

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
December 1, 2022**

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

Substitute Members: Ms. Emily Hughes

Substitute Members Absent: Mr. Carl Newby

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
Ms. Virginia Sadler, County Attorney's Office
Mr. Brian Liffick, Cherry Bekaert
Mr. Jeremy Burgess, Cherry Bekaert

THE MEETING CONVENED AT 8:30 AM

The President of the Board, Mr. Jonathan Kinney, called the meeting to order. The meeting was held at 2100 Clarendon Boulevard, Conference Room 306-A, and electronically via Microsoft Teams, consistent with the Virginia General Assembly and Arlington County policies for electronic participation in meetings.

CONSENT LIST

A motion to approve the consent list, consisting of November 3, 2022, meeting minutes, was offered by Ms. Donnellan and seconded by Ms. Irwin. The motion passed by a vote of 7 – 0.

CLOSED SESSION

Ms. Irwin offered a motion, seconded by Ms. Donnellan, and passed by a vote of 7 – 0 to enter into a closed session for discussion or consideration of medical and mental records excluded from this chapter pursuant to Virginia Code §2.2-3705.5.

The closed session began at 8:35 AM.

The Board returned to the open session at 9:28 AM. On a motion by Ms. Irwin, and carried by a voting record as follows:

<u>Member</u>	<u>Vote</u>
Mr. Kinney	Aye
Mr. Alt	Aye
Ms. Cowan	Aye
Mr. Ross	Aye
Ms. Donnellan	Aye
Mr. Lynch	Aye
Ms. Irwin	Aye

The Board certified that only public matters lawfully exempted from the open meeting requirement by Virginia law and identified in the motion convening the closed session were heard, discussed, or considered.

Mr. Lynch offered a motion seconded by Ms. Donnellan to ask for clarifying opinions on follow-up tests and any other records the appellant wished to submit. The motion passed by a vote of 7 – 0.

FY 2022 AUDIT FINDINGS AND ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) SUBMISSION

Messrs. Liffick and Burgess presented Cherry Bekaert's report on the ACERS financial statements audit for the fiscal year that ended June 30, 2022. Cherry Bekaert issued an unmodified opinion that the financial statements are presented fairly, in all material respects, and conformity with the U.S. Generally Accepted Accounting Principles. They also noted that management was very cooperative and professional during the audit process.

Mr. Liffick reviewed financial highlights for the 2022 fiscal year. Mr. Liffick noted that an understanding of internal controls is part of the audit and discussed which sections of the ACFR are subject to the entire audit and were reviewed for consistency.

After the ensuing discussion, Ms. Donnellan offered a motion seconded by Mr. Alt to approve the 2022 Annual Comprehensive Financial Report as submitted. This motion passed by a vote of 7-0.

QUARTERLY INVESTMENT PERFORMANCE REVIEW

Messrs. Gooderham and Musto of Windmark Investment Partners reviewed System investment performance for the quarter that ended September 30, 2022. Fund returns for various periods were:

(%)	Quarter	1 Year	5 Years	10 Years	20 Years
Total Fund (Net)	-4.9	-14.3	5.5	7.0	7.7
Policy Benchmark	-5.3	-17.8	3.4	5.7	6.5
CPI + 3.5% Annualized	1.1	12.0	7.4	6.2	5.8

The Fund's cash allocation, shorter duration fixed income positioning, and non-traditional (private) investments contributed to relative results.

INVESTMENT PORTFOLIO RECOMMENDATION

Messrs. Gooderham, Barner, and Musto with Windmark Investment Partners recommended reducing the Northern Trust Russell 1000 Value Index, GQG US Equity, and Cash. Then invest the proceeds to the Northern Trust Aggregate Bond Index to increase the duration of the fixed income portfolio.

After discussion, Ms. Irwin offered a motion to trim the following:

\$28 million from Northern Trust Russell 1000 Value Index Fund
\$28 million from GQG US Equity
\$28 million from Cash

And move the \$84 million proceeds to the Northern Trust Aggregate Bond Index. Ms. Donnellan seconded the motion, which subsequently passed by a vote of 6-1, with Mr. Kinney voting against the allocation but not the funding.

ELECTION OF BOARD OFFICERS

Per the Arlington County Code, the Board held its annual election of officers. Ms. Donnellan 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
Assistant Treasurer	Mr. Ross	Ms. Donnellan	Mr. Lynch	6-0-1
Secretary	Ms. Irwin	Ms. Donnellan	Mr. Lynch	6-0-1

INTEREST RATE ON MEMBER CONTRIBUTIONS

Staff recommended an interest rate of 0.6%, calculated per the County Code and the policy established by the Retirement Board of Trustees in February 2015, be applied to member contribution balances.

A motion to approve the crediting interest rate of 0.6% was offered by Mr. Alt and seconded by Ms. Donnellan. The motion passed with a vote of 6-1, with Mr. Lynch voting against it.

A motion to task the Executive Director with setting up a process to review the County Code and Retirement Board policies on the interest rate on member contributions was offered by Mr. Alt and seconded by Mr. Lynch. The motion passed with a vote of 7-0.

THE MEETING ADJOURNED AT 11:59 AM