AON

Memo

Discussion on Investing in Israel Bonds

Date: June 2, 2025
To: Arkansas Teacher Retirement System (ATRS)
From: PJ Kelly, Katie Comstock

Background and Summary

ATRS Board has expressed an interest in investing in State of Israel bonds. ATRS and Aon discussed ways in which to implement this mandate. Aon advised ATRS to use an investment manager to implement and manage the portfolio on an ongoing basis. Given ATRS currently has a sizable roster of bond managers with the requisite experience and resources to implement such a mandate, Aon further recommended leveraging these current relationships. Aon and ATRS staff conducted calls with each of the ATRS managers and solicited proposals from the investment managers that expressed interest in managing this mandate. The table below is a summary of those findings:

Manager	Blackrock	Reams
Experience with similar mandates	Yes	No
Experience buying Israel sovereign debt	Yes	Yes
Emerging Market Debt capabilities, resources and research	Yes	Yes
Securities to be used in proposed mandate	State of Israel Private and Publicly Traded Debt, U.S. Dollar and Local based, U.S. Treasury securities	State of Israel Private and Publicly Traded Debt, U.S. Dollar and Local based, U.S. Treasury securities
Proposed Fee (bps)	8	3

Conclusion

Aon and the ATRS team found both proposals compelling; however, given the more attractive fee proposal from Reams, we recommend ATRS hire Reams for this mandate. Provided that these bonds are primarily bought directly and not able to be sold in the market, there is little traditional active management that is needed. If approved, Aon and the ATRS Team will work with the manager to finalize guidelines for the mandate and report back to the Board with any specific recommendations.

APPENDIX: Disclaimers

Note: This memo does not serve as a recommendation to invest or not to invest in Israel Bonds. Aon does not make recommendations on the purchase or sale of individual securities.

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