

THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY  
RETIREMENT SYSTEM OF FAIRFAX COUNTY

A COMPONENT UNIT OF FAIRFAX COUNTY PUBLIC SCHOOLS

FAIRFAX, VIRGINIA



# POPULAR ANNUAL FINANCIAL REPORT

# 2023

FOR THE FISCAL YEAR  
ENDED JUNE 30, 2023

# ERFC MISSION AND PRINCIPLES

## MISSION

The mission of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) is to enhance the financial security of our members through prudent financial stewardship of a defined benefit plan while providing outstanding retirement services and education.

## VISION

To be the leader among peers providing professional and personalized service to our members and beneficiaries to support their efforts to achieve financial independence.

## VALUES

### ACCOUNTABILITY

We always operate with transparency and a commitment to think strategically while fulfilling fiduciary obligations.

### CUSTOMER SERVICE

We always respond promptly with quality as we strive to exceed the expectations of our members and their beneficiaries.

### OPEN COMMUNICATION

We always provide timely and pertinent information that improves processes, removes barriers and establishes accountabilities.

### INTEGRITY

We conduct operations by adhering to the highest standards of ethical conduct, striving for accuracy, efficiency, and effectiveness.

### CONTINUOUS EDUCATION

Through ongoing education efforts, we enable ERFC employees to continuously improve the service and value they provide to our members; Board of Trustees to more effectively guide and inform ERFC strategy; and our members to better understand and make the most of their ERFC benefits.

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# THE YEAR IN REVIEW

We are pleased to present the Popular Annual Financial Report (PAFR) for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) for the fiscal year ended June 30, 2023. The PAFR provides an overview of ERFC's Plans, services, and financial condition. The financial information contained in the report is derived from ERFC's Annual Comprehensive Financial Report (ACFR). The ACFR is a more detailed report prepared in accordance with generally accepted accounting principles (GAAP) and is available on the ERFC website at <https://www.fcps.edu/ERFC-Financials>.

## STRATEGIC PLAN AND OPERATIONAL UPDATES

ERFC is in the final year of the Board-adopted 2022-2024 Strategic Plan that revolves around sustainability, engagement, education, and operational excellence. The implementation of process enhancements has resulted in improved efficiencies, cost savings, and member service. ERFC continues to outperform its peers, receiving a Customer Experience Management (CEM) Benchmarking score that was 7.4 percent higher than our peers on the administration of the Fund.

## FINANCIAL CONDITION

Fiscal year 2023 remained a challenging year for the market. Nonetheless, the ERFC Fund earned a 5.1 percent net of fees on investments. The Fund's longer-term performance remained solid; the 10-year return of 6.6 percent exceeded the policy index return of 6.0 percent. ERFC's funding ratio decreased from 78.0 percent to 77.2 percent for the valuation period ending December 31, 2022. This decrease was due to market volatility and an increase in retirees and beneficiaries collecting retirement benefits.

## AWARDS

ERFC put forth a multi-year effort to attain two operational excellence awards—the United States Senate Productivity and Quality Award (SPQA) and the Malcolm Baldrige National Quality Award. In fiscal year 2023, ERFC received the SPQA award for Progress in Performance Excellence. The Public Pension Coordinating Council honored ERFC with the Public Pension Standards' Award for Funding and Administration 2023. Furthermore, the Government Finance Officers Association of the United States and Canada (GFOA) recognized ERFC with a prestigious Award of Outstanding Achievement in Popular Financial Reporting for the fiscal year ended June 30, 2022.

## THANK YOU

We extend our sincere thanks to the Board of Trustees, the ERFC staff, and all ERFC members for their continued support.

*Srikumar Bala*

**Srikumar Bala**  
Deputy Executive Director  
IT, Member Services, and Communications

*Wendy Zhi*

**Wendy Zhi**  
Acting Deputy Executive Director  
Finance and Investment



**5.1%**

**FUND AFTER-FEES  
RETURN ON INVESTMENTS**



**77.2%**

**FUNDED RATIO**

# BOARD MEMBERS



**KIMBERLY ADAMS**  
CHAIRPERSON  
ELECTED MEMBER



**KATHIE PFEFFER-HAHN**  
VICE CHAIRPERSON  
ELECTED MEMBER



**LEIGH BURDEN**  
TREASURER  
APPOINTED MEMBER



**MARTY K. SMITH**  
TRUSTEE  
APPOINTED MEMBER



**DR. SHERRY WILSON**  
TRUSTEE  
APPOINTED MEMBER



**DUCCHI QUAN**  
TRUSTEE  
ELECTED MEMBER



**ADAM McCONAGHA**  
TRUSTEE  
APPOINTED MEMBER



**\$3.1B**

TOTAL FUND VALUE



**42,730**

ACTIVE AND RETIREE MEMBERSHIP

## AWARD FOR OUTSTANDING ACHIEVEMENT IN POPULAR ANNUAL FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to ERFC for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. ERFC has received a Popular Award for the last four consecutive years.



Government Finance Officers Association

### Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Educational Employees' Supplementary Retirement  
System of Fairfax County  
Virginia**

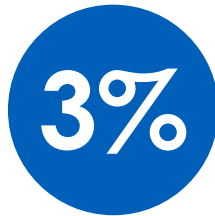
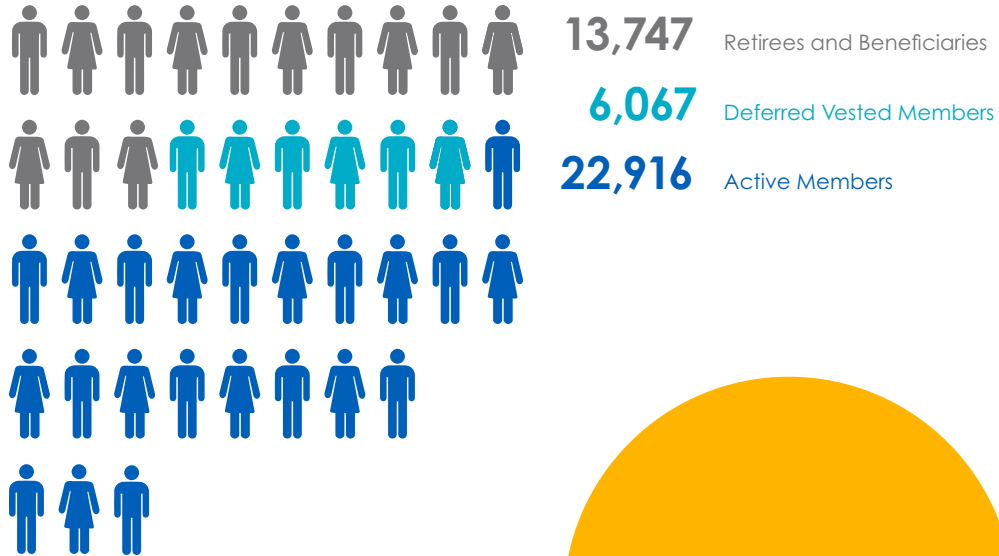
For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2022

