

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
May 2, 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
 Ms. Michelle Cowan, Treasurer
 Mr. Jimmie Barrett, Secretary
 Mr. William Ross, Assistant Treasurer
 Ms. Barbara Donnellan (departed at 10:30 AM)
 Ms. Michael-dharma Irwin

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

Substitute Members Absent: Mr. Brian Lynch

Others Present: Mr. Daniel Zito, Executive Director
 Ms. Randee Stenroos, Assistant Director
 Ms. Katrina Milne, Investment Analyst (*via phone*)
 Mr. Stephen Euell, Accountant
 Mr. Garry Musto, Windmark Investment Partners
 Mr. Vik Raina, BV Partners
 Ms. Maggie Carter, BV Partners
 Mr. Jim McGovern, Franklin Park

CONSENT LIST

A motion to approve the consent list, consisting of the April 4, 2019 meeting minutes, with a noted correction, was offered by Mr. Kinney and seconded by Mr. Barrett. This motion passed by a vote of 7-0.

BV PARTNERS

Mr. Raina and Ms. Carter with BV Partners offered their perspectives on the current state of private equity investing. They noted that while fundraising is at an all-time high, most of the

growth has been in funds greater than \$1 billion. Multipliers paid for leveraged buyouts has also been close to all-time highs.

Ms. Carter discussed firm developments, including new members of the team. A discussion ensued concerning how BV Partners maintains its culture while bringing in new employees. There was also discussion around the sourcing of ideas and how to avoid groupthink in that process.

Mr. Raina and Ms. Carter then discussed Fund VIII and Fund IX in detail; two case studies, one from each fund, were reviewed.

HIGHCLERE SMALL COMPANIES FUND

Mr. Musto with Windmark Investment Partners presented Highclere Small Companies Fund, an international strategy focused on companies with good balance sheets and a history of efficient capital allocation that seeks to be contrarian at entry and exit. Key rationale for recommending the fund includes the less efficient nature of the international markets for smaller capitalization companies and improving overall portfolio diversification with a strategy that has demonstrated better downside protection than broad international equities.

Highclere Small Companies fund is currently closed and managing a waitlist with a projected 12 – 18 months buy in period should ACERS approve the proposed \$50 million investment. There was a robust discussion about the strategy, alternative managers in the sector, the mechanics of the wait list, identifying potential sources of funding when capacity becomes available and the legal structure of the fund. In addition to some follow-up research by Windmark and staff, it was suggested firm representatives attend a future meeting.

INVESTMENT POLICY REVIEW

The Board reviewed and discussed a second draft of the Investment Policy Statement (IPS) which included changes made based on discussion at the April 4, 2019 Board meeting.

The Board debated the benchmark and risk management statements in detail. Windmark was asked to prepare an additional review of the current benchmark and address the pros and cons of including a private equity component in the fund level benchmark. Staff will prepare another draft based on the comments for discussion at the June Board meeting.

KEY INITIATIVES

- Ms. Stenroos presented the 1Q19 budget variance report along with the FY 2020 proposed budget. The FY 2020 budget will be adopted at the June Board meeting.
- Ms. Stenroos noted the consultant reviews were due by May 29 and the results will be in the June Board package.

- Mr. Zito noted a meeting with T. Rowe Price and Mr. Musto with Windmark in which the Asia Opportunities and Institutional Floating Rate Fund investments were discussed in detail as were fees for all ACERS' T. Rowe Price mandates.
- Mr. Zito noted the "Other Real Asset" training session held on May 1 was well attended.

ADJOURNMENT

Mr. Ross, seconded by Mr. Kinney, offered a motion to adjourn the meeting. The motion passed with a vote of 6-0, with Ms. Donnellan not present. The meeting ended at 10:40 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director