



May 10, 2016

Senator Bill Sample  
Representative David L. Branscum  
Arkansas Legislative Council  
State Capitol, Room 315  
Little Rock, AR 72201

RE: Reporting of Arkansas Teacher Retirement System (ATRS) Investments:  
Revolving Line of Credit for the Arkansas Institutional Fund, LLC  
Revolving Line of Credit for the Arkansas Development Finance Authority

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summaries, ATRS is reporting two investments to the Arkansas Legislative Council (ALC).

The ATRS Board recently approved an investment of up to \$50 million for a revolving line of credit for the Arkansas Institutional Fund, LLC backed and managed by the Arkansas Development Finance Authority. The investment was recommended by both ATRS's consultant, Simmons First National Bank and ATRS staff.

Also approved is a revolving line of credit for the Arkansas Development Finance Authority of up to \$20 million. This line of credit is also managed and backed by the Arkansas Development Finance Authority. The investment was recommended by both ATRS's consultant, Simmons First National Bank and ATRS staff.

The ATRS Board approved each of the investments described above at its April 21, 2016, called meeting and anticipates closing dates from September through the end of the year. A summary of each investment including key terms and investment strategy is enclosed as information for ALC. We will be happy to provide any other information you request regarding these investments.

Respectfully,

Rod Graves  
Associate Director Operations

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**Arkansas Teacher Retirement System  
Fixed Income Investment  
Executive Summary**

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| <b>Investment</b>  | Revolving Line of Credit for the Arkansas Institutional Fund, LLC (the "Investment")   |
| <b>Managing Party</b>  | Arkansas Development Finance Authority.  |
| <b>ATRS Legal Interest</b>   | ATRS will be the lender.   |
| <b>Report Date</b>   | April 2016   |
| <b>Expected Closing Date</b>   | ATRS is expected to close by September 2016.   |
| <b>ATRS Commitment &amp; Reason for Entry</b>                              | The investment of up to \$50 million is to help achieve the 20% target allocation to fixed income. The fund was recommended by the ATRS special investment consultant.               |
| <b>Placement Agent</b>   | No placement agent was utilized.   |
| <b>Key Terms</b>   | The revolving line of credit has a fixed interest rate of 3.25% for 10 years.  |
| <b>Justification of Investment Term &amp; Anticipated Termination Date</b> | The revolving line of credit of up to \$50 million has a fixed interest rate of 3.25% for 10 years. The anticipated termination date is 10 years from closing or approximately 2026. |
| <b>Investment Strategy</b>   | A revolving line of credit backed by the Arkansas Development Finance Authority.   |
| <b>Management Team</b>   | Arkansas Development Finance Authority.  |
| <b>Historical Performance</b>  | The revolving line of credit has a fixed interest rate of 3.25% for 10 years and is backed by state of Arkansas related collateral.  |

**Arkansas Teacher Retirement System  
Fixed Income Investment  
Executive Summary**

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|--|--|
| <b>Investment</b>  | Revolving Line of Credit for the Arkansas Development Finance Authority (the "Investment")   |
| <b>Managing Party</b>  | Arkansas Development Finance Authority.  |
| <b>ATRS Legal Interest</b>   | ATRS will be the lender.   |
| <b>Report Date</b>   | April 2016   |
| <b>Expected Closing Date</b>   | ATRS is expected to close by the end of 2016.  |
| <b>ATRS Commitment &amp; Reason for Entry</b>                              | The investment of up to \$20 million is to help achieve the 20% target allocation to fixed income. The fund was recommended by the ATRS special investment consultant.   |
| <b>Placement Agent</b>   | No placement agent was utilized.   |
| <b>Key Terms</b>   | The revolving line of credit will have a negotiated interest rate based upon the current rate of state of Arkansas general obligation bonds at the time of the loan request with a floor of 3.25% interest for up to 10 years.   |
| <b>Justification of Investment Term &amp; Anticipated Termination Date</b> | The revolving line of credit will have a negotiated interest rate based upon the current rate of state of Arkansas general obligation bonds at the time of the loan request with a floor of 3.25% interest for up to 10 years. The anticipated termination date is up to 10 years from the time of the loan request, approximately 2026. |
| <b>Investment Strategy</b>   | A revolving line of credit backed and managed by the Arkansas Development Finance Authority.   |
| <b>Management Team</b>   | Arkansas Development Finance Authority.  |
| <b>Historical Performance</b>  | The revolving line of credit will have a negotiated interest rate based upon the current rate of state of Arkansas general obligation bonds at the time of the loan request with a floor of 3.25% interest for up to 10 years. The line of credit will be backed by state of Arkansas type collateral.                                   |