

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Trustee or Custodian or on account of any act or omission in violation of this Group Trust Declaration or of any applicable law.

ARTICLE VIII AMENDMENT AND TERMINATION

Section 8.1 General Rule on Termination. Except as expressly provided in this Article VII, no Participating Trust shall be entitled to terminate the Group Trust hereunder. The bankruptcy of a Pension Plan or a DC Plan shall not cause the termination of the Trust.

Section 8.2 Amendment; Termination. The Trustees shall have the right at any time to amend this Group Trust Declaration. Notwithstanding anything to the contrary herein, in no event shall this Group Trust Declaration be amended or modified in any manner that would allow the Group Trust Funds to be distributed, disbursed or otherwise administered for any purpose other than those purposes identified in Section 2.3 above. The Trustees shall have the right to terminate the Group Trust at any time. If the Group Trust is terminated, the assets of the Group Trust must be returned to the Participating Trust(s). No Group Trust assets may be used for any other purpose.

ARTICLE IX GENERAL PROVISIONS

Section 9.1 Assignability. Except as specifically permitted by this Group Trust Declaration, the Pension Plan, a DC Plan or applicable law, no beneficial interest in the Group Trust Fund is assignable or subject to transfer, hypothecation, encumbrance, anticipation, alienation, legal process, pledge, mortgage, levy, execution, receivership, attachment or garnishment by any Eligible Participant, nor shall any interest pass to any trustee in bankruptcy or otherwise be reached or applied by any legal process for the payment of any obligation of any such person.

Section 9.2 Taxes.

(a) Except as provided in subparagraph (b) below, neither the Custodian, nor the Trustees, nor their agents or custodians shall have any responsibility or liability for any obligations now or hereafter imposed upon a Pension Plan or DC Plan, the property held under this Group Trust Declaration, or upon the Custodian, Trustees or their agents or custodians hereunder by the tax laws of the United States or any political subdivision thereof, or any foreign jurisdiction.

(b) It shall be the responsibility of a Participating Trust to notify the Custodian of any obligations imposed on such Participating Trust, the property held under this Group Trust Declaration or upon the trustees or their agents or custodians of such Participating Trust by the tax law of any jurisdiction, including responsibility for

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withholding and other taxes, assessments or other governmental charges, certification and governmental reporting. The Custodian shall use reasonable efforts to assist the Participating Trust with respect to any claim for exemption or refund under the tax law of any jurisdiction for which the Participating Trust has provided information.

Section 9.3 Employee Rights. Neither the establishment of this Group Trust, nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving to any employee, retired employee or other person any legal or equitable right against the Trustees, any Pension Plan or DC Plan, or any officer, employee or member of any thereof, except as herein expressly provided; and in no event shall the terms or conditions of employment of any employee, or the control of any Pension Plan or DC Plan over the same, be modified or in any manner affected hereby.

Section 9.4 Successors and Assigns. This Group Trust Declaration shall be binding upon, and the powers granted to the Trustees, hereunder shall be exercisable by the Trustees' successors and permitted assigns.

Section 9.5 Governing Law.

(a) This Group Trust Declaration shall be construed, enforced and administered and the validity thereof determined in accordance with the laws of the State of Tennessee.

(b) The headings and subheadings in this Group Trust Declaration are inserted for convenience of reference only and are not to be considered in the construction of any provision of the Group Trust Declaration.

(c) In resolving any conflict among provisions of this Group Trust Declaration and in resolving any other uncertainty as to the meaning or intention of any provision of this Group Trust Declaration, the interpretation that (i) causes the Trust to be exempt from tax as an instrumentality of the State of Tennessee, (ii) causes the Trust to comply with all applicable requirements of the Code, and (iii) causes the Trust to comply with Revenue Ruling 81-100, shall prevail over any different interpretation.

Section 9.6 Severability of Provisions. If any provision of this Group Trust Declaration is held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of this Group Trust Declaration, but shall be fully severable, and this Group Trust Declaration shall be construed and enforced as if the illegal or invalid provision had never been included herein.

