

Private Equity Recommendation

June 20–21, 2019



Presenters:

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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

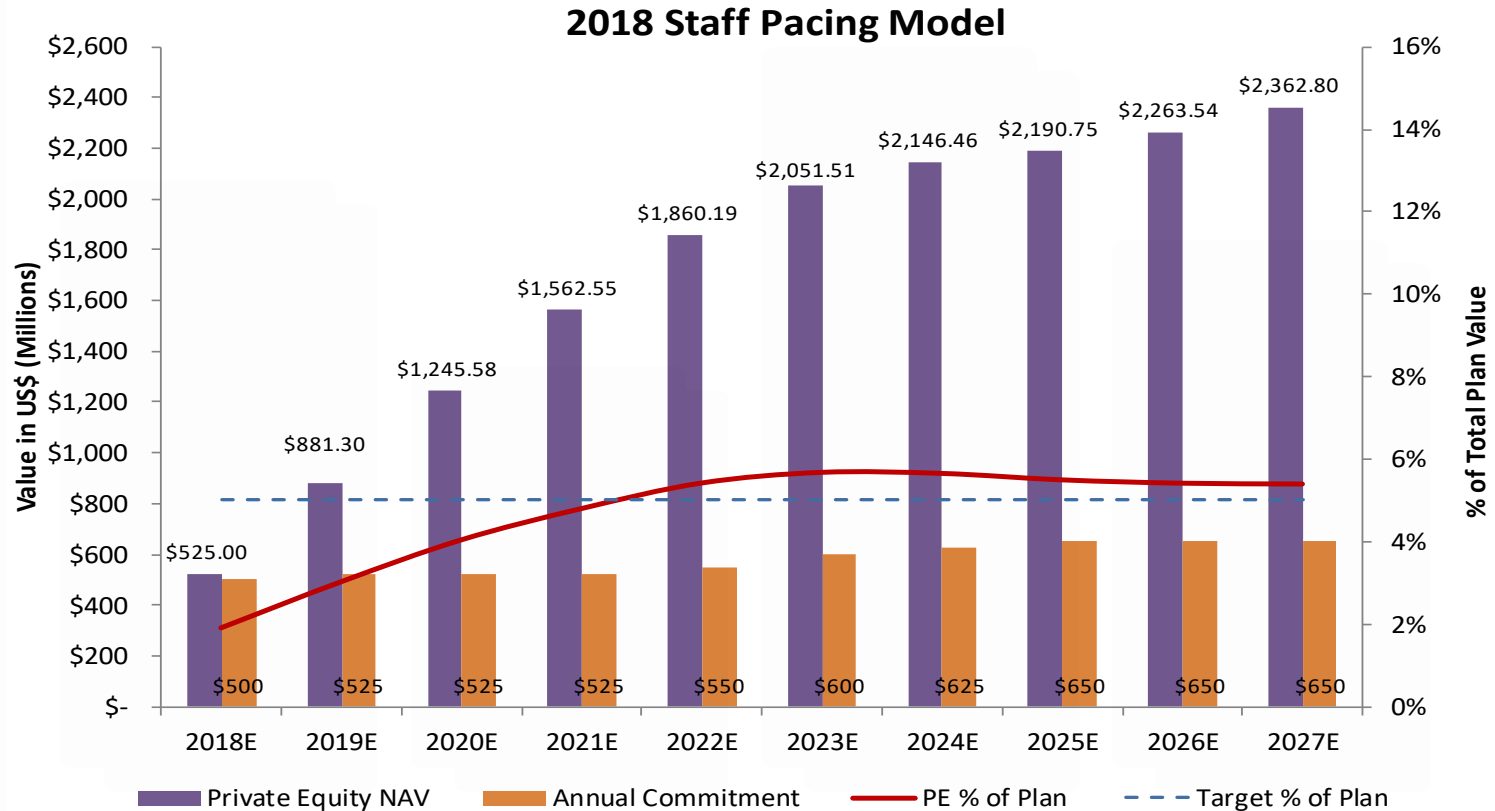
Summary of Recommendation			
Recommended Manager/Fund	Strategy Classification	Target Return	Recommended Amount
Northlane Capital Partners II LP ("Northlane II")	Buy-Out	20% Net IRR	\$60 million
Total Approximate Recommended Investments/Commitments			\$60 million

