

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
September 3, 2020**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:00 AM.

The meeting was held electronically via Microsoft Teams, consistent with the Virginia General Assembly and Arlington County rules allowing such electronic meetings during the COVID-19 pandemic.

All participants attended from their respective offices or homes. The open meeting sessions were available to the public via Microsoft Teams.

Voting Members Present: Mr. Jonathan Kinney, President
 Mr. Richard Alt, Vice President
 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

Voting Members Not Present: Ms. Michelle Cowan, Treasurer

Others Present: Mr. Daniel Zito, Executive Director
 Ms. Rande Stenroos, Assistant Director
 Ms. Katrina Milne, Analyst
 Mr. Stephen Euell, Accountant
 Ms. Amy Rozier, Human Resourc
 Ms. Virginia Sadler, County Attorney's Office
 Mr. Kevin Woodrich, Cheiron
 Mr. Gene Kalwarski, Cheiron
 Mr. Patrick Nelson, Cheiron
 Mr. Rob Gooderham, Windmark Investment Partners
 Mr. Drew Dinger, Windmark Investment Partners

CONSENT LIST

A motion to approve the consent list, consisting of the July 9, 2020 meeting minutes was offered by Mr. Barrett and seconded by Mr. Ross. The motion passed by a vote of 6-0, with Ms. Cowan not present.

CLOSED SESSION

Mr. Lynch made a statement regarding the closed session material.

This is a service-connected disability claim of a firefighter. Pursuant to VA Code § 2.2-3112.B.1 I am making this declaration prescribed in subsection F of § 2.2-3115. I am a firefighter and a member and a paid officer of Arlington Professional Firefighters and Paramedics Assoc.-IAFF Local 2800, which makes me a member of an occupation, business, profession and a group of three or more persons affected by the issue. The appellant is also a firefighter and a member of the same organization. The determination of service-connected disability claims are of significant economic importance to all firefighters and potentially one day to me. However, I am able to participate in the transaction fairly, objectively, and in the public interest, as I take my role as fiduciary seriously and it is not in my, the firefighting occupation’s, the Association’s or the public’s interest that service-connected disability claims be granted to those who should not receive them.

I would add that the Association has assisted the appellant in this appeal as it customarily assists members with such appeals. However, at my direction, responsibility for the appeal was given to two other officers of the Association instead of me.

A motion was offered by Mr. Barrett, seconded by Mr. Ross, and passed by a vote of 6-0, with Ms. Cowan not present, to enter into closed session for discussion or consideration of medical and mental records excluded from this chapter pursuant to Virginia Code §2.2-3705.5. The closed session began at 8:05 AM.

The Board returned to open session at 8:16 AM. On a motion by Mr. Barrett, and carried by a vote of 6-0, with Ms. Cowan not present, the voting recorded as follows:

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

Upon returning to open session, Mr. Alt, seconded by Mr. Barrett, moved the Board accept the report of the independent medical advisor concerning Appellant FY20-01, overturn the January 22, 2020 service connected disability retirement application denial and direct Human Resources to begin the administration and payment of service connected disability retirement benefits in accordance with the County’s Ordinance, Chapter 46. The motion passed by a vote of 6-0, with Ms. Cowan not present.

ACTUARIAL VALUATION STUDY

Messrs. Kalwarski, Woodrich and Nelson with Cheiron presented the results of the FY20 Actuarial Valuation Study.

Mr. Woodrich gave a historical review of participation, assets and liabilities, funded status, contributions and cash flows and future trends regarding funded status and employer contributions. Based on the report as presented, ACERS funded ratio improved slightly to 101.2% from 99.9% on an actuarial basis and the resultant FY 2022 County contribution would be 20.6%, down from 20.9% in the current fiscal year.

There was robust discussion regarding the discount rate with particular focus on the inflation assumption. Cheiron noted that economic assumptions are extremely long term in nature. Mr. Kinney requested that Windmark Investment Partners present at the October meeting an analysis of expected long term rates and related portfolio implications.

