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TMRS commits \$300 million to core vehicles

The \$20.1 billion [Texas Municipal Retirement System \(TMRS\)](#) has increased its core exposure with a total of \$300 million in investments to four real estate funds.

TMRS made a \$100 million commitment to Harrison Street Securities, a REIT subsidiary of real estate investment management firm [Harrison Street Real Estate Capital](#). Its strategy is to increase core real estate exposure for investors.

TMRS invested in another Harrison Street vehicle, Harrison Street Core Property Fund, through a follow-on commitment of \$50 million. The pension fund previously made a \$100 million commitment in 2011. The core open-end fund is dedicated exclusively to investing in stabilized, income-producing properties in the student housing, senior housing, medical office and self-storage segments. It was launched in 2011, and it had raised approximately \$391 million as of Nov. 9, 2012. The fund has started to invest its capital. As of third quarter 2012, Harrison Street Core Property Fund has acquired or has under contract more than \$750 million in gross real estate assets with properties in strong in-fill markets including senior housing and self-storage in Long Island, N.Y.; student housing properties adjacent to University of Minnesota and University of Georgia; and medical office space in The Woodlands submarket of Houston.

TMRS also made a follow-on commitment of \$50 million to Stockbridge Smart Markets Fund, managed by [Stockbridge Capital Group](#). The pension fund invested \$100 million in the fund in spring 2011. Stockbridge Smart Markets Fund aims to raise approximately \$1 billion and plans initially to target smaller assets and lower-tier major markets with smart, tech-savvy workforces. The investment strategy for the fund is eventually to invest in 12 U.S. markets that Stockbridge believes are poised to capture a large share of long-term U.S. employment growth and are home to major universities and highly educated work forces. The Smart Markets Fund expects to invest in the four main property types of office, industrial, retail and apartments.

In addition, TMRS committed \$100 million to Mesa West Core Lending Fund, a direct lending real estate fund managed by [Mesa West Capital](#). The closed-end fund was launched in October 2011 and aims to raise approximately \$500 million. A final close date was not disclosed, but the fund may hold a final close during 2013. Other recent investors include the City of Los Angeles Department of Water and Power Employees' Retirement Plan and Kentucky Retirement Systems.

The commitments are part of TMRS' recently approved \$600 million implementation plan, which was approved at its December meeting. The pension plan aims to reach its target real estate allocation of 10 percent. The plan currently has an actual allocation to the asset class of 3 percent. Real estate investments will be funded from the TMRS fixed-income portfolio, which the retirement system is seeking to reduce to a 35 percent allocation from 57 percent. In addition, the pension plan will be conducting searches for core, value-added and/or opportunistic managers. The fund's real estate consultant, ORG Portfolio Management, will assist in the searches.

-- Andrea Waitrovich