

ARLINGTON COUNTY EMPLOYEES' RETIREMENT SYSTEM

Board of Trustees September 7, 2023, Meeting Minutes

Voting Members:

Mr. Jonathan Kinney, President
Mr. Richard Alt, Vice President (via TEAMS)
Ms. Michelle Cowan, Treasurer
Ms. Michael-dharma Irwin, Secretary
Mr. William Ross, Assistant Treasurer
Mr. Brian Lynch

Substitute Members:

Ms. Emily Hughes
Mr. Carl Newby
Mr. Matt Martin

Voting Members Absent:

Ms. Barbara Donnellan

Others Present:

Ms. Susie Ardeshir, Executive Director
Ms. Randee Stenroos, Assistant Director
Ms. Katrina Milne, Analyst
Mr. Stephen Euell, Accountant
Mr. Rob Gooderham, Windmark
Mr. Dan Barner, Windmark
Mr. Garry Musto, Windmark
Mr. Kevin Woodrich, Cheiron
Mr. Patrick Nelson, Cheiron

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 311, 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 the July 6, 2023, meeting minutes, was offered by Mr. Lynch and seconded by Mr. Ross. The motion passed by a vote of 6 – 0, with Ms. Donnellan not present.

ACERS ACTUARIAL VALUATION

Messrs. Woodrich and Nelson with Cheiron presented the Fiscal Year (FY) 2023 Actuarial Valuation.

Mr. Woodrich discussed future trends regarding the funded status, employer contributions, and risk metrics used by Cheiron. Mr. Nelson gave a historical review of participation, assets and liabilities, funded status, contributions, and cash flows. Based on the report, the ACERS funded ratio improved slightly to 109.0% from 108.5% on an actuarial basis. The resultant FY 2025 County contribution would be 21.1%, the same as in the current fiscal year.

Ms. Irwin offered a motion to accept the June 30, 2023, Actuarial Valuation Analysis and, consistent with the study's conclusions, recommend a 21.1% County contribution rate to the County Board FY 2025. The motion was seconded by Mr. Ross and subsequently passed by a vote of 6-0, with Ms. Donnellan absent. A follow-up was requested to understand the history of the change in administrative expenses.

INVESTMENT PERFORMANCE REVIEW

Messrs. Gooderham, Musto, and Barner of Windmark Investment Partners reviewed System investment performance for the fiscal year ending June 30, 2023. The ACERS portfolio held \$3.0 billion at the end of June 2023, invested 55.3% public equity, 28.1% U.S., and 27.2% Non-U.S., while fixed income was 31.3%, cash 3.5%, and 9.9% to alternatives.

Fund returns for various periods were:

(%)	Quarter	1 Year	5 Years	10 Years	20 Years
Total Fund (Net) *	2.8	7.8	7.2	7.5	7.5
Policy Benchmark**	3.9	10.8	6.0	6.7	6.7
CPI + 3.75% Annualized	2.0	6.7	7.6	6.4	5.9

** Net returns adjusted downwards quarterly for annual fee rate per annual fee review and analysis*

***40% Ru3000, 17.5% MSCI ACWI ex-US, 39% BC Universal, 1.5% Barclays TIPS, 2% T-Bills*

The asset allocation to fixed income, cash, and alternatives contributed to results over the fiscal year, while the public equity portfolio trailed its benchmark.

Given the yield spread, Messrs. Gooderham, Barner, and Musto with Windmark Investment Partners recommended moving from the Northern Trust Government Short-Term Investment Fund (GSTIF) to the Northern Trust Short-Term Investment Fund (STIF).

After discussion, Ms. Irwin motioned to move the GSTIF monies into the STIF account. Mr. Lynch seconded the motion, which passed by a vote of 6-0, with Ms. Donnellan absent.

KEY INITIATIVES

Ms. Stenroos presented an update on the FY23 audit. Ms. Milne reviewed the FY 23 OPEB accounts.

Ms. Ardeshir updated the Board on cybersecurity and private equity fees.

There was a request for a review of governance and decision-making, an overview of investable asset classes, and research on private equity fees.

THE MEETING ADJOURNED AT 10:39 AM