

Private Equity Recommendation

September 26–27, 2019



Presenters:

Chris Schelling, Director of Private Equity

Peter Teneriello, Analyst

StepStone Group

Agenda

- I. Executive Summary
- II. Due Diligence Process Review
- III. Portfolio Construction
- IV. Manager Selection & Recommendation
- V. Requested Board Action

Names used in this presentation may be a shortened version of the full legal name that is used for ease of communication purposes throughout this document. The formal recommendations to the Board on the last page of this presentation reflect the full legal names of the investments.

Section I

EXECUTIVE SUMMARY

Manager Recommendation

Executive Summary

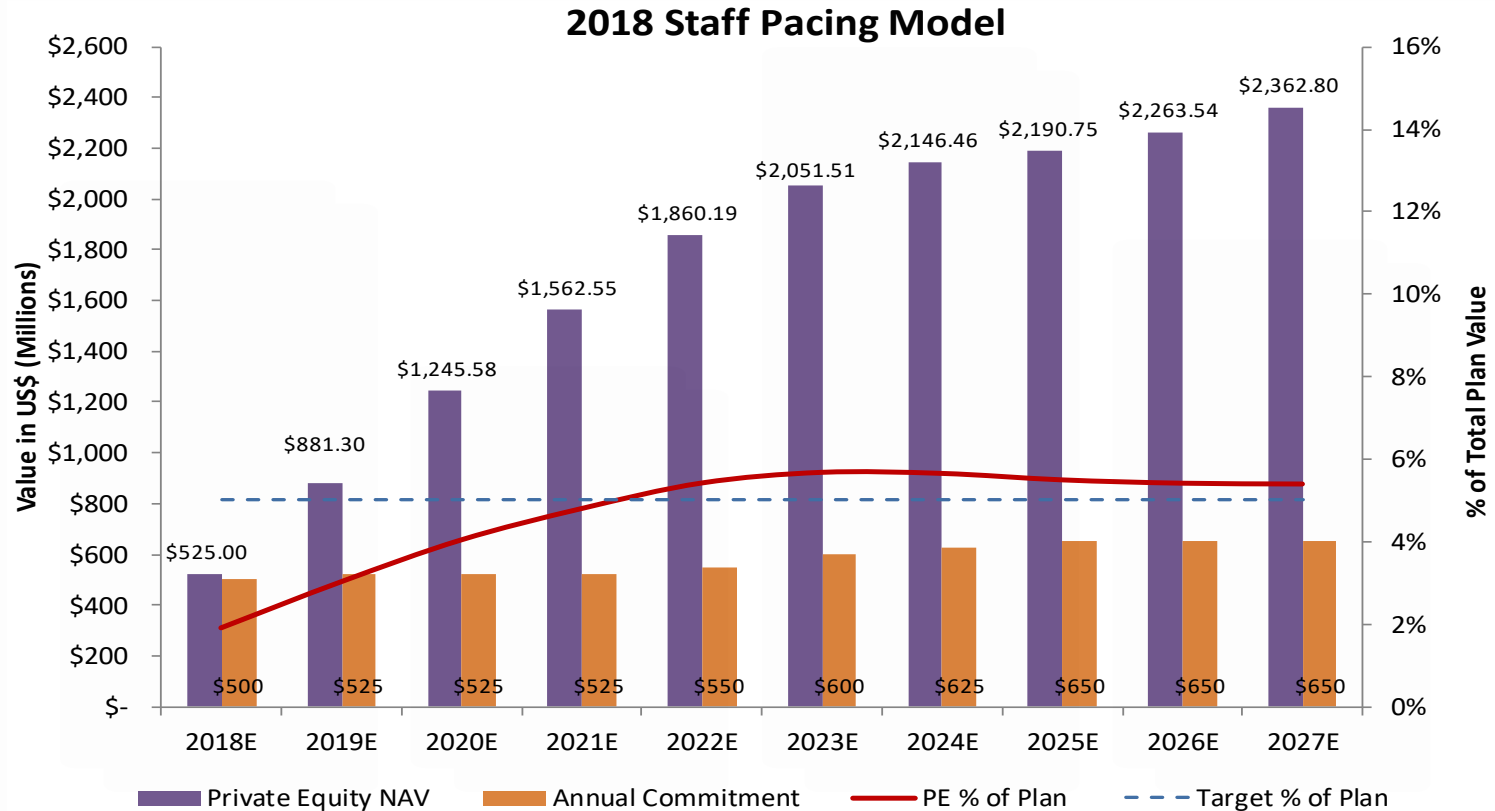
Summary of Recommendations			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
FTV VI, L.P. ("FTV VI")	Growth Equity	20% Net IRR	\$50 million
Total Approximate Recommended Investments/Commitments			\$50 million

