

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
April 1, 2021**

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

Voting Member Not Present: Ms. Michelle Cowan, Treasurer

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

Others Present: Mr. Daniel Zito, Executive Director
 Ms. Rande Stenroos, Assistant Director
 Mr. Stephen Euell, Accountant
 Mr. Jim McGovern, Franklin Park
 Mr. Matt Castaldo, Franklin Park
 Mr. John Stewart, Middleground Partners
 Mr. Rob Gooderham, Windmark Investment Partners
 Mr. Garry Musto, Windmark Investment Partners
 Mr. Drew Dinger, Windmark Investment Partners
 Mr. Dan Barner, Windmark Investment Partners

CONSENT LIST

A motion to approve the consent list, consisting of the March 4, 2021 meeting minutes was offered by Mr. Ross and seconded by Ms. Donnellan. The motion passed by a vote of 6-0.

CLOSED SESSION

A motion was offered by Mr. Barrett, seconded by Ms. Donnellan, and passed by a vote of 6-0, 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 sections §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 9:47 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. Barrett, seconded by Mr. Ross, made a motion to approve a commitment of up to \$25 million to Middleground Partners Fund II, 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 6-0.

INFLATION AND PORTFOLIO IMPLICATIONS

Messrs. Gooderham, Barner and Dinger of Windmark Investment Partners reviewed the firm's analysis of inflation possibilities and the impact these scenarios would have on the System's portfolio. Mr. Gooderham noted inflationary pressures and risks are rising due to fiscal and monetary stimulus as well as the economic reopening which is expected to release significant, pent-up demand.

Mr. Dinger noted that while Windmark anticipates US inflation to rise over the short term as economic activity accelerates demand and supply issues right themselves, structural deflationary forces, including technological and demographic trends, are likely to contain long term inflation. Mr. Barner detailed the System's current positioning within the context of this base case, concluding that the tilt toward value stocks and below benchmark duration were appropriate. There were no reallocation recommendations.

ANNUAL MANAGER FEE ANALYSIS

Mr. Musto with Windmark Investment Partners presented the annual review of manager fees, noting that total fees for the portfolio increased slightly year over year, from 0.33% to 0.34% as a percent of assets. Specifics included:

- Public market manager fees increased from 0.24% to 0.27% due to the termination of a performance-based mandate and the addition of higher fee equity managers.
- Private equity manager fees increased from 1.58% to 1.83% due to the investment periods commencing on commencement on four mandates.
- Manager fees are less than or equal to the eVestment median in 11 of 13 liquid asset categories, resulting in total public market fees that are approximately \$2.3 million lower than median universe fee levels would suggest.

KEY INITIATIVES

- Ms. Stenroos updated the Board on the asset reallocation approved at the March meeting
- Mr. Gooderham noted the value equity managers on the roster had outperformed over the last few months and the rationale for holding them in the portfolio
- Mr. Gooderham noted Sara Williams with Windmark Investment Partners would be taking a one year sabbatical to attend the MIT Sloan School of Management MBA program.
- Mr. Barrett updated trustees on the Executive Director search.

ADJOURNMENT

Ms. Donnellan, 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 11:14 AM.

Respectfully Submitted,
Randee Stenroos
Assistant Director