

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
March 4, 2021**

The Vice President of the Board, Mr. Richard Alt, 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: Mr. Brian Lynch
 Mr. Carl Newby
 Ms. Emily Hughes

Others Present: Mr. Daniel Zito, Executive Director
 Ms. Rande Stenroos, Assistant Director
 Ms. Katrina Milne, Analyst
 Mr. Stephen Euell, Accountant
 Mr. Rob Gooderham, Windmark Investment Partners
 Mr. Garry Musto, Windmark Investment Partners
 Mr. Drew Dinger, Windmark Investment Partners
 Mr. Dan Barner, Windmark Investment Partners
 Mr. Eric Moffet, T. Rowe Price
 Mr. Chuck Knudsen, T. Rowe Price
 Mr. Brad Meeker, T. Rowe Price
 Mr. Jason Widener, T. Rowe Price

CONSENT LIST

Mr. Newby noted a correction to the attendance list in the February 4, 2021 minutes. A motion to approve the consent list, consisting of the February 4, 2021 meeting minutes, as amended, was offered by Ms. Donnellan and seconded by Mr. Ross. The motion passed by a vote of 7-0.

UNINVESTED ASSET CLASS ANALYSIS

Messrs. Barner and Dinger of Windmark Investment Partners reviewed the firm's analysis of asset classes in which ACERS is not currently invested, including REITs, convertibles, natural resources and emerging market debt. For each asset class, the rationale for not being invested was discussed, as well as a review of fundamentals and valuation. Windmark emphasized that the investment process includes continuous review of all asset classes and should circumstances change to make any particular area attractive, it would be brought forward for consideration. There was robust conversation regarding specific asset classes.

T. ROWE PRICE ASIA OPPORTUNITIES STRATEGY REVIEW

Messrs. Moffet, Meeker and Knudsen presented an overview of ACERS \$101.7 million investment in the Asia Opportunities Trust. Mr. Meeker noted that Mr. Moffet would be appointed lead portfolio manager of the global emerging market equity strategy at year end while still remaining portfolio manager of the Asia Opportunities fund.

Mr. Moffet reviewed the strategy, noting that it employs a lower risk approach to investing in Asia by focusing on high quality, steady compounders which are generally unattractive to local market investors. In addition to a broad review of regional economics, several specific companies were discussed in detail.

QUARTERLY PERFORMANCE REVIEW

Messrs. Gooderham and Musto of Windmark Investment Partners reviewed System investment performance for the quarter ended December 31, 2020. Fund returns for various time periods were:

(%)	Quarter	1 Year	5 Years	10 Years
Total Fund (Gross)	9.5	16.8	11.0	9.1
Total Fund (Net) *	9.5	16.7	10.8	8.9
Policy Benchmark**	9.3	14.0	10.0	8.3
CPI + 3.5% Annualized	1.0	5.1	5.7	5.4

* 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

Relative outperformance versus the benchmark over the past year was driven by strong returns for the public equity section, while the fixed income section was a minor detractor from relative results.

Relative to the TUCS universe of public plans, ACERS' performance was in the 4th, 11th and 33rd percentile on a one, five and ten-year basis, respectively. WIP estimates the fund's diversified risk level at December 31, 2020 was 63. This compares to WIP's estimated Fund benchmark risk of 54 and the top of the policy risk band at 65.

Mr. Gooderham discussed the attribution analysis, reviewing the contributors to, and detractors from, relative return over the most recent three- and five-year periods.

ASSET REALLOCATION RECOMMENDATION

Messrs. Gooderham and Musto presented an asset allocation recommendation to adjust the portfolio's equity exposure due to continued market strength.

While two re-allocation options were presented, the one detailed below was the preferred recommendation of Windmark and Staff:

Reductions:

- \$10 million from Vanguard Dividend Growth
- \$10 million from both T. Rowe Price Global Growth Equity and Baillie Gifford Long Term Global Growth
- \$5 million from T. Rowe Price Asia Opportunities

Allocations:

- \$35 million to DoubleLine Total Return

After robust discussion between trustees and Windmark, a motion was made to accept the above recommendation by Mr. Barrett, seconded by Ms. Donnellan. The motion passed by a vote of 5 – 2, with Mr. Kinney and Mr. Alt opposed.

ADJOURNMENT

Mr. Barrett, seconded by Ms. Donnellan, offered a motion to adjourn the meeting. The motion passed by a vote of 7-0. The meeting ended at 11:10 AM.

Respectfully Submitted,
Ranee Stenroos
Assistant Director