

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
November 5, 2020**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:00 AM.

The meeting was held electronically via Microsoft Teams, consistent with the Virginia General Assembly and Arlington County rules allowing such electronic meetings during the COVID-19 pandemic.

All participants attended from their respective offices or homes. The open meeting sessions were available to the public via Microsoft Teams.

Voting Members Present: Mr. Jonathan Kinney, President
 Ms. Michelle Cowan, Treasurer
 Mr. Jimmie Barrett, Secretary
 Mr. William Ross, Assistant Treasurer
 Ms. Barbara Donnellan
 Ms. Michael-dharma Irwin

Substitute Members Present: Ms. Emily Hughes
 Mr. Brian Lynch
 Mr. Carl Newby

Voting Member Not Present: Mr. Richard Alt, Vice President

Others Present: Mr. Daniel Zito, Executive Director
 Ms. Rande Stenroos, Assistant Director
 Ms. Katrina Milne, Analyst
 Mr. Stephen Euell, Accountant
 Mr. Rob Gooderham, Windmark Investment Partners
 Mr. Dan Barner, Windmark Investment Partners
 Mr. Paul Massaro, T. Rowe Price
 Mr. Steve Finamore, T. Rowe Price
 Mr. Bradley Meeker, T. Rowe Price

CONSENT LIST

A motion to approve the consent list, consisting of the October 1, 2020 meeting minutes, letter to the County Board on FY22 contribution rate and a non-corporate resolution was offered by Ms. Donnellan and seconded by Mr. Ross. The motion passed by a vote of 7-0.

COMMITTEE READOUTS

Mr. Barrett reported for the Executive Search subcommittee. All trustee, staff and advisor interviews have been completed and a draft job description will be sent to trustees the week of November 9th for comments. Once the job description is approved, the search process will commence.

Mr. Newby reported for the Governance subcommittee. Meetings have been held and a draft overview was being revised for review by the trustees at the December meeting.

CREDIT ANALYSIS AND OUTLOOK

Messrs. Gooderham and Barner with Windmark Investment Partners presented an analysis on the competitiveness of the risk-return trade off on bank loans. Areas reviewed were current exposures, default scenarios and a comparison of high yield bonds and bank loans.

The analysis concluded that bank loans remain still competitive but have downside potential due to growing credit exposures. This is mitigated by bank loans being higher in the capital structure, performing better than high yield if interest rates rise due to their low duration and an attractive yield return in a low interest rate environment.

T. ROWE PRICE FLOATING RATE MANAGER REVIEW

Messrs. Massaro, Finamore and Meeker presented an overview of ACERS investment in the T. Rowe Price Floating Rate Fund. As of September 30, 2020, annualized net investment returns of 4.8% since inception (1/31/08) lagged the benchmark by 0.2%, owing largely to the fund's more conservative positioning and daily liquidity characteristics.

Mr. Massaro noted that the portfolio had no defaults in the prior twelve months. Maturities are less than 5% in the next two years; however, they ramp up to greater than 40% by the end of 2024. He noted that based on history, most of those maturities will be renegotiated prior to 2024. He discussed the dispersion of returns across sectors while noting the fund had lower exposure to sectors most affected by the COVID-19 pandemic.

Discussion amongst trustees included which banks are packaging the loans and the due diligence T. Rowe Price performs on the banks.

KEY INITIATIVES

- Ms. Stenroos updated the trustees on the FY20 audit process and anticipates audit to be completed sometime in early November.
- Ms. Stenroos updated the Board on the nominations for the general employee trustee and substitute trustee.
- Ms. Stenroos updated the Board on the transitions to GQG US Equity and Baillie Gifford Health Innovations.

ADJOURNMENT

Mr. Barrett, seconded by Mr. Ross, offered a motion to adjourn the meeting. The motion passed by a vote of 7-0. The meeting ended at 9:25 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director