



November 13, 2017

Mr. Edward Armstrong  
Office of State Procurement  
1500 West 7<sup>th</sup> Street, Suite 300  
Little Rock, AR 72201

Ms. Marty Garrity  
Bureau of Legislative Research  
State Capitol, Room 315  
Little Rock, AR 72201

Re: Notification of Imminent Need Under Act 1211 of 2009 (A.C.A. §19-11-1303)  
Investment: Aeolus Property Catastrophe Keystone PF, L.P.

Dear Mr. Armstrong and Ms. Garrity:

As Executive Director of Arkansas Teacher Retirement System (ATRS), my intent and plan is not to use the Imminent Need provisions of Act 1211 unless warranted. Due to fund manager changes and speed of the markets, it is occasionally needed. The investment presented at this time is considered Imminent Need due to the fact that it will need to close within the next few days, and there is no Arkansas Legislative Council (ALC) meeting scheduled during that time frame.

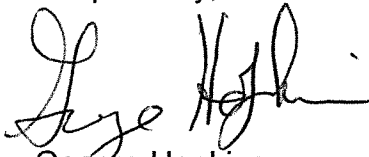
Based on the recommendation of Aon Hewitt Investment Consulting, Inc., and ATRS staff, on November 13, 2017, the ATRS Board of Trustees (Board), in a called Board meeting, adopted Resolution 2017-26 to declare an Imminent Need exists for additional investment in Aeolus Property Catastrophe Keystone PF Fund, L.P. The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for this investment.

This letter has been sent in compliance with the five-day rule in Act 1211. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolution to the Office of State Procurement and the Arkansas Legislative Council. The additional amount that ATRS intends to invest in this investment is \$110,000,000. For full and open disclosure, ATRS is attaching an Executive Summary for the investment to provide further details.

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ATRS is hereby requesting that the investment mentioned above be reviewed by ALC at the next scheduled meeting. If any additional information is needed, please feel free to contact me on my direct line at 501-682-1820, my cell phone at 501-318-5998, or by email at: [georgeh@artts.gov](mailto:georgeh@artts.gov)

Respectfully,

A handwritten signature in black ink, appearing to read "George Hopkins", written in a cursive style.

George Hopkins  
Executive Director

GH:lw

Arkansas Teacher Retirement System  
Alternative Investment  
Executive Summary

<b>Investment</b>	Aeolus Property Catastrophe Keystone PF, L.P. (the "Fund")
<b>Managing Party</b>	Aeolus Capital Management (the "General Partner" or "Aeolus")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	November 2017
<b>Expected Closing Date</b>	ATRS is expected to close in November 2017.
<b>ATRS Commitment &amp; Reason for Entry</b>	The additional investment of up to \$110 million is to account for withheld reserves each calendar year and help achieve the 5% target allocation to alternative investments. The fund was recommended by the ATRS alternative investment consultant.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : The General Partner has proposed an annual management fee of 2.0% of commitments plus a 15% performance fee.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The Fund has no termination date and invested funds will be automatically renewed unless the investor makes a redemption request 60 days' notice prior to renewal season.
<b>Investment Strategy</b>	The Fund will focus on customized reinsurance and retrocession contracts in various parts of the world in the catastrophic property insurance market. Investment and underwriting risk will be managed by using actuarial statistics for events and by the firm's policy not to employ leverage.
<b>Management Team</b>	Aeolus Reinsurance was founded in 2006 by Peter Appel and David Ecklund and was transformed into a managed capital platform in 2011 that was renamed Aeolus Capital Management. The firm which is based in Bermuda is led by Peter Appel, David Ecklund, Christopher Grasso, Andrew Bernstein and Robert Tuchman as well as three other partners.
<b>Historical Performance</b>	Prior funds managed by the General Partner have generated net average returns of 18% for three years and 16.9% for four years. Historical returns are not indicative of future performance.

**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**1400 West Third Street**  
**Little Rock, Arkansas 72201**

**RESOLUTION**  
**No. 2017-26**

**Approving Additional Investment and Reinvestment in Aeolus  
Property Catastrophe Keystone PF Fund, LP with Imminent Need**

**WHEREAS**, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

**WHEREAS**, the ATRS Board has reviewed the recommendation of its general investment consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Aeolus Property Catastrophe Keystone PF Fund, LP**, managed by Aeolus Capital Management LP, a fund which utilizes actuarial projections to create highly customized portfolios consisting of reinsurance or retrocession contracts focused on property catastrophe coverage; and

**WHEREAS**, the ATRS Board approves an additional investment of up to **\$110 million dollars (\$110,000,000.00)** in **Aeolus Property Catastrophe Keystone PF Fund, LP**, with recallable distributions to any tranche of **Aeolus Property Catastrophe Keystone PF Fund, LP**, and the Board, after its review of the timing in which the closing of the additional investment in **Aeolus Property Catastrophe Keystone PF Fund, LP** may need to occur, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. ATRS staff expects the agreement will be executed within 24 hours of the approval of this resolution. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants;

**NOW, THEREFORE, BE IT RESOLVED**, that the ATRS Board approves an additional investment of up to **\$110 million dollars (\$110,000,000.00)** in **Aeolus Property Catastrophe Keystone PF Fund, LP** and agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Aeolus Property Catastrophe Keystone PF Fund, LP**.

***FURTHER, BE IT RESOLVED***, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment using the Imminent Need process, if acceptable terms are reached.

**Adopted this 13th day of November, 2017.**

A handwritten signature in black ink, appearing to read "Jeff Stubblefield", is written over a horizontal line.

**Mr. Jeff Stubblefield, Chair**  
***Arkansas Teacher Retirement System***