



May 27, 2020

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)  
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](mailto:clintr@artrs.gov)

Respectfully,



Clint Rhoden  
Executive Director

CR:lw

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

<b>Investment</b>	AB TALF Opportunity 2020 (Delaware) Fund, L.P.
<b>Managing Party</b>	AB TALF Opportunity 2020 Management, LLC
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	May, 2020
<b>Expected Closing Date</b>	May, 2020
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$100 million in Term Asset-Backed Securities Loan Facility (TALF) related investments 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.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : .5% per annum on invested capital. <u>Carried Interest</u> : 10% of profits after LP's receive a 8% IRR preferred return.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to identify, execute and then monetize a TALF investment. The fund has a five-year term with an anticipated maturity in 2025.
<b>Investment Strategy</b>	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.
<b>Management Team</b>	The advisor's team responsible for the management of the fund's portfolio will be led by Michael Canter, along with other senior members of the Securitized Assets team.

**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. 2020-18**

**Approving Investment in AB TALF Opportunity 2020 (Delaware)  
Fund, L.P.  
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 **AB TALF Opportunity 2020 (Delaware) Fund, L.P.**, 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 **AB TALF Opportunity 2020 (Delaware) Fund L.P.**, and the Board, after its review of the timing in which the closing of the investment in **AB TALF Opportunity 2020 (Delaware) Fund, L.P.** 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 **AB TALF Opportunity 2020 (Delaware) Fund, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **AB TALF Opportunity 2020 (Delaware) Fund, L.P.** 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**

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