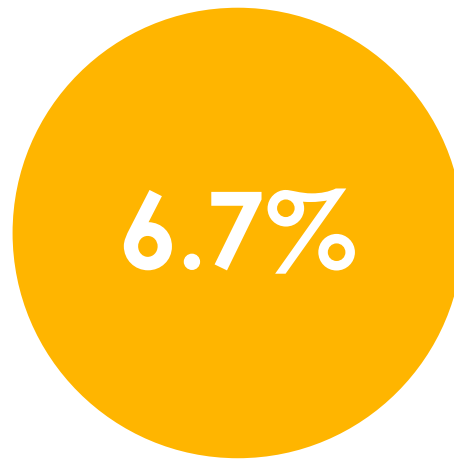
*Christopher P. Morill*

Executive Director/CEO

TOTAL ERFC MEMBERSHIP



MEMBER CONTRIBUTION RATE



FCPS EMPLOYER CONTRIBUTION RATE



1973

FCPS & FEA ESTABLISHED ERFC

1988

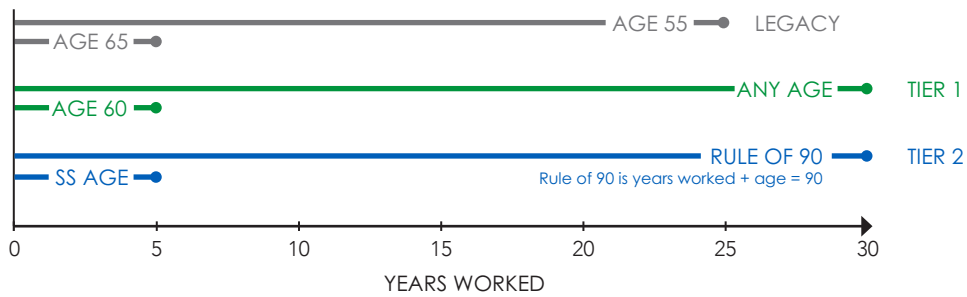
ALTERED PLAN: RESPONSE TO VRS CHANGES



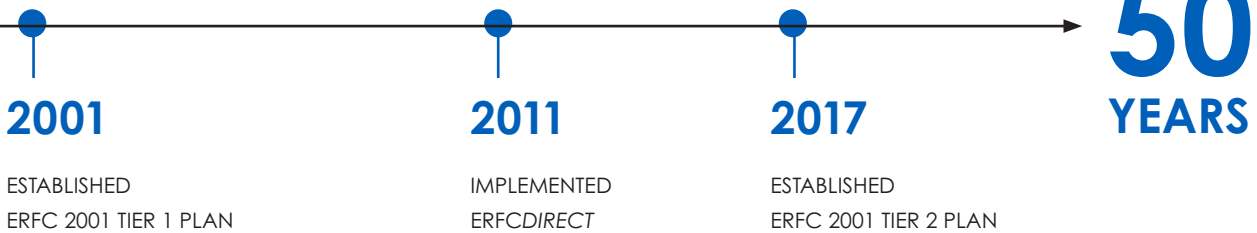
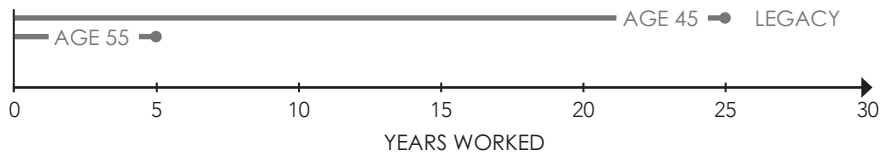
69.2% OF RETIREE BENEFITS PAID TO VIRGINIA RESIDENTS  
 43.2% OF RETIREE BENEFITS PAID TO FAIRFAX COUNTY RESIDENTS

