

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

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

The Treasurer of the Board, Ms. Michelle Cowan, called the meeting to order at 8:00 AM, in the Cherry/Dogwood Conference Room, 2100 Clarendon Boulevard, Arlington VA.

Voting Members Present: Mr. Jonathan Kinney, President (via phone from Arlington)
Mr. Rich Alt, Vice President (arrived at 8:48 AM)
Ms. Michelle Cowan, Treasurer
Mr. William Ross, Assistant Treasurer
Ms. Barbara Donnellan

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

Voting Members Absent: Mr. Jimmie Barrett, Secretary
Ms. Michael-dharma Irwin

Substitute Members Absent: Mr. Carl Newby

Others Present: Mr. Daniel Zito, Executive Director
Ms. Randee Stenroos, Assistant Director
Ms. Katrina Milne, Investment Analyst
Mr. Stephen Euell, Accountant
Mr. Tom Teneza, Vanguard
Mr. Drew Schneider, Vanguard
Mr. Rob Gooderham, Windmark Investment Partners
Ms. Sara Williams, Windmark Investment Partners
Mr. F. Howard Mandel, Peppertree (via Skype from Chagrin Falls, OH)

CONSENT LIST

A motion to approve the consent list, consisting of the October 3, 2019 meeting minutes, a letter to the County Board recommending a FY21 blended contribution rate of 20.9% of payroll, and Non-Corporate Resolution, was offered by Ms. Cowan and seconded by Mr. Lynch. The motion passed by a vote of 5-0-1, with Mr. Alt not present and Mr. Kinney abstaining due to his absence at the October meeting.

VANGUARD FUNDS UPDATE

Messrs. Schneider and Teneza with Vanguard reviewed ACERS and County and School OPEB Trust investments in Vanguard funds. Mr. Teneza provided an update on the firm and confirmed that all of Arlington's invested funds are in the lowest price vehicles available.

Mr. Schneider reviewed ACERS investments in the Dividend Growth Fund and the Institutional 500 Index. The Dividend Growth Fund strategy focuses on large cap companies and seeks to deliver a growing income stream and long-term capital appreciation. Several investments in the fund were discussed in detail.

Mr. Schneider then reviewed the County and School OPEB funds invested in the Wellington Fund, a balanced fund that seeks long term capital appreciation and reasonable current income at moderate risk. He noted that the portfolio manager will be retiring in June 2020 and that transition plans have been put in place. He then discussed the current co-portfolio manager who will be taking over. Despite the change in portfolio managers, no significant changes are anticipated for the investment strategy.

CLOSED SESSION – INVESTMENT RECOMMENDATION

A motion was offered by Ms. Cowan, seconded by Mr. Lynch, and passed by a vote of 6-0, with Mr. Alt not present, 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 8:45 AM.

The Board returned to open session at 9:55 AM. On a motion by Ms. Cowan, 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
Ms. Donnellan	Aye
Mr. Lynch	Aye
Mr. Ross	Aye
Ms. Hughes	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. Ross, to approve a commitment of \$15 million to Peppertree Capital Fund VIII, 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.

BUSINESS CYCLE & INVESTMENT REALLOCATION RECOMMENDATION

Mr. Gooderham with Windmark Investment Partners shared Windmark's perspective of the current state of the business cycle. Specifically, he reviewed several late cycle indicators and the countervailing forces of continued, global, accommodative monetary policy versus the uncertainty of trade policies, politics and concerns over global economic slowdowns. Mr. Gooderham noted that resolution of some uncertainties could have an overall positive impact on the capital markets.

With the business cycle ageing and classic "end of cycle" signals growing, Windmark recommended a minor portfolio reallocation toward higher quality fixed income assets likely to be less impacted during a downturn and a more neutral risk posture versus the benchmark.

After a discussion, Mr. Alt offered a motion to trim Loomis Sayles and T. Rowe Price Floating Rate Fund by \$25 million each. The motion was seconded by Ms. Donnellan and subsequently passed by a vote of 7-0. Mr. Alt then offered a motion to add \$25 million to the Northern Trust Aggregate Bond Fund and the Northern Trust STIF/Cash accounts. The motion was seconded by Mr. Lynch and subsequently passed by a vote of 7-0.

KEY INITIATIVES

- Ms. Stenroos provided an update of the FY19 audit and noted the auditors will be at the December 5, 2019 Board Meeting.
- Ms. Stenroos noted an additional \$30 million was funded to Highclere Small Companies Fund in October.
- Mr. Zito provided an update on Arsenal Real Estate Fund.
- Mr. Zito noted the offsite meeting will be held on January 11, 2020.

ADJOURNMENT

Mr. Alt, seconded by Mr. Ross, offered a motion to adjourn the meeting. The motion passed with a vote of 7-0. The meeting ended at 10:42 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director