



May 27, 2020

Mr. Edward Armstrong
Office of State Procurement
1500 West 7th 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)
Investments: TCW TALF Opportunities Fund, L.P.
AB TALF Opportunity 2020 (Delaware) Fund, 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 investments presented at this time are considered Imminent Need due to the fact that they will likely need to close before the next scheduled meeting of the Arkansas Legislative Council (ALC).

On May 20, 2020, the ATRS Board of Trustees (Board), in a called meeting, adopted Resolution 2020-17 to declare an Imminent Need exists to commit up to \$100 million in TCW TALF Opportunities Fund, L.P. The investment was recommended by Aon Hewitt Investment Consulting, general investment consultant for ATRS as well as by ATRS staff.

At the same meeting, the Board authorized an investment of up to \$100 Million in AB TALF Opportunity 2020 (Delaware) Fund, L.P. using Imminent Need through Resolution 2020-18. This investment was also recommended by both Aon Hewitt Investment Consulting and ATRS staff.

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The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for each of these investments. 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 resolutions to the Office of State Procurement and to the Arkansas Legislative Council. For full and open disclosure, ATRS is attaching an Executive Summary for each of the investments to provide further details.

ATRS is hereby requesting that the investments 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 or by email at: clintr@artrs.gov

Respectfully,



Clint Rhoden
Executive Director

CR:lw

**Arkansas Teacher Retirement System
Alternative Investment
Executive Summary**

Investment	TCW TALF Opportunities Fund, LP
Managing Party	TCW TALF GP LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	May, 2020
Expected Closing Date	May, 2020
ATRS Commitment & Reason for Entry	The investment of up to \$100 million in Term Asset-Backed Securities Loan Facility (TALF) is to help achieve the 5% target allocation to opportunistic alternative assets. The fund was recommended by the ATRS investment consultant, Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : .5% per annum on invested capital. <u>Incentive fee</u> : .5% for >10% IRR, .25% for 8-10% IRR & .125% for 7-8% IRR.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize a TALF investment. The fund has a five-year term with a projected maturity in 2025.
Investment Strategy	TALF refers to investments in securitized products made from loans associated with the Federal Reserve Bank's Term Asset-Backed Securities Loan Facility. The loans are fully secured by collateralized investments and are similar to a 2009 program that produced successful results for investors.
Management Team	TALF Decisions will be up to Harrison Choi and Scott Austin who are co-head PMs of the securitized team and the generalist portfolio managers: Tad Rivelle CIO, Laird Landmann, Bryan Whalen, and Steve Kane.

**Historical
Performance**

The previous 2009 TALF program produced returns in the teens.

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

RESOLUTION
No. 2020-17

**Approving Investment in TCW TALF Opportunities 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

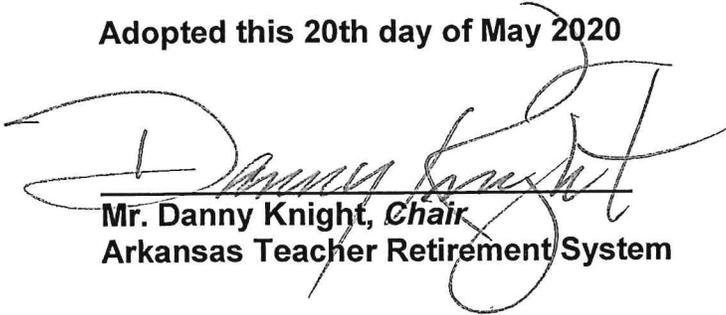
WHEREAS, the ATRS Board has reviewed the recommendation of its general investment consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **TCW TALF Opportunities Fund, LP**, a fund focused on asset-backed securities; and

WHEREAS, the ATRS Board approves an investment of up to **\$100 million dollars (\$100,000,000.00)** in **TCW TALF Opportunities Fund, LP**, and the Board, after its review of the timing in which the closing of the investment in **TCW TALF Opportunities 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. 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 investment of up to **\$100 million dollars (\$100,000,000.00)** in **TCW TALF Opportunities Fund, LP** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **TCW TALF Opportunities Fund, LP**. The total investment amount is to be determined by ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the Board; and

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 20th day of May 2020

A handwritten signature in black ink, appearing to read "Danny Knight", is written over a horizontal line. The signature is stylized and cursive.

Mr. Danny Knight, *Chair*
Arkansas Teacher Retirement System