The President of the Board, Mr. Jonathan Kinney, called the meeting to order at 8:00 AM, in the Azalea Conference Room, 2100 Clarendon Boulevard, Arlington VA.

Voting Members Present: Mr. Jon Kinney, President  
Mr. Rich Alt, Vice President (via Skype and phone)  
Ms. Michelle Cowan, Treasurer (departed at 11:04 AM)  
Mr. William Ross, Assistant Treasurer  
Ms. Barbara Donnellan  
Ms. Michael-dharma Irwin

Substitute Members Present: Ms. Emily Hughes (departed at 11:04 AM)  
Mr. Brian Lynch (departed at 10:45 AM)  
Mr. Carl Newby

Voting Members Absent: Mr. Jimmie Barrett, Secretary

Others Present: Mr. Daniel Zito, Executive Director  
Ms. Randee Stenroos, Assistant Director  
Ms. Katrina Milne, Investment Analyst  
Mr. Stephen Euell, Accountant  
Ms. Malena Davis, Intern  
Mr. Rob Gooderham, Windmark Investment Partners  
Mr. Garry Musto, Windmark Investment Partners  
Mr. Ed Makin, Highclere (via Skype)  
Mr. Alex Sweet, Highclere (via Skype)  
Mr. Graham Hill, Highclere  
Mr. Brian Kennedy, Loomis Sayles  
Mr. Bob McManama, Loomis Sayles

CONSENT LIST

A motion to approve the consent list, consisting of the June 6, 2019 meeting minutes and the cancellation of the August 2019 Board meeting (unless circumstances warrant otherwise), was offered by Ms. Donnellan and seconded by Mr. Lynch. This motion passed by a vote of 7-0.
INTERNATIONAL SMALL CAP DISCUSSION

Mr. Musto with Windmark Investment Partners reviewed the international small cap space which was initially presented and discussed at the March 2019 Board meeting and a potential strategy, Highclere Small Companies Fund, which was introduced at the May 2019 Board meeting.

After reviewing the segment’s characteristics, Mr. Musto presented a comparison of the Highclere Small Companies Fund to the Royce International Premier Fund, noting that the Royce fund’s growth tilt benefited its relative performance versus the Highclere strategy in more recent time periods. Mr. Musto also noted WIP’s analysis suggested Royce offered less diversification benefits to ACERS portfolio and had concerns about firm ownership. Specifically, Royce is owned by Legg Mason and recently an activist investor had been granted two board seats. Highclere on the other hand is majority owned by its employees with Silchester holding a minority, passive position.

HIGHCLERE INTERNATIONAL SMALLER COMPANIES FUND

Messrs. Makin and Sweet, via Skype, and Mr. Hill with Highclere discussed the firms’ history, ownership structure, personnel, management philosophy and compensation arrangements.

Messrs. Makin and Sweet then discussed the Smaller Companies Fund which primarily focuses on early stage growth companies with above average growth prospects and companies recovering from either cyclical issues or likely to rebound from an identifiable management misstep. Highclere believes pricing efficiency diminishes with size, so the fund tilts towards microcap stocks. The strategy is currently closed, and the firm is managing a waitlist. Following the departure of Highclere personnel from the meeting, a discussion ensued.

After the discussion, a motion to allocate $50 million to Highclere International Smaller Companies Fund, subject to satisfactory negotiation of documentation and authorizing staff to take the actions necessary to implement the investment, was offered by Mr. Ross and seconded by Mr. Lynch. This motion passed by a vote of 6-1, with Mr. Kinney dissenting noting reservations about manager selection for the mandate.

A motion to authorize staff to fund available capacity in the Highclere fund up to the approved $50 million by taking the actions necessary to liquidate, first, the full balance of the DFA World ex-US Core fund and second, cash, provided such liquidations occur prior to December 31, 2019, after which Board reapproval will be required, was offered by Mr. Kinney and seconded by Ms. Donnellan. Mr. Lynch offered a friendly amendment to include the S&P 500 as an additional source of secondary funding, at Staff’s discretion. This amendment was accepted, and the amended motion passed by a vote of 7-0.
LOOMIS SAYLES REVIEW & SCHEDULE A REVISION

Messrs. Kennedy and McManama with Loomis Sayles reviewed ACERS’ $148 million investment in the Full Discretion Fixed Income strategy. They noted the strategy has underperformed the custom benchmark in recent periods due to the portfolio having a shorter duration than the benchmark. Mr. Kennedy discussed how liquidity has tightened in the fixed income markets over the last decade, especially high yield bonds. He noted that Loomis Sayles is not seeing as much value in high yield bonds as in the past and is continuing to hold a more conservative portfolio than the benchmark.

Messrs. Kennedy and McManama discussed the continued growth in 144A security issuance over the last several years noting it is cheaper and faster to issue 144A securities than SEC registered bonds. Importantly, he noted that Loomis Sayles analysts get as much, or more information and visibility into 144A issues than SEC registered issues and there were no pricing differences.

After discussion, a motion to increase the 144A securities in the guidelines from 20% to 50% was offered by Mr. Kinney and seconded by Ms. Donnellan. This motion passed by a vote of 7-0.

PORTFOLIO POSITIONING & RISK EXPOSURE DASHBOARD

Mr. Gooderham with Windmark Investment Partners introduced the firm’s new Risk and Portfolio Management Dashboard. The main objectives were to introduce more comprehensive ways of thinking about risk, better information on expected returns and risk-return trade-offs and to supply additional portfolio information. In addition to material already included in the quarterly performance reviews, the new dashboard includes stress testing, equity factor analysis, fixed income maturity profile and risk index variations. A discussion followed.

KEY INITIATIVES

- Messrs. Ross and Newby and Ms. Irwin reviewed the IFEBP CAPPP Parts I & II training they had attended in June.
- Mr. Zito noted a training session on Private Equity was held on July 10.

CLOSED SESSION – PERSONNEL DISCUSSION

A motion was offered by Ms. Irwin, seconded by Mr. Ross, and passed by a vote of 5-0, with Ms. Cowan and Mr. Lynch not present, to enter into 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 11:12 AM.
The Board returned to open session at 11:55 AM. On a motion by Ms. Irwin, and carried by a vote of 5-0, with Ms. Cowan and Mr. Lynch not present, the voting recorded as follows:

<table>
<thead>
<tr>
<th>Member</th>
<th>Vote</th>
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<tbody>
<tr>
<td>Mr. Kinney</td>
<td>Aye</td>
</tr>
<tr>
<td>Mr. Alt</td>
<td>Aye</td>
</tr>
<tr>
<td>Mr. Ross</td>
<td>Aye</td>
</tr>
<tr>
<td>Ms. Irwin</td>
<td>Aye</td>
</tr>
<tr>
<td>Ms. Donnellan</td>
<td>Aye</td>
</tr>
</tbody>
</table>

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

After the Board re-entered open session, a motion was offered by Ms. Donnellan, seconded by Mr. Ross, to approve the Executive Director’s FY19 salary increase consistent with the Executive Director Compensation Policy adopted by the Board on October 1, 2015. The motion passed by a vote of 5-0, with Ms. Cowan and Mr. Lynch not present.

**ADJOURNMENT**

Ms. Irwin, seconded by Mr. Ross, offered a motion to adjourn the meeting. The motion passed with a vote of 5-0, with Ms. Cowan and Mr. Lynch not present. The meeting ended at 12:00 PM.

Respectfully Submitted,
Randee Stenroos
Assistant Director