



June 7, 2011

Ms. Jane Benton
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Mr. David Ferguson
Bureau of Legislative Research
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Notification of Imminent Need Under Act 1211 of 2009

As Executive Director of 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.

Based on Hewitt EnnisKnupp's (ATRS's consultant) and ATRS staff recommendations on June 6th, 2011, the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolutions 2011-23 and 2011-24 to declare an Imminent Need exists for investments in the following funds: BlackRock MSCI ACWI IMI Index Fund A (2011-23) and BlackRock U.S. Equity Market Fund A (2011-24). The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolutions to the Office of State Procurement and the Arkansas Legislative Council (ALC).

The reason for the Imminent Need status of the BlackRock MSCI ACWI IMI Index Fund A is the need for a vehicle to replace the Capital Guardian Trust Company managed ATRS All Country World Equity Portfolio recently voted for termination by the Board. The BlackRock MSCI ACWI IMI Index Fund A was recommended by the general investment consultant as a proper replacement to continue exposure and maintain asset allocation targets in the global equity space through this index fund. Being a

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passive index investment, this replacement offers substantially lower management fees, lower active management risk, and improved liquidity options than the terminated Capital Guardian product.

After a strong performance in the one year period ending March 31, 2011 in which the ATRS Domestic Equity portfolio produced returns in excess of 20%, the Board with recommendation from the general investment consultant, voted to establish a domestic index fund in order to rebalance the active management risk from this asset class. The recommended fund, the BlackRock U.S. Equity Market Fund A, will offer lower fees, improved liquidity options, and help to reduce the level of active management risk in the Domestic Equity portfolio. The Imminent Need for this investment is in response to market climates in which the general investment consultant believes would be prudent to place some profits generated by active managers into a passive index as soon as reasonably possible. Funding of this new vehicle will be comprised of repositioning assets in the amount of \$50 million each from three current active managers: ICC, Kennedy, and Allianz (formerly Nicholas Applegate).

This letter has been sent in compliance with the five-day rule in Act 1211. In addition to providing meaningful early disclosure, ATRS intends to comply with the notification procedures set forth in Act 1211. The amount that ATRS intends to invest in these investments is approximately \$510,000,000. For full and open disclosure, ATRS is attaching an Executive Summary and executed resolutions 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, my cell phone at 501-318-5998, or by email at: georgeh@artts.gov

Respectfully,



George Hopkins
Executive Director

GH:rg

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

RESOLUTION
No. 2011 - 23

**Approving BlackRock MSCI ACWI IMI Index Fund A,
with an Imminent Need Declaration
Global Equity Index Fund**

WHEREAS, The Board of Trustees of the Arkansas Teacher Retirement System (ATRS) is mandated under Act 1211 of 2009 to promptly implement its investment directives consistent with the duty of care required of a fiduciary under the prudent investor rule in Arkansas Code Annotated Section 24-2-610; and

WHEREAS, In its capacity as fiduciary, the ATRS Board deems it appropriate to immediately retain a passive global equity index fund manager; and

WHEREAS, Market conditions, rebalancing risks, and controlling fees have created an emergency need for rebalancing global equity allocations by placing certain funds into a passive global equity index fund; and

WHEREAS, ATRS has just terminated continued participation in Capital Guardian Trust Company, which will require ATRS to have a global equity investment available to accept approximately \$360 million dollars in as little as thirty (30) days; and

WHEREAS, Hewitt EnnisKnupp, ATRS' General Investment Consultant, and ATRS Staff are recommending BlackRock as an appropriate manager for the passive global equity index fund as result of the manager screening process; and

WHEREAS, Hewitt EnnisKnupp, ATRS' General Investment Consultant, and ATRS Staff are recommending BlackRock MSCI ACWI IMI Index Fund A as an appropriate fund structure for the passive global equity index fund as result of the screening process; and

WHEREAS, The ATRS Board of Trustees and ATRS Staff agree with the recommendation of Hewitt EnnisKnupp that BlackRock and BlackRock MSCI ACWI IMI Index Fund A clearly meet the requirements of the manager and fund selection process; and

WHEREAS, The Board consents to and deems it immediately necessary and financially appropriate to hire fund manager BlackRock at this time for this passive global equity index fund; and

NOW, THEREFORE, BE IT RESOLVED, That the Board of Trustees, after careful consideration of the documents and upon recommendation by ATRS Staff and the ATRS General Investment Consultant, Hewitt EnnisKnupp, approves the hiring of BlackRock and, specifically, BlackRock MSCI ACWI IMI Index Fund A and does so using the imminent need process authorized by Arkansas law;


THAT The anticipated date of implementation is as soon as reasonably possible following the passage of this resolution in order to have this fund available to accept the proceeds from the Capital Guardian Trust Company;

THAT Due to the implementation of this investment being as soon as possible, this engagement is made under the imminent need provisions of law in order that the risk rebalancing occurs as soon as reasonably possible following the passage of this resolution;

THAT The ATRS Staff is authorized to conduct all necessary negotiations and finalize all necessary documents and terms to fund the investment, BlackRock MSCI ACWI IMI Index Fund A; and

THAT The ATRS Staff is to comply with all procurement laws, to include providing the Office of State Procurement, Bureau of Legislative Research, and the staff of the Legislative Review Committee a copy of this Resolution within five (5) business days of its adoption.