Section 9.7 Gender and Number. Wherever any words are used herein in the masculine, feminine or neuter, such words shall be construed as though they were also used in another gender in all cases where they would so apply. Additionally, whenever any words are used herein in the singular or the plural form, such words shall be construed as though they were also used in another form in all cases where they would so apply.

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APPENDIX A

Tennessee Consolidated Retirement System

State of Tennessee Deferred Compensation Plan and Trust

State of Tennessee Deferred Compensation Plan II

Employees' Retirement System of the City of Alcoa (Included by Agreement dated April 1, 2016)



Tennessee Treasury Managed Fund (the “Fund”)

Investment Option for the Tennessee State
Employees Deferred Compensation Plan and
Trust and the
State of Tennessee Deferred Compensation Plan
II

DISCLOSURE BROCHURE

Dated: July 1, 2015

Participants in the 401(k) Plan or the 457 Plan should read this Disclosure Brochure carefully before deciding whether to invest in the Fund.

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The information presented in this Disclosure Brochure is believed to be accurate as of the date printed on the cover page. However, the information and opinions in this Disclosure Brochure are subject to change without notice.

For more information about the Fund, contact the Tennessee Department of Treasury, Andrew Jackson Building, ATTN: Director of Deferred Compensation, 13th Floor, 502 Deaderick Street, Nashville, TN 37243; 615-532-2347; <http://treasury.tn.gov/index.html>.

GLOSSARY

As used in this Disclosure Brochure, the capitalized terms shall have the meaning set forth below:

Board – The Board of Trustees of the Retirement System, who are also the trustees of the Group Trust.

Deferred Compensation Program – The State of Tennessee Deferred Compensation Plan II (also known as the 401(k) Plan) and the Tennessee State Employees Deferred Compensation Plan and Trust (also known as the 457 Plan).

Fund – The Tennessee Treasury Managed Fund, a fund managed by the Treasury Department in which the assets of the Retirement System are invested. Also known as the Group Trust.

Group Trust – The State of Tennessee Retiree Group Trust created March 27, 2015 to hold the assets of the Retirement System and the assets of the Deferred Compensation Program that Participants direct to be invested in the Fund. *For a copy of the Group Trust Declaration for the State of Tennessee Retiree Group Trust dated March 27, 2015, as amended from time to time, contact the Tennessee Department of Treasury.*

Investment Policy – The Retirement System’s Investment Policy, as amended from time to time. *For additional information about the Investment Policy, visit <http://treasury.tn.gov/tcrs/index.html> and select the Investment Policy and related information under the Administration Information tab.*

Participant – An individual with an account in the Deferred Compensation Program who is responsible for selecting one or more of the investment options to which contributions will be allocated.

Retirement System – A retirement system established under the laws of the State of Tennessee for the purpose of providing retirement allowances and other benefits under the provisions of the Statute. Also known as the “Tennessee Consolidated Retirement System” (Tennessee Code Annotated §8-34-202).

Statute – Title 8, Chapters 34 - 37 of the Tennessee Code Annotated, as amended from time to time. *For additional information about the Statute, visit <http://www.tennessee.gov/tsla/legislative.htm>*

Treasury Department – Collectively, the Tennessee State Treasurer and the Tennessee Department of Treasury. *For additional information about the Treasury Department, visit <http://treasury.tn.gov/index.html>.*

Unit of Interest – A proportional interest in the Fund. The net asset value of each Unit of Interest is calculated by dividing the value of the net assets of the Fund (i.e. total assets minus total liabilities) by the total number of outstanding Units of Interest of the Fund. *For additional information, please refer to the section of this Disclosure Brochure captioned Unit Valuation.*

OVERVIEW

You should carefully consider your risk tolerance, investment horizon, retirement savings goals and overall investment objectives prior to making an investment in the Fund. You should also consider the Fund's objectives, risks, fees and expenses, in addition to considering the other investment options available to you in the Deferred Compensation Program.

