

Real Estate Recommendation

October 25–26, 2018



Agenda

- I. Executive Summary
- II. Portfolio Construction & Manager Selection
- III. Requested Board Action

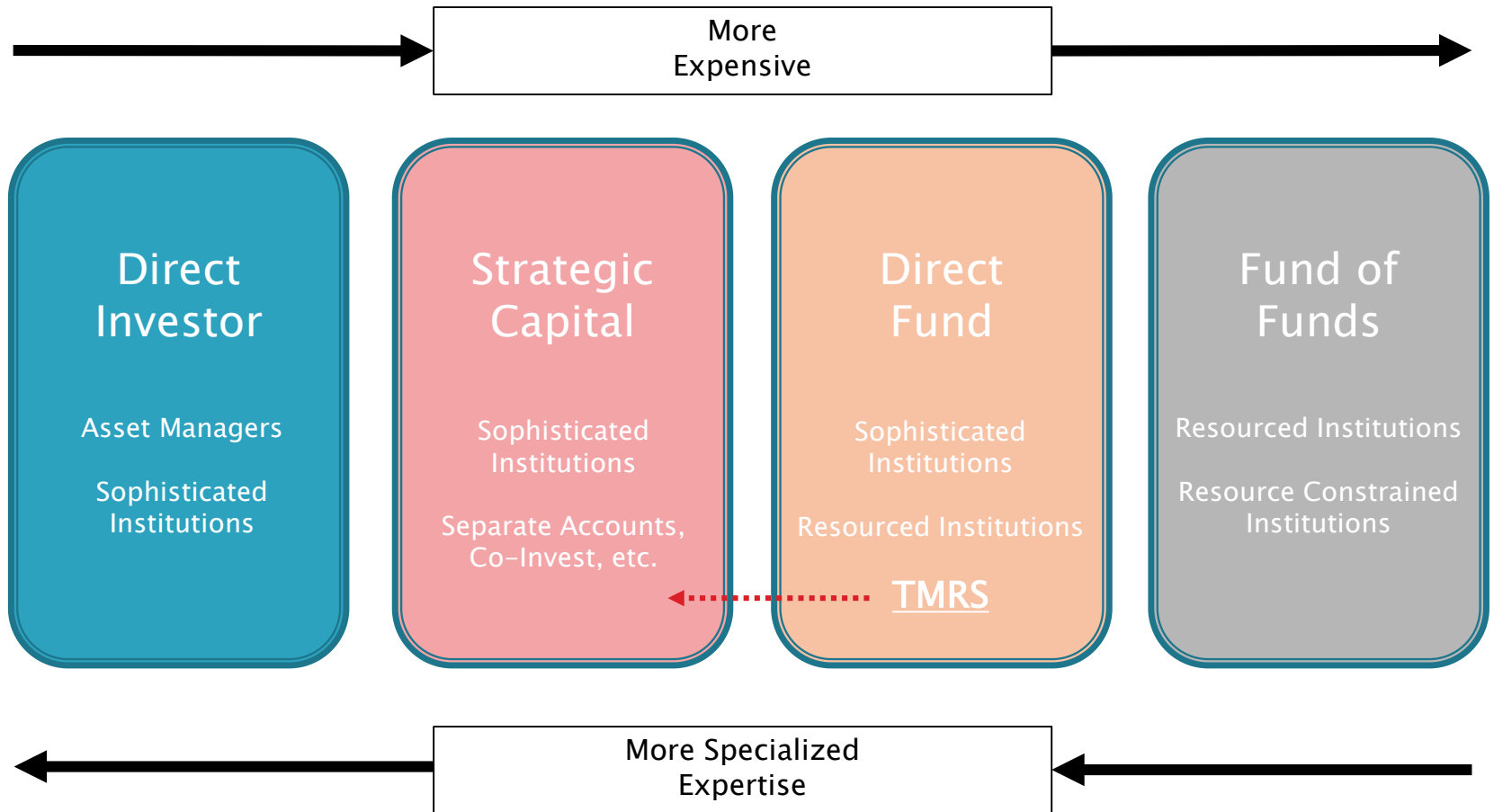
Names used in this presentation are a shortened version that is used for ease of communication purposes throughout this document. The formal recommendation to the Board on the last page of this presentation reflects the full legal name of the investment.

Section I

EXECUTIVE SUMMARY

Portfolio Management Initiatives

Becoming a Strategic Partner



Manager Recommendation

Executive Summary

Summary of Recommendation			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
Transwestern Investment Group Strategic Relationship	Core, Value-Add, Opportunistic Real Estate	7%+ (Core) 9%+ (Core+) 11%+ (Value-add) 13%+ (Opportunistic)	Up to \$250 million
Total Approximate Recommended Investment/Commitment			Up to \$250 million

Inclusive of the recommendation noted above, total real estate allocation activity for 2018 would be \$475 million, in excess of the Board approved pacing plan for 2018 of up to \$400 million.

