



June 8, 2021

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)
Investment: KKR Diversified Core Infrastructure Fund, L.P.
Carlyle Realty Partners IX, L.P.
GLP Capital Partners IV, L.P.

Dear Mr. Armstrong and Ms. Garrity:

As Executive Director of Arkansas Teacher Retirement System (ARTS), 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 June 7, 2021, the ARTS Board of Trustees (Board), in a scheduled meeting, adopted Resolution 2021-23 to declare an Imminent Need exists to commit up to \$50 million in KKR Diversified Core Infrastructure Fund, L.P. using Imminent Need. The investment was recommended by AonHewitt Investment Consulting, ARTS's real assets consultant and ARTS staff concurs.

At the same meeting, the Board authorized an investment of up to \$50 million in Carlyle Realty Partners IX, L.P. also using Imminent Need through Resolution 2021-24. This investment was recommended by AonHewitt and ARTS staff concurs as well.

Mr. Armstrong
Ms. Garrity
June 8, 2021
Page Two

The Board also adopted Resolution 2021-25 approving an investment of up to \$50 million with Imminent Need in GLP Capital Partners IV, L.P. Again, AonHewitt recommended the investment and ATRS staff concurs.

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 501-682-2175, extension 1542 or by email at: clintr@artrs.gov

Respectfully,



Clint Rhoden
Executive Director

CR:lw

**Arkansas Teacher Retirement System
Real Assets Investment
Executive Summary**

Investment	KKR Diversified Core Infrastructure Fund L.P.
Managing Party	KKR Associates Diversified Core Infrastructure SCSp.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2021
Expected Closing Date	June 2021
ATRS Commitment & Reason for Entry	The investment of up to \$50 million in core infrastructure is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, AonHewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : 49 bps on invested capital.
Justification of Investment Duration Term & Anticipated Termination Date	The term is open end (indefinite) as infrastructure assets are long-lived. Quarterly redemption is available after a 6 year lock up period.
Investment Strategy	The fund will seek to pursue core infrastructure investments with a buy-and-hold approach with a particular focus on investments with contracted and/or regulated cash flows from existing projects, and assets located in the OECD countries in North America, Western Europe and Asia.
Management Team	Led by Raj Agrawal (global head of infrastructure), Brandon Freiman (head of North American infrastructure), Vincent Policard and Tara Davies (co-heads of European infrastructure), and David Luboff (head of Asian infrastructure), the KKR infrastructure team is comprised of 46 dedicated investment professionals (the "Investment Team") across various offices in North America, Europe and Asia.
Historical Performance	Being a newly incepted fund, there is no track record per se, however KKR's previous closed end, value add funds have returned an average 14% IRR.

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

RESOLUTION
No. 2021-23

**Approving Investment in KKR Diversified Core Infrastructure
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

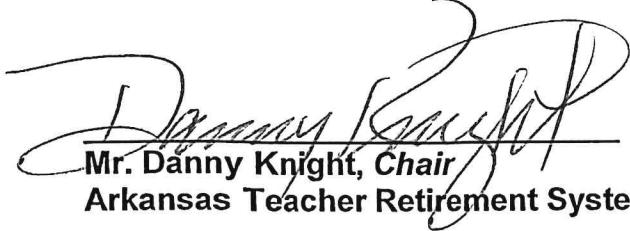
WHEREAS, the ATRS Board has reviewed the recommendation of its real assets consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **KKR Diversified Core Infrastructure Fund L.P.**, a core infrastructure fund investing in utilities, telecom, transportation, social infrastructure and energy transition sectors; and

WHEREAS, the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **KKR Diversified Core Infrastructure Fund L.P.**, and the Board, after its review of the timing in which the closing of the investment in **KKR Diversified Core Infrastructure 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 **\$50 million dollars (\$50,000,000.00)** in **KKR Diversified Core Infrastructure Fund L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **KKR Diversified Core Infrastructure 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 7th day of June 2021



Mr. Danny Knight, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Real Assets Investment
Executive Summary**

Investment	Carlyle Realty Partners IX, L.P.
Managing Party	Carlyle Realty IX, L.L.C.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2021
Expected Closing Date	June 2021
ATRS Commitment & Reason for Entry	The investment of up to \$50 million in opportunistic real estate is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, AonHewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: 150 bps on committed capital during investment period; thereafter 150 bps on invested capital</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive an 9% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize opportunistic real estate investments. The fund has a ten-year term with an anticipated maturity in 2031.
Investment Strategy	The Fund will seek investments capable of generating a 20% gross fund-level IRR or greater, focusing on current demographic trends driving growth in a variety of real estate sectors. These trends include multifamily, industrial, life sciences, medical & self-storage. Hotel, office and retail properties will be deemphasized.
Management Team	The Carlyle Group was founded in 1987 by William Conway Jr., Daniel D'Aniello, and David Rubenstein. Robert G. Stuckey is a Managing Director and the head of all of Carlyle's U.S. real estate funds. He has held that position since joining the firm in 1998 and is based in Washington, DC. Jonathan Bard is a Managing Director focused on U.S. real estate opportunities. He is responsible for all aspects of real estate investments, with a geographic focus on the West Coast. Mr. Bard is based in Los Angeles. Michael D. Gershenson is a Partner focused on U.S. real estate opportunities. He is responsible for all aspects of real estate investments,

with a geographic focus on New York and Boston, as well as a product focus on multifamily, life science and industrial properties. Mr. Gershenson is based in New York.