**RETIREMENT ELIGIBILITY**

UNREDUCED \$

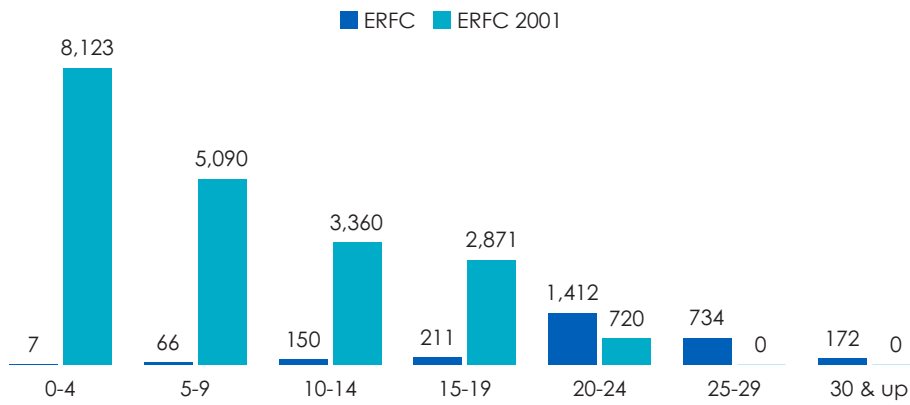


REDUCED \$



**ACTIVE MEMBER YEARS OF SERVICE**

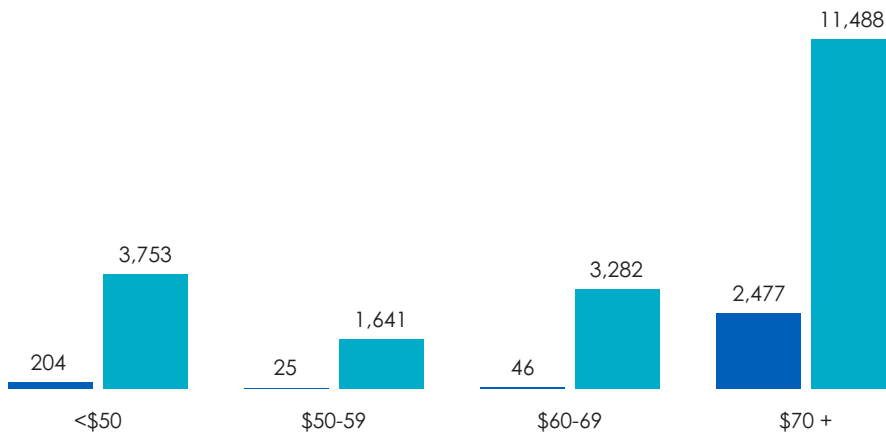
AVERAGE SERVICE = 9.8 YEARS



**ACTIVE MEMBER SALARIES**

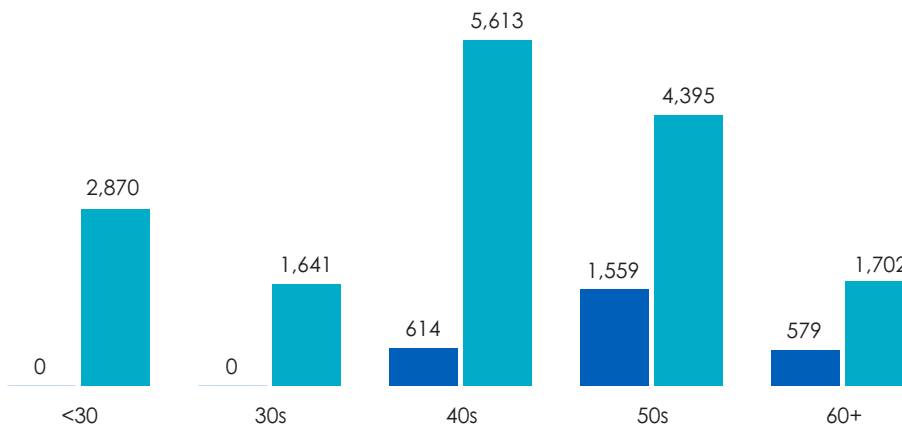
AVERAGE ANNUAL PAY = \$78,138

\$ THOUSANDS



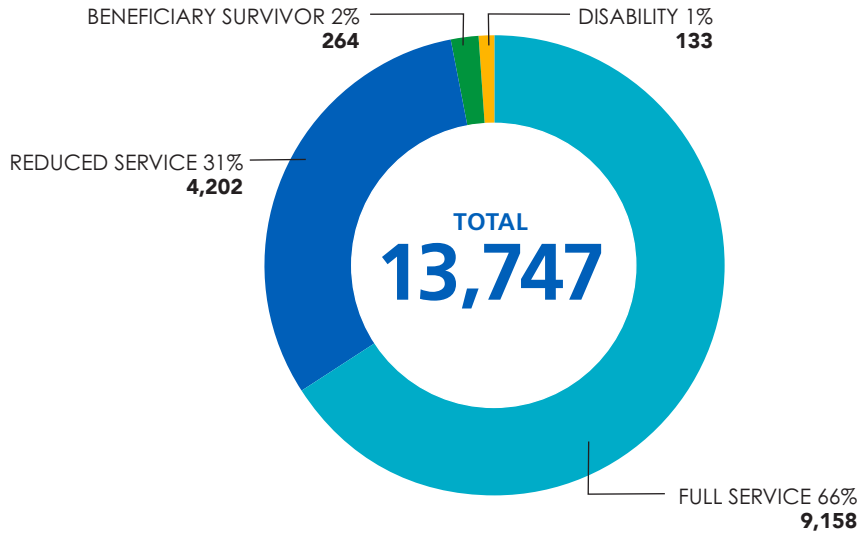
**ACTIVE MEMBER AGES**

AVERAGE AGE = 44.7 YEARS | TOTAL ACTIVE MEMBERS = 22,916



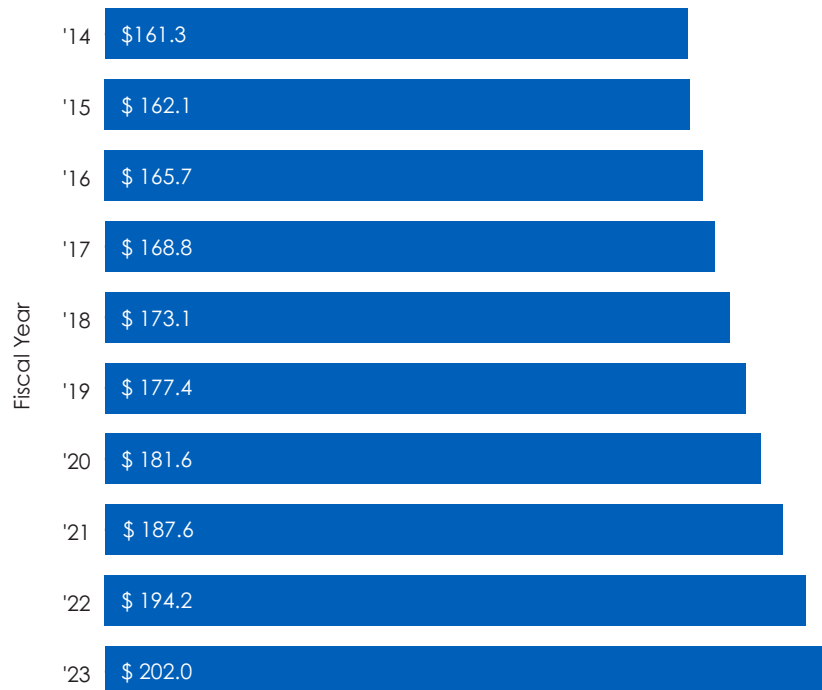


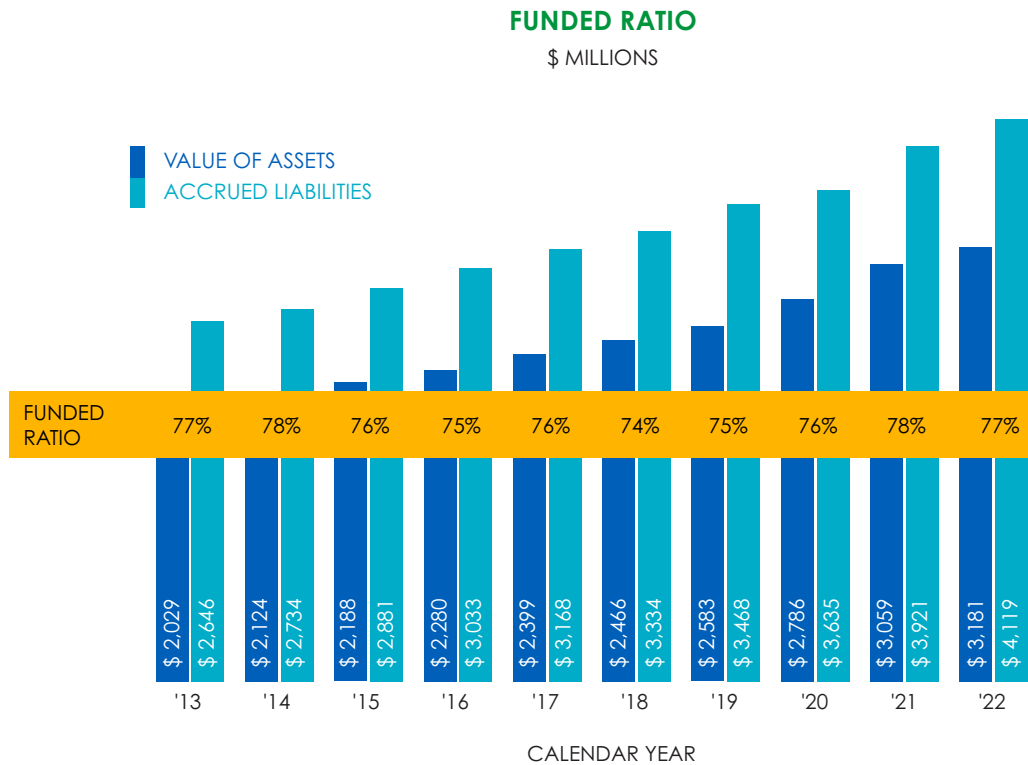
**RETIREES AND BENEFICIARIES  
BY TYPE OF BENEFIT BEING PAID**



**BENEFITS PAID**

AS OF JUNE 30  
\$ MILLIONS



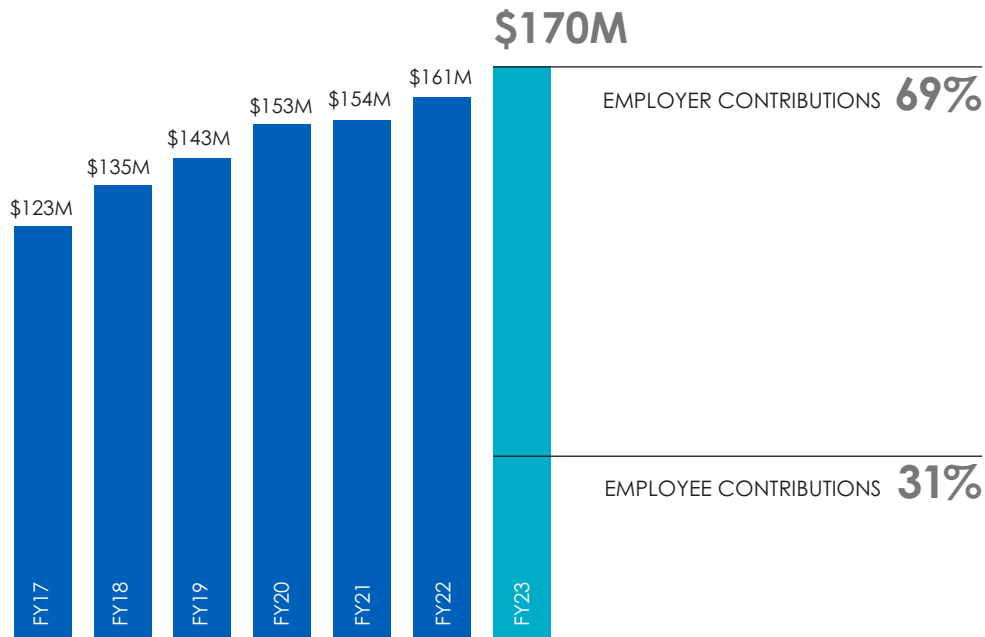


The funded ratio represents the value of assets divided by the accrued liabilities at a point in time. This percentage is an indicator of the plan's ability to pay future benefits.

### SUMMARY OF FIDUCIARY NET POSITION

	JUNE 30, 2023	JUNE 30, 2022	VARIANCE
<b>ASSETS</b>			
Total cash and investments	\$ 3,237,285,222	\$ 3,112,776,168	\$ 124,509,054
Total receivables	19,994,116	10,576,455	9,417,661
Other assets	2,603,176	336,023	2,267,153
<b>TOTAL ASSETS</b>	<b>3,259,882,514</b>	<b>3,123,688,646</b>	<b>136,193,868</b>
<b>LIABILITIES</b>			