The Tennessee Consolidated Retirement System ("Retirement System") is a retirement system established under the laws of the State of Tennessee by the General Assembly to provide defined benefit pensions and other benefits for state employees, teachers, higher education employees, local government employees and employees of other entities authorized to participate. Effective March 27, 2015, the Tennessee Consolidated Retirement System trust was converted to the Group Trust and unitized to provide Participants in the Deferred Compensation Program an opportunity to invest in the Retirement System investment portfolio managed by the Treasury Department.

The assets of the Deferred Compensation Program that Participants direct be invested in the Fund will be held in the Group Trust and commingled with the assets of the Retirement System for investment purposes. Deferred Compensation Program Participants who invest in the Fund will hold Units of Interest issued by the Group Trust in their Deferred Compensation Program accounts. Such Units of Interest are offered subject to the right of the Board or the Treasury Department to reject any purchase or redemption in whole or in part.

If you are already a member or beneficiary of the Retirement System, investing in the Fund will not increase or decrease your monthly benefit from the Retirement System.

INVESTMENT OBJECTIVE AND STRATEGY

The primary investment objective of the Fund is that of the Retirement System: 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 pension benefits to the Retirement System's beneficiaries in a timely manner. Because of the long-term nature of the Retirement System's investment objective, the time-horizon for the Fund's investment decisions is also long-term and may exceed ten (10) years.

The assets of the Fund are actively managed with allocations across domestic and international debt and equity (public and private), real estate, currency and derivatives. The Investment Policy, as approved by the Board, provides the strategic asset allocation ranges and authorizes the Treasury Department to make tactical shifts in asset allocations, within the approved asset allocation ranges, as deemed appropriate to increase risk-adjusted returns. For additional information about the Investment Policy, visit <http://treasury.tn.gov/tcrs/index.html> and select the Investment Policy and related information under the Administration Information tab.

As of March 31, 2015, the Retirement System's portfolio target and actual asset allocations were as follows:

Asset Class			Target	Actual
U.S. Equity			33.0%	34.3%
Canadian Equity			4.0%	3.6%
International Markets	Developed Equity		13.0%	13.1%
International Markets	Emerging Equity		5.0%	4.5%
U.S. Fixed Income			25.0%	27.7%
International Bonds	Hedged		4.0%	5.9%
Real Estate			7.0%	6.2%
Private Equity -	Traditional		3.0%	2.2%
Private Equity -	Strategic		5.0%	2.2%
Lending				
Short-Term (Cash Equivalents)			1.0%	0.3%

(Source: Strategic Investment Solutions, Inc.)

For the most current quarterly asset allocation information for the Retirement System, visit <http://treasury.tn.gov/tcrs/index.html> and select the Investment Consultant Report available under the Board Meetings tab.

PRINCIPAL INVESTMENT RISKS

As with any investment, you may lose money by investing in the Fund, including the entire amount you invested. Investments in the Fund are neither insured nor guaranteed by the state of Tennessee, the Tennessee State Treasurer, the Fund, other state agencies, federal government agencies or any employees or directors of any such entities. The Fund is not registered under the Investment Company Act of 1940, nor is the offering of Units of Interest to Deferred Compensation Program Participants registered under the Securities Act of 1933 or any state law. Additionally, investments in the Fund are not insured by the Federal Deposit Insurance Corporation ("FDIC").

There are numerous risks associated with investing in the Fund. This Disclosure Brochure does not list every conceivable factor that may affect the value of your investment in the Fund. Certain principal risks of investing in the Fund are described below. Additional risks may arise.

Furthermore, neither the Board nor the Treasury Department makes any representation concerning the appropriateness of investing in any investment option, including the Fund, for any Participant. Other types of investments may be more appropriate depending upon a Participant's financial status, tax situation, risk tolerance, age, investment horizon, retirement savings goals and overall investment objectives. The investments, fees, expenses, and other consequences and features of alternative investments may differ from those of the Fund. Anyone considering investing in the Fund should consider alternative investment options and consult an independent investment adviser or other financial professional prior to investing in the Fund.

