

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

**Board of Trustees
Meeting Minutes
June 2, 2022**

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:30 AM. The meeting was held at 2100 Clarendon Boulevard, Conference Room 306A, 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

CONSENT LIST

A motion to approve the consent list, consisting of May 5, 2022, meeting minutes, the FY 2023 Proposed Budget, and the updated Electronic Meeting Policy, was offered by Ms. Donnellan and seconded by Mr. Ross. The motion passed by a vote of 7 – 0.

GOVERNANCE UPDATE

Ms. Ardeshir discussed items for review by the Governance subcommittee. She noted the Investment Policy Statement had been approved at the April 2022 meeting. She's proposing all other policies consolidated into the Governance Manual, distributed to trustees for action at the July 2022 meeting.

Mr. Alt discussed cybersecurity discussions with the Arlington County Department of Technology Services and Northern Trust. Mr. Ross and Mr. Lewis gave updates on conferences attended and sponsored by IFEBP and NCPERS.

CLOSED SESSION

Ms. Irwin offered a motion, seconded by Mr. Kinney, and passed by a vote of 7 – 0, to enter into a 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 §2.2-3711 A (20) & (38); 2.2 3705.7 (24).

The closed session began at 9:07 AM.

The Board returned to the open session at 9:30 AM. On a motion by Ms. Irwin, and carried by a vote of the voting recorded as follows:

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

Upon returning to the open session, Mr. Ross, seconded by Ms. Donnellan, offered a motion to commit \$25 million to BV Partners Fund XI, 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 required to implement the investment. The motion passed by a vote of 7 – 0.

WINDMARK INVESTMENT PARTNERS ACERS PORTFOLIO REVIEW

Messrs. Gooderham, Musto, and Barner presented an overview of the ACERS portfolio and the mandates of the Fund's equity and fixed income portions. Mr. Gooderham noted that the portfolio is well-positioned, and Windmark Investment Partners had no recommendations for reallocations.

The equity portfolio is value tilted and overweight small-cap stocks. The income portfolio is overallocated to cash, underweight government bonds, and has a shorter duration than the benchmark. It was noted that markets are currently in the late part of the cycle, looking for signs of recession.

QUARTERLY PERFORMANCE REVIEW

Messrs. Gooderham, Musto, and Barner of Windmark Investment Partners reviewed System investment performance for March 31, 2022. The ACERS portfolio held \$3.1 billion at the end of March 2022, invested 63.8% public equity, 47.7% U.S., and 16.1% Non-U.S., while fixed income was 23.6%, cash 5.9%, and 6.7% to alternatives.

Fund returns for various periods were:

(%)	Quarter	1 Year	5 Years	10 Years	20 Years
Total Fund (Net) *	-3.6	5.3	10.0	9.0	7.6
Policy Benchmark**	-5.4	3.0	8.5	7.9	6.7
CPI + 3.75% Annualized	4.1	12.3	7.1	6.0	6.0

** Net 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*

Over the past year, the performance of the portfolio's value-oriented and quality-focused equity managers and the shorter duration positioning in fixed income and exposure to alternatives gains from the non- contributed to relative performance.

KEY INITIATIVES

Ms. Ardeshir discussed the consultant review feedback and 2023 strategic planning. She noted that the local emergency order might be lifted on July 1, 2022.

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 11:29 AM.