Right-to-use liability	2,761,361	334,590	2,426,771
Accounts payable	1,928,358	2,159,020	(230,662)
Securities purchased	25,402,687	22,923,839	2,478,848
Securities lending collateral	153,057,006	100,361,317	52,695,689
<b>TOTAL LIABILITIES</b>	<b>183,149,412</b>	<b>125,778,766</b>	<b>57,370,646</b>
<b>TOTAL NET POSITION</b>			
<b>RESTRICTED FOR PENSIONS</b>	<b>\$ 3,076,733,102</b>	<b>\$ 2,997,909,880</b>	<b>\$ 78,823,222</b>

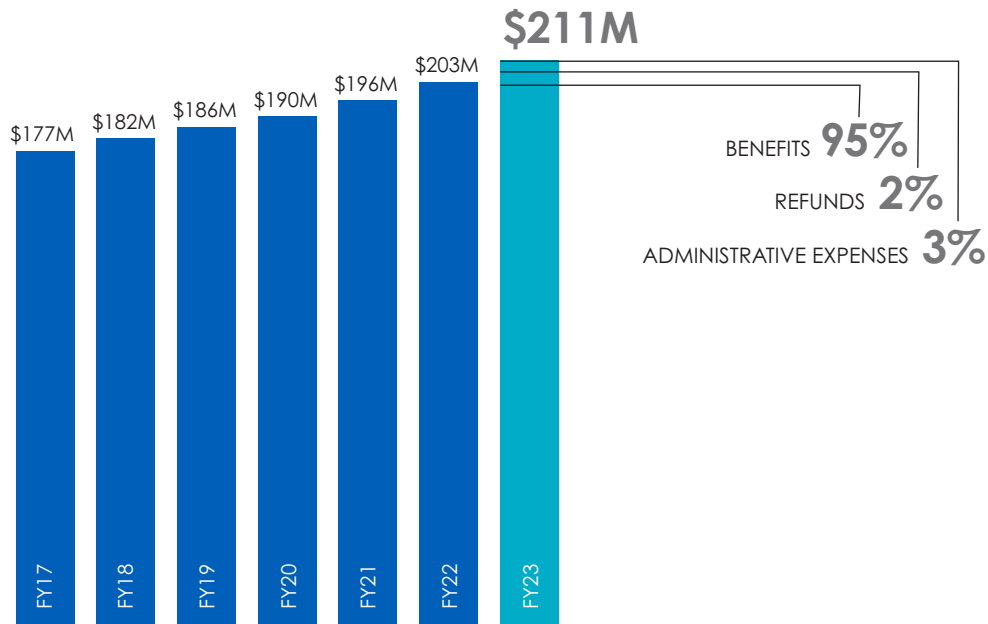
**TOTAL CONTRIBUTIONS**



**SUMMARY OF CHANGES IN FIDUCIARY NET POSITION**

	JUNE 30, 2023	JUNE 30, 2022	VARIANCE
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 117,155,967	\$ 111,119,456	\$ 6,036,511
Member	52,542,598	50,017,839	2,524,759
Net investment income	120,795,408	(232,237,621)	353,033,029
<b>TOTAL ADDITIONS</b>	<b>290,493,973</b>	<b>(71,100,326)</b>	<b>361,594,299</b>
<b>DEDUCTIONS</b>			
Benefits	202,023,360	194,239,563	7,783,797
Refunds	4,021,605	4,415,933	(394,328)
Admin. Expenses	5,119,588	4,155,162	964,426
Depreciation Expenses	506,198	326,219	179,979
<b>TOTAL DEDUCTIONS</b>	<b>211,670,751</b>	<b>203,136,877</b>	<b>8,533,874</b>
<b>NET INCREASE (DECREASE) IN NET POSITION RESTRICTED FOR PENSIONS</b>	<b>\$ 78,823,222</b>	<b>\$ (274,237,203)</b>	<b>\$ 353,060,425</b>