Section II

DUE DILIGENCE PROCESS REVIEW

Due Diligence Processes

As part of Multi-year time periods

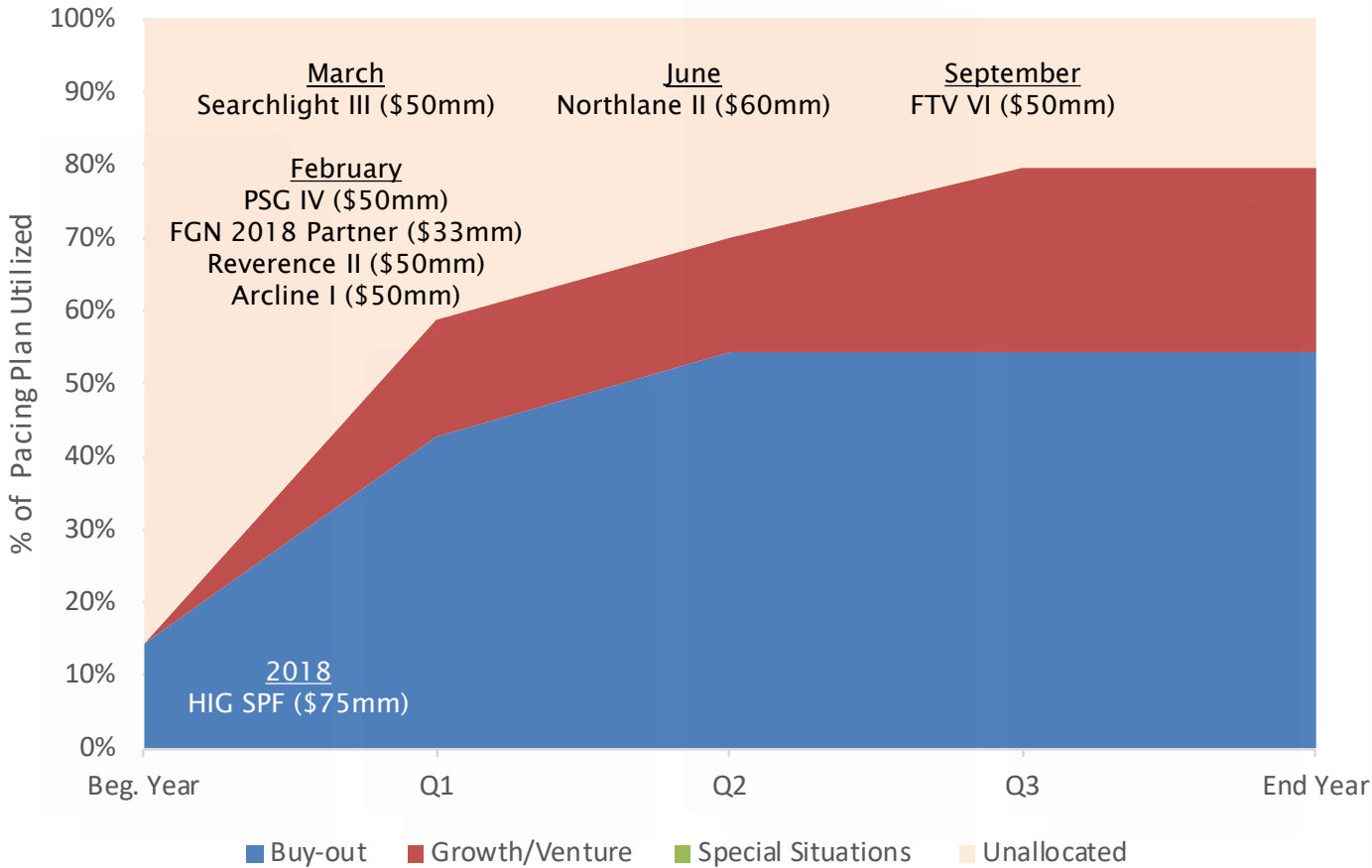


Annual pacing plans are developed in the context of multiple year investment horizons. This is necessary because private capital investments deploy and return capital over time rather than all at once.

