ANNUAL COMPREHENSIVE FINANCIAL REPORT

ERFC

Offering Support Through the Seasons of Your Career

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

THE EDUCATIONAL EMPLOYEES' SUPPLEMENTARY RETIREMENT SYSTEM OF FAIRFAX COUNTY

A COMPONENT UNIT OF FAIRFAX COUNTY PUBLIC SCHOOLS

FAIRFAX, VIRGINIA

ACHIEVEMENTS

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to ERFC for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This was the 24th consecutive year that ERFC has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Educational Employees' Supplementary Retirement System of Fairfax County, Virginia

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

2021 ERFC
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021
The Educational Employees' Supplementary
Retirement System of Fairfax County

A Component Unit of
Fairfax County Public Schools, Fairfax, Virginia

PREPARED BY

ERFC Staff
8001 Forbes Place, Suite 300
Springfield, VA 22151-2205

DESIGNED BY

Fairfax County Public Schools
Information Technology
Multimedia Design

MISSION STATEMENT 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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ACHIEVEMENTS

PUBLIC PENSION STANDARDS AWARD

This award has been presented to ERFC in recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Coordinating Council. This award represents an exceptionally high level of administration and reporting in the public pension industry.

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2021

Presented to

The Educational Employees Supplementary Retirement System of Fairfax County

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Alan H. Winkle
Program Administrator

INTRODUCTION

UNAUDITED

*WHETHER YOU'RE IN THE SPRING OF YOUR CAREER OR EDGING TOWARD WINTER, **ERFC** HELPS YOU PREPARE FOR AND ENTER RETIREMENT WITH CONFIDENCE*

LETTER OF TRANSMITTAL

ERFC
8001 Forbes Place, Suite 300
Springfield, VA 22151

December 1, 2021

The Board of Trustees
Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)
Springfield, VA

Dear Chairperson and Members of the Board of Trustees:

It is our privilege to submit the Annual Comprehensive Financial Report (ACFR) for the Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC" or "System") for the fiscal year ended June 30, 2021. ERFC management holds responsibility for the financial information presented in this report. Proper internal accounting controls exist to provide reasonable assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that costs of controls should not exceed the anticipated benefits these controls provide. This ACFR reflects the careful stewardship of the System's assets and dedicated service provided by the Board and staff. This report is designed to comply with the reporting requirements of Sections 3-4-6(a)(8) of the Fairfax County Code and the Virginia Code. We believe this report also conforms to the Government Finance Officers Association's (GFOA) requirements.

The following provides a summary of the System's historical background and outlines significant achievements for the Board and management during the fiscal year. A management discussion and analysis (MD&A) narrative is also provided in the Finance Section immediately following the independent auditor's report.

Plan History

ERFC was established on July 1, 1973, through negotiations conducted between the Fairfax County School Board and the Fairfax Education Association (FEA). The terms under which ERFC operates were later incorporated in a Fairfax County ordinance and the ERFC Plan Document. Historically, ERFC benefits have been designed specifically to supplement the benefits of two primary retirement plans: the Virginia Retirement System (VRS) and the federal Social Security System. In 1987, VRS introduced major increases to the state's early retirement benefits, which required ERFC to thoroughly re-examine the complementary structure of its supplemental benefits plan. Effective July 1, 1988, ERFC significantly altered its Legacy Plan benefit structure in order to rebalance the benefit amounts payable to future ERFC members, while also maintaining and protecting the rights of current members. Thirteen years later, the School Board approved further refinements to the

LETTER OF TRANSMITTAL

ERFC supplemental retirement program with the introduction of a second retirement plan, ERFC 2001, a streamlined and stand-alone retirement plan structure provided for all eligible FCPS employees hired on or after July 1, 2001. On April 27, 2017, the School Board voted to modify the ERFC 2001 Plan effective July 1, 2017. For ERFC members hired on or after July 1, 2017, retirement eligibility was raised, the period for calculating a member's final average salary was increased, and the cost-of-living adjustment was changed to be based on the Consumer Price Index. For all members, the annual interest rate credited on member accounts was reduced. These modifications helped to mitigate the increase in the employer contribution rate due to actuarial assumption changes.

Strategic Plan Updates

ERFC concluded its 2018-2021 Strategic Plan, which focused on sustainability, marketing, messaging, and education. Over that three-year period ERFC improved its sustainability by increasing its funding ratio, achieving top quartile one-year returns while reducing risks, and reducing investment management and administrative costs to the Plan. On the marketing front, we created a plan to help raise awareness and educate our membership—which will be implemented over the course of the next three years. Messaging to our membership also improved via our progress in simplifying communications and creating media content that is available 24/7 to our members. Despite the national pandemic, ERFC was able to effectively reach, educate, and improve services to its membership. With the conclusion of the 2018-2021 Strategic Plan, the Board adopted the 2022-2024 Strategic Plan that revolves around sustainability, engagement, education, and operational excellence.

We continued implementation of process enhancements that will result in improved efficiencies, cost savings, and member service. ERFC remained focused on improving operational excellence by adopting a Lean Six Sigma mindset—which gives our staff the framework to continue to pursue peer leadership in providing professional and personalized service to our members. Quality and efficiency improvements over the next decade will allow us to continue to focus on servicing and educating all segments of our population.

Communication activities successfully adapted to respond to the challenges of working remotely. Thanks to new technologies, we offered 17 live online retirement information sessions and created a new set of paperwork tutorials and a video about Health Benefits in Retirement in collaboration with FCPS Human Resources. We also completed a redesign of the ERFC intranet.

ERFC continued to promote ERFCDirect, and 30,772 active and retired members now use the online service, up from 28,963 a year ago.

The Fund completed its search for a discretionary private markets consultant, which will ultimately lead to an estimated $23 million in net present value (NPV) savings through restructuring of the private markets program.

LETTER OF TRANSMITTAL

Plan Financial Condition
There's no doubt that 2020 was a challenging and historic year, nonetheless, the ERFC Fund earned a 26.8% net of fees return on investments in fiscal year 2021—placing the fund in the top 48th percentile of public pension funds within the Investment Metrics Public Plan Universe >$1B in assets. For the fiscal year, ERFC outperformed its policy index by 4.8%, largely driven by outperformance in international and emerging market equities. Investments in fixed income, multi-asset class solutions (MACS) and private markets were also additive.

ERFC's independent actuary reported that the System's funding ratio increased from 74.5% to 76.6% for the valuation period ending December 31, 2020. This increase is due to favorable investment performance in 2020 and favorable demographic experience. The recommended employer contribution rate was 6.44% of payroll, unchanged from fiscal year 2020. For fiscal year 2022, the contribution rate will increase to 6.70%

The Financial, Actuarial, and Statistical sections of this report provide detailed information regarding the Fund's overall financial condition. In addition, the *Required Supplementary Information* included in the Financial Section presents historical data to help in assessment of the System's funding status.

Investment Activity
ERFC's return of 26.8% net of fees for FY 2021 outperformed the benchmark index return of 22%, and the Investment Metrics Public Plan Universe >$1B in assets universe for the fiscal year with the median fund returning 26.5%. On an intermediate basis, the Fund ranked in the top 24th percentile of public pension funds within the Investment Metrics Public Plan Universe >$1B in assets over the last 3-year period ending FY 2021. The Fund's longer-term performance remained strong as well; the 10-year return of 8.1% exceeded the policy index return of 7.6% and exceeded the Fund's long-term target return of 7.25%.

Professional Services
The ERFC Board of Trustees appoints professional services to provide aid in the efficient management of the System. Segal Marco Advisors provides general investment consulting services, Meketa Investment Group provides discretionary private markets consulting services, and AON/Retirement and Investment provides actuarial services. In accordance with county code, the Fairfax County Board of Supervisors appointed Cherry Bekaert LLP, Certified Public Accountants, Richmond, Virginia, to audit the System's financial statements.

