Federal Insurance Office
Federal Advisory Committee on Insurance
Infrastructure Investments

How ACLI Is Proceeding
Perspective On TIAA Infrastructure Investing

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Infrastructure Investments Particularly Attractive to Insurers

Key Characteristics
- Strong Fundamentals
  - Inelastic demand
  - Essential services and products
  - Population growth
  - Aging existing infrastructure
  - Stretched state/municipal budgets
  - High barriers to entry
  - Regulated assets
- Inflation-linked, predictable current cash yields
- Opportunity for capital appreciation and competitive return

+ Long-duration
+ Relatively illiquid
+ Stable and secure cash flows
+ Diversification
+ Attractive risk-adjusted returns
The TIAA direct infrastructure effort builds on over 20 years of project finance, debt, and equity investing experience to select and structure direct equity and debt infrastructure investments.

- Infrastructure and energy portfolio of ~$13 billion in size comprised of equity, high yield debt, and convertible debt
- Established key industry and investment relationships and partnerships leveraged through our scale and scope in the market
- Strategic collaboration with internal commodity/energy effort that validates contracted energy infrastructure
- Proprietary pipeline offers optimal selection of portfolio assets at attractive valuations
- Experienced investment team overseeing a global portfolio

Global Footprint
- United States
- Europe
- Australia

Asset Diversification
- Toll roads
- Utilities
- Transmission
- Pipelines (oil, gas)

Additional Opportunities
- Power-generating assets (gas-fired, solar, wind, hydroelectric, geothermal)
- Ports
- Airports

1. As of March 31, 2017
Case Study I-595 Express LLC

TIAA holds a 50% ownership stake in I-595, a major east-west highway in southeast Florida structured as the first availability-based road concession lease in the United States.

- In October 2011, TIAA entered into a 50% joint venture with ACS Infrastructure Development (ACSID), the North American subsidiary of Grupo ACS (Madrid).
- I-595 is a major east-west thoroughfare located in southeast Florida and used by more than 180,000 vehicles per day – by 2034 that number is projected to grow to beyond 300,000.
- The Florida Department of Transportation (FDOT) awarded a public-private partnership (P3) agreement to serve as the concessionaire to design, build, finance, operate and maintain the I-595 corridor improvements project for a commitment of 35 years.
- The $1.6 billion construction project reached substantial completion in March 2014 and financial acceptance by the FDOT in June 2014.
- Refinanced in 2015 through the taxable private placement bond market; the senior bonds and subordinate secured loan currently carry an unpublished A3 rating by Moody’s.
- Revenues are provided by contractual availability payments as detailed in a 35-year concession agreement with the FDOT with no traffic demand risk.
- 2011 North American Infrastructure Deal of the Year by Infrastructure Investor.

The purpose of this material is to provide an example of how the portfolio management team evaluates infrastructure and energy projects. All information shown is historical, is provided for informational purposes only and should not be deemed as a recommendation to buy or sell the investment shown above, or indicative of future investments by TIAA or the proposed Fund.
Current Challenges

- Right Information to the Right People in the Right Format Through the Right Channel
- Enormity of the Regulatory Review Process and Limited Resources
- Permits and Approval Process Tedious at Federal, State and Local Level

- Stopper is Not Typically the Credit Metrics
- Could be a Structural Element’s Effectiveness in Mitigating Risk
- Could be Collateral that is Difficult to Value

- Current Emerging Investment Filing Process only Benefits the Company that Filed the Deal. Limited to a Particular Deal for a Particular Length of Time
- Ideally a Periodic Forum Assessing Risks (Other Than Credit) that Face Investors and Regulators – For Example, a Joint Industry/Regulator Technical Working Group
Moving Forward

- Partner With FIO and Others To Advance This Important Initiative
- Execute on the Public Private Partnership (P3) Model
- Insurance Industry Prepared to Provide New, Innovative Approaches to Fill Infrastructure Funding Gap
- NAIC Foster Advocacy With Governmental Bodies
- Never Depart from Core Disciplines of State-Based Regulations, Policyholder Emphasis, and Sound Risk Management
- Congressional Leadership Support on Interstate Issues