Suitability

The long-term nature of the Fund's investment objective will not meet the needs of every investor. The Fund's asset allocation and investment strategies may be changed at any time, based on the needs of the Retirement System and changing market conditions. Neither the Board nor the Treasury Department will consider the age, investment objectives, risk tolerance or estimated time until retirement of any single Participant. Due to the long-term nature of the Retirement System's liabilities, the time-horizon for the Fund's investment decisions may at times exceed ten (10) years.

Liquidity

The Units of Interest will be offered and sold only to Participants in the Deferred Compensation Program. There will be no public market for the Units of Interest and the net asset value of each

Unit of Interest will be computed by the mastercustodian, under the ultimate supervision of the Treasury Department. **The Units of Interest may not be transferred or sold except as permitted by the Treasury Department.** The Treasury Department may in its sole discretion restrict, reject or cancel a purchase or redemption (all or part) for any reason and the proceeds may be withheld. This means your ability to transfer amounts out of the Fund to another investment option available in the Deferred Compensation Program may be restricted and your ability to receive cash for your Units of Interest when you take a distribution from your Deferred Compensation Program account may be restricted. Other investment options available in the Deferred Compensation Program may have different restrictions, limitations and minimums and may impose fees for redemptions or exchanges. Check each investment option's disclosure documents (prospectus) for details.

Market Risk and Volatility

Market risk involves the possibility that the value of investments held by the Fund will fall because of a general decline in the relevant market or adverse events affecting an individual investment. Market volatility involves dramatic market movements, like those experienced during 2008 and 2009, including substantially lower valuations, reduced liquidity, price volatility, credit downgrades, increased likelihood of default and valuation difficulties.

Equity Securities Risks

Common stocks and other equity securities generally increase or decrease in value based on the earnings of a company and on general industry and market conditions, and tend to experience greater price fluctuations than fixed income securities. Security prices of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium market capitalization companies may face a greater risk of business failure, which could increase their volatility.

Sector Risk

Companies in the same sector may be similarly impacted by adverse market, regulatory, political or economic events or conditions affecting that sector. To the extent the Fund concentrates its investments in one or more related industries or sectors, adverse events or conditions influencing those sectors may cause significant losses to the Fund.

Fixed Income Securities Risks

Fixed income securities are subject to credit risk, interest rate risk and call and prepayment risk.

Credit Risk

Credit risk is the risk that the value of a fixed-income security may decline because the issuer is unable or unwilling (or is perceived to be unable or unwilling) to make timely payments of principal and interest. Lower quality or unrated fixed-income securities, including below investment-grade securities (commonly known as “high-yield” or “junk”), are subject to greater price fluctuations and are more likely to experience a default than investment-grade securities.

Interest Rate Risk

Interest rate risk is the risk of losses due to changes in interest rates. The market values of fixed-income securities typically fall when interest rates rise. Fluctuations in the market values of fixed-income securities held by the Fund usually will not affect cash income from such securities but will be reflected in value of the Fund’s Units of Interest. Generally, fixed-income securities with longer durations will be more sensitive to changes in interest rates.

Call and Prepayment Risk

Call and prepayment risk is the risk that, during periods of falling interest rates, bonds or other securities may be called or otherwise converted, prepaid or redeemed before maturity. If this occurs, the Fund may be forced to reinvest the unanticipated proceeds in securities with less favorable terms. Prepayment risk is especially high for mortgage- and asset-backed securities during periods of declining interest rates because borrowers will typically seek to refinance these loans.

Foreign Securities Risks

Foreign securities may experience more rapid and extreme changes in value than securities of United States companies. In addition, foreign issuers are generally not subject to the same degree of regulation as United States issuers. Nationalization, expropriation or confiscatory taxation or political changes could adversely affect the Fund’s investments in a foreign country. To the extent that foreign securities in the Fund’s portfolio are not dollar-denominated, there is a risk that fluctuations in the rate of exchange between the United States dollar and the foreign currencies in which such securities are denominated may negatively affect the value of the Fund’s investments in the foreign securities. The Fund’s investments in emerging markets are subject to additional and greater risks than investments in developed foreign markets. These risks include greater illiquidity; significant price volatility; restrictions on foreign investment; possible repatriation of investment income and capital; and currency declines and inflation.