Due Diligence Processes

As part of Annual Search Processes

2019 Private Equity Pacing Plan Progress



The 2019 Private Equity search process has culminated in ~\$418 million of closed and/or recommended investments, in line with the \$525 mm primary pacing model goal for the year.

Search processes are approved in annual amounts. Progress will be made throughout the year as opposed to all at once.

Section III

PORTFOLIO CONSTRUCTION

Private Equity Portfolio Statistics

Strategy Diversification

Strategy considerations:

2015: Overweight special situations early for J-Curve mitigation, efficiency of capital deployment, and tactical opportunities.

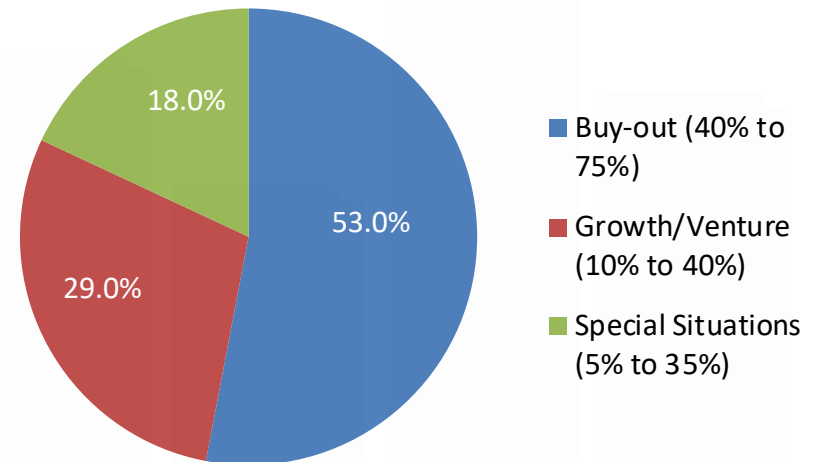
2016: Focus on growth opportunity set and continue to add buy-out exposure.

2017: Round out buy-out portfolio, and opportunistically add to growth and credit.

2018: Steady state on pacing, selectively adding new relationships and European exposure

2019: Steady state on pacing, selectively added new relationships and Venture and European exposure.

Private Equity Strategy Diversification by Commitment



Private Equity Portfolio Statistics

Manager Implementation

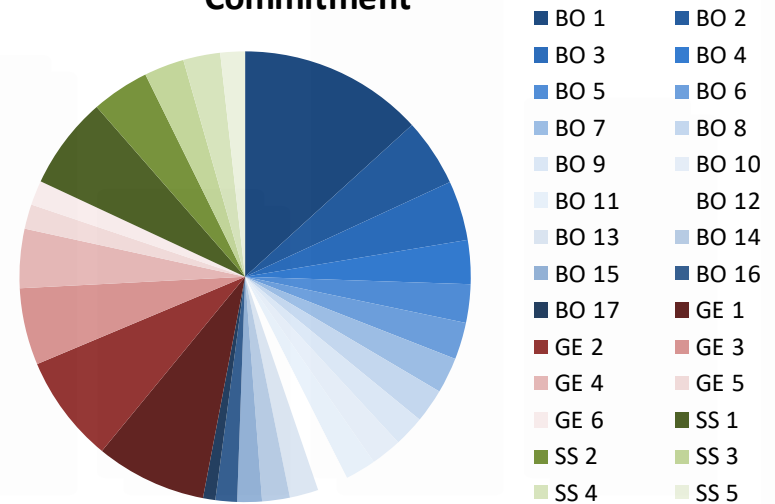
The overall goal remains identifying top quartile performers to partner with.

