

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
October 1, 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
 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. Rande Stenroos, Assistant Director
 Ms. Katrina Milne, Analyst
 Mr. Stephen Euell, Accountant
 Ms. Amy Rozier, Human Resources
 Ms. Rasheeda El-Amin, Human Resources
 Mr. Rob Gooderham, Windmark Investment Partners
 Mr. Garry Musto, Windmark Investment Partners
 Mr. Drew Dinger, Windmark Investment Partners
 Ms. Tatjana Evans-Macleod, Baillie Gifford
 Ms. Julia Angeles, Baillie Gifford
 Ms. Rose Nguyen, Baillie Gifford
 Mr. Jack Torrence, Baillie Gifford

CONSENT LIST

A motion to approve the consent list, consisting of the September 3, 2020 meeting minutes and a revision to the DoubleLine® Schedule A was offered by Ms. Irwin and seconded by Mr. Ross. The motion passed by a vote of 7-0.

INVESTMENT RECOMMENDATION

Following the overview and analysis of the healthcare sector provided in September, Mr. Drew Dinger, with Windmark Investment Partners, discussed Baillie Gifford's Health Innovations fund.

Mr. Dinger provided a brief overview of the strategy but focused on Windmark's selection process underpinning the decision to recommend Baillie Gifford's Health Innovations fund. Factors supporting the recommendation of Baillie Gifford included the firm's long-term view, strong team and thematic approach to the sector. There was discussion on several topics prior to Baillie Gifford's presentation.

BAILLIE GIFFORD HEALTH INNOVATIONS FUND

Ms. Evans-Macleod with Baillie Gifford introduced the portfolio team for the Health Care Innovations fund. Ms. Angeles and Ms. Nguyen discussed the team's approach to sector research, specific themes, identifying specific investment opportunities and portfolio construction. Several portfolio holdings were addressed. There was a robust discussion with the trustees on multiple aspects of the strategy and investment.

REALLOCATION RECOMMENDATION

Windmark Investment Partners offered a recommendation to trim Baillie Gifford Long Term Global Growth, T. Rowe Price Global Growth, and the Vanguard 500 Index and reallocate the proceeds to GQG US Equities Fund and Baillie Gifford Health Care Innovations Fund.

Mr. Gooderham discussed Windmark's view that it was an appropriate time to reduce total fund risk considering the equity market's impact on the System's portfolio exposures coupled with continued economic uncertainty. He also expressed a preference to reallocate within equities rather than add to fixed income given the latter's unattractive expected returns and a meaningful current allocation. He noted the recommended reallocation would enhance the portfolio's overall diversification characteristics with no change in the 10-year expected return, thus improving the risk/return profile.

A robust discussion ensued on the reallocation recommendation including fees and exposures in equities versus fixed income. There was considerable discussion on how the Board should approach making motions and voting on asset reallocation recommendations.

After the discussion, a motion to authorize staff to take the actions necessary to trim Vanguard 500 Index by \$50 million, Baillie Gifford Long Term Global Growth by \$27 million and T. Rowe Price Global Growth by \$53 million and reallocate \$80 million to GQG US Equity and \$50 million to Baillie Gifford Health Care Innovation, was offered by Ms. Ross and seconded by Mr. Barrett. The motion passed by a vote of 6-0-1, with Mr. Kinney abstaining based on his preference for no reduction to the Vanguard 500 Index.

POTENTIAL FUTURE RETURN/PORTFOLIO SCENARIOS

Mr. Musto with Windmark Investment Partners presented an analysis on potential future returns scenarios and allocations noting that the Fund's GASB expected return is reviewed annually for reasonableness.

This year's analysis showed the 6.75% nominal expected return to be reasonably in-line with 50-year historical models but above the shorter term (10-year) forward return forecasts and conservative relative to peer assumptions. On a real return basis, the return assumption is in line or more conservative than the models and peers.

DECISION "LOOK BACK" AND ATTRIBUTION

Mr. Gooderham with Windmark Investment Partners presented an analysis examining major reallocation decisions made from 2015 – 2018.

The analysis summarized the then current rationale for moves and the investment outcomes to highlight any insights to improve future decision making, The takeaways from the analysis include the decision-making framework has been effective over time, investing counter-cyclically may take many years to generate attractive results, net of fee value add is more critical than fees alone and selecting talented managers and partnering with them over the long term is crucial.

COMMITTEE READOUTS

The Executive Search committee reported a firm was under contract. The firm would start interviewing trustees, staff and consultants over the course of October.

The Governance committee's reported start of work with a meeting scheduled .

KEY INITIATIVES

- Ms. Stenroos updated the trustees on the FY20 audit process and anticipates audit to be completed sometime in October. She noted the CAFR draft was available for review.
- Ms. El-Amin with Human Resources updated the Board on the election process for the general employee trustee and substitute trustee. The nominating process will from October 19th through the 30th; the election will be held from November 9th through the 20th. Platform testing with various employee groups was discussed.

ELECTION OF BOARD OFFICERS

In accordance with the Arlington County Code, the Board held its annual election of officers. Ms. Irwin conducted the election process. The nominees, motion makers and votes, by officer position, were recorded as follows with nominees, if present, abstaining from voting for their respective position:

Position	Nominee	By	Second	Votes
President	Mr. Kinney	Ms. Donnellan	Mr. Lynch	6-0-1
Vice President	Mr. Alt	Ms. Donnellan	Mr. Lynch	6-0-1
Treasurer	Ms. Cowan	Ms. Donnellan	Mr. Lynch	6-0-1
Asst. Treasurer	Mr. Ross	Ms. Donnellan	Mr. Lynch	6-0-1
Secretary	Mr. Barrett	Ms. Donnellan	Mr. Lynch	6-0-1

ADJOURNMENT

Ms. Donnellan, seconded by Mr. Ross, offered a motion to adjourn the meeting. The motion passed by a vote of 7-0. The meeting ended at 11:37 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director