Private Equity Risks

Private investment funds may engage in speculative and alternative trading strategies. Investments in private funds are typically illiquid and their performance results can be extremely volatile. The managers of these alternative funds typically provide estimated, unaudited fund values at least quarterly; however, such estimated valuation may be on a quarterly trailing basis. As a result, the value of a Unit of Interest will be based on these estimates, which may not be accurate at the time the Fund calculates its net asset value per Unit of Interest due to material changes in the markets and/or the value of the private funds' assets since the dates of the estimate. Additionally, fair valuation by private investment funds is inherently subjective.

Real Estate Risks

Risks generally associated with investing in real estate include:

- (i) possible declines in the value of real estate;
- (ii) adverse general and local economic conditions;
- (iii) possible lack of availability of mortgage funds;
- (iv) changes in interest rates;
- (v) inconsistent payments from underlying property users; and
- (vi) environmental concerns.

Additionally, real estate is often only valued annually and valuation is inherently subjective. As a result, the net asset value of the Units of Interest in the Fund will be calculated based on these valuations, which may not be accurate. Investments in real estate are typically illiquid.

Currency and Currency Hedging Risk

Currency risk is the risk that the value of the Fund's investments denominated in foreign currencies will be adversely affected by unfavorable changes in currency exchange rates. The Fund may at times attempt to hedge currency risk with derivatives and other transactions. While hedging strategies are designed to minimize the risk of loss due to a decline in the value of the hedged currency, they involve costs to the Fund that may limit any potential gain that might result from an increase in value of the hedged currency. Hedging strategies may fail for a number of reasons, including because of imperfect correlation between the hedge and the currency position.

Securities Lending Risk

The risks in lending portfolio securities include the possible delay in recovery of the securities or possible loss or rights in the

collateral should the borrower fail financial. If a borrower defaults, the value of collateral held by the Fund may decline before the Fund can dispose of it.

Derivatives Risk

The Fund may engage in a variety of transactions involving derivatives, such as swaps, options, futures and certain foreign currency transactions. Derivatives are financial contracts whose value depends on, or is derived from, the value of something else, such as an underlying asset, pool of assets, currencies, interest rate or indices. The Fund may use derivatives for several purposes, including hedging, as a substitute for a direct investment in securities or other assets, or to increase its exposure to a particular market. Some derivatives are "leveraged," which means that an adverse change in the value of the underlying asset, index or reference rate can result in a loss substantially greater than the amount the Fund initially invested in the derivative itself. The risk of loss from certain derivatives positions is theoretically unlimited. Over-the-counter derivative transactions also involve the risk that the counterparty to the transaction may be unwilling or unable to meet its obligations to the Fund.

Market Regulation Risk

The financial crisis of 2007 - 2009 and other market disruptions have led to increased governmental and regulatory scrutiny of the markets in general. It is impossible to predict the changes in regulations that may result from these developments, but any regulations which restrict the Treasury Department's trading access or ability, or broker-dealers' and other counterparties' trading access or ability, could have a negative impact on the Fund.

EXPENSES AND FEES

The expenses and fees are based on actual expenses incurred by the Retirement System related directly to its investment program during the fiscal year ended June 30, 2015 and projected expenses for the fiscal year ended June 30, 2016. There are no revenue-generating fees paid to the Retirement System or the Treasury Department by Fund investors.

The table below illustrates the expenses that you may pay if you invest in Units of Interest of the Fund. Investment Operation and Management Fees include external manager and investment consultant fees as well as fees paid to the mastercustodian. Fund Administration Expenses include personnel and recordkeeping costs. Commission costs for publicly traded securities and management fees for private equity investments are capitalized, meaning commission costs and management fees are not included in the expenses, but are recorded in the value of the assets. Deferred Compensation Program Participants who invest in the Fund should be aware that the expenses incurred by them may be higher than the expenses of the Retirement System because Participants pay the incremental cost of offering the Fund as an investment option in the Deferred Compensation Program.

The total expenses that you pay may be higher or lower depending on several factors, including the actual expenses incurred by the Fund.

