

**MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES - CALLED MEETING**

**Monday, October 18, 2021
4:00 p.m.
1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Member Present

Danny Knight, Chair
Lloyd Black, Vice Chair*
Anita Bell*
Kathy Clayton*
Kelly Davis*
Dr. Mike Hernandez*
Shawn Higginbotham*
Michael Johnson
Bobby Lester
Chip Martin*
Amanda Webb*
Susannah Marshall, Bank Commissioner*
Johnny Key, Education Secretary*
Jason Brady, designee for Dennis Milligan*

Board Member Absent

Auditor Andrea Lea, State Auditor

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Assistant/Board Secretary
Braeden Duke, Information Services*
Martha Miller, General Counsel*
Manju, Director, Information Services*
Leslie Ward, Manager, Private Equity
Brenda West, Int. Audit/Risk Mgmt.

Guest Present

PJ Kelly, Aon Hewitt Investment Consulting*
Jack Dowd, Aon Hewitt Investment Consulting*
Duncan Baird, APERS*
Michael Bacine, Franklin Park*
Kevin Balaod*
Richard Ferguson*

Reporters Present

Michael Wickline, AR Dem. Gazette

**via Zoom*

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Chair, called the Board of Trustees meeting to order at 4:32 p.m. Roll call was taken. Auditor Andrea Lea was absent.

- II. **Adoption of Agenda.**

Mr. Black *moved for adoption of the Agenda. Ms. Bell 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. Investment Committee Report. *Mr. Chip Martin, actin Chair*

A, Arkansas Related and Investment Update. Rod Graves presented the Committee with the following recommendations.

- 1. Consideration to use the Special Procurement Process to Contract with Global Principal Partners as a Temporary Consultant for Direct Investments until the RFP and Contracting Process for a Long Term Direct Investment Consultant is Finalized.** The Board approved staff to begin a procurement process for a consultant to provide recommendations for potential new direct investments and also provide monitoring and management of existing and new direct investments at the June 7, 2021 meeting. ATRS staff worked with the Office of State Procurement (OSP) to issue an RFP for these services. Due to no vendor response for the initial bid opportunity, ATRS is currently working with OSP to reissue the RFP.

Global Principal Partners (GPP) is a U.S. based world class project finance group founded in 2003. GPP has worked on multiple projects of various sizes and the firm has extensive experience in project finance. GPP has raised over \$8 billion in financing for projects and has provided advisory services for over \$4 billion in mergers, acquisitions and consolidations of investments. ATRS has obtained approval from OSP to contract with GPP on a temporary basis through the special procurement process. If the special procurement contract is approved by the ATRS Board, ATRS staff would prepare and execute the contract before submitting the contract for appropriate legislative review.

Mr. Martin *moved* to *approve* the Special Procurement Process to Contract with Global Principal Partners as a Temporary Consultant for Direct Investments until the RFP and Contracting Process for a Long Term Direct Investment Consultant is Finalized, and the Board *unanimously approved the motion.*

- 2. Applying Imminent Need to Six Previously Approved Investments.**

- a. **Recommendation to Apply Imminent Need Status to the Previously Approved Transfer of Assets from the Existing ATRS Investment in CFM Institutional Systematic Diversified Fund Series 1.5 (CFM ISD) to CFM Systematic Global Macro, L.P. Series 1 (CFM SGM), Resolution 2021-53.** The Board approved Resolution 2021-38 at the September 27, 2021 meeting authorizing the transfer of assets from CFM ISD to CFM SGM. The recommendation for the transfer is based on continuous efforts to improve manager structures and is one of the results of the Opportunistic/Alternative Portfolio review presented to the Board at the June 7, 2021 meeting.

Initially imminent need was not requested for this transfer because an October 22, 2021 ALC meeting was scheduled at the time of the September 27, 2021 ATRS meeting. The October ALC meeting has since been cancelled and the next scheduled ALC meeting is November 19, 2021. Due to the change in schedule of the ALC meetings, imminent need is now requested by ATRS staff to implement the transfer.