**TOTAL DEDUCTIONS**



**ASSETS**

Cash, stocks, bonds, and equity are examples of financial assets. ERFC practices prudent management to maintain adequate funding and ensure the financial integrity of the system.



**ACCRUED LIABILITY**

Measures, in today's dollars, the difference in the value of benefits and future normal costs to provide those benefits. ERFC's commitment to excellence in funding has resulted in financial strength that provides a solid basis for the future.



**DIVERSIFICATION**

The process of spreading money among different securities, industries, sectors and strategies within a number of asset classes. ERFC's goal is to achieve the highest possible investment return at the lowest possible risk.

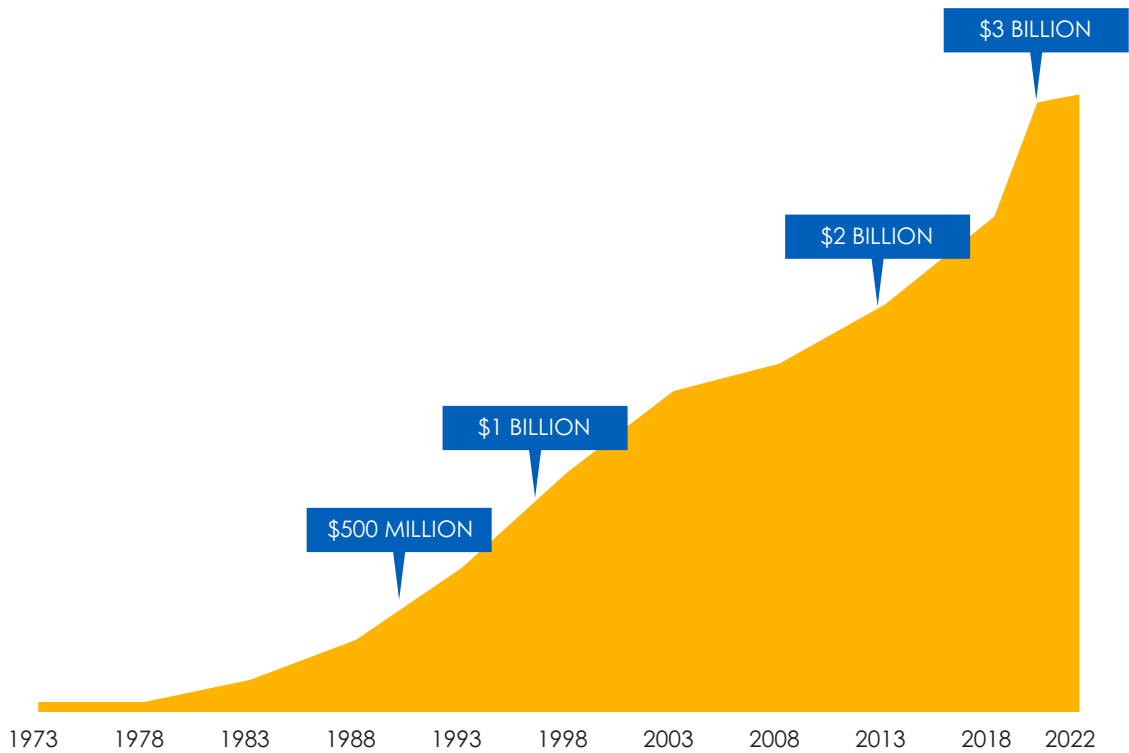


**FIDUCIARY**

Acts solely in the interest of members and beneficiaries for the exclusive purpose of providing benefits to them and paying reasonable expenses to administer the system. ERFC operates with transparency and a commitment to think strategically while fulfilling its fiduciary obligations.

**ERFC TOTAL FUND GROWTH — VALUATION ASSETS SINCE INCEPTION**

(AS REFLECTED IN THE DECEMBER 31, 2022 ACTUARIAL VALUATION)



**ASSET ALLOCATION**

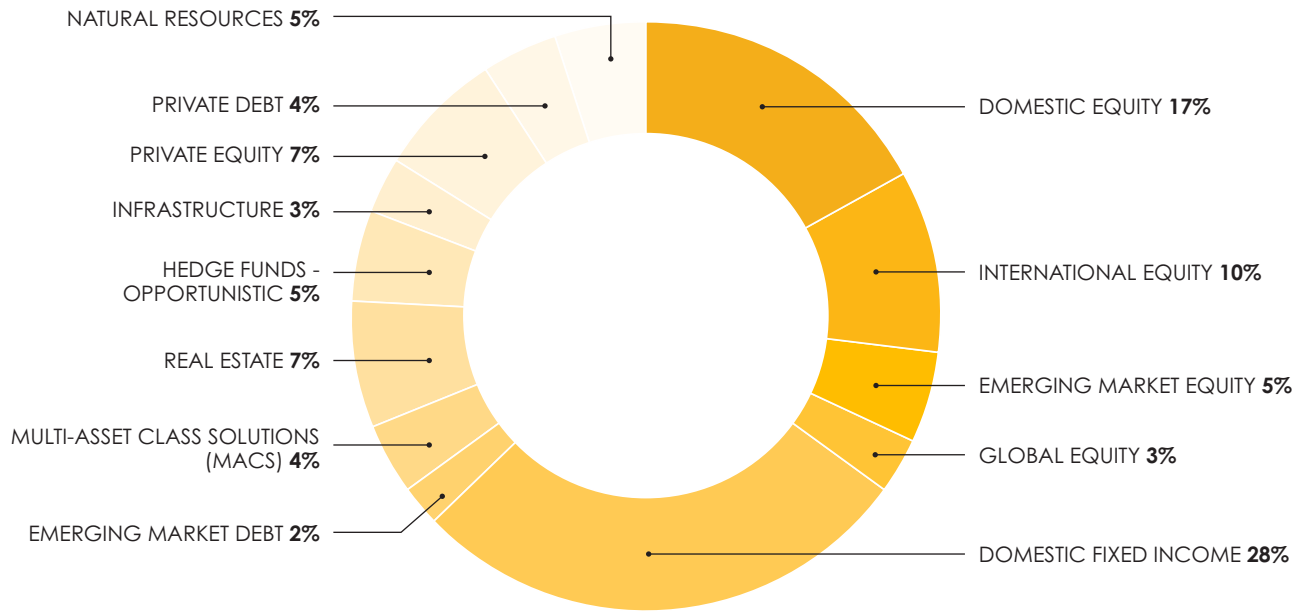
Assigning specific percentages of investments to different asset classes according to financial goals, risk tolerance, and investment time horizon. ERFC enhances the financial security of its members through responsible financial stewardship.



