

**MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
INVESTMENT COMMITTEE – SPECIAL MEETING**

**Wednesday, September 2, 2015
10:00 a.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Investment Committee Members Present

Robin Nichols, Ex Officio Chair*
Danny Knight
Jeff Stubblefield*
Kelly Davis*
Susannah Marshall, designee for Candace Franks*
Jim Harris, designee for Hon. Dennis Milligan*

Members Absent

Kathy Clayton
Janet Watson

Board Members Present

Dr. Richard Abernathy*
Anita Bell*
Lloyd Black
Johnny Key*
Bobby Lester*
Wes Smith, designee for Hon. Andrea Lea*
** via teleconference*

ATRS Staff Present

George Hopkins, Executive Director
Gail Bolden, Deputy Director
Rod Grave, Manager, Investment Dept. .
Wayne Greathouse, Assoc. Dir.of Investments
Manju, Dir. Data Processing
Tammy Porter, Executive Assistant
Clint Rhoden, Assoc. Director of Operations
Leslie Ward, Manager, Private Equite
Brenda West, Internal Audit/Risk Mgmt.

Consultants Present

Michael Bacine, Franklin Park*

Guest Present

Donna Morey, ARTA

Reporters Present

Mike Wickline, Arkansas Democrat Gazette

- I. **Call to Order/Roll Call.** Ms. Robin Nichols, Ex Officio Chair of Investment Committee, called the Investment Committee meeting to order at 10:00 a.m. Voice roll call was taken by the Board Recorder. Ms. Clayton and Ms. Watson were absent.
- II. **Adoption of Agenda.**

Mr. Knight *moved for adoption of the Agenda. Ms. Davis seconded the motion, and the Committee unanimously approved the motion.*

III. **Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

IV. **Recommendation to Commit up to \$25 Million Dollars in American Industrial Partners Capital Fund VI, L.P., a Private Equity Buyout, Turnaround and Distressed Debt Fund that will Target Middle Market Underperforming Companies in the Industrial Sector.** Michael Bacine of Franklin Park presented the recommendation to the Committee. The fund will seek to make investments in the industrial sector and sub-sectors such as industrial services or distribution and will always seek to invest at attractive valuations. Targeted companies will often have strong market positions, niche products and high barriers to entry but are underperforming due to factors the general partner believes it can address. The fund may invest in control buyout, turnaround, corporate carve-out, public-to-private, structured financings, bankruptcy acquisitions and debt-for-control (loan to own) transactions. In some cases, the general partner will invest in companies where there is a perceived cyclical tailwind. (The market sector of the company is expected to have strong sales and opportunity.) Up to 25% of the fund is expected to be invested in distressed debt, primarily in debt-for-control (loan to own) opportunities with a portion of that in a debt trading portfolio. The current team has generated attractive returns with a net IRR of approximately 30% for its previous two funds. The fund is highly sought after and will have only one closing at the end of September. Both Franklin Park and ATRS staff recommend an investment of up to \$25 million dollars in American Industrial Partners Capital Fund VI, L.P.
Mr. Hopkins reported that staff concurs with the recommendation.

Mr. Knight *moved to recommend* to the Board approval to Commit up to \$25 Million Dollars in American Industrial Partners Capital Fund VI, L.P., a Private Equity Buyout, Turnaround and Distressed Debt Fund that will Target Middle Market Underperforming Companies in the Industrial Sector. Ms. Davis *seconded the motion, a voice roll call vote was taken by the Board Recorder, and the Committee unanimously approved the motion.*

V. **Preliminary Fiscal Year Investment Returns.** Wayne Greathouse and Rod Graves reported on the Fiscal Year Investment Returns. ATRS had great relative returns in 2015. The fiscal year return for the ATRS portfolio was 5.2%. This return places ATRS in **the top 2%** of public plans for the fiscal year. After paying all benefits and operating expenses, ATRS **gained \$386 million** dollars in value. The ATRS three year annualized return is 12.7%

(12.8% average) and the ten year annualized return is 7.6% (8.3% average). The ATRS ranking in both the 3 year and 10 year annualized returns is in **the top 1%** of large public pension plans in the United States. This exceptional track record is proof of the ATRS Board's successful efforts to maintain a strong and diversified portfolio in the trust fund for the benefit of ATRS members and retirees.

VI. Update on Big River Steel and BlueOak Arkansas Investments. (Construction and All Activity Continues On Time and On Pace.) Mr. Hopkins gave an update on activities at Big River Steel and Blue Oak Arkansas. Since the unfortunate passing of Mr. Correnti, ATRS staff has been in close contact with both organizations to monitor and participate in ensuring the continuity of Mr. Correnti's business values, leadership teams, and plans.

John Correnti's best skill was recruiting the best quality teams that shared his business mentality of "always ahead of schedule and under budget". As CEO and Board Chair of Big River Steel, the steel mill located in Osceola, Arkansas, and Chair of BlueOak Arkansas, the e-waste recycling facility also located in Osceola, he had continued his successful history of recruiting and developing teams of highly experienced like-minded individuals to implement and run successful projects as he worked on add on projects to the original plant.

Both organizations have strong leadership teams in place and continue forward on schedule and under budget. David Stickler has been chosen as the new CEO of Big River Steel, Daniel Murry is now the Chair of the Board. Jim Bell, the Big River Steel construction manager, has been chosen to take Mr. Correnti's seat on the board. ATRS is in total agreement with these strong choices.

BlueOak named Ahab Garas to replace Mr. Correnti on the Board and George Hopkins was made the board chair. Ahab Garas is an excellent choice for the board position. Both companies remain in full construction and operation mode. Both companies should continue to perform as originally expected.

VII. Other Business. None.

VIII. Adjourn.

Ms. Davis moved to adjourn the Investment Committee Meeting. Mr. Knight seconded the motion, and the Committee unanimously approved the motion.

Meeting adjourned at 10:24 a.m.

George Hopkins,
Executive Director

Ms. Robin Nichols, Ex Officio Chair
Investment Committee

Tammy Porter,
Recorder

Date Approved