Adopted this 6th day of June, 2011



Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Public Markets Investment
Executive Summary**

Investment	BlackRock MSCI ACWI IMI Index Fund A (the "Fund")
Managing Party	BlackRock Institutional Trust Company, N.A. (the Manager or "BlackRock")
ATRS Legal Interest	ATRS will own units of a commingled trust fund
Report Date	June 2011
Expected Closing Date	Anticipated funding date by ATRS is June 30, 2011
ATRS Commitment & Reason for Entry	The approximate \$360 million investment is to help diversify the Global Equity portfolio by placing current actively managed assets into a passive strategy with lower costs, improved liquidity options, and lower active management risks. The Fund was recommended by the ATRS general investment consultant.
Placement Agent	The Manager does not utilize a placement agent.
Key Terms	<u>Management Fee</u> : The Manager has proposed an annual management fee of 0.07% per annum on the first \$100 million and 0.05% on the balance. Fees are calculated quarterly in arrears by averaging an account's three month-end market values and applying 25% of the annual fee schedule. When assets are held for a partial quarter(s) as a result of an initial contribution to or a final withdrawal from a collective investment fund, the quarter-end market value will be calculated using a time-weighted method. The quarter-end market value shall be: (1) decreased on a pro rata basis by any contribution to the account made during the calendar quarter and, (2) increased on a pro rata basis by any withdrawal made from the account during the calendar quarter.

**Justification of
Investment Term
& Anticipated
Termination Date**

The Fund is an "open ended" fund and will remain open until it is liquidated, if ever. The Fund trades weekly with T-3 by 12:00 PM notification and T+5 settlement (wires for purchases are due on T and wires for redemptions are due on T+6).

**Investment
Strategy**

The Fund is designed to track the MSCI ACWI IMI Index – currently the broadest global index as it tracks roughly 99% of the world's total market capitalization. The lending Fund was introduced in 2008 and currently has \$1.3 billion in assets under management and holds 8570+ securities. The Fund has weekly liquidity.

**Management
Team**

BlackRock Institutional Trust Company, N.A. ("BTC") is a national banking association organized under the laws of the United States. BTC operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency ("OCC"), the agency of the U.S. Treasury Department that regulates United States national banks. BTC's principal office is located at 400 Howard Street, San Francisco, CA 94105. BTC has three subsidiaries: BlackRock Fund Advisors, a U.S.-registered investment advisor and commodity trading advisor; BlackRock Execution Services, a U.S.-registered broker dealer; and BlackRock Corporation US Inc., a California corporation. BTC is also registered as a commodity trading advisor.

The Index Equity investment management team is led by Amy Schioldager, the Global Head of Index Equity. The portfolio management team is subdivided by region to enhance expertise in specific markets: the US, developed markets, and emerging and frontier equity markets. The Index Research Group supports the portfolio management function by focusing on daily index changes as well as the accuracy and timeliness of index data. In addition, the Index research analysts forecast large index events, generate value-added trading strategies and research new strategies. Many analysts have PhD's in multi-disciplinary fields, providing quantitative expertise to index management.

**Historical
Performance**

The Fund was launched in March 2008 and since inception has generated an annualized return of 2.46% as of March 31, 2011, outperforming the benchmark by 0.32%. Historical returns are not indicative of future performance.

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

RESOLUTION
No. 2011 - 24

**Approving BlackRock US Equity Market Fund A,
with an Imminent Need Declaration
Domestic Equity Index Fund**

WHEREAS, The Board of Trustees of the Arkansas Teacher Retirement System (ATRS) is mandated under Act 1211 of 2009 to promptly implement its investment directives consistent with the duty of care required of a fiduciary under the prudent investor rule in Arkansas Code Annotated Section 24-2-610; and

WHEREAS, In its capacity as fiduciary, the ATRS Board deems it appropriate to immediately retain a passive domestic equity index fund manager; and

WHEREAS, Market conditions, rebalancing risk, and controlling fees have created an emergency need to manage assets by rebalancing funds from three current managers (ICC Capital Management, Kennedy Capital Management, , and Allianz [Nicholas Applegate]), up to \$50 million dollars each, into a passive domestic equity index fund; and

WHEREAS, Hewitt EnnisKnupp, ATRS' General Investment Consultant, and ATRS Staff are recommending BlackRock as an appropriate manager for the passive domestic equity index fund as result of the manager screening process; and

WHEREAS, Hewitt EnnisKnupp, ATRS' General Investment Consultant, and ATRS Staff are recommending BlackRock US Equity Market Fund A as an appropriate fund structure for the passive domestic equity index fund as result of the screening process; and

WHEREAS, The ATRS Board of Trustees and ATRS Staff agree with the recommendation of Hewitt EnnisKnupp that BlackRock and BlackRock US Equity Market Fund A clearly meet the requirements of the manager and fund selection process; and