Awards
The System proudly announces that the GFOA of the United States and Canada awarded ERFC the **Certificate of Achievement for Excellence in Financial Reporting** for its FY 2020 ACFR. This is the 24th consecutive year ERFC has earned the award. The GFOA certification remains valid for a period of one year and requires, at minimum, that each ACFR satisfy both generally accepted accounting principles and legal requirements. The GFOA also recognized ERFC with an **Award for Outstanding Achievement in Popular Financial Reporting** for its FY2020 Popular Annual Financial Report (PAFR). This is the second year ERFC has earned the award. The Public Pension Coordinating Council also honored ERFC

LETTER OF TRANSMITTAL

recently, granting the System the **Public Pension Standards' 2021 Award**. ERFC earned the award in recognition for meeting or exceeding professional standards for plan design and administration, as set forth in the Public Pension Standards.

Conclusion
This report is produced through the combined efforts of ERFC staff and advisors functioning under your leadership. It is intended to provide complete and reliable information that will advance the management decision process, serve as a means for determining compliance with legal requirements, and allow for an assessment of the stewardship of the System's funds. We extend our sincere appreciation to all those who contributed to the production of this document.

ERFC distributes this annual report to the members of the Fairfax County School Board, the Fairfax County Public Schools' Leadership Team, its Government Finance Offices, and other interested parties. The full report is posted on the ERFC website at www.fcps.edu/erfc. We hope that all recipients find the report informative and useful.

Respectfully submitted,

Eli Martinez
Executive Director and CIO

Michael Lunter
Finance Coordinator

LETTER FROM THE CHAIRPERSON

ERFC

8001 Forbes Place, Suite 300
Springfield, VA 22151

December 1, 2021

Dear ERFC Members:

On behalf of the Board of Trustees of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC), it is a privilege to present the Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2021. The ERFC Board and staff continue to commit themselves to ERFC's mission of financial security of our members through prudent financial stewardship of the System's assets, while providing outstanding retirement services and education to the members of ERFC.

ERFC's defined benefit plan provides a valuable supplement to FCPS' employee members. ERFC was designed specifically to reward educational professionals with a pension to supplement the primary benefits they earn and receive separately from the Virginia Retirement System (VRS) and Social Security. As participants and stakeholders in ERFC, you can be assured that the Board of Trustees works collectively on your behalf to provide the supplemental retirement benefits promised to you by Fairfax County Public Schools (FCPS).

At the beginning of the fiscal year-end, I had the honor of being re-elected to serve as Chairperson and Trustee for a third three-year term. In December 2020, we mourned the passing of Michael Burke, a valued Trustee since July 2013. He will be deeply missed. In May 2021, the FCPS School Board approved the appointment of Adam McConagha to the ERFC Board of Trustees for the remainder of the current term for the individual trustee and also for the one-year term beginning July 1, 2021. The Board looks forward to working together to provide professional and personalized service to its members and beneficiaries.

During the year, the ERFC Board and staff completed action items included in the 2018-2021 Strategic Plan focused on sustainability, marketing, messaging, and education initiatives. In addition, the Board established a new strategic plan covering fiscal years 2022-2024, focusing on continued sustainability efforts, membership engagement, education, and operational excellence.

Despite the ongoing pandemic, ERFC experienced one of its strongest financial years, returning 26.8% net of fees for the 2021 fiscal year period, exceeding its policy index return of 22.0%, thus placing ERFC in the top half of performance compared to its peers. This return more than exceeded ERFC's assumed actuarial return rate of 7.25%. The 10-year return of 8.1% also continues to exceed the target rate of return. The Board recognizes that annual returns will not always exceed the target return rate and remains focused on long-term results.

LETTER FROM THE CHAIRPERSON

The Board will continue to analyze investment strategies in conjunction with ERFC staff and its investment advisors to ensure a well-diversified asset mix with a risk-balanced approach. The Board will also continue to focus on managing the plan assets with the disciplined oversight required to meet the System's long-term investment goals.

FCPS' employer contribution rate for the 2021 fiscal year remained unchanged from the prior fiscal year at 6.44%. For FY 2022 and 2023, the School Board approved increasing the employer contribution to 6.70%. The combined employee and employer contributions provide significant revenue for ERFC. However, it is the System's investment earnings that provide the essential factor necessary to fulfill the guarantee of retirement benefits to members. The Board believes ERFC will continue to prosper by prudently diversifying the investment portfolio.

The ERFC Board values your opinions and welcomes your feedback. We encourage you to visit the website at www.fcps.edu/erfc or contact the Trustees directly with any questions regarding your pension fund or payable retirement benefits.

Yours sincerely,

Kimberly Adams
FY 2020 Chairperson
ERFC Board of Trustees

BOARD OF TRUSTEES

The Board of Trustees is the governing body of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC). The ERFC Board comprises seven members: three appointed by the School Board, three elected by the System's active membership, and one Trustee who is neither affiliated with, nor employed by Fairfax County, the Fairfax County School Board, nor by any union or similar organization representing teachers or other Fairfax County employees. The initial six Trustees annually select and recommend a seventh ERFC Board member, or "individual Trustee," for approval by the Fairfax County School Board. The ERFC executive committee comprises the chairperson and treasurer. The Board meets monthly throughout the year, excluding August. ERFC Trustees receive no compensation, but are reimbursed for business-related expenses.

Kimberly Adams
Chairperson/Trustee
Elected Member

Kathie Pfeffer-Hahn
Vice Chairperson/
Trustee
Elected Member

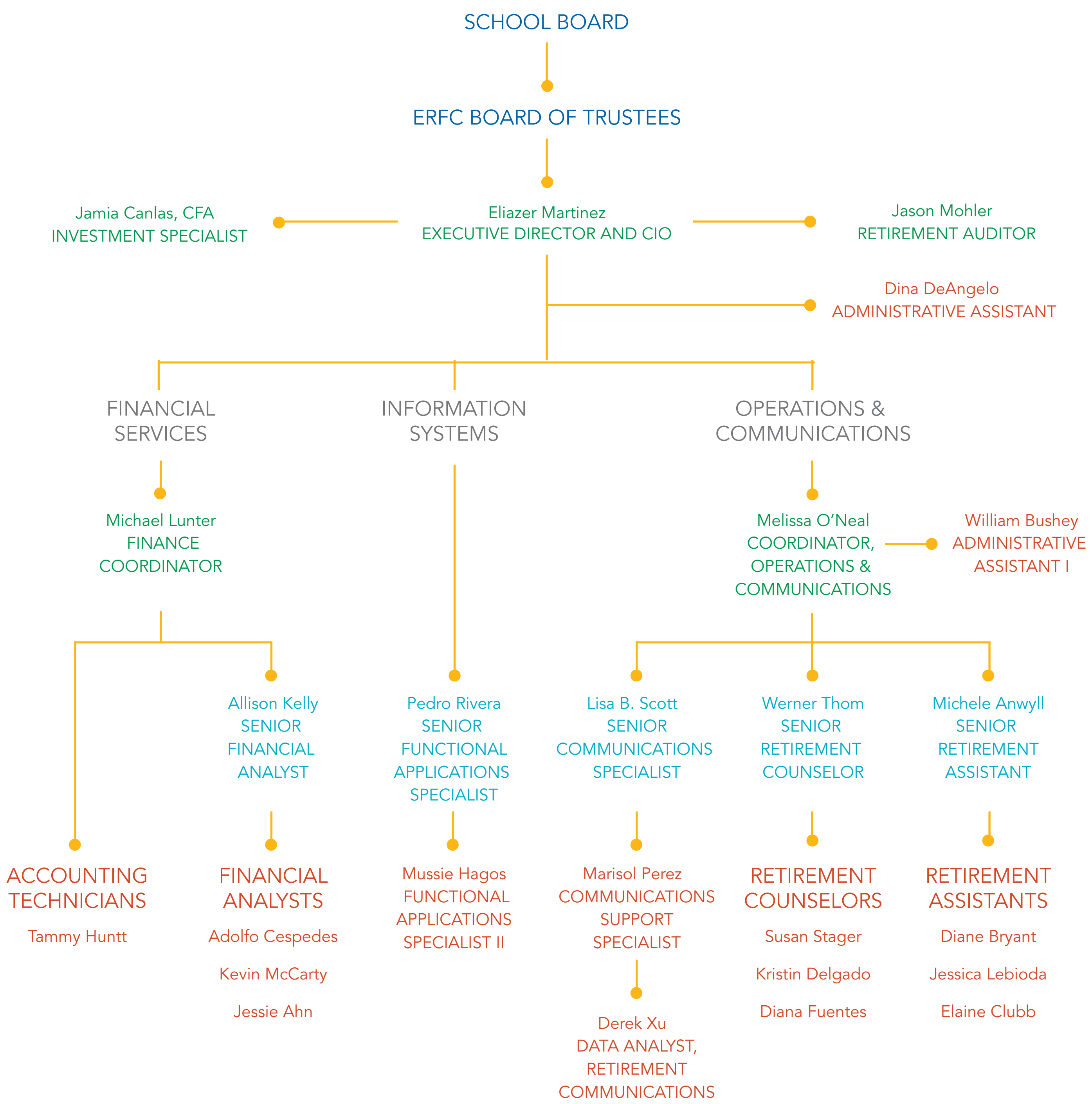
Leigh Burden
Treasurer/Trustee
Appointed Member