1. **Resolution No. 2021-53**

Mr. Martin *moved to adopt* Resolution 2021-53, to Apply Imminent Need Status to the Previously Approved Transfer of Assets from the Existing ATRS Investment in CFM Institutional Systematic Diversified Fund Series 1.5 (CFM ISD) to CFM Systematic Global Macro, L.P. Series 1 (CFM SGM), and the Board *unanimously approved the motion.*

- b. **Recommendation to Apply Imminent Need Status to the Previously Approved Commitment of up to \$50 Million Dollars in Chatham Asset Private Debt and Strategic Capital Fund III, L.P., Resolution 2021-54.** The Board approved Resolution 2021-41 at the September 27, 2021 meeting authorizing a commitment of up to \$50 million dollars in Chatham Asset Private Debt and Strategic Capital Fund III. Founded in 2002 and based in Chatham, NJ, the fund is designed to

provide clients with exposure to illiquid and opportunistic debt assets both on a long and short basis. The fund seeks to take advantage of opportunities arising from the mismatch between the supply of capital available to middle market companies and the demand for capital from those companies.

Initially imminent need was not requested for this investment because an October 22, 2021 ALC meeting was scheduled at the time of the September 27, 2021 ATRS meeting. The October ALC meeting has since been cancelled and the next scheduled ALC meeting is November 19, 2021. Due to the change in schedule of the ALC meetings, imminent need is now requested by ATRS staff to implement the investment.

1. Resolution No. 2021-54

Mr. Martin *moved to adopt* Resolution No. 2021-54, to Apply Imminent Need Status to the Previously Approved Commitment of up to \$50 Million Dollars in Chatham Asset Private Debt and Strategic Capital Fund III, L.P., and the Board *unanimously approved the motion.*

- c. Recommendation to Apply Imminent Need Status to the Previously Approved Commitment of up to \$40 Million Dollars in Almanac Realty Securities IX, L.P., a Closed End, Value Added Real Estate Fund Targeting Investments in Both Private and Public Real Estate Operating Companies. Resolution 2021-55.** The Board approved Resolution 2021-42 at the September 27, 2021 meeting authorizing a commitment of up to \$40 million dollars in Almanac Realty Securities IX. Founded in 1996 and located in New York, Almanac was originally known as Five Arrows before changing the firm's name in 2011. ATRS has previously invested in Almanac Fund V (formerly known as Five Arrows Fund V), VI, VII and VIII for an average net IRR of 12.4%. This fund focuses on real estate operating companies that have strong management teams with stable cash flows. This strategy strives to provide attractive current yields

coupled with additional returns by continuing to grow already stable companies while providing downside protection.

Initially imminent need was not requested for this investment because an October 22, 2021 ALC meeting was scheduled at the time of the September 27, 2021 ATRS meeting. The October ALC meeting has since been cancelled and the next scheduled ALC meeting is November 19, 2021. Due to the change in schedule of the ALC meetings, imminent need is now requested by ATRS staff to implement the investment.

1. Resolution No. 2021-55

Mr. Martin *moved to adopt* Resolution 2021-55 to Apply Imminent Need Status to the Previously Approved Commitment of up to \$40 Million Dollars in Almanac Realty Securities IX, L.P., a Closed End, Value Added Real Estate Fund Targeting Investments in Both Private and Public Real Estate Operating Companies, and the Board *unanimously approved the motion.*

- d. Recommendation to Apply Imminent Need Status to the Previously Approved Commitment of up to \$70 Million Dollars in Morgan Stanley Prime Property Fund LLC, (PPF) an Open End, Core Real Estate Fund Focused on Income Producing Properties. Resolution 2021-56.** The Board approved Resolution 2021-46 at the September 27, 2021 meeting authorizing a commitment of up to \$70 million dollars in Morgan Stanley Prime Property Fund LLC. Headquartered in New York, Morgan Stanley Real Estate Investing (MSREI) has a global platform of real estate investment products and strategies with almost \$44 billion in assets under management. PPF is MSREI's single largest fund. PPF is a U.S. open end, diversified core fund that targets the highest quality income-producing properties located in primary markets.

