

**ARLINGTON COUNTY VIRGINIA
EMPLOYEES' RETIREMENT SYSTEM**

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

The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:40 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 participation in meetings.

Voting Members: Mr. Richard Alt, Vice President (In-Person)
 Ms. Michelle Cowan, Treasurer (Virtual left at 12:55 PM)
 Ms. Barbara Donnellan (Virtual left at 12:40 PM)
 Mr. Jonathan Kinney, President (In-Person)
 Ms. Emily Hughes (Virtual; arrived in person at 11:00 AM)
 Mr. Brian Lynch (Virtual)
 Mr. William Ross, Assistant Treasurer (In-Person)

Substitute Members Mr. Shaun Lewis (Virtual left at 9:45 AM)
 Mr. Carl Newby (In-Person)

Voting Members Absent: Ms. Michael-dharma Irwin

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. Jim McGovern, Franklin Park
 Mr. Gene Kalwarski, Cheiron
 Mr. Patrick Nelson, Cheiron

PHYSICAL QUORUM

There was not a physical quorum present at the start of the meeting. Items were only discussed, and no votes were taken until a fourth trustee arrived, creating a quorum.

CLOSED SESSION

Ms. Hughes offered a motion, seconded by Mr. Kinney, and passed by a vote of 7 – 0, to enter into a closed session for discussion, consideration, or interview of prospective candidates for employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining or resignation of specific public officers, appointees, or employees of any public body pursuant to Virginia Code §2.2-3711(A)(1).

The closed session began at 8:41 AM.

The Board returned to the open session at 9:00 AM. On a motion by Ms. Hughes, 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. Hughes	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.

CLOSED SESSION

Ms. Hughes 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 9:05 AM.

The Board returned to the open session at 10:02 AM. On a motion by Ms. Hughes, 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. Hughes	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.

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Ms. Hughes 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 10:05 AM.

The Board returned to the open session at 10:29 AM. On a motion by Ms. Hughes, 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. Hughes	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.

ACTUARIAL VALUATION STUDY REVIEW

Messrs. Kalwarski and Nelson with Cheiron presented the FY22 Actuarial Valuation Study results.

Mr. Kalwarski 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, ACERS funded ratio improved slightly to 108.5% from 108.4% on an actuarial basis. The resultant FY 2024 County contribution would be 21.1%, up from 20.8% in the current fiscal year.

The Board had a robust discussion on the long-term economic assumptions. Cheiron presented the impact on County contributions by varying future investment results.

After the discussion, Mr. Alt offered a motion to accept the economic assumptions included on June 30, 2022, Actuarial Valuation Analysis and, consistent with the study's conclusions, recommend a 21.1% County contribution rate to the County Board FY 2024. The motion was seconded by Ms. Hughes and subsequently passed by a vote of 6-1, with Mr. Kinney dissenting.

QUORUM PRESENT VOTING

For the consent list: Mr. Ross offered a motion to accept the consent list consisting of July 7, 2022, minutes and the updated Governance Manual. The motion was seconded by Mr. Alt and passed by a vote of 7 – 0.

For Franklin Park Venture XIV: Ms. Donnellan offered a motion to commit \$15 million to Franklin Park Venture XIV, 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 was seconded by Mr. Ross and passed by a vote of 6 – 1, with Mr. Lynch dissenting.

For Franklin Park Co-investment V: Mr. Ross offered a motion to commit \$20 million to Franklin Park Co-investment V, 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 was seconded by Ms. Donnellan and passed by a vote of 6 – 1, with Mr. Lynch dissenting.

For JFL Fund VI: Mr. Ross offered a motion to commit \$25 million to JFL Fund VI, 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 was seconded by Ms. Donnellan and passed by a vote of 7 – 0.

WINDMARK INVESTMENT PARTNERS QUARTERLY PERFORMANCE REVIEW

Messrs. Gooderham and Musto of Windmark Investment Partners reviewed System investment performance for the quarter and fiscal year ended June 30, 2022. The ACERS portfolio held \$2.8 billion at the end of June 2022, invested 58.4% public equity, 42.3% U.S., and 16.1% Non-U.S., while fixed income was 24.8%, cash 8.9%, and 7.9% to alternatives.

Fund returns for various periods were:

(%)	Quarter	1 Year	5 Years	10 Years	20 Years
Total Fund (Net) *	-9.3	-10.1	7.2	8.1	7.3
Policy Benchmark**	-11.8	-13.6	5.3	6.7	6.3
CPI + 3.75% Annualized	4.0	12.8	7.6	6.3	5.9

* Net returns reflect the current annual fee rate and assume all fees are deducted quarterly.

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

Over the past year, outperformance to the benchmark was driven by non-traditional investments, active U.S. equity managers, and . shorter duration positioning of the fixed income portfolio.

KEY INITIATIVES

Ms. Ardeshir noted a disability appeal would be at the October 6, 2022, Board Meeting.

Mr. Lynch made a motion that the Retirement Board retain independent counsel. There was no second, and the motion failed.

ADJOURNMENT

Mr. Ross, seconded by Mr. Alt, offered a motion to adjourn the meeting. The motion passed by a vote of 5 – 0, with Ms. Donnellan and Ms. Cowan not present. The meeting ended at 1:03 PM.