Marty K. Smith
Trustee
Appointed Member

Eric Eichelberger
Trustee
Elected Member

Adam McConagha
Trustee
Appointed Member

ERFC ADMINISTRATIVE ORGANIZATION



PROFESSIONAL SERVICES

INVESTMENT MANAGERS

Acadian Asset Management
Accomplice Management
Audax Management Company, LLC
Bridgewater Associates, Inc.
CenterSquare Investment Management
Cramer Rosenthal & McGlynn
Davidson Kempner Capital Management, LP
DivcoWest
Doubleline
Fidelity
Flagship Pioneering
Francisco Partners Glouston Capital Partners
Glouston
Grain Management
Grosvenor Institutional Partners, LP
Harbourvest Partners, LLC
Investors Diversified Realty
IPI Partners
JP Morgan Asset Management
K1 Investment Management
Lakestar
Landmark Partners
Lazard Asset Management
Lexington Partners
Lightspeed Venture Partners
Loomis-Sayles & Company
Mellon Capital Management Corp.
Mondrian Investment Group, Inc.
Newstone Capital Partners, LLC
Oak Hill Advisors
PGIM Real Estate
Private Advisors
Schroders
Searchlight Capital Partners
Silver Point
Stellex Capital
Strategic Value
Torchlight Investors
UBS Realty Investors, LLC
Wellington Management
Westfield Capital Management
William Blair and Company, LLC

OTHER SERVICE PROVIDERS

ACTUARY

AON Retirement & Investment

AUDITOR

Cherry Bekaert LLP

INVESTMENT CONSULTANT

Maketa Investment Group
Segal Marco Advisors.

MASTER CUSTODIAN

BNY Mellon

LEGAL COUNSEL

Bredhoff & Kaiser, P.L.L.C.
Groom Law Group, Chartered
Reed Smith LLC

The Schedule of Brokerage Commissions can be found on page 55.

The Schedule of Investment Management Fees can be found on page 57.

FINANCIAL

Be passionate about your work from the very start,
while ERFC provides the formula for a great retirement.

SPRING INTO YOUR CAREER WITH GUSTO

REPORT OF INDEPENDENT AUDITOR

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Educational Employees' Supplementary Retirement System of Fairfax County

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Educational Employees' Supplemental Retirement System of Fairfax County (the "System"), a pension trust fund of the County of Fairfax, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System, as of June 30, 2021, and the changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

cbh.com

REPORT OF INDEPENDENT AUDITOR

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension related required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The Introduction Section, Other Supplementary Information, Investment Section, Actuarial Section, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introduction, Investment, Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 8, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

This discussion and analysis of the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC or the System) financial performance provides an over-view of the financial activities for the fiscal year ended June 30, 2021. The information contained in this section should be reviewed in conjunction with the letter of transmittal provided in the Introduction Section of this document.

FINANCIAL OVERVIEW

For fiscal year 2021 the net-of-fees return on ERFC's assets was 26.8 percent[1]. This resulted in a total net position value of $3.272 billion, which reflects an increase of $678.8 million over fiscal year 2020's year end total (as reflected in the accompanying chart). Additional detail on this net increase in Fiduciary Net Position is outlined in the Summary of Changes in Fiduciary Net Position table contained within Management's Discussion and Analysis. As shown, it is comprised of four major components. They include $720.7 million in investment gains and $153.7 million in employee and employer contributions. The net addition is offset by $187.7 million in retiree benefit payments and $8.0 million in member refunds and administrative expenses.

ERFC's time-weighted 26.8 percent net-of-fees return exceeded the policy benchmark return of 22 percent[2]. Three, five, and ten year returns are 11.6 percent, 11 percent, and 8.1 percent, respectively [3]. The time-weighted rate of return measures the compound growth rate of the System's investments, net of investment expense. This method eliminates the distortion caused by cash inflows and outflows and is the industry standard for comparing investment returns to a benchmark. The time-weighted rate of return differs from the money-weighted rate of return described in the Notes to the Financial Statements.

The System's investments are exposed to various risks such as interest rate, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Additional detail regarding investment results can be found in the Investment Section of this report.

ERFC NET POSITION ($ IN MILLIONS)

FISCAL YEAR	NET POSITION	NET CHANGE DOLLARS	NET CHANGE PERCENT
2017	2,304.3	196.7	9.3
2018	2,446.3	142.0	6.2
2019	2,521.4	75.2	3.1
2020	2,593.3	71.9	2.9
2021	3,272.2	678.8	26.2

At December 31, 2020, the actuarial value of assets totaled $2.786 billion while liabilities totaled $3.635 billion. This resulted in a funding ratio of 76.6 percent, a measure used by the Board of Trustees to assess funding progress. ERFC's funding level is consistent with the funding levels of similar plans nationwide and as addressed in the Actuary's Certification Letter contained within this report, ERFC remains in sound financial condition.

In addition, detailed information regarding actuarial assumptions and methods can be found in the Actuarial Section of this report.

1 Time-weighted rate of return as calculated by Segal Marco..

2 16% Russell 1000 Index, 7% Russell 2000 Index, 9% MSCI AC World ex USA (Net), 5% MSCI EM (net), 5% MSCI World (Net), 14% BB U.S. Aggregate, 8% BB U.S. Credit Index, 3% JPM GBI-EM Global Diversified TR, 4% BB U.S. TIPS, 5.8% MSCI AC World Index (Net), 3.2% BB U.S. Aggregate, 4% HFRI Fund of Funds Composite Index, 6% NCREIF - ODCE NET, 1% CPI + 4 %, 1% BB U.S. Corp High Yield + 150 bps, 6% ThomsonOne All Regions PE, 2% 90 Day U.S. Treasury Bill

3 Time-weighted rates of return as calculated by Segal Marco Advisors.

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

USING THIS ANNUAL REPORT

ERFC financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and Notes to the Financial Statements. Also contained in the Financial Section are required supplementary information and other supplementary information, in addition to the basic financial statements.

The Statement of Fiduciary Net Position provides information on all of the System's assets and liabilities, with the difference between the assets and liabilities shown as fiduciary net position. Ultimately, increases or decreases in fiduciary net position may be used to measure the financial condition of ERFC over time.

The Statement of Changes in Fiduciary Net Position describes how ERFC's fiduciary net position changed during the current fiscal year. Additions and deductions represent revenues and expenses, respectively. Additions minus deductions represent the change in fiduciary net positiont. Expenses, or deductions, which consisted of benefit payments, refunds, and administrative costs were slightly higher this fiscal year.

The Notes to the Financial Statements provide additional data, which is crucial in understanding the information included in the financial statements. The Notes to the Financial Statements immediately follow the basic financial statements.