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1. Resolution No. 2021-56

Mr. Martin *moved to adopt Resolution 2021-56, to Apply Imminent Need Status to the Previously Approved Commitment of up to \$70 Million Dollars in Morgan Stanley Prime Property Fund LLC, (PPF) an Open End, Core Real Estate Fund Focused on Income Producing Properties, and the Board *unanimously approved the motion.**

- e. Recommendation to Apply Imminent Need Status to the Previously Approved Commitment of up to \$70 Million Dollars in RREEF Core Plus Industrial Fund L.P.(CPIF), an Open End, Core Plus Real Estate Fund Specializing in Industrial Assets. Resolution 2021-57.** The Board approved Resolution 2021-47 at the September 27, 2021 meeting authorizing a commitment of up to \$70 million dollars in RREEF Core Plus Industrial Fund L.P. The CPIF headquarters are located in New York. CPIF invests in high quality industrial assets via core, transitional and development investments primarily located in and around U.S. major industrial metropolitan areas. CPIF has a since inception net return of 10.5%.

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1. Resolution No. 2021-57.

Mr. Martin *moved to adopt* Resolution 2021-57, to Apply Imminent Need Status to the Previously Approved Commitment of up to \$70 Million Dollars in RREEF Core Plus Industrial Fund L.P.(CPIF), an Open End, Core Plus Real Estate Fund Specializing in Industrial Assets, and the Board *unanimously approved the motion.*

- f. **Recommendation to Apply Imminent Need Status to the Previously Approved Commitment of up to \$30 Million Dollars in Clearlake Capital Partners Fund VII, L.P. a Private Equity Fund that Makes Opportunistic Debt and Equity Investments in Middle Market Companies Undergoing Change and/or are in Underserved Industries or Markets in North America. Resolution 2021-58.** The Board approved Resolution 2021-49 at the September 27, 2021 meeting authorizing a commitment of up to \$30 million dollars in Clearlake Capital Partners VII. Based in Santa Monica, California, Clearlake Capital was formed in 2007. Clearlake makes both debt and equity investments in companies undergoing significant change or that are in underserved industries or markets. These investment opportunities often involve bankruptcies, restructurings and turnarounds. They may also involve companies that are experiencing legal or regulatory challenges or challenges meeting growth plans. The fund will focus primarily on the industrials and energy, software and technology-enabled services, and consumer sectors. ATRS invested in Clearlake V and VI that have produced net returns of 56.1% and 38.8%, respectively.

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1. Resolution No. 2021-58.

Mr. Martin *moved to adopt* Resolution 2021-58, to Apply Imminent Need Status to the Previously

Approved Commitment of up to \$30 Million Dollars in Clearlake Capital Partners Fund VII, L.P. a Private Equity Fund that Makes Opportunistic Debt and Equity Investments in Middle Market Companies Undergoing Change and/or are in Underserved Industries or Markets in North America, and the Board *unanimously approved the motion.*

B. General Investment Consultant Report

1. **Aeolus Property Catastrophe Keystone PF Fund LP. (Aeolus).** Aon Hewitt Investment Consulting provided the Committee with an update and recommendation to withdraw from the Aeolus fund.

- a. **Resolution No. 2021-59.**

Mr. Martin *moved to adopt* Resolution 2021-59, to withdraw from the Aeolus fund, and the Board *unanimously approved the motion.*

V. Other Business. None.

VI. Adjourn.

Mr. Martin *moved to adjourn* the Board of Trustee meeting. Mr. Black *seconded the motion*, and the Board *unanimously approved the motion.*

Meeting adjourned at 4:40 p.m.

Mr. Clint Rhoden,
Executive Director

Mr. Chip Martin, Acting Chair
Investment Committee

Tammy Porter,
Board Secretary

Date Approved