**Historical
Performance**

Performances of the eight preceding funds average a net IRR of 13%.

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

RESOLUTION
No. 2021-24

**Approving Investment in Carlyle Realty Partners IX, 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

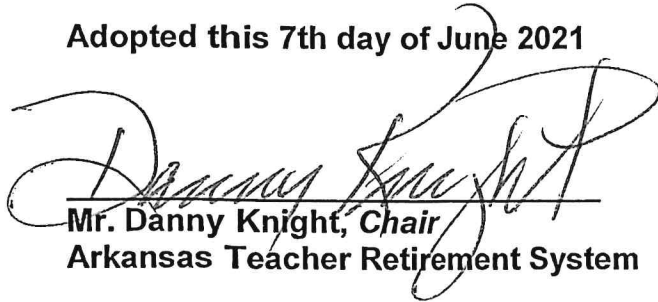
WHEREAS, the ATRS Board has reviewed the recommendation of its real assets consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Carlyle Realty Partners IX, L.P.**, an opportunistic real estate fund investing in new development, heavy renovation and redevelopment of mixed commercial property types; and

WHEREAS, the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **Carlyle Realty Partners IX, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Carlyle Realty Partners IX, 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 **\$50 million dollars (\$50,000,000.00)** in **Carlyle Realty Partners IX, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Carlyle Realty Partners IX, 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 7th day of June 2021

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

Mr. Danny Knight, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Real Assets Investment
Executive Summary**

Investment	GLP Capital Partners IV L.P. (GCP)
Managing Party	GLP Capital Partners IV GP L.P.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2021
Expected Closing Date	June 2021
ATRS Commitment & Reason for Entry	The investment of up to \$50 million in this value-add industrial and logistic real estate fund is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, AonHewitt Investment Consulting.
Placement Agent	PJT Park Hill was the placement agent. The GP bears the expense of the placement agent.
Key Terms	<p><u>Management Fee</u>: 150 bps on committed capital during investment period; thereafter 150 bps on invested capital</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive an 8% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize value-add real estate investments. The fund has a ten-year term from initial closing with an anticipated maturity in 2031.
Investment Strategy	The funds strategy is to assemble a portfolio of bulk distribution and infill last mile logistics assets across the U.S., targeting core regional industrial hubs such as Dallas, Houston, Southern California, Inland Empire, Pennsylvania, NYC/New Jersey, and Seattle.
Management Team	Alan Yang is the CEO and a Senior Managing Director of GCP and Chairman of the Investment Committee of GLP. Prior to forming GCP, Alan led GLP's U.S. entry through the acquisition of IndCor from Blackstone, scaled the platform to be the second largest owner of logistics properties in the United States within one year of entry, and led GLP's sale of its U.S. platform in the largest ever private real estate transaction globally. Adam Berns is the CIO and a Senior Managing Director of GCP. Prior to forming GCP, Adam led numerous investments while at GLP, including the formational transactions for Fund III, GLP's entry into Europe, and GLP's

sale of its U.S. platform in the largest ever private real estate transaction globally. Steven Crowe is a Senior Managing Director of GCP. Prior to GCP, Steven was involved with numerous investment transactions and capital markets activities across the United States and Europe while at GLP and led investments totaling over \$1 billion, including GLP's acquisition of the Goodman Group's Central and Eastern European logistics portfolio and operating platform.

**Historical
Performance**

Performances of the three preceding funds average a net IRR of 18%.

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

RESOLUTION
No. 2021-25

**Approving Investment in GLP Capital Partners IV 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

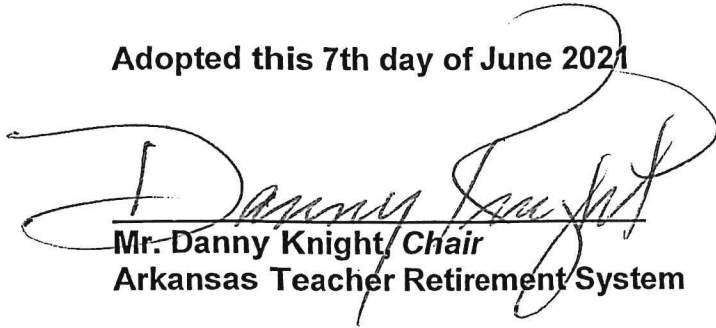
WHEREAS, the ATRS Board has reviewed the recommendation of its real assets consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **GLP Capital Partners IV L.P.**, a value-add industrial and logistics real estate fund investing in assets across major distribution markets; and

WHEREAS, the ATRS Board approves an investment of up to **\$50 million dollars (\$50,000,000.00)** in **GLP Capital Partners IV L.P.**, and the Board, after its review of the timing in which the closing of the investment in **GLP Capital Partners IV 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 **\$50 million dollars (\$50,000,000.00)** in **GLP Capital Partners IV L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **GLP Capital Partners IV 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 7th day of June 2021

A large, stylized handwritten signature in black ink, appearing to read "Danny Knight", is written over a horizontal line. Below the line, the text "Mr. Danny Knight, Chair" and "Arkansas Teacher Retirement System" is printed.

Mr. Danny Knight, Chair
Arkansas Teacher Retirement System