In addition to the basic financial statements, the annual report also provides required supplementary information regarding the System's changes in net pension liability and schedule of employer contributions, which is intended to assess ERFC's ability to accumulate assets to pay retirement benefits when due.

FINANCIAL

SUMMARY OF FIDUCIARY NET POSITION

	JUNE 30, 2021	JUNE 30,2020	DIFFERENCE
ASSETS			
Total cash and investments	$ 3,430,488,099	$ 2,796,033,651	$ 634,454,448
Total receivables	42,178,337	14,052,270	28,126,067
Other assets	40,854	33,468	7,386
TOTAL ASSETS	**3,472,707,290**	**2,810,119,389**	**662,587,901**
LIABILITIES			
Capital leases	26,426	8,782	17,644
Accounts payable	2,339,106	1,843,713	495,393
Securities purchased	51,085,575	88,500,826	(37,415,251)
Securities lending collateral	147,105,099	126,382,893	20,722,206
TOTAL LIABILITIES	**200,556,206**	**216,736,214**	**(16,180,008)**
NET POSITION RESTRICTED FOR PENSIONS	**$ 3,272,151,084**	**$ 2,593,383,175**	**$ 678,767,909**

MANAGEMENT DISCUSSION AND ANALYSIS

(Unaudited)

FINANCIAL STATEMENTS

As indicated in the Summary of Fiduciary Net Position, the System's net position value increased $678.8 million or 26.2 percent in fiscal year 2021. The changes in assets and liabilities underlying this change consist of an increase of $634.5 million in the value of investments, an increase in receivables of $28.1 million, a $0.5 million increase in the value of payables and an increase of $20.7 million in securities lending collateral liabilities.

As reflected in the Summary of Changes in Fiduciary Net Position (below), the net change is due to $153.7 million in contributions and $720.7 million in net investment gains, which is offset by $187.7 million in benefits, $3.6 million in refunds and $4.4 million in administrative expenses.

Also presented in the Summary of Changes in Fiduciary Net Position, additional information is provided regarding the differences between the fiscal years 2020 and 2021 results. These differing results are due mainly to an increase in investment income of $612.3 million and a decrease in contributions of $0.1 million, offset by an increase in benefits of $6.1 million.

The System has reclassified certain management fees for the fiscal year ended June 30, 2021. Some investment fees are netted directly against assets under management. Also, illiquid investments charge performance fees which can fluctuate year over year depending on actual performance of the investment versus a defined hurdle rate.

REQUESTS FOR INFORMATION

This financial information is intended to provide a general overview of the System's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to either the Executive Director or the Finance Coordinator of the Educational Employees' Supplementary Retirement System of Fairfax County, 8001 Forbes Place, Suite 300, Springfield, Virginia 22151.

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

	JUNE 30, 2021	JUNE 30,2020	DIFFERENCE
ADDITIONS			
Contributions			
Employer	$ 104,784,310	$ 104,741,255	$ 43,055
Member	48,934,340	49,095,601	(161,261)
Net investment income	720,738,680	108,472,534	612,266,146
TOTAL ADDITIONS	**874,457,330**	**262,309,390**	**612,147,940**
DEDUCTIONS			
Benefits	187,660,019	181,587,150	6,072,869
Refunds	3,605,963	4,399,346	(793,383)
Admin. Expenses	4,423,439	4,381,191	42,248
TOTAL DEDUCTIONS	**195,689,421**	**190,367,687**	**5,321,734**
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	**$ 678,767,909**	**$ 71,941,703**	**$ 606,826,206**

STATEMENT OF FIDUCIARY NET POSITION

(As of June 30, 2021)

ASSETS

CASH AND SHORT-TERM INVESTMENTS	
Cash	$ $554,641
Cash with fiscal agent	489,213
Cash collateral for securities on loan	147,105,099
Short-term investments	82,434,178
TOTAL CASH AND SHORT-TERM INVESTMENTS	**230,583,131**
RECEIVABLES	
Interest and dividends	5,873,379
Securities sold	36,302,369
Miscellaneous accounts receivable	2,589
TOTAL RECEIVABLES	**42,178,337**
INVESTMENTS	
Stocks	567,415,582
Fixed income	
Asset and mortgage backed	131,235,280
Corporate bonds	296,155,653
International bonds	48,744,879
Convertible securities	7,885,605
Municipal bonds	629,074
U.S. Government obligations	134,299,276
Preferred securities	2,847,981
Real estate	156,132,124
Multi asset class solutions (MACS)	306,184,789
Hedge funds - opportunistic	187,556,946
Private equity	210,360,927
Private debt	28,307,673
Infrastructure	229,486
Commingled fixed income funds	212,099,908
Commingled equity funds	909,819,785
TOTAL INVESTMENTS	**3,199,904,968**
OTHER ASSETS	
Furniture and equipment	151,301
Accumulated depreciation	(110,447)
TOTAL OTHER ASSETS	**40,854**
TOTAL ASSETS	**3,472,707,290**

LIABILITIES

Capital leases	26,426
Accounts payable	2,339,106
Securities purchased	51,085,575
Securities lending collateral	147,105,099
TOTAL LIABILITIES	**200,556,206**
NET POSITION RESTRICTED FOR PENSIONS	**$ 3,272,151,084**

See accompanying notes to financial statements.

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(For the Fiscal Year Ending June 30, 2021)

ADDITIONS

Contributions	
Employer	$ 104,784,310
Plan members	48,934,340
TOTAL CONTRIBUTIONS	**153,718,650**
Investment income	
Net appreciation in fair value of investments	698,406,122
Interest and dividends[1]	31,046,491
TOTAL INVESTMENT INCOME	**729,452,613**
Less investment expenses	
Investment management fees[2]	7,330,144
Investment consulting fees	1,063,759
Investment custodial fees	396,501
Investment salaries	283,406
TOTAL INVESTMENT EXPENSES	**9,073,810**
Income from securities lending activities	
Securities lending income	504,955
Securities lending management fees	145,078
NET SECURITIES LENDING INCOME	**359,877**
NET INVESTMENT INCOME	**720,738,680**
TOTAL ADDITIONS	**874,457,330**

DEDUCTIONS

Benefits	187,660,019
Refunds	3,605,963
Administrative expense	4,423,439
TOTAL DEDUCTIONS	**195,689,421**
NET INCREASE	**678,767,909**
NET POSITION RESTRICTED FOR PENSIONS	
BEGINNING OF YEAR	**2,593,383,175**
END OF YEAR	**$ 3,272,151,084**

1 Real Estate income is included in Interest and Dividends
2 Some investment fees are netted directly against assets under management.
See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(For the Fiscal Year Ending June 30, 2021)

The Educational Employees' Supplementary Retirement System of Fairfax County (ERFC or the System) is a legally separate single-employer retirement system and fund established under Virginia code to provide pension benefits to all full-time educational and administrative support employees who are employed by the Fairfax County Public Schools (Schools) and who are not covered by another Fairfax County, Virginia (County) plan. As such, and as a fund under the financial control of the School Board, the System's financial statements are included in the Schools' basic financial statements as a pension trust fund.

The System contains two primary benefit structures, *ERFC* and *ERFC 2001*. Both are defined benefit structures. The original structure, *ERFC*, became effective July 1, 1973, and is coordinated with the benefits members expect to receive from the Virginia Retirement System (VRS) and Social Security. It remains in effect; however, it was closed to new members employed after June 30, 2001. A new simplified Plan of benefits was developed effective July 1, 2001 with an exclusive level lifetime benefit structure. All newly hired full-time educational and administrative support employees were enrolled in *ERFC 2001*, hereinafter referred to as *ERFC 2001 Tier 1*. It was closed to new members employed after June 30, 2017.

On April 27, 2017, the School Board voted to modify the *ERFC 2001 Tier 1* Plan effective July 1, 2017. For ERFC members hired on or after July 1, 2017, members of *ERFC 2001 Tier 2*, retirement eligibility was raised, the period for calculating a member's final average salary was increased and the cost-of-living adjustment was changed to be based on the Consumer Price Index. For all members, the annual interest rate credited on member accounts was reduced.