Investment Management Fund <u>0.02%</u> Total Expenses	Operation and Fees 0.11% Administration Expenses Annual Operating <u>0.13%</u>
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This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other investment options available within the Deferred Compensation Program (refer to the section of this Disclosure Brochure captioned Additional Matters for more information on how to obtain information, including costs, on the other investment options available).

The example assumes that you invest ten thousand dollars (\$10,000) in the Fund for the periods indicated. The example also assumes that your investment has a five percent (5%) return each year and that the Fund's expenses remain the same.

Although your actual costs and the return may be higher or lower, based on the above-stated assumptions, your costs would be:

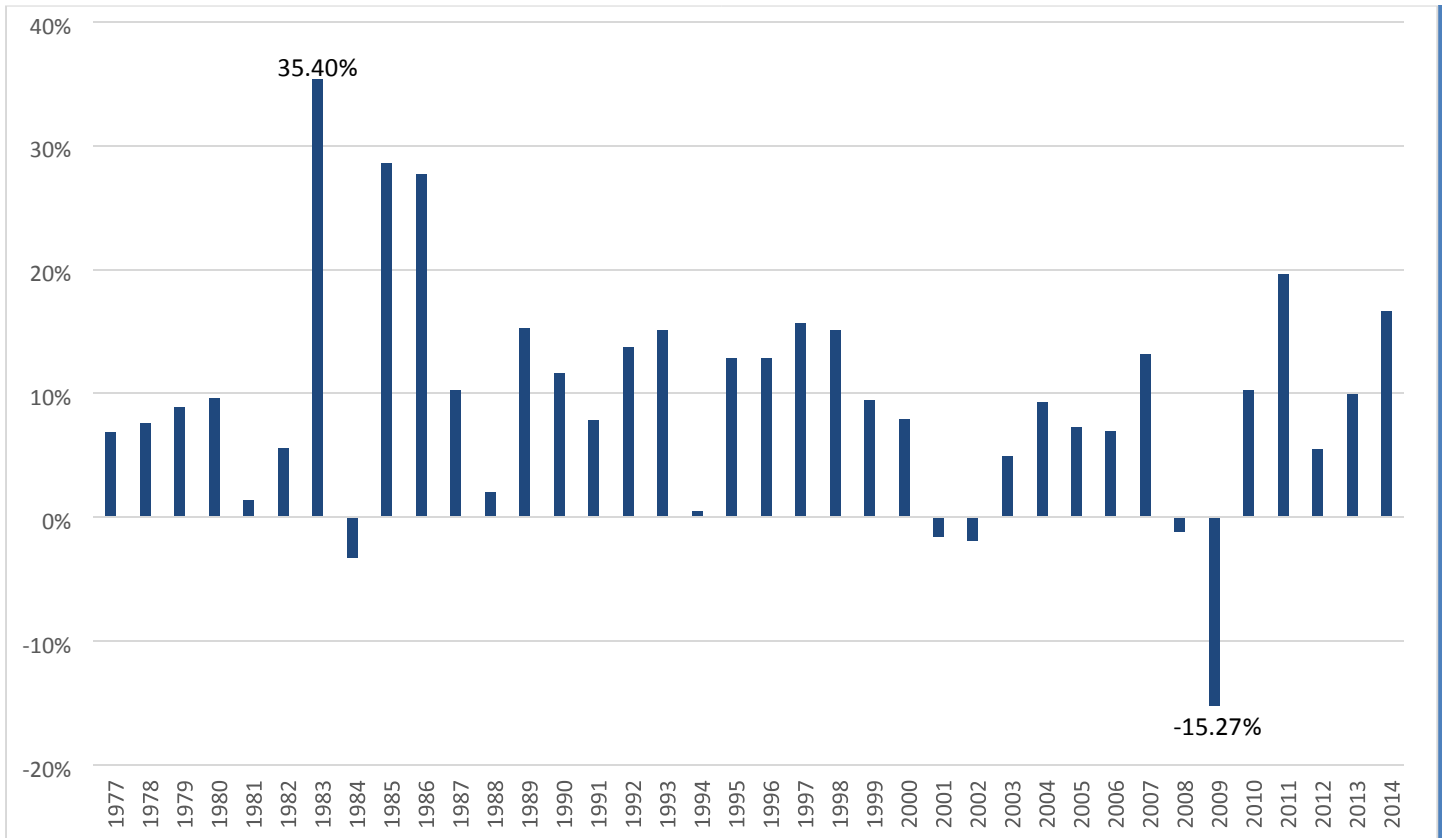
<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>
<u>10 Years</u>		
\$13.34	\$42.00	\$73.52
		\$166.74

