

**ARLINGTON COUNTY VIRGINIA  
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees  
Meeting Minutes  
April 7, 2022**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:30 AM. The meeting was held at 2300 Wilson Boulevard, Ground Floor Conference Room, and electronically via Microsoft Teams, consistent with the Virginia General Assembly and Arlington County rules allowing electronic meetings during emergency orders.

Voting Members Present:            Mr. Jonathan Kinney, President  
   Mr. Richard Alt, Vice President  
   Ms. Michelle Cowan, Treasurer  
   Mr. William Ross, Assistant Treasurer  
   Ms. Michael-dharma Irwin, Secretary  
   Ms. Barbara Donnellan  
   Mr. Brian Lynch

Substitute Members Present:        Mr. Carl Newby  
   Ms. Emily Hughes  
   Mr. Shaun Lewis

Others Present:                        Ms. Susie Ardeshir, Executive Director  
   Ms. Randee Stenroos, Assistant Director  
   Ms. Katrina Milne, Analyst  
   Mr. Stephen Euell, Accountant  
   Mr. Rob Gooderham, Windmark Investment Partners  
   Mr. Garry Musto, Windmark Investment Partners  
   Mr. Dan Barner, Windmark Investment Partners  
   Mr. Jim McGovern, Franklin Park  
   Mr. Matt Castaldo, Franklin Park  
   Mr. Scott Berg, T. Rowe Price  
   Mr. Brad Meeker, T. Rowe Price  
   Ms. Jennifer Martin, T. Rowe Price

**CONSENT LIST**

Mr. Kinney called the meeting to order at 8:30 AM. A motion to approve the consent list, consisting of March 3, 2022, meeting minutes, was offered by Mr. Ross and seconded by Ms. Donnellan. The motion passed by a vote of 7-0.

**INVESTMENT POLICY STATEMENT**

Ms. Ardeshir presented an updated IPS that included updates to the benchmark risk numbers approved at the October 2021 Board meeting and updated the alternative (private) investments language to remove the secondary exposure constraint, limiting commitment pacing. After discussion, Mr. Ross offered a motion, seconded by Ms. Donnellan and passed by a vote of 7 – 0, to approve the updated IPS.

## **UPSIZING PRIVATE EQUITY COMMITMENTS**

Ms. Ardeshir asked the Board to consider upsizing commitments to two private equity funds, Bison VI and Rubicon IV. After discussion amongst trustees, Mr. Kinney asked if Windmark Investment Partners and Franklin Park had any objections to increasing the commitment amounts. Hearing no objections, Mr. Ross, seconded by Ms. Donnellan, offered a motion to increase the commitment to Bison VI from \$15 million to \$25 million and the commitment to Rubicon IV from \$15 million to \$20 million. The motion passed by a vote of 7 – 0.

## **ASSET ALLOCATION RECOMMENDATION**

Messrs. Gooderham, Musto, and Barner presented an overview of What We Believe regarding the Fund and where they believe the economy is positioned in the economic cycle. It was noted that an inverted yield curve, increasing inflation, and rising energy prices are all precursors of a recession. Windmark Investment Partners believe the economy is in a late-cycle with indications of an upcoming recession.

The Fund's overweight allocation to value helped beat its benchmark for the first quarter of 2022. Windmark advised trimming the earnings on value funds and placing them in the Cash account, allowing the Fund to stay short on duration.

After discussion with the trustees, Ms. Irwin, seconded by Mr. Ross, offered a motion to:

- Trim \$65 million from the Northern Trust Russell 1000 Value Index Fund and move to the Northern Trust Cash account.
- Trim \$30 million from Kiltearn Deep Value and move to Baillie Gifford Long Term Global Growth account.

The motion passed by a 6 – 1, with Mr. Kinney dissenting.

## **T. ROWE PRICE GLOBAL GROWTH UPDATE**

Mr. Scott Berg, with T. Rowe Price, provided an update on the Global Growth Fund. He noted it had been a challenging period for the Global Growth Fund. While reviewing performance, he pointed out that the fourth quarter underperformance was driven by poor stock picking. In contrast, first-quarter underperformance was a reaction to the Omicron variant and the Russia/Ukraine conflict.

He noted several positives: corporate profits, COVID vaccines, tight labor markets, and reasonably valued equities versus bonds. He also noted several negatives, including higher inflation, supply shortage, Russia/Ukraine, and US budget deficit.

Mr. Berg noted he was trying to keep the portfolio in the middle of the fairway while looking at commodities and setting a higher bar for non-cash flowing companies.

## **WINDMARK INVESTMENT MANAGER FEE ANALYSIS**

Mr. Musto with Windmark Investment Partners provided an annual fee analysis. He noted fees on an absolute basis had gone up as asset values rose but declined slightly as a percentage of assets.

He noted that eleven out of thirteen liquid asset classes were lower than the eVestment median. Total investment fees were \$7.9 million, which is \$2.5 million lower than the eVestment median fee.

### **KEY INITIATIVES**

Mr. Ross and Ms. Ardeshir gave a governance sub-committee update. Ms. Ardeshir noted that electronic meetings are still allowable in Arlington/Alexandria/Fairfax given under emergency order but expected to be lifted by summer. An electronic participation policy will be presented at the May Board Meeting with an update from the working group on governance.

### **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.