Section II

DUE DILIGENCE PROCESS REVIEW

Due Diligence Processes

As part of Multi-year time periods

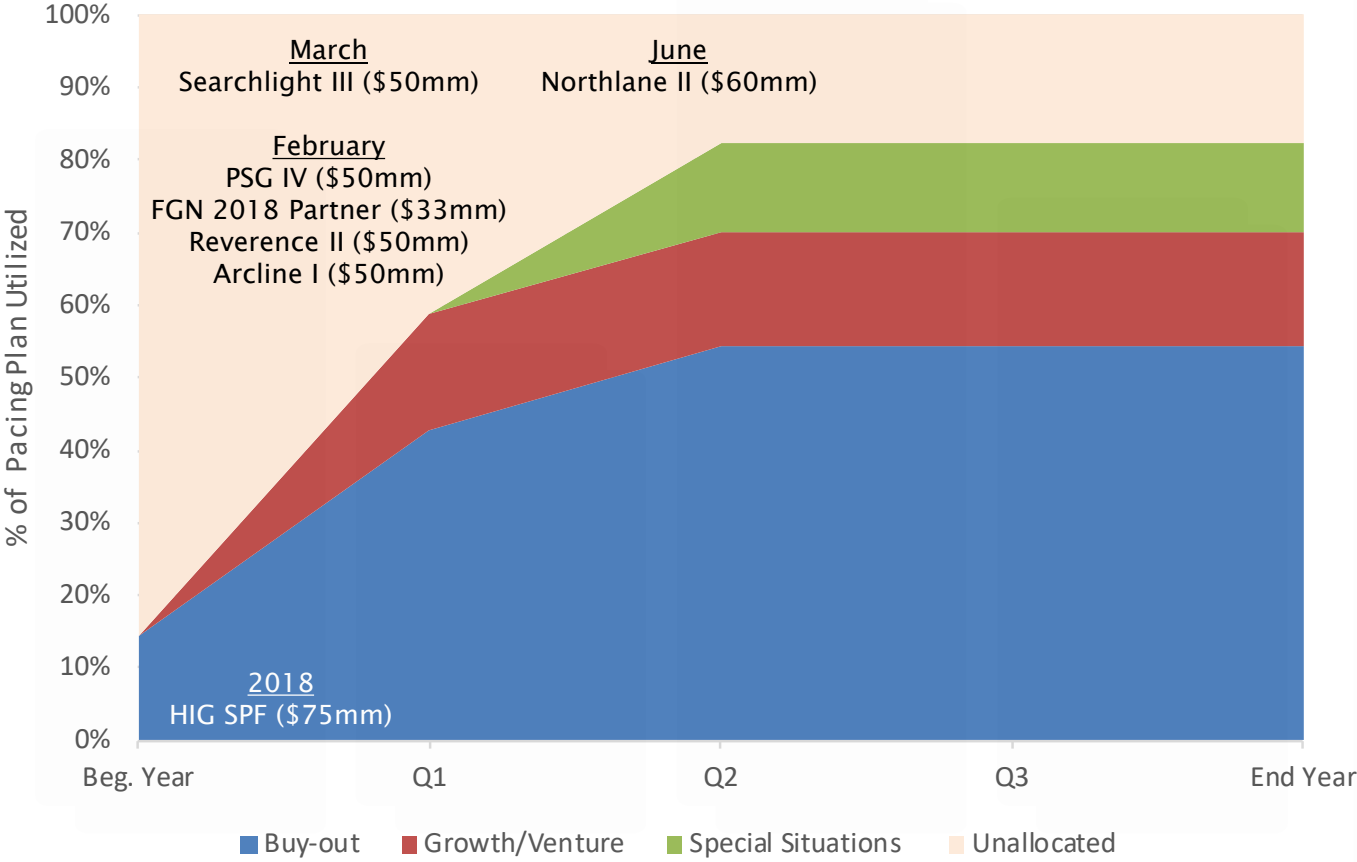


Annual pacing plans are developed in the context of multiple year investment horizons. This is necessary because private capital investments deploy and return capital over time rather than all at once.

Due Diligence Processes

As part of Annual Search Processes

2019 Private Equity Pacing Plan Progress



The 2019 Private Equity search process has culminated in ~\$368 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.

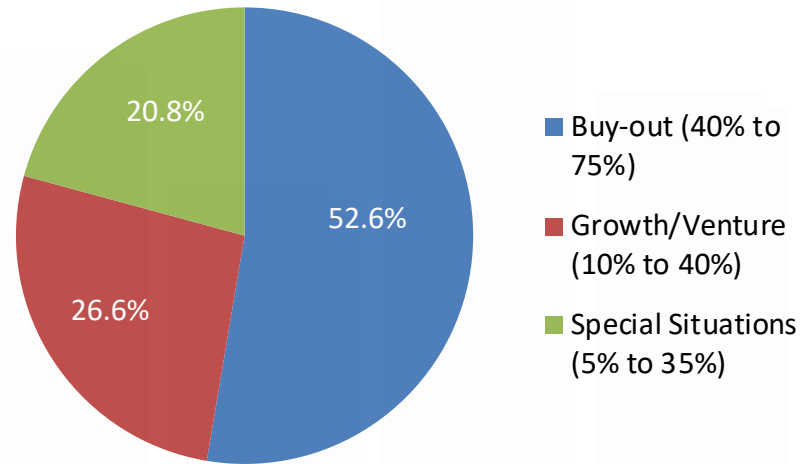
2016: Focus on growth opportunity set and continue to add buy-out exposure.