INVESTMENT PERFORMANCE

The principal value of your account and the investment return may fluctuate, and the Units of Interest, when redeemed, may be worth more or less than the amount contributed.

The performance information below shows the Retirement System investment portfolio's performance year-to-year since its inception in 1977. **Past performance is not a guarantee or prediction of future performance.** Returns in the bar chart are for periods ended June 30th and calculated using a market, time-weighted rate of return method. The time-weighted rate of return method values a portfolio's performance, taking into account any cash inflows and outflows that may have occurred during the valuation period.

Retirement System Annual Returns*
1977 - 2014



(Source: Strategic Investment Solutions, Inc.)

* The Retirement System did not begin investing in real estate investments until 1999 and private equity investments until 2009.

The table below compares the Fund's returns with those of comparative indexes as of March 31, 2015.

	1 Year	5 Years	10 Years
Tennessee Treasury Managed Fund	--	--	--
Comparative Indexes			
Retirement System	8.68%	10.07%	6.68%
Policy Index¹	8.12%	9.87%	7.04%
Total Fund Allocation Index²	8.09%	9.39%	N/A

(Source: Strategic Investment Solutions, Inc.)

¹ Effective 1/1/13, the Policy Index for the Retirement System is comprised of the following components: 33% S&P 1500; 4% S&P / TSX 60 Index; 13% MSCI EAFE Investable Market Index (net); 5% MSCI Emerging Markets Index (net); 25% Citigroup Large Pension Fund Index; 4% Citigroup TIPS Index; 3% Custom Traditional Private Equity Index (consisting of S&P 500 + 3% Index lagged one quarter (due to reporting availability of performance and valuation)); 5% Custom Strategic Lending Index (consisting of 50% Barclay's High Yield 2% Issuer Capped Index and 50% Credit Suisse Leveraged Loan Index); 7% NCREIF Property Index lagged one quarter (due to reporting availability of performance and valuation); and 1% 91-Day United States Treasury Bills.

² Effective 1/1/15, Total Fund Allocation Index for the Retirement System is comprised of the following components: 3.73% S&P 1500; 4.1% S&P / TSX 60 Index; 13.3% MSCI EAFE Investable Market Index (net); 5.1% MSCI Emerging Markets Index (net); 26.4% Citigroup Large Pension Fund Index; 6.4% Citigroup TIPS Index; 6.1% NCREIF Property Index lagged one quarter (due to reporting availability of performance and valuation); 1.9% Custom Traditional Private Equity Index (consisting of S&P 500 + 3% Index lagged one quarter (due to reporting availability of performance and valuation)); 2% Custom Strategic Lending Index (consisting of 50% Barclay's High Yield 2% Issuer Capped Index and 50% Credit Suisse Leveraged Loan Index); and 1% 91-Day United States Treasury Bills.

For the most current quarterly performance data for the Fund, visit www.empower-retirement.com.

UNIT VALUATION

The net asset value of each Unit of Interest in the Fund is calculated by dividing the value of the net assets of the Fund (i.e., total assets minus total liabilities) by the total number of outstanding Units of Interest of the Fund.

The net asset value of the Fund is determined as of the close of regular trading on the New York Stock Exchange ("NYSE") each day the exchange is open (typically 4:00 p.m. Eastern Time). The Fund generally values its investments for which market quotations are readily available at market value. All other investments and assets are valued at their fair value, which may differ from market prices. Market quotations are generally not available for certain investments, including private equity and real estate investments. Private equity fund investments are generally valued based on unaudited, estimated valuations provided by the fund's manager, which are typically provided quarterly. Real estate investments are valued based on the last provided estimated valuation, which may be several months old. The Fund translates prices for its investments quoted in foreign currencies into United States dollars at current exchange rates on each day it values its securities. Because foreign markets may be open at different times than the NYSE, the value of the Fund's Units of Interests may change when Participants are unable to make purchases or redemptions.

