

**ARLINGTON COUNTY VIRGINIA  
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees  
Meeting Minutes  
February 7, 2019**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:00 AM, in the Cherry/Dogwood Conference Room, 2100 Clarendon Boulevard, Arlington VA.

Voting Members Present:            Mr. Jon Kinney, President  
                                                 Mr. Rich Alt, Vice President (*via Skype from North Carolina home due to personal reason*)  
                                                 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

Others Present:                        Mr. Daniel Zito, Executive Director  
                                                 Ms. Randee Stenroos, Assistant Director  
                                                 Mr. Daniel Dynan, Meketa Investment Group  
                                                 Ms. Mary Mustard, Meketa Investment Group  
                                                 Mr. Jim McGovern, Franklin Park  
                                                 Mr. Matt Castaldo, Franklin Park  
                                                 Mr. Jon Gimbel, Gallant Partners  
                                                 Mr. Anthony Guagliano, Gallant Partners  
                                                 Mr. Desmond Nugent, Gallant Partners  
                                                 Mr. Garry Musto, Windmark Investment Partners  
                                                 Ms. Sara Williams, Windmark Investment Partners

**CONSENT LIST**

A motion to approve the consent list, consisting of the January 5, 2019 Business meeting and Training session minutes was offered by Mr. Ross and seconded by Ms. Irwin. This motion passed by a vote of 7-0.

## **ASSET ALLOCATION AND RISK REVIEW**

Mr. Dynan and Ms. Mustard with Meketa Investment Group presented the Asset Allocation and Risk Review, the final deliverable of the overall System review initiated in 2018. Noting that the System's current portfolio risk was highly concentrated in public equities, two alternative allocations were presented to highlight different risk and return tradeoffs. Specifically, Meketa noted potential diversification opportunities that might allow the System to build a more efficient portfolio, reducing risk for the same return or increasing return at the same risk level. The largest differences in the proposed portfolios versus the current portfolio was an increased allocation to real assets and a corresponding reduction in domestic equity. Each scenario was evaluated using asset liability analysis, economic regime analysis and a liquidity analysis and compared to the current portfolio. The liquidity analysis concluded that the System has ample liquidity to meet benefit payments in extremely stressed, hypothetical scenarios. A discussion ensued.

## **2019 PRIVATE EQUITY INVESTMENT PLAN**

Messrs. McGovern and Castaldo with Franklin Park presented the 2019 investment plan for the System's private equity program. The System's guidelines were reviewed with no changes recommended.

As of September 30, 2018, the System's exposure to illiquid investments was 7.2% of plan assets, well below the 15% cap in the Investment Policy Statement. Franklin Park recommends annual investments of \$45 - \$55 million per year over the next 4 – 6 years to achieve exposure to private equity.

Franklin Park also reviewed cash flow history and projections along with stress testing the private equity portfolio as it relates to plan assets. There was a discussion on secondary private equity markets and its maturation over the past several years.

## **CLOSED SESSION – INVESTMENT RECOMMENDATION**

A motion was offered by Mr. Barrett, seconded by Mr. Ross, and passed by a vote of 7-0, to enter into closed session for discussion by the Board regarding the acquisition, holding or disposition of a security or other ownership interest in an entity, where such security or ownership interest is not traded on a governmentally regulated securities exchange, to the extent that such discussion (i) concerns confidential analyses prepared for the Board under a promise of confidentiality, of the future value of such ownership interest or the future financial performance of the entity, and (ii) would have an adverse effect on the value of the investment to be acquired, held, or disposed of by the retirement system pursuant to Virginia Code §2.2-3711 A (20) & (38) and §2.2-3705.7 (24). The closed session began at 9:36 AM.

The Board returned to open session at 10:56 AM. On a motion by Mr. Barrett, and carried by a vote of 7-0, the voting recorded as follows:

<u>Member</u>	<u>Vote</u>
Mr. Kinney	Aye
Mr. Alt	Aye
Ms. Cowan	Aye
Mr. Barrett	Aye
Mr. Ross	Aye
Ms. Irwin	Aye
Ms. Donnellan	Aye

The Board certified that only public matters lawfully exempted from open meeting requirement by Virginia law and identified in the motion convening the closed session were heard, discussed or considered by the Board.

After the Board reentered open session, a motion was offered by Mr. Kinney, seconded by Mr. Barrett, to approve a commitment of \$15 million to Gallant Capital Partners I, LP, subject to satisfactory negotiation of documentation, to be funded via the Northern Trust Short Term Investment Fund or the Vanguard 500 Index Fund, as necessary, at staff's discretion, and authorize staff to take the actions necessary to implement the investment. The motion passed by a vote of 7-0.

#### **KEY INITIATIVES**

- Ms. Stenroos provided an update on the DoubleLine® account funding. The account was funded over two days from the Northern Trust Aggregate Bond Index and Loomis Sayles.
- Mr. Zito noted that he and Mr. Kinney briefed 4 of the 5 County Board members on the System's status and that the remaining board member was to be briefed the following week.

#### **ADJOURNMENT**

Ms. Irwin, seconded by Mr. Lynch, offered a motion to adjourn the business meeting. The motion passed with a vote of 7-0. The meeting ended at 11:05 AM.

Respectfully Submitted,

Randee Stenroos  
Assistant Director