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 adding new relationships and Venture and European exposure.

Private Equity Strategy Diversification by Commitment



Private Equity Portfolio Statistics

Manager Implementation

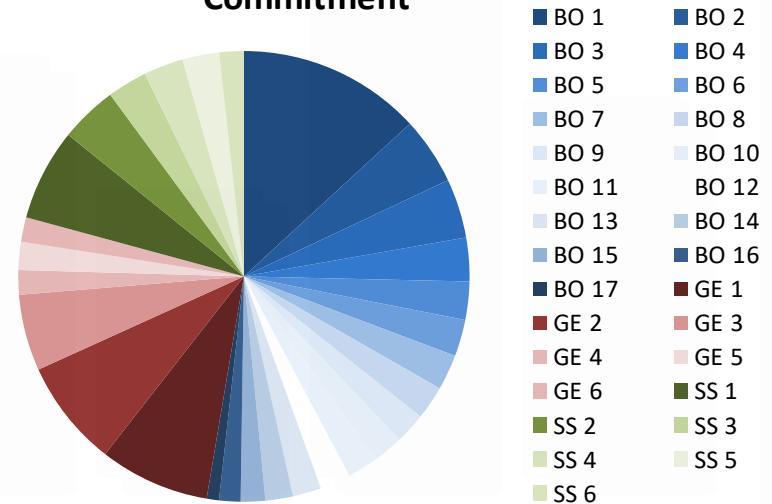
The overall goal remains identifying top quartile performers to partner with.

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.

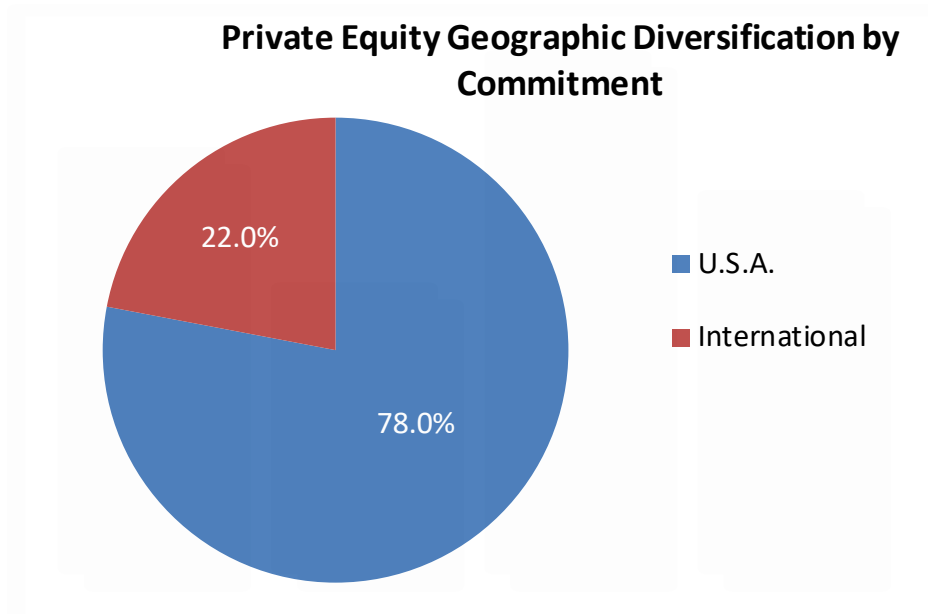
Private Equity Manager Diversification by Commitment



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 – Northlane II

\$60 million Recommendation

Northlane Capital Partners, LLC (“Northlane”) is a Washington, D.C.-based buyout firm founded in 2017 that focuses on acquiring lower-middle market companies in the business services and healthcare sectors. These target companies will be profitable market leaders within their niches, typically generating up to \$30 million of EBITDA while providing critical outsourced services to their customers. Northlane Capital Partners II LP (“Northlane II”) is targeting \$375 million to build a portfolio of 10 to 12 businesses requiring equity investments of up to \$75 million, continuing to employ the prior fund’s strategy that was developed during the founders’ tenure at American Capital.

Northlane Capital Partners

Date of First TMRS Meeting

5/10/2018

Dates of Subsequent Meetings

8/9/2018

3/1/2019

5/16/2019

Dates of Diligence Advancement

‘B’ Rating – 3/1/2019

‘A’ Rating – 5/16/2019

Reference Checks

Yes

Date of Consultant IDD Report

September, 2018

Date of Consultant Board Memo

June, 2019

Legal Negotiation Initiated

May, 2019

Comparable Strategies Reviewed

18 (Business Services Buy-Out)

16 (Healthcare Buy-Out)

Section V

REQUESTED BOARD ACTION

Approval of Recommendation

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

Recommendations:

- Northlane Capital Partners II LP \$60 million

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