The Board of Trustees is the governing body of ERFC. The ERFC Board comprises seven members: three appointed by the School Board, three elected by the System's active membership, and one trustee who is neither affiliated with, nor employed by Fairfax County, the Fairfax County School Board, nor by any union or similar organization representing teachers or other Fairfax County employees. The initial six trustees annually select and recommend a seventh ERFC Board member, or "individual Trustee," for approval by the Fairfax County School Board. The ERFC executive committee comprises the Chairperson and Treasurer.

Benefit provisions for *ERFC* and *ERFC 2001* are established and may be amended by the System's Board of Trustees subject to approval by the School Board. All members are vested for benefits after five years of service. The *ERFC* benefit formula was revised effective July 1, 1988, following changes to the VRS, which the *ERFC* has historically supplemented. The benefit structure is designed to supplement VRS and Social Security benefits to provide a level retirement benefit throughout retirement. *ERFC 2001 Tier 1* and *Tier 2* have a stand-alone structure. Member contributions for *ERFC* and *ERFC 2001* are made through an arrangement that results in a deferral of taxes on the contributions. Further details of member contributions may be found in Article III of both Benefit Structure Documents.

At December 31, 2020, the date of the most recent actuarial valuation, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits	12,842
Terminated employees entitled to benefits but not yet receiving them	5,415
Active plan members	22,360
TOTAL	**40,617**

***Notes,** continued on next page*

FINANCIAL

NOTES TO THE FINANCIAL STATEMENTS

ERFC and *ERFC 2001* provide for a variety of benefit payment types. *ERFC's* payment types include Service Retirement, Reduced Service, Disability, Death-in-Service, and Deferred Retirement. *ERFC 2001's* payment types include Service Retirement, Death-in-Service, and Deferred Retirement. Minimum eligibility requirements for full service benefits for *ERFC* is either (a) age 65 with 5 years of service or (b) age 55 with 25 years of service. Minimum eligibility requirements for full service benefits for *ERFC 2001 Tier 1* is either (a) age 60 with 5 years of service or (b) any age with 30 years of service. Minimum eligibility requirements for full service benefits from *ERFC 2001 Tier 2* is either (a) age and service equal 90 (the rule of 90) or (b) full Social Security age with five years of service. Annual post-retirement cost-of-living (COLA) increases of 3 percent are effective each March 31 for *ERFC* and *ERFC 2001 Tier 1* members. Participants in their first full year of retirement from *ERFC* and *ERFC 2001 Tier 1* receive a 1.49 percent increase. Participants who retire on or after January 1 receive no COLA increase that first March. Under *ERFC 2001 Tier 2*, the first COLA will equal approximately half of the full COLA amount. Thereafter, the full COLA will equal 100 percent of the Consumer Price Index for all Urban Consumers (CPI-U) for the Washington, D.C. metropolitan area for the period ending in November of each year, capped at 4%. Additional detail regarding all benefit payment types can be found in the actuarial valuation and/or the System Plan Document.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND OTHER POLICIES

Basis of Accounting

The System's financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units (GAAP). ERFC is a fiduciary pension trust fund of Fairfax County Public Schools. Member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due, pursuant to GAAP. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The costs of administering the System are paid for by the use of investment income and employer and employee contributions.

Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The table on the following page shows the fair value leveling of the investments for the System.

Short-term securities are reported at fair value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market or fair value.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Notes, *continued on next page*

NOTES TO THE FINANCIAL STATEMENTS

Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique or a bid evaluation.

Debt securities classified in Level 3 of the fair value hierarchy are valued by a third party.

Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Bid evaluations may include reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers, and reference data including market research publications.

Investments measured at fair value and investments measured at NAV are presented below and on the following page.

- **Commingled Large Cap Equity Funds**
  The objective of these index funds is to invest in securities and collective funds that together are designed to track the performance of the Russell 1000®.
- **Commingled Global Equity Funds**
  The fund in this category is an actively managed, multi-capitalization fund focused on attractively priced companies with strong and/or improving financial productivity. The fund invests in listed global equity securities located in both developed and emerging markets.
- **Commingled Emerging Markets Equity Funds**
  The fund invests in common stocks and other

Notes, *continued on next page*

INVESTMENTS MEASURED BY FAIR VALUE HIERARCHY LEVEL

		FAIR VALUE MEASURES USING		
		QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS	SIGNIFICANT OTHER OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
INVESTMENTS BY FAIR VALUE LEVEL	6/30/21	LEVEL 1	LEVEL 2	LEVEL 3
Short-term securities	$ 82,434,178	$ -	$ 82,434,178	$ -
Debt securities				
Asset and mortgage backed	131,235,280	-	131,235,280	-
Corporate bonds	296,155,653	-	290,200,138	5,955,515
International bonds	48,744,879	-	48,282,977	461,902
Convertible securities	7,885,605	433,004	7,452,601	-
Municipal bonds	629,074	-	629,074	-
US Government obligations	134,299,276	134,299,276	-	-
TOTAL DEBT SECURITIES	**618,949,767**	**134,732,280**	**477,800,070**	**6,417,417**
Equity investments				
Basic industries	114,111,656	114,111,656	-	-
Consumer services	211,957,163	211,957,163	-	-
Financial industries	87,022,348	87,022,348	-	-
REITS	15,429,647	15,429,647	-	-
Technology	133,056,927	133,056,927	-	-
Utilities	5,837,841	5,837,841	-	-
Preferred securities	2,847,981	2,847,981	-	
TOTAL EQUITY INVESTMENTS	**570,263,563**	**570,263,563**	**-**	**-**
TOTAL INVESTMENT AND SHORT-TERM SECURITIES MEASURED BY FAIR VALUE HIERARCHY LEVEL	**$1,271,647,508**	**$ 704,995,843**	**$ 560,234,248**	**$ 6,417,417**

NOTES TO THE FINANCIAL STATEMENTS

forms of equity investments issued by emerging market companies of all sizes to obtain long-term capital appreciation.

- **Commingled Global Fixed Income Funds**
  This fund seeks to generate strong risk-adjusted returns from the global bond markets. The strategy focuses on selecting securities with attractive valuations in countries with stable to improving structural outlooks and growth trajectories.
- **Commingled Emerging Markets Debt Funds**
  This fund invests in fixed income securities of "emerging" or developing countries to achieve high current income and long-term capital growth.
- **Private Equity and Debt Partnerships**
  This type includes investments in limited partnerships, which generally include the following strategies: buyouts, venture capital, mezzanine, distressed debt, growth equity and special situations. These investments have an approximate life of 10 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. As of June 30, 2021, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the plan's ownership interest in partners' capital.
- **Infrastructure**
  This type invests in assets which provide essential services or facilities to a community such as schools, hospitals, transportation, distribution, communication, power generation, water and waste management. These investments can include limited partnerships and commingled funds and are considered illiquid. The investment seeks to provide long-term risk-adjusted returns, a stable income stream and inflation protection.
- **Commingled Multi-Asset Class Solutions Funds**
  This type of fund typically has an unconstrained, non-benchmark oriented investment approach

Notes, *continued on next page*

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)

	6/30/2021	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Equity investments				
Commingled large cap equity funds	$ 520,490,767	$ -	Daily	None
Commingled global equity fund	179,682,927	-	Daily	None
Commingled emerging markets equity funds	209,646,091	-	Daily	3 days
TOTAL EQUITY INVESTMENTS MEASURED AT THE NAV	**909,819,785**	**-**		
Fixed income investments				
Commingled global fixed income fund	117,469,670	-	Daily	None
Commingled emerging markets debt funds	94,630,238	-	Monthly	30 days
TOTAL FIXED INCOME INVESTMENTS MEASURED AT THE NAV	**212,099,908**	**-**		
Private markets	238,898,086	153,707,291	Not eligible	N/A
Multi Asset Class Solutions	306,184,789	-	Monthly	5 days
Hedge Funds - Opportunistic	187,556,946	-	Monthly	30 days
Real estate - commingled real estate equity funds	138,530,606	-	Daily, quarterly	1-90 days
Real estate - private real estate fund	17,601,518	52,678,490	Not eligible	N/A
TOTAL INVESTMENTS MEASURED AT THE NAV	**$2,010,691,638**	**$ 206,385,781**		
TOTAL INVESTMENTS AND SHORT-TERM SECURITIES	**$3,282,339,146**			

NOTES TO THE FINANCIAL STATEMENTS

with investments across various asset classes. It may invest in, but is not limited to, equities, fixed income, inflation-linked bonds, currencies and commodities. The objective is to provide attractive returns in any type of economic environments.