Position sizing considerations:

Continue to reduce the unallocated portion of the private equity portfolio while sensibly balancing the trade-off between diversification and concentration.

Areas of focus are enhancing manager diversification, and building strategic relationships where possible/appropriate.

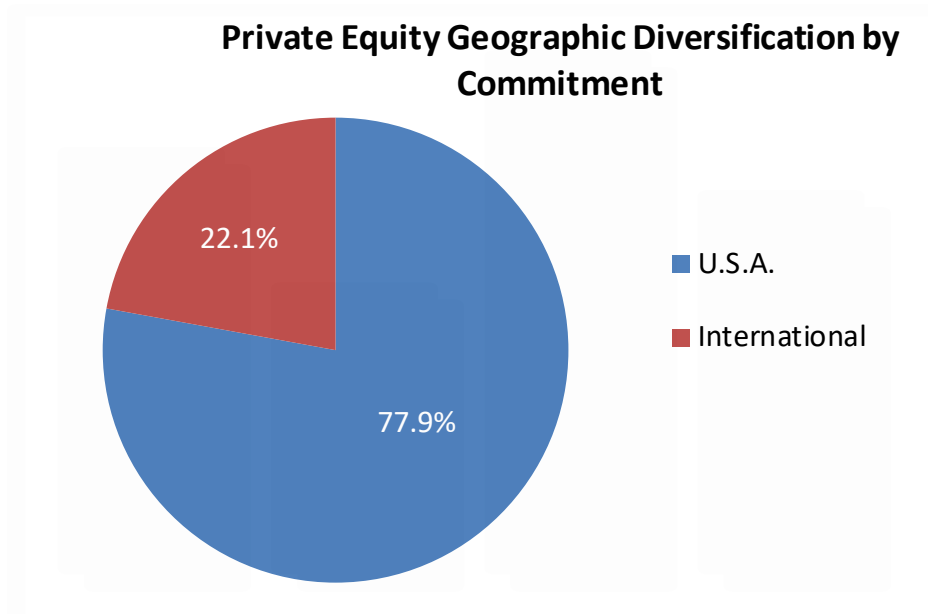
Private Equity Manager Diversification by Commitment



Private Equity Portfolio Statistics

Geographic Diversification

TMRS is focused on taking a measured approach to global geographic diversification.



The Target Portfolio keeps a conservative stance on international exposure.

Section IV

MANAGER SELECTION AND RECOMMENDATION

Top Candidate Characteristics – FTV VI

\$50 million Recommendation

FTV Capital (“FTV” or the “Firm”) is a San Francisco and New York based growth equity firm founded in 1998 that targets investments across the Enterprise Technology & Services, Financial Services, and Payments & Transaction Processing sectors. FTV is targeting \$1 billion for FTV VI, L.P. (“FTV VI” or the “Fund”) to make both control and structured non-control investments ranging from \$20 million to \$85 million. These companies will have proven business models, generating \$10 million to \$100 million in recurring revenue while growing at least 20% annually with high gross margins. The Firm will continue executing the same strategy it has employed since Fund III, when they fully refocused from venture capital to growth equity.

FTV VI

Date of First TMRS Meeting

1/8/2016 (Onsite)

Dates of Subsequent Meetings

6/14/2016 (Call)

7/11/2016 (Onsite)

8/26/2016 (Call)

10/17/2017 (LPAC call)

2/22/2018 (LPAC call)

4/13/2018 (Call)

5/2/2018 (LPAC)

10/17/2018 (TMRS)

5/8/2019 (Call)

9/10/2019 (Onsite)

Dates of Diligence Advancement

‘B’ Rating – 1/8/2016

‘A’ Rating – 7/11/2016

‘A’ Re-affirmed – 8/16/2019

Reference Checks

Yes

Date of Consultant IDD Report

August 19, 2019

Date of Consultant Board Memo

August 2019

Legal Negotiation Initiated

7/22/2019

Comparable Strategies Reviewed

39

Section V

REQUESTED BOARD ACTION

Recommendation

- TMRS Staff and StepStone Group recommend that the Board of Trustees approve the following fund:

Recommendation:

- FTV VI, L.P. \$50 million

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.