In conjunction with proposed allocation, it is being recommended the Board revise its real estate pacing plan to reflect a targeted deployment level of up to \$500 million for 2018.

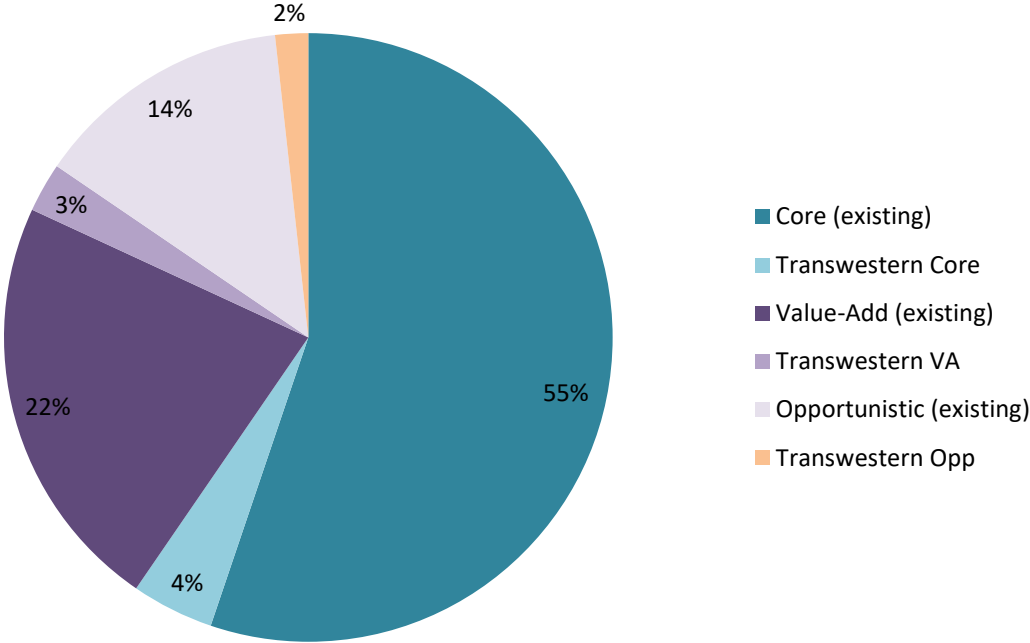
Section II

PORTFOLIO CONSTRUCTION & MANAGER SELECTION

Real Estate Portfolio Statistics

TMRS Real Estate Portfolio

October 2018 Recommendation Detail by Adjusted Commitments



The TMRS portfolio is tracking within policy statement goals for strategy allocation levels. The newly proposed investments keep TMRS in-line with all IPS objectives.

Top Candidate Characteristics – Transwestern

\$250 million Strategic Relationship Recommendation

Transwestern is a vertically integrated real estate company comprised of three different business units: i) Transwestern Investment Group (“TIG”); ii) Transwestern Commercial Services; and iii) Transwestern Development Company, the real estate development operation.

Transwestern Investment Group is based principally out of Dallas, TX, offering value-add funds and separate account investment opportunities. The investment team is led by the trio of Charles Hazen, President; Scott Fitzgerald, EMD and head of the value-add fund series line; and Collin Comer, Head of Acquisitions. In addition to a strong performing Fund I in its Value-Add fund series line, this structure creates a strong opportunity to develop a strategic relationship and take TMRS’ first steps into separate account investing and co-investing within the real estate portfolio.

Transwestern

Strategic Relationship
(\$250mm)

Date of First TMRS Meeting
3/6/15

Dates of Subsequent Meetings
Austin: 3/24/15, 8/24/15, 11/16/16,
5/19/17, 11/7/17, 5/3/18
Dallas: 3/11/16, 8/29/18
Calls: 2/15/18, 6/29/18