- **Commingled Real Estate Equity Funds**
  This type of fund provides diversified exposure to a core portfolio of U.S. real estate investments across different sectors. The investment is primarily focused on income with some value-add properties seeking higher returns from potential appreciation.
- **Private Real Estate**
  This type of fund is a limited partnership that makes direct or secondary investments in various types of real estate and real estate related entities, such as commingled real estate funds, limited partnerships, joint ventures, real estate operating companies and non-traded REIT vehicles.
- **Hedge Funds - Opportunistic**
  This is an alternative type of strategy with a typical return objective of cash plus a premium. It invests across different asset classes.

Cash

ERFC maintains its cash with the County, which invests cash and allocates interest earned net of a management fee, on a daily basis to the System based on the System's average daily balance of equity in pooled cash. For the fiscal year ended June 30, 2021, the cash balance of $554,641 represents funds that could not be invested in the County's enhanced cash fund until July 1, 2021.

The bank balance of the County's public deposits was either insured by the Federal Deposit Insurance Corporation or through the State Treasury Board pursuant to the provisions of the Security for Public Deposit Act. As of June 30, 2021, cash with the fiscal agent totaled $489,213. This cash is insured and represents receipts from investment sales occurring on the last day of the month.

Cash received as collateral on securities lending transactions and investments with such cash are reported as assets along with the related liability for collateral received.

2. CONTRIBUTION REQUIREMENTS

The contribution requirements for *ERFC* and *ERFC 2001* members are established and may be amended by the System's Board of Trustees with the approval of the School Board. The requirements are based upon a fundamental financial objective of having rates of contribution that remain relatively level from generation to generation of employees. To determine the appropriate employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the System has actuarial valuations prepared annually.

Members are required to contribute 3 percent of annual salary. The employer is required to contribute at an actuarially determined rate which was 6.44 percent for fiscal year 2021. The actuarial valuations as of odd numbered years are used to set the employer contribution rate for the two-year period beginning 18 months after the valuation date. As such, the December 31, 2017 valuation recommended that the contribution rate for the two-year period beginning July 1, 2019 to June 30, 2021 be increased from 6.26 to 6.44 percent.

3. NET PENSION LIABILITY DISCLOSURES

The components of ERFC's net pension liability as of June 30, 2021 were as follows:

Total Pension Liability	$ 3,710,207,503
Plan Fiduciary Net Position	3,272,151,084
Net Pension Liability	$ 438,056,419
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.19 %

Notes, *continued on next page*

FINANCIAL

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of December 31, 2020, using update procedures to roll forward the total pension liability to the plan's fiscal year end. The actuarial assumptions applied to all periods in the measurement.

Single Discount Rate
A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Return on Plan Assets
The long-term expected rate of return on pension plan investments was determined in conjunction with a formal study of experience during the period January 1, 2015 to December 31, 2019. Based on the analysis of expected investment return, asset allocation and relevant Actuarial Standards of Practice, the rate was lowered to 7.25%.

Best estimates of arithmetic real rates of return as of the measurement date are summarized in the table on the following page. Segal Marco Advisors supplied the information in the table. The investment consultant's inflation expectation is 2.1%.

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METHODS AND ASSUMPTIONS USED TO DETERMINE FY 2021 TOTAL PENSION LIABILITY:

Actuarial Cost Method	Entry Age Normal
IRS Limit Increases	2.25%
Salary Increases	2.75% to 7.25% based on seniority
Discount Rate	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The mortality table used to measure retired life mortality was 102% of the male rates and 99% of the female rates of the PUB-2010 Teachers table projected generationally with Scale MP-2020. The corresponding Disabled and Employee tables were used for disability and pre-retirement mortality, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Pension Liability Sensitivity
Regarding the sensitivity of the net pension liability to changes in the single discount rate, the table that follows presents the plan's net pension liability, calculated using a single discount rate of 7.25% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%):

Sensitivity results at 6.25% interest were based upon computer runs. Results at 8.25% were based upon the 6.25% results and estimation techniques.

The Schedule of Changes in Net Pension Liability and Related Ratios, presented as RSI following the Notes to the Financial Statements, presents multi-year trend information about whether the plan's net position is increasing or decreasing over time relative to the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO THE SINGLE DISCOUNT RATE ASSUMPTION FOR THE FISCAL YEAR ENDING JUNE 30, 2021

1% Decrease	Assumption	1% Increase
6.25%	7.25%	8.25%
$ 899,811,494	**$ 438,056,419**	**$37,998,624**

4. INVESTMENTS

The authority to establish pension funds is set forth in sections 51.1-800 of the Code of Virginia (Code), which provides that the County may purchase investments for pension funds (including common and preferred stocks and corporate bonds) that meet the standard of judgment and care set forth in Section 51.1-124 of the Code.

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FINANCIAL

ASSET ALLOCATION

ASSET CLASS	LONG-TERM EXPECTED REAL RATE OF RETURN
Domestic Equity (Large Cap)	6.9%
Domestic Equity (Small Cap)	7.0%
International Equity (Large Cap)	7.6%
International Equity (Small Cap)	8.0%
Emerging International Equity	8.6%
Global Equity	7.4%
Emerging Market Debt	4.8%
US Fixed Income	2.4%
MACS	5.3%
Hedge Funds Opportunistic	6.2%
Infrastructure	7.8%
Real Estate (Core)	5.5%
Private Equity	9.1%
Private Debt	6.9%

NOTES TO THE FINANCIAL STATEMENTS

The System does not have investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents 5 percent or more of net position restricted for pensions.

Investment Policy
The System's investment policy is established by the Board of Trustees based on information and/or recommendations provided by ERFC's investment consultant and ERFC staff. The policy may be amended as necessary by the Board of Trustees and is reviewed at least annually. There were no significant investment policy changes during the fiscal year. The Fund's asset structure is enumerated in the investment policy and reflects a proper balance of the Fund's needs for liquidity, growth of assets and the risk tolerance of the Trustees. The target asset mix, consistent with the achievement of the long-term objective of the Fund, is presented below.

SECURITY CLASS	STRATEGIC TARGETS AS OF JUNE 30, 2021
Domestic Equity (Large Cap)	14.0 %
Domestic Equity (Small Cap)	10.0
International Equity (Large Cap)	5.0
International Equity (Small Cap)	5.0
Emerging International Equity	5.0
Global Equity	5.0
Emerging Market Debt	2.0
US Fixed Income	21.0
MACS	4.0
Hedge Funds-Opportunistic	5.0
Infrastructure	4.0
Real Estate - Core	9.0
Private Equity	7.0
Private Debt	4.0
TOTAL	**100.0 %**

Rate of Return
For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 27.82% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. This method differs from the time-weighted rate of return calculation referenced at the beginning of the Management Discussion and Analysis, which is performed on a gross basis.

Derivative Financial Instruments
As permitted by the Code, ERFC invests in derivative instruments on a limited basis in accordance with the Board of Trustees' investment policy. Investment in derivatives allows the System to increase earnings and/or hedge against potential losses. The risks associated with derivative investments include market risk resulting from fluctuations in interest and currency rates, the credit worthiness of counter parties to any contracts entered into, and the credit worthiness of mortgages related to collateralized mortgage obligations (CMOs). Specific authorization by the Trustees is required should investment managers seek to purchase securities on margin or leverage During fiscal year 2021, the system had no direct investments in derivatives.