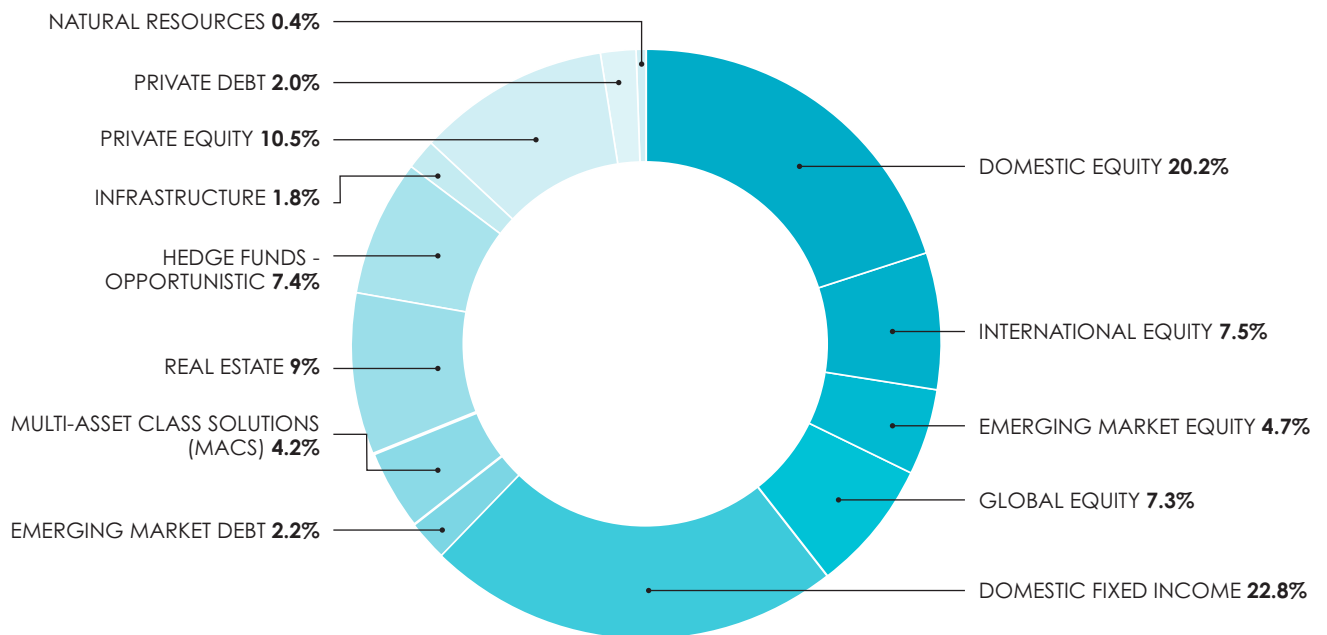
**BENCHMARK**

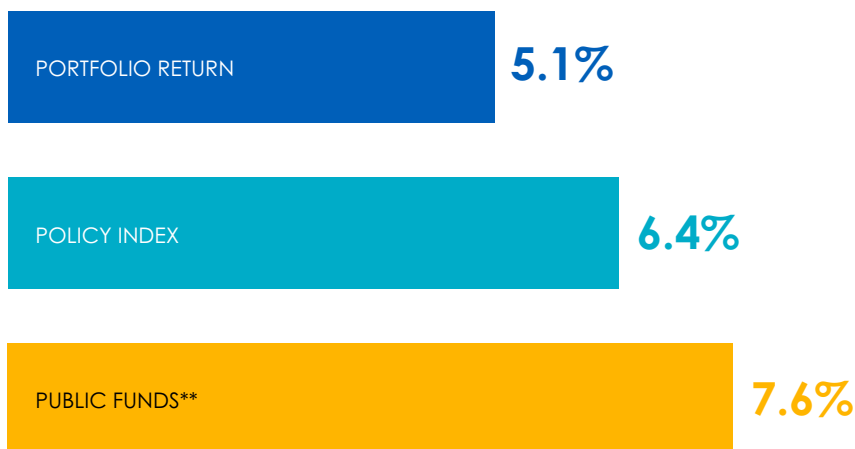
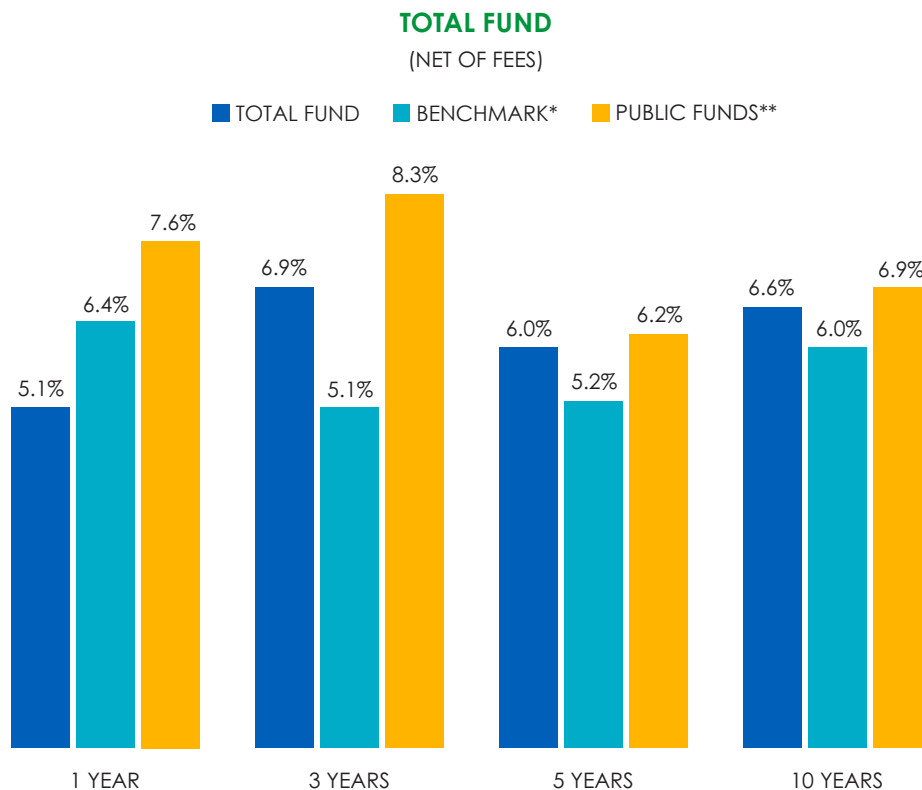
A standard against which the performance of an investment can be measured. Over the long term, ERFC has exceeded its policy benchmark.

