

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
April 4, 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
 Mr. Jimmie Barrett, Secretary
 Mr. William Ross, Assistant Treasurer
 Ms. Barbara Donnellan (*via phone*, departed at 10:45 AM)
 Ms. Michael-dharma Irwin

Voting Members Absent: Ms. Michelle Cowan, Treasurer

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

Others Present: Mr. Daniel Zito, Executive Director
 Ms. Randee Stenroos, Assistant Director
 Ms. Katrina Milne, Investment Analyst
 Mr. Stephen Euell, Accountant
 Ms. Sara Williams, Windmark Investment Partners
 Mr. Garry Musto, Windmark Investment Partners
 Mr. Drew Dinger, Windmark Investment Partners
 Mr. Paul Marcus, Marcus Capital Partners
 Mr. Andrew Dolinsky, Marcus Capital Partners

CONSENT LIST

A motion to approve the consent list, consisting of the March 7, 2019 meeting minutes was offered by Ms. Irwin and seconded by Mr. Ross. This motion passed by a vote of 6-0, with Ms. Cowan not present.

CLOSED SESSION – INVESTMENT RECOMMENDATION

A motion was offered by Mr. Barrett, seconded by Mr. Ross, and passed by a vote of 6-0, with Ms. Cowan absent, 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 8:03 AM.

The Board returned to open session at 10:04 AM. On a motion by Mr. Barrett, and carried by a vote of 6-0, with Ms. Cowan absent, the voting recorded as follows:

<u>Member</u>	<u>Vote</u>
Mr. Kinney	Aye
Mr. Alt	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. Alt, seconded by Mr. Barrett, to approve a commitment of \$25 million to Marcus Capital Partners III, LP, subject to satisfactory negotiation of documentation, including the alternative fee structure, 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 6-0, with Ms. Cowan absent.

ANNUAL MANAGER FEE ANALYSIS

Mr. Musto with Windmark Investment Partners presented the fee analysis for calendar year 2018. Key conclusions noted include:

- ACERS fees are lower in 10 of 11 asset classes when compared to a manager fee universe median, with Core Plus Fixed Income being the only exception.
 - Fees are in the top quartile in 9 of 11 asset classes with Active Global Equity being second quartile.
- ACERS' total public market mandate fees are approximately \$3 million lower than median universe fee levels would suggest.
- Alternative manager fees of approximately \$1.7 million compares to prior year fees of \$1.6 million, due to continued build out of the private equity program and lower fee offsets. As a percent of NAV, fees decreased to 1.89% from 2.11% a year earlier.

In the discussion, it was noted that significant future fee changes will be driven primarily by asset allocation decisions. While acknowledging the significant effort and success in reducing fees, Mr. Kinney said that T. Rowe Price fees appeared to be lagging the overall industry wide trends.

INVESTMENT POLICY REVIEW

The Board was provided a preliminary draft of the IPS which clarified of the investment objective and included the Investment Belief Statement along with other changes for better organization, clarity and brevity.

The Board reviewed and discussed the Statement of Purpose and Investment Philosophy sections of the document and offered additional input. Based on the comments, Staff will prepare and update version for further discussion at the May Board meeting. The remaining sections of the document will also be discussed at that time with proposed adoption of the new policy at the June or July meeting.

KEY INITIATIVES

- Ms. Stenroos noted that the transition from Sanderson to DoubleLine® and Northern Trust Aggregate Bond Fund would be completed by April 5th.
- Ms. Stenroos notified the Board that the Fiduciary Insurance renewal had taken place with a pre-negotiated price equal to the current fiscal year pricing. She requested a \$25 check from each Board member for the recourse liability portion of the policy.
- Mr. Euell informed the Board of the SharePoint platform. All meeting materials will be placed on this platform.
- Mr. Zito noted the Trustee training session on infrastructure investing was held on Wednesday, April 3rd.

ADJOURNMENT

Mr. Ross, seconded by Mr. Barrett, offered a motion to adjourn the meeting. The motion passed with a vote of 6-0, with Ms. Cowan not present. The meeting ended at 11:15 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director