Regarding certain risk factors, GAAP requires that governments report their exposure to investment risks in four categories: interest rate risk, credit risk, concentration of credit risk, and foreign currency risk.

Interest Rate Risk
ERFC's fixed income managers use the effective duration method to control interest rate risk. Regarding maturity, ERFC does not place limits on these fixed income managers. However, it does expect the average duration to be within 30 percent of their respective benchmarks. One of the managers is expected to be within 50 percent of the Bloomberg Barclays Capital Government/Credit Index.

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NOTES TO THE FINANCIAL STATEMENTS

Credit Risk
The System's policy on credit quality states that the average credit quality of the portfolio must be at least A. Up to 20 percent of the portfolio may be invested in below investment grade (that is, Moody's Baa or Standard & Poor's BBB ratings). If a security has a split rating, the lower rating will be considered in meeting the minimum quality standard. One of ERFC's fixed income managers may invest up to 35 percent in below investment grade securities. For this manager, if a security has a split rating, the higher rating shall be considered.

The Credit Quality Summary lists the ratings of all of ERFC's fixed income investments, excluding pooled funds, according to Moody's Investment Services and Standard & Poor's.

Concentration of Credit Risk
The System's policy limits the securities of any one issuer to 10% at cost and 15% at market of each fixed income portfolio. The policy allows an exception for government securities and its agencies.

At June 30, 2021, and as addressed previously, the System had three active fixed income managers. The portfolios had values of $184.8 million, $205.5 million and $270.5 million. The fair value of the largest issue other than the U.S. Government in the portfolios of the active managers, excluding pooled funds, was 1.43 percent of that portfolio.

Deposits
At June 30, 2021, short-term investments with the custodial bank totaled $82.4 million. These investments consist of U.S. Treasury bills, are collateralized with securities held by the agent in the System's name or are in a short-term investment pool.

Securities Lending
The System's Board of Trustees' policy permits the fund to participate in a securities lending program. The securities lending program is administered by the System's custodian. Certain securities of the System are loaned to approved broker/dealers who borrow the securities and provide collateral in the form of cash, U.S. Treasury or Government Agency

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FINANCIAL

INVESTMENT COMBINED DURATION AS OF JUNE 30, 2021

INVESTMENT CATEGORY	AMOUNT	EFFECTIVE DURATION	PERCENTAGE OF FIXED
Asset and Mortgage Backed	$ 131,235,280	0.98	21.2%
Corporate Bonds	296,155,653	3.50	47.8%
International Bonds	48,744,879	0.56	7.9%
Convertible Securities	7,885,605	0.15	1.3%
Municipal Bonds	629,074	0.02	0.1%
US Government	134,299,276	0.90	21.7%
TOTAL	**$ 618,949,767**	**6.11***	**100.0%**

* Weighted Duration in years

SHORT-TERM			
Short-term Investment Funds	$ 82,434,178	-	
TOTAL SHORT-TERM	**$ 82,434,178**	**-**	

NOTES TO THE FINANCIAL STATEMENTS

CREDIT QUALITY SUMMARY

As of June 30, 2021

INVESTMENT TYPE	AMOUNT	RATING	PERCENT OF FIXED
Asset and Mortgage Backed	$ 16,595,532	AAA	3.4%
	54,284,584	AA	11.2%
	20,255,115	A	4.2%
	18,921,286	BBB	3.9%
	2,871,816	BB	0.6%
	1,319,587	B	0.3%
	2,461,938	CCC	0.5%
	5,790,496	CC	1.2%
	1,921,951	C	0.4%
	6,812,975	Not Rated	1.4%
Convertible Securities	4,067,612	BBB	0.8%
	952,411	BB	0.2%
	2,865,582	B	0.6%
Corporate Bonds	215,836	AAA	0.0%
	7,688,995	AA	1.6%
	31,084,144	A	6.4%
	182,670,007	BBB	37.6%
	50,047,170	BB	10.3%
	22,111,383	B	4.6%
	1,887,402	CCC	0.4%
	67,577	CC	0.0%
	1,350	C	0.0%
	381,789	Not Rated	0.1%
International Bonds	9,032,963	AAA	1.9%
	3,920,771	AA	0.8%
	6,634,851	A	1.4%
	14,840,048	BBB	3.1%
	10,946,756	BB	2.3%
	2,701,429	B	0.6%
	668,061	CCC	0.1%
Municipal Bonds	629,074	BBB	0.1%
TOTAL	**$ 484,650,491**		**100%**

Notes, *continued on next page*

NOTES TO THE FINANCIAL STATEMENTS

Securities, letters of credit issued by approved banks, or other securities of a quality specified in the securities lending agreement. Collateral must be provided in the amount of 102 percent of fair value for domestic securities and 105 percent for international securities. The System did not impose any restrictions during the period on the number of loans the custodian made on its behalf. The custodian provides for full indemnification to the System for any losses that might occur in the program due to the failure of a broker/dealer to return a borrowed security or failure to pay the System for income of the securities while on loan. The fair value of collateral is monitored daily by the custodian.

Cash collateral is invested in a fund maintained by the custodian or its affiliate. Per stated custodian policy, the maximum weighted average maturity of the fund is 60 days. Investment income from the securities lending program is shared 75/25 by ERFC and the custodian, respectively. At year-end, the System had no overall credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System.

Cash received as collateral and related liability of $147,105,099 as of June 30, 2021, are shown on the Statement of Fiduciary Net Position. As of June 30, 2021, the fair value of securities on loan for cash collateral was $143,585,525. Securities received as collateral are not reported as assets and liabilities since ERFC does not have the ability to pledge or sell the collateral securities absent borrower default.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the system's funds will be lost. However, the System's investments and deposits are not exposed to custodial credit risk since they are held by the agent in the System's name. Other investments such as mutual funds, a short-term investment pool, and a cash collateral investment pool which invests cash collateral for securities on loan, are not exposed to custodial risk due to their non-physical form. As such, the System does not have a custodial credit risk policy.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The System's currency risk exposures primarily exist in the international equity and active fixed income holdings. At the present time, there are no specific foreign currency guidelines for equities or active fixed income investments; however, equity and fixed income managers are all measured against specific performance standards and risk guidelines identified in ERFC's investment policy. The chart on the following page provides a summary of ERFC's foreign currency risk.

Notes, *continued on next page*

SUMMARY OF SECURITY LENDING JUNE 30, 2021

SECURITIES	FAIR VALUE	CASH COLLATERAL
Domestic Corporate Bonds	$ 55,178,653	$ 56,542,403
International Bonds	1,794,100	1,877,850
Domestic Stock	76,149,463	77,923,350
International Stock	2,271,307	2,399,178
US Government	8,192,002	8,362,318
TOTAL	**$ 143,585,525**	**$ 147,105,099**

