

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
March 1, 2018**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:00 AM, in the Cherry/Dogwood Conference Room at 2100 Clarendon Boulevard.

Voting Members Present: Mr. Jon Kinney, President
 Mr. Rich Alt, Vice President
 Ms. Michelle Cowan, Treasurer (arrived at 8:09 AM)
 Mr. Jimmie Barrett, Secretary
 Mr. William Ross, Assistant Treasurer
 Ms. Barbara Donnellan
 Ms. Sara Teyema (arrived at 8:03 AM)

Substitute Members Present: Ms. Michael-dharma Irwin
 Mr. Brian Lynch
 Mr. Wayne Rhodes

Various Times: Mr. Daniel Zito, Executive Director
 Ms. Randee Stenroos, Assistant Director
 Ms. Katrina Milne, Investment Analyst
 Mr. Stephen Euell, Accountant
 Mr. Seth Yablonovitz, WIP
 Mr. Garry Musto, WIP

CONSENT LIST

Mr. Kinney welcomed Ms. Donnellan to the Board.

A motion to approve the consent list, consisting of the February 1, 2018 Board meeting minutes was offered by Mr. Kinney and seconded by Mr. Barrett. This motion passed by a vote of 6-0, with Ms. Cowan not yet present.

CAPITAL MARKETS OVERVIEW

Mr. Yablonovitz reviewed Windmark Investment Partners' (WIP, formerly Ashford Consulting Group) current investment market outlook concluding that continued global economic growth, low interest rates and contained inflation create a constructive backdrop for equities, supporting a continued overweight in portfolio allocation.

Windmark believes the global economic expansion still has legs, with nearly all countries' PMIs reflecting expansion. Meanwhile, inflation has remained below policymakers' targets, but cyclical inflationary pressures may continue to build in 2018, suggesting continued, deliberate moves towards monetary normalization. While US equity valuations are high by some metrics, stocks remain attractive relative to bonds. International equities in both developed and emerging markets are more attractive in terms of relative valuation than US equities.

A robust discussion ensued.

QUARTERLY PERFORMANCE REVIEW

Messrs. Musto and Yablonovitz of Windmark Investment Partners reviewed System investment performance for the quarter ended December 31, 2017. Fund returns for various time periods were:

(%)	Quarter	1 Year	5 Years	10 Years
Total Fund (Gross)	3.8	15.2	9.4	6.4
Total Fund (Net) *	3.8	15.0	9.1	6.1
Policy Benchmark**	3.6	14.5	8.4	5.9
CPI + 3.5% Annualized	0.8	5.9	5.0	5.2

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

**Effective 10/1/07: 40% Ru3000, 17.5% MSCI ACWI ex-US, 39% BC Universal, 1.5% Barclays TIPS, 2% T-Bills

The over performance over the past year was driven by the credit tilt and underweighted allocation to fixed income as well as strong returns from growth-oriented global equity managers.

Relative to the TUCS universe of public plans, ACERS' performance was in the 49th, 42nd and 35th percentile on a one, five and ten-year basis, respectively. The relevance of the TUCS ranking was discussed. WIP estimates the fund's diversified risk level at December 31, 2017 was 64. This compares to WIP's estimated benchmark risk of 54 and the top of the policy risk band at 65.

INTERNATIONAL MANAGER INTRODUCTION

Messrs. Musto and Yablonovitz presented Orbis, an equity manager the firm has researched and examined extensively. The discussion was not a recommendation or necessarily the precursor to one. Rather, it served as an example of the research and due diligence process underpinning WIP's manager search and selection. Orbis was chosen as the example to discuss given the complexity of the firm's structure and to solicit trustee feedback on the Board's appetite for such a manager.

After robust discussion amongst the trustees, the Board requested WIP to provide a proposed reallocation of the international/global space at the May Board meeting.

KEY INITIATIVES

- Ms. Stenroos updated the Board on the transition from Baillie Gifford and T. Rowe Price Global Growth to the Northern Trust STIF account.
- Ms. Stenroos reviewed the custodial RFP and discussed the timeline. A conversation on the custodial services market place ensued.
- Mr. Zito updated trustees on the February 28, 2018 training session.
- Mr. Zito stated that Meketa would be presenting at the April Board meeting on governance best and worst practices and the purpose investment belief statements.
- Mr. Zito stated that Cheiron would be at the April Board meeting to discuss additional measures of defined benefit plan sustainability and solvency that complement the traditional actuarial funded ratio.

INVESTMENT & ADMINISTRATIVE RELATED

- A. January 2018 Fund Balance Report
- B. County Board Update (as of 12/31/17)
- C. County and School OPEB Update (as of 12/31/17)
- D. Trip Report
- E. Calendar of Events

ADJOURNED

Ms. Donnellan, seconded by Mr. Ross, offered a motion to adjourn the meeting. The motion passed with a vote of 7-0. There being no further business, the meeting adjourned at 10:47 AM.

Respectfully submitted,
Rande Stenroos