**STRATEGIC TARGET ALLOCATION**



**ACTUAL ASSET ALLOCATION**





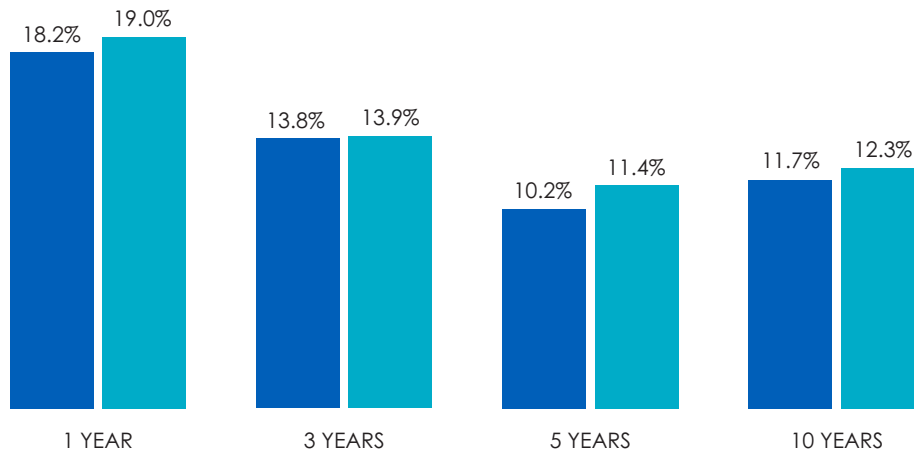
\* 13.0% Russell 1000 Index, 8.0% Russell 2000 Index, 5.0% MSCI AC World ex USA (Net), 5.0% MSCI EM (net), 5.0% MSCI AC World Index (Net), 13.0% Blmbg. U.S. Aggregate, 8.0% Blmbg. U.S. Gov't/Credit, 2.0% JPM GBI-EM Global Diversified TR, 4.0% Blmbg. U.S. TIPS, 2.6% MSCI AC World Index (Net), 1.4% Blmbg. U.S. Aggregate, 5.0% HFRI Fund of Funds Composite Index, 7.0% NCREIF - ODCE NET, 2.0% CPI + 4%, 4.0% Bloomberg Barclays U.S. Corp High Yield + 150 bps, 7.0% ThomsonOne All Regions PE, 2.0% 90 Day U.S. Treasury Bill, 5.0% MSCI EAFE Small Cap (Net)

\*\* Investment Metrics Public Plan Universe > \$1B

### DOMESTIC EQUITY

(NET OF FEES)

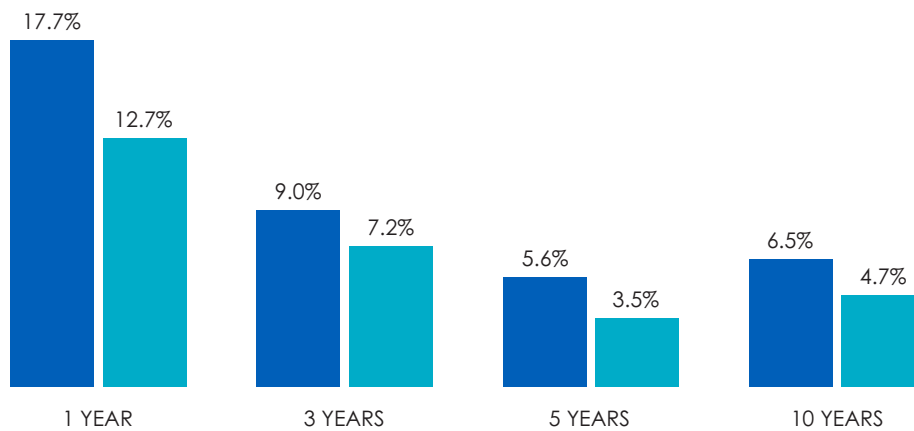
■ DOMESTIC EQUITY ■ RUSSELL 3000 INDEX



### INTERNATIONAL EQUITY

(NET OF FEES)

■ INTERNATIONAL EQUITY ■ MSCI ACWI US INDEX (NET)

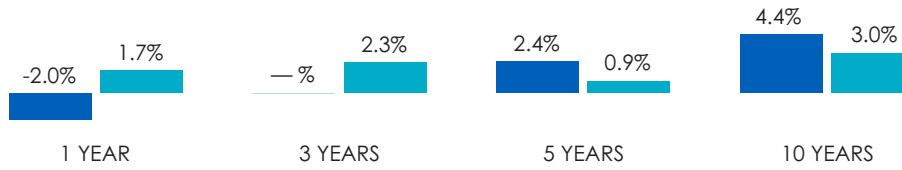




### EMERGING MARKET EQUITY

(NET OF FEES)

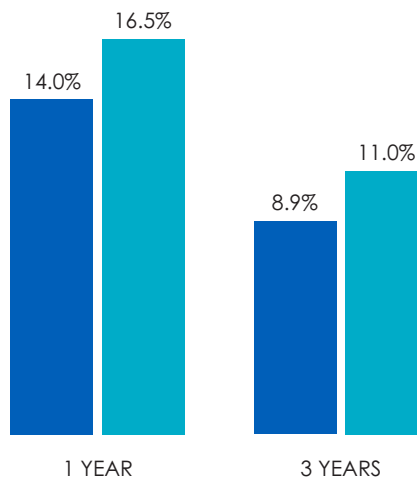
■ EMERGING MARKET EQUITY ■ MSCI EMERGING MARKET INDEX (NET)



### GLOBAL EQUITY

(NET OF FEES)

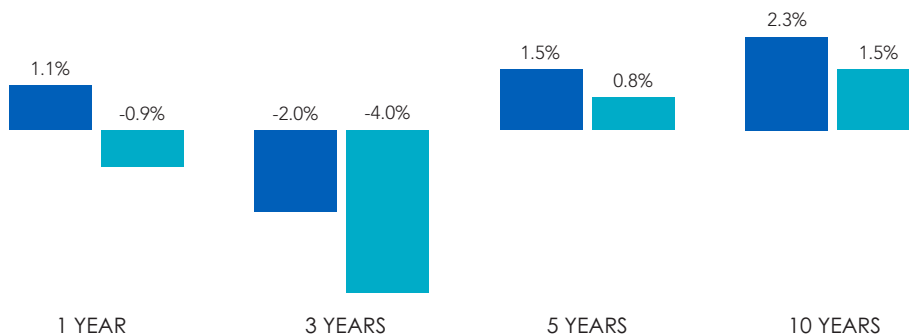
■ GLOBAL EQUITY ■ MSCI ACWI INDEX (NET)