Fair value represents a good faith approximation of the value of an asset. Because of the inherent uncertainty and subjective nature of fair valuation, a fair valuation price may differ significantly from the value that the Fund would actually receive in a sale of the asset.

GOVERNANCE AND MANAGEMENT

General administration and responsibility for the proper operation of the Retirement System are vested with the Board, including the authority for investing and reinvesting the assets. The Board consists of twenty members who are outlined and named in the Retirement System's annual report, which is available online at www.treasury.tn.gov.

The day-to-day administration and operation of the Retirement System and the Fund are delegated to the State Treasurer, a constitutional officer. The State Treasurer serves as the custodian for and invests the assets of the Group Trust in accordance with the Statute, Group Trust Declaration and the Retirement System's Investment Policy. The State Treasurer appoints a Chief Investment Officer who is responsible (with the investment staff of the Treasury Department) for the ongoing evaluation and management of the assets. The Treasury Department engages outside investment managers to manage a limited number of asset classes or subclasses, primarily international equity, and retains the services of several investment consultants.

State Street Bank and Trust Company serves as the master custodian, providing portfolio accounting and daily valuation services for the Treasury Department, including the Fund.

Great-West Life & Annuity Insurance Company serves as the recordkeeper and administrator of the Deferred Compensation Program, providing comprehensive deferred compensation plan administration and recordkeeping services for the Treasury Department, including assets of the Deferred Compensation Program invested in the Fund.

ADDITIONAL MATTERS

Portfolio Holdings, Financial Statements and Periodic Audits

The Fund's largest stock and bond holdings as of the end of the most recent calendar quarter are available by visiting www.empower-retirement.com. Typically, this list is updated fifteen (15) business days after the end of a calendar quarter.

The Treasury Department prepares the financial statements of the Retirement System and the Fund. A copy of the annual report is available on the Treasury Department's website, www.treasury.tn.gov.

The Treasury Department is subject to auditing by the State of Tennessee, Comptroller of the Treasury. A copy of the Treasury Department's annual audit report is available on the Tennessee Comptroller of the Treasury's website, <http://www.comptroller.tn.gov/sa/AuditReportCategories.asp>.

How to Invest or Change Investment Allocations

Only Participants in the Deferred Compensation Program may invest in the Fund. A Participant in the Deferred Compensation Program may move any portion of his/her account balance into or out of the Fund on a daily basis (generally, any day on which the New York Stock Exchange ("NYSE") and the Treasury Department are open for regular business activity); however, excessive trading in the Fund is highly discouraged. The Treasury Department may in its sole discretion restrict, reject or cancel a purchase or redemption (all or part) for any reason and the proceeds may be withheld.

To invest in the Fund, change investment allocations or for additional information about the investment options available in the Deferred Compensation Program, a Participant can:

- Go online: www.empower-retirement.com
- Email: tn401k457@gwrs.com
- Call: 800-922-7772

For more information about the Fund, contact the Tennessee Department of Treasury, Andrew Jackson Building, ATTN: Director of Deferred Compensation, 13th Floor, 502 Deaderick Street, Nashville, TN 37243; 615-532-2347; <http://treasury.tn.gov/index.html>.

The Board and Tennessee Department of Treasury and its employees are not authorized to provide legal, financial or tax advice. **Prospective and existing Fund investors should consult their personal legal, tax or other advisers for inquiries specific to their circumstances.**

The Treasury Department operates all programs and activities free from discrimination based on race, sex or any other classification protected by federal or Tennessee state law. Individuals who may require an alternative communication format should contact the Tennessee Treasury Human Resources Title VI Coordinator at Treasury Department, Human Resources, 14th Floor, Andrew Jackson Building, 502 Deaderick Street, Nashville, TN 37243; 615-741-4915.