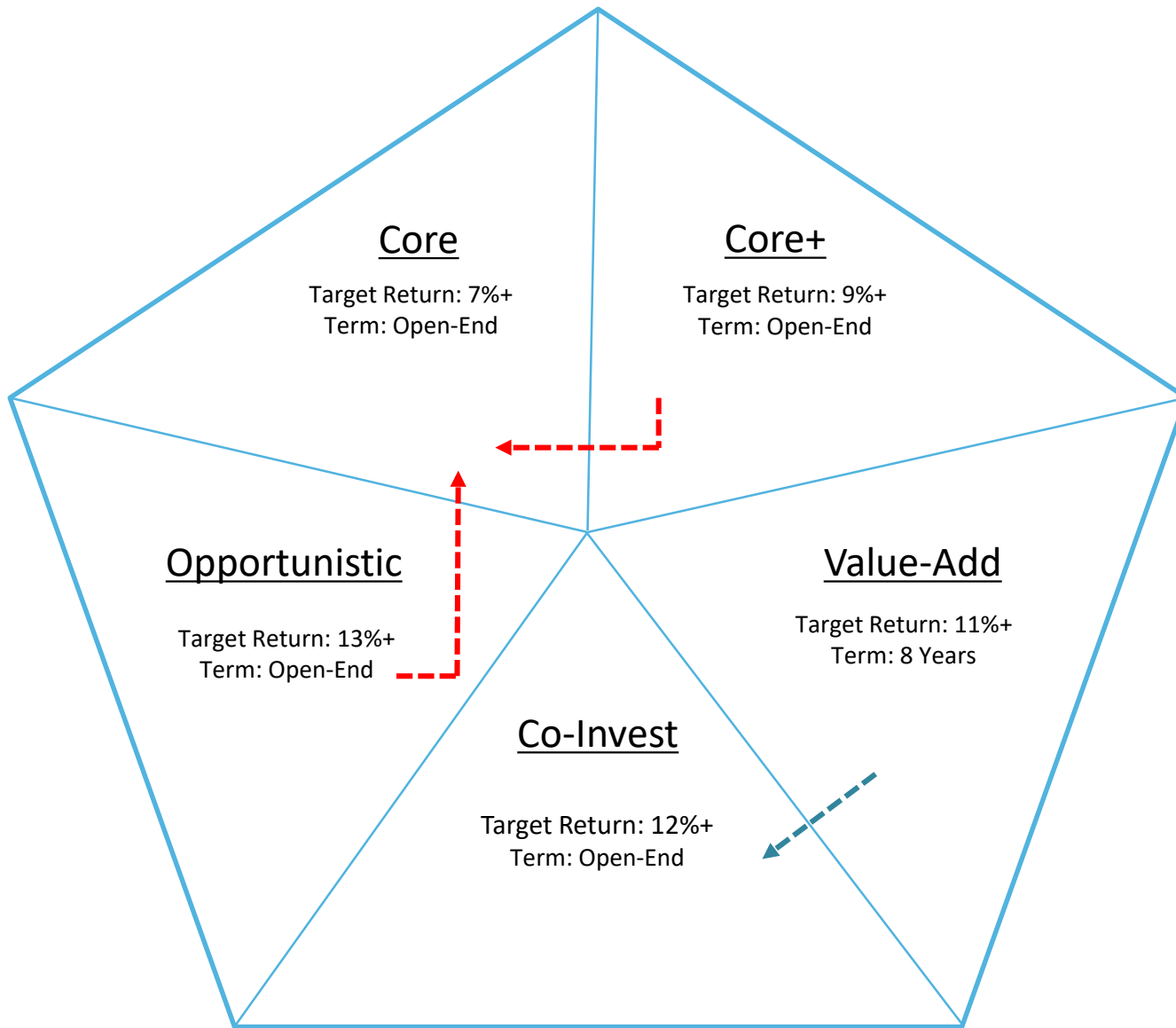
Dates of Diligence Advancement
‘B’ Rating – 7/6/18
‘A’ Rating – 8/5/18

Date of Consultant Report
October 2018

Legal Negotiation Initiated
August 20, 2018

Comparable Strategies Reviewed
Core/Core+ Equity (45)
Non-Core – Div., Ind., MF (133)
Comp. Multi Cost of Capital Mgrs. (6)

Relationship Diagram – Transwestern



TMRS is an attractive strategic partner because we can provide multiple costs of capital flexibly.

Transwestern is an attractive strategic partner due to platform depth, complementary client mix, and operating capabilities.

Section III

REQUESTED BOARD ACTION

DISCLOSURES

TMRS periodically discloses public information that is not excepted from disclosure under Section 552.0225(b) of the Texas Public Information Act. Information provided by a manager, a Managing General Partner (GP), any of its Associates or other data provider to TMRS or a TMRS service provider, and contained in these materials (i) may have been independently produced or modified by TMRS or the TMRS service provider; (ii) has not been reviewed or approved by the manager, Managing GP or any of its Associates; and (iii) may not reflect the historical performance or asset value reflected in the manager's, Managing GP's or any of its Associates' records and, therefore, should not be used for comparative purposes.