

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees Meeting Minutes
November 2, 2017**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:00 AM, in Conference Room 511C at 2100 Clarendon Boulevard.

Voting Members Present: Mr. Jonathan Kinney, President
 Mr. Richard Alt, Vice President
 Ms. Michelle Cowan, Secretary
 Mr. Jimmie Barrett, Secretary
 Mr. William Ross, Assistant Treasurer
 Ms. Sara Teyema

Substitute Member Present: Mr. Wayne Rhodes
 Mr. Brian Lynch
 Ms. Michael-dharma Irwin

Various Times: Mr. Daniel Zito, Executive Director
 Ms. Randee Stenroos, Assistant Director
 Ms. Katrina Milne, Investment Analyst
 Mr. Stephen Euell, Accountant
 Mr. Tim Sanderson, Sanderson Asset Management
 Ms. Holly Harralson, Sanderson Asset Management
 Mr. Rob Gooderham, ACG
 Mr. Garry Musto, ACG

CONSENT LIST

A motion to approve the consent list, consisting of the October 5, 2017 Board meeting minutes and a letter to the County Board recommending an FY19 employer contribution rate of 21%, was offered by Mr. Barrett and seconded by Mr. Ross. This motion passed by a vote of 6-0.

SANDERSON REVIEW

Mr. Sanderson and Ms. Harralson provided an overview of the firm and discussed ACERS' \$91.1 million dollar investment in the international value strategy. Ms. Harralson noted that the firm promoted two individuals to Senior Portfolio Manager. Mr. Sanderson discussed the investment philosophy noting that the firm invests in developed markets outside of North America as well as selectively in emerging markets, subject to a 20% cap. The firm's investment process and annualized turnover were discussed along with some specific portfolio holdings. Mr. Sanderson noted the twelve months ending September 30, 2017 were strong for international stocks and the fund outperformed its benchmark by 1.7% on a net of fee basis. Since inception in December of 2011, the

investment has returned 10.9% annually, net of fees, which is 1.6% ahead of the benchmark.

ASSET ALLOCATION AND RISK EXPOSURE ANALYSIS

Mr. Gooderham and Mr. Musto presented an analysis of ACERS asset and risk allocations. Mr. Gooderham noted that asset allocation, which is currently overweight equities and underweight fixed income versus the policy benchmark, has been the primary driver of the Fund's long term return advantage over the benchmark. Topics discussed included the Fund's overall risk and return profile, where the Fund's asset allocation differs the most from the benchmark and an overview of the supporting rationale.

FIVE YEAR ATTRIBUTION ANALYSIS

Mr. Gooderham and Mr. Musto reviewed the Fund's five-year attribution which showed the Fund's above-benchmark returns were enhanced by the overweight to domestic equity and an underweight to fixed income over the five-year period. The attribution looked across major asset allocations, manager benchmark allocations within major asset classes and manager performance relative to their assigned benchmarks.

MLP SECTOR UPDATE AND RECOMMENDATION

Mr. Musto informed the Board that Ashford was re-evaluating the MLP sector whose performance has been closely correlated with oil prices since 2014. From fundamental perspective, while volume growth remains strong, the growth does not appear to be accretive to distributable cash flow, which is expected to slow.

In light of growing risks and the Fund's overweight to energy positions, Ashford recommended re-allocating the MLP mandate across the remaining domestic equity managers. Mr. Barrett made a motion to accept Ashford's recommendation to exit the MLP position which was seconded by Mr. Ross. After further discussion, Mr. Alt introduced a substitute motion to postpone the decision by one month to allow Harvest Fund Advisors to present at the December Board meeting. The motion was seconded by Ms. Cowan and passed by a vote of 6-0.

KEY INITIATIVES (UPDATE/OTHER BUSINESS)

- Ms. Stenroos presented a draft copy of the FY17 CAFR and stated that the auditors would present at the December Board meeting.
- Ms. Stenroos presented an update liquidity analysis with cash flow projections through 2021.
- Ms. Stenroos noted that training session on REITs was held the evening of November 1, 2017.
- Messrs. Barrett and Ross shared their observations of recent conferences they attended.

INVESTMENT & ADMINISTRATIVE RELATED

- A. September Fund Balance Report
- B. Final Actuarial Valuation Report
- C. Calendar of Events
- D. Trip Report: Baillie Gifford Client Forum

ADJOURNED

Ms. Cowan, seconded by Mr. Ross, offered a motion to adjourn the meeting. The motion passed with a vote of 6-0. There being no further business, the meeting adjourned at 11:25 PM.

Respectfully submitted,
Ranee Stenroos