### DOMESTIC FIXED INCOME

(NET OF FEES)

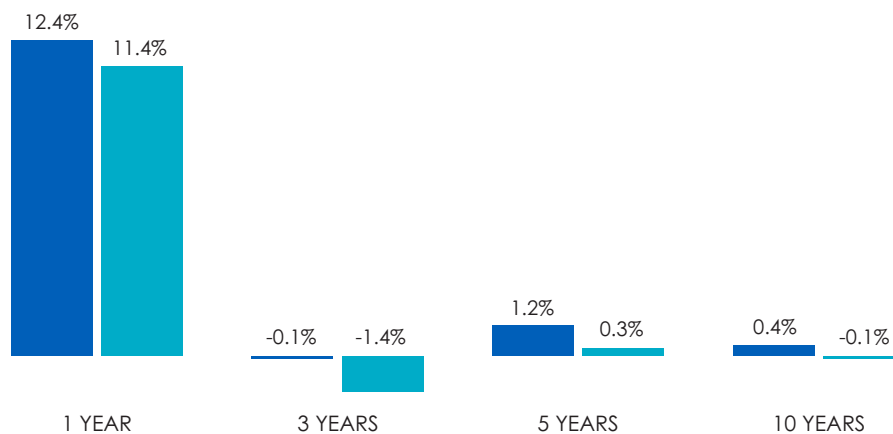
■ FIXED INCOME ■ BLOOMBERG BARCLAYS AGGREGATE INDEX



### EMERGING MARKET FIXED INCOME

(NET OF FEES)

■ EMERGING MARKET FIXED INCOME ■ JPM GBI EM LOCAL DEBT INDEX



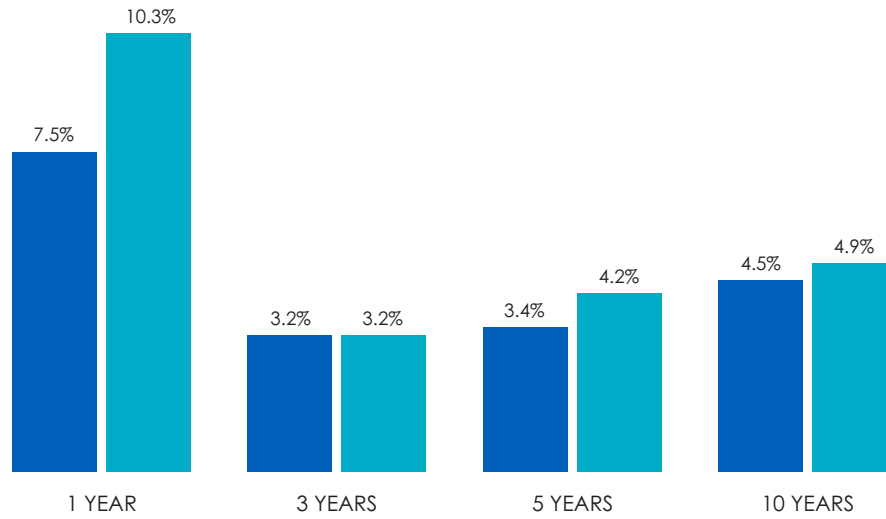
Note: All investment performance figures were calculated using time-weighted rate of return based on market values.

Custom benchmark members have changed over time.

**MULTI-ASSET CLASS SOLUTIONS**

(NET OF FEES)

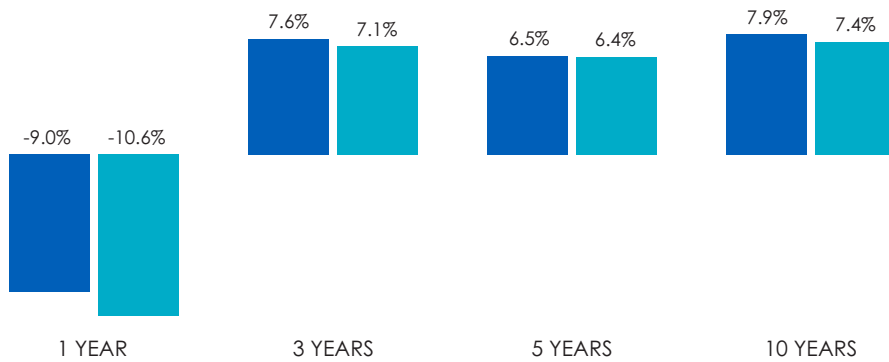
■ MULTI-ASSET CLASS SOLUTIONS ■ BENCHMARK<sup>1</sup>



**REAL ESTATE**

(NET OF FEES)

■ REAL ESTATE ■ BENCHMARK<sup>2</sup>



<sup>1</sup> 65% MSCI (NET) / 35% BB Aggregate

<sup>2</sup> 100% NCREIF ODCE

## KNOW YOUR PLAN



## OTHER RESOURCES

### FCPS HUMAN RESOURCES

Search Human Resources on [fcps.edu](http://fcps.edu)  
571-423-3000 | 804-649-8059

### VRS

[www.varetire.org](http://www.varetire.org)  
888-827-3847 | 800-333-1633

### FCPS EMPLOYEE ASSISTANCE PROGRAM (EAP)

Financial Specialist Services  
Search EAP on [fcps.edu](http://fcps.edu)  
855-355-9097

### SOCIAL SECURITY

[www.ssa.gov](http://www.ssa.gov)  
800-772-1213

### MEDICARE

[www.medicare.gov](http://www.medicare.gov)  
800-633-4227



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COMPREHENSIVE  
FINANCIAL REPORT (ACFR)



### LOCATION

3110 Fairview Park Drive, Suite 300  
Falls Church, VA 22042

Office Hours  
M-F 8 AM-4:30 PM



### CALL

703-426-3900



### FAX

703-426-3984



### EMAIL

[erfcoffice@fcps.edu](mailto:erfcoffice@fcps.edu)



### WEB

[www.fcps.edu/erfc](http://www.fcps.edu/erfc)  
[www.erfc.direct](http://www.erfc.direct)



THE EDUCATIONAL EMPLOYEES'  
SUPPLEMENTARY RETIREMENT SYSTEM OF FAIRFAX COUNTY  
3110 FAIRVIEW PARK DRIVE | SUITE 300 | FALLS CHURCH, VA 22042