WHEREAS, The Board consents to and deems it immediately necessary and financially appropriate to hire fund manager BlackRock at this time for this passive domestic equity index fund; and

NOW, THEREFORE, BE IT RESOLVED, That the Board of Trustees, after careful consideration of the documents and upon recommendation by ATRS Staff and the ATRS General Investment Consultant, Hewitt EnnisKnupp, approves the hiring of BlackRock and, specifically, BlackRock US Equity Market Fund A and does so using the imminent need process authorized by Arkansas law;

THAT The anticipated date of implementation is as soon as reasonably possible following the passage of this resolution; and

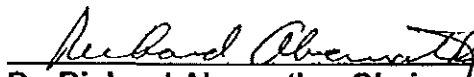
THAT ATRS Staff, with the joint approval of Hewitt EnnisKnupp, is authorized to withdraw up to \$50 million dollars each from ICC Capital Management, Kennedy Capital Management, and Allianz (Nicholas Applegate) to fund the BlackRock US Equity Market Fund A; and

THAT Due to the implementation of this investment being as soon as possible, this engagement is made under the imminent need provisions of law in order that the risk rebalancing occurs as soon as reasonably possible following the passage of this resolution;

THAT The ATRS Staff is authorized to conduct all necessary negotiations and finalize all necessary documents and terms to fund this investment, BlackRock US Equity Market Fund A; and

THAT The ATRS Staff is to comply with all procurement laws, to include providing the Office of State Procurement, Bureau of Legislative Research, and the staff of the Legislative Review Committee a copy of this Resolution within five (5) business days of its adoption.

Adopted this 6th day of June, 2011



Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Public Markets Investment
Executive Summary**

Investment	BlackRock U.S. Equity Market Fund A (the "Fund")
Managing Party	BlackRock Institutional Trust Company, N.A. (the Manager or "BlackRock")
ATRS Legal Interest	ATRS will own units of a commingled trust fund
Report Date	June 2011
Expected Closing Date	Anticipated funding date by ATRS is June 30, 2011
ATRS Commitment & Reason for Entry	The \$150 million investment is to help diversify the Domestic Equity portfolio by placing current actively managed assets into a passive strategy with lower costs, improved liquidity options, and lower active management risks. The Fund was recommended by the ATRS general investment consultant.
Placement Agent	The Manager does not utilize a placement agent.
Key Terms	<u>Management Fee</u> : The Manager has proposed an annual management fee of 0.035% per annum on the first \$100 million and 0.025% on the balance. Fees are calculated quarterly in arrears by averaging an account's three month-end market values and applying 25% of the annual fee schedule. When assets are held for a partial quarter(s) as a result of an initial contribution to or a final withdrawal from a collective investment fund, the quarter-end market value will be calculated using a time-weighted method. The quarter-end market value shall be: (1) decreased on a pro rata basis by any contribution to the account made during the calendar quarter and, (2) increased on a pro rata basis by any withdrawal made from the account during the calendar quarter.

**Justification of
Investment Term
& Anticipated
Termination Date**

The Fund is an "open ended" fund and will remain open until it is liquidated, if ever. The Fund trades daily with T-1 by 9:30 AM notification and T+3 settlement (wires are due on settlement date).

**Investment
Strategy**

The BlackRock U.S. Equity Market Fund is an index fund designed to track the Dow Jones U.S. Total Stock Market Index. Incepted in 1981, it is a lending fund that tracks the broadest U.S.-based benchmark, covering large-, mid-, and small-cap stocks as well as value, growth, and blend styles. The Fund currently has roughly \$18.2 billion in assets and holds 2,600+ securities. The Fund provides daily liquidity.

**Management
Team**

BlackRock Institutional Trust Company, N.A. ("BTC") is a national banking association organized under the laws of the United States. BTC operates as a limited purpose trust company. Its primary regulator is the Office of the Comptroller of the Currency ("OCC"), the agency of the U.S. Treasury Department that regulates United States national banks. BTC's principal office is located at 400 Howard Street, San Francisco, CA 94105. BTC has three subsidiaries: BlackRock Fund Advisors, a U.S.-registered investment advisor and commodity trading advisor; BlackRock Execution Services, a U.S.-registered broker dealer; and BlackRock Corporation US Inc., a California corporation. BTC is also registered as a commodity trading advisor.

The Index Equity investment management team is led by Amy Schioldager, the Global Head of Index Equity. The portfolio management team is subdivided by region to enhance expertise in specific markets: the US, developed markets, and emerging and frontier equity markets. The Index Research Group supports the portfolio management function by focusing on daily index changes as well as the accuracy and timeliness of index data. In addition, the Index research analysts forecast large index events, generate value-added trading strategies and research new strategies. Many analysts have PhD's in multi-disciplinary fields, providing quantitative expertise to index management.

**Historical
Performance**

The Fund was launched in January 1981 and since inception has generated an annualized return of 10.96% as of March 31, 2011, outperforming the benchmark by 0.05%. Historical returns are not indicative of future performance.