After the discussion, Mr. Barrett offered a motion to accept the economic assumptions included in the June 30, 2020 Actuarial Valuation Analysis and, consistent with the study's conclusions, recommend a 20.6% County contribution rate for FY 2022 to the County Board. The motion was seconded by Ms. Donnellan and subsequently passed by a vote of 5-1, with Mr. Kinney dissenting and Ms. Cowan not present.

HEALTH CARE SECTOR ANALYSIS

Mr. Drew Dinger, with Windmark Investment Partners, presented an overview and analysis of the health care sector. Mr. Dinger discussed positive secular trends in health care driven including ageing populations, widespread inefficiencies, scientific developments and positive regulatory developments.

Windmark feels there are opportunities for skill-based returns in health care equities. Next steps are to evaluate the universe of health care strategies with the aim of uncovering a dedicated health strategy. Emphasis will be on strategies which invest globally, concentrate their capital, understand scientific context and consider technical and cyclical features of health care stocks.

QUARTERLY PERFORMANCE REVIEW

Mr. Gooderham of Windmark Investment Partners reviewed System investment performance for the quarter ended June 30, 2020. Fund returns for various time periods were:

(%)	Quarter	1 Year	5 Years	10 Years
Total Fund (Gross)	13.6	6.8	6.9	9.1
Total Fund (Net) *	13.6	6.7	6.7	8.8
Policy Benchmark**	13.0	5.5	6.5	8.2
CPI + 3.75% Annualized	0.8	4.4	5.3	5.3

* Gross returns adjusted downwards for current annual fee rate per annual fee review and analysis, assuming all fees deducted quarterly.

** 40% Ru3000, 17.5% MSCI ACWI ex-US, 39% BC Universal, 1.5% Barclays TIPS, 2% T-Bills

Outperformance versus the benchmark over the past year was driven by strong returns for the public equity section, particularly growth-oriented global equity managers.

Relative to the TUCS universe of public plans, ACERS' performance was in the 9th, 22nd and 23rd percentile on a one, five and ten-year basis, respectively. WIP estimates the fund's diversified risk level at June 30, 2020 was 59.6. This compares to WIP's estimated Fund benchmark risk of 54 and the top of the policy risk band at 65.

Mr. Gooderham noted the Fund's estimated performance as of August 31, 2020 for the fiscal year to date was 8.1% versus a benchmark performance of 7.3%.

KEY INITIATIVES

Ms. Stenroos discussed the funding of the GQG US Equity mandate which was completed in mid-July. Ms. Stenroos updated the trustees on the FY20 audit process and anticipates audit to be completed sometime in October.

COMMITTEE READOUTS

The Executive Search committee reported receiving sixteen responses to an RFP for executive search firms. After detailed review a firm has been chosen by unanimous consent of the subcommittee and the contract is under review by the County Attorney's Office.

The Governance committee's report was deferred to the October 1, 2020 Board meeting.

CLOSED SESSION

A motion was offered by Mr. Barrett, seconded by Ms. Donnellan, and passed by a vote of 6-0, with Ms. Cowan not present, to enter into closed session for discussion, consideration or interview of prospective candidates for employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees or employees of any public body pursuant to Virginia Code §2.2-3711(A)(1). The closed session began at 11:30 AM.

The Board returned to open session at 11:36 AM. On a motion by Mr. Barrett, and carried by a vote of 6-0, with Ms. Cowan not present, the voting recorded as follows:

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

MISCELLANEOUS

Several Trustees inquired about the Arlington County Public Schools not contributing to the OPEB Trust in FY 2020. Mr. Zito noted that the School's OPEB Trust document explicitly noted that the School Board had "sole discretion" over the contribution and that the Retirement Board's responsibility was for contributions made but had no duty or authority to request any such contribution. Mr. Zito also noted the process by which Staff informs both the Schools and County of annual OPEB contribution notification requirements and related deadlines.

There was discussion about the resumption of partial, in person meetings in October depending on the public health situation, County guidance and personal preferences of Trustees and Staff.

ADJOURNMENT

Ms. Irwin, seconded by Mr. Barrett, offered a motion to adjourn the meeting. The motion passed by a vote of 6-0, with Ms. Cowan not present. The meeting ended at 11:49 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director