December 6, 2018

To: The Arlington County Board

Re: ACERS Update as of 9/30/18

Dear Board Members:

The attached summarizes the Arlington County Employees’ Retirement System’s investment performance for the quarter ended September 30, 2018.

Highlights include:

- System assets of $2.36 billion increased by $60 million versus 6/30/18.
- Net investment performance of 2.9% and 7.6% for the quarter and prior year, respectively, compares to respective benchmark returns of 3.1% and 6.8%, and the actuarial assumed annual rate of return of 6.75%.
- Outperformance over the trailing quarter and year was driven by the credit tilt and underweighted allocation to fixed income as well as strong returns from growth-oriented global equity managers.
- System performance was in the 46th percentile for the quarter, relative to a universe of public fund peers. Longer term performance ranks in the 56th, 44th, 61st and 23rd percentiles on a 1, 3, 5 and 10-year basis, respectively.
- County OPEB Trust assets were $136.5 million on 9/30/18. Trust assets remain invested in Vanguard’s Wellington Fund which was up 8.3% for the year versus an 10.9% benchmark return.

Additional details, including fund performance history and the current asset allocation, are presented in the attachment.

If you would like more information, please call me at (703) 228-7934.

Respectfully,

Daniel Zito
Executive Director

Cc: Mark Schwartz, County Manager
    Clerk to the County Board

Attachment (1)
ACERS September 2018 Update

Fund Balance

Net Performance\(^{(1)}\)

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+----------------+-------+----------------+-------+
<table>
<thead>
<tr>
<th>$ Millions</th>
<th>Actuarial Assets</th>
<th>Actuarial Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,400</td>
<td>2,304</td>
<td>2,359</td>
</tr>
</tbody>
</table>
```

Asset Allocation

Allocation vs. Benchmark\(^{(2)}\)

```
<table>
<thead>
<tr>
<th>Underweight</th>
<th>Overweight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Inc./Cash</td>
<td>-</td>
</tr>
<tr>
<td>US Equity</td>
<td>5%</td>
</tr>
<tr>
<td>Intl / Global Equity</td>
<td>10%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-15%</td>
</tr>
</tbody>
</table>
```

\(^{(1)}\) Periods greater than 1 year are annualized

\(^{(2)}\) Fixed Income/Cash: 39% BC Universal, 1.5% BC TIPS, 2% T-Bills; Equity: US: 40% Ru3000; Intl: 17.5% MSCI ACWI ex-US

Sources: Cheiron, Northern Trust