FINANCIAL

NOTES TO THE FINANCIAL STATEMENTS

FAIR VALUE OF FOREIGN CURRENCY RISK

As of June 30, 2021

CURRENCY	CASH & CASH EQUIVALENTS	EQUITY	FIXED INCOME SECURITIES	PREFERRED SECURITIES	PRIVATE MARKETS	GRAND TOTAL
AUSTRALIAN DOLLAR	$ 9,480	$ 8,920,154	$ -	$ -	$ -	$ 8,929,634
BRAZIL REAL	27,956	4,227,852	-	2,754,103	-	7,009,911
CANADIAN DOLLAR	3,336	4,789,106	-	-		4,792,442
CHINESE YUAN RENMINBI	30,546	-	-	-	-	30,546
CZECH KORUNA	-	342,028	-	-	-	342,028
DANISH KRONE	146,734	14,808,713	-	-	-	14,955,447
EURO CURRENCY UNIT	647,035	59,864,766	-	23,374	15,207,396	75,742,571
HONG KONG DOLLAR	155,708	24,725,293	-	-	-	24,881,001
HUNGARIAN FORINT	-	69,190	-	-	-	69,190
INDIAN RUPEE	-	-	616,557	-	-	616,557
ISRAELI SHEKEL	-	438,272	-	-	-	438,272
JAPANESE YEN	231,731	26,121,053	-	-	-	26,352,784
MALAYSIAN RINGGIT	13,603	832,235	-	-	-	845,838
MEXICAN PESO	28,837	313,753	1,340,158	-	-	1,682,748
NEW TAIWAN DOLLAR	86,434	12,976,061	-	-	-	13,062,495
NEW ZEALAND DOLLAR	10,724	1,354,997	-	-	-	1,365,721
NORWEGIAN KRONE	8,541	1,410,484	-	-	-	1,419,025
POLISH ZLOTY	-	2,147,858	-	-	-	2,147,858
POUND STERLING	180,136	21,431,468	-	-	16,418	21,628,022
QATARI RIYAL	11,493	834,532	-	-	-	846,025
RUSSIAN RUBLE	277	-	-	-	-	277
SINGAPORE DOLLAR	-	46,082	-	-	-	46,082
SOUTH AFRICAN RAND	-	423,876	-	-	-	423,876
SOUTH KOREAN WON	36,769	11,353,286	-	70,504	-	11,460,559
SWEDISH KRONA	79,401	14,560,735	-	-	-	14,640,136
SWISS FRANC	451,871	26,956,293	-	-	-	27,408,164
THAILAND BAHT	-	4,094,654	-	-	-	4,094,654
TURKISH LIRA	463	108,867	-		-	109,330
UAE DIRHAM	9,426	251,046	-		-	260,472
GRAND TOTAL	**$2,170,501**	**$243,402,654**	**$1,956,715**	**$2,847,981**	**$15,223,814**	**$265,601,665**

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAXES

The Internal Revenue Service (IRS) issued a determination letter on December 15, 2016, which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and, therefore, are exempt from federal income taxes. In the opinion of the plan administrator, the System and its underlying trust have operated within the terms of the IRS regulations and are qualified under the applicable provisions of the Internal Revenue Code.

6. CONTINGENCIES

During 2021, outbreaks of coronavirus ("COVID-19") continued globally. As a result of the spread of COVID-19, economic uncertainties persist that could negatively impact the Systems investment performance and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

Notes, *continued on next page*

FINANCIAL

INVESTMENTS WITH THE CUSTODIAN

AS OF JUNE 30, 2021, INCLUDED THE FOLLOWING:

INVESTMENT TYPE		FAIR VALUE
Stocks	$	567,415,582
Bonds and Mortgage Securities		484,650,491
US Government Obligations		134,299,276
Preferred Securities		2,847,981
Real Estate		156,132,124
Multi Asset Class Solutions (MACS)		306,184,789
Hedge Funds - Opportunistic		187,556,946
Private Equity		210,360,927
Private Debt		28,307,673
Infrastructure		229,486
Commingled Fixed Income Funds		212,099,908
Commingled Equity Funds		909,819,785
SUBTOTAL INVESTMENTS		**3,199,904,968**
Cash collateral for securities on loan		147,105,099
TOTAL	**$**	**3,347,010,067**

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Historical contribution information is presented herein for the last ten fiscal years. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems. Actuarially determined employer contribution rates are calculated as of December 31 of odd numbered years, and determine the contribution rate for the two-year period beginning 18 months after the valuation date. In particular, the December 31, 2017 valuation determined the contribution rates for fiscal years 2020 and 2021.

Analysis of the dollar amounts of plan net position, total pension liability, and net pension liability in isolation can be misleading. Expressing plan net position as a percentage of the total pension liability provides one indication of the System's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Trends in the net pension liability and covered payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the system.

The Schedule of Changes in Net Pension Liability and Related Ratios on the following page illustrates whether the plan's net position is increasing or decreasing over time relative to the total pension liability, and the net pension liability as it relates to covered payroll. As addressed previously, the most recent actuarial valuation was effective December 31, 2020. The Schedule of Changes in Net Pension Liability and Related Ratios was prepared using procedures to roll forward the results of the most recent actuarial valuation to the fiscal year end June 30, 2021. This schedule presents information that is currently available. Additional years will be added until 10-year trend information can be presented.

SCHEDULE OF CONTRIBUTIONS

(Last 10 Fiscal Years)

FY ENDING JUNE 30	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2012	50,738,815	52,934,245	(2,195,430)	1,219,683,057	4.34%
2013	68,242,010	67,734,634	507,376	1,268,438,838	5.34%
2014	72,748,999	74,174,082	(1,425,083)	1,324,537,175	5.60%
2015	74,791,177	74,324,396	466,781	1,328,419,881	5.59%
2016	76,069,503	76,599,695	(530,192)	1,374,735,094	5.57%
2017	80,305,269	80,094,538	210,731	1,430,259,607	5.60%
2018	93,543,467	91,704,877	1,838,590	1,469,629,439	6.24%
2019	96,982,911	96,982,911	-	1,549,247,780	6.26%
2020	104,741,255	104,741,255	-	1,626,417,003	6.44%
2021	104,784,310	104,784,310	-	1,627,085,559	6.44%

Covered payroll in 2016 and later is reported in accordance with GASB 82. The ratio in the last row cannot always be compared to contributions required by the ERFC Board's funding policy.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FY ENDING JUNE 30	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service Cost	$ 91,770,647	$ 92,719.549	$ 90,633,074	$ 88,599,697	$ 78,925,763	$ 77,760,915	$ 77,493,999	$ 75,787,752
Interest on the Total Pension Liability	253,330,122	243,578,788	231,477,042	221,106,804	209,515,636	205,720,047	198,938,575	192,723,577
Changes of benefit terms	-	-	-	-	(1,038,793)	-	-	-
Difference between expected and actual experience of the Total Pension Liability	29,758,913	(12,696,483)	27,726,555	12,140,768	19,857,344	(11,011,883)	(17,051,192)	(19,051,630)
Changes of assumptions	(17,342,443)	-	-	-	23,334,195	45,752,095	-	-
Benefit payments, including refunds of employee contributions	(191,265,982)	(185,986,496)	(181,932,073)	(177,720,296)	(173,385,583)	(170,347,847)	(167,842,576)	(167,049,790)
Net Change in Total Pension Liability	166,251,257	137,615,358	167,904,598	144,126,973	157,208,562	147,873,327	91,538,806	82,409,909
Total Pension Liability - Beginning	3,543,956,246	3,406,340,888	3,238,436,290	3,094,309,317	2,937,100,755	2,789,227,428	2,697,688,622	2,615,278,713
Total Pension Liability - Ending (a)	$ 3,710,207,503	$ 3,543,956,246	$ 3,406,340,888	$ 3,238,436,290	$ 3,094,309,317	$ 2,937,100,755	$ 2,789,227,428	$ 2,697,688,622
Plan Fiduciary Net Position								
Contributions - Employer	$ 104,784,310	$ 104,741,255	$ 96,982,911	$ 91,704,877	$ 80,094,538	$ 76,599,695	$ 74,324,396	$ 74,174,082
Contributions - Member	48,934,340	49,095,601	46,645,396	44,169,100	43,062,632	41,383,642	39,982,963	40,018,590
Net Investment Income	720,738,680	108,472,534	117,727,500	188,145,489	250,981,777	(15,766,967)	32,083,908	304,640,803
Benefit Payments, including refunds of employee contributions	(191,265,982)	(185,986,496)	(181,932,073)	(177,720,296)	(173,385,583)	(170,347,847)	(167,842,576)	(167,049,790)
Pension Plan Administrative Expense	(4,423,439)	(4,381,191)	(4,262,159)	(4,300,927)	(4,059,408)	(4,004,882)	(3,751,825)	(3,629,320)
Net Change in Plan Fiduciary Net Position	678,767,909	71,941,703	75,161,575	141,998,243	196,693,956	(72,136,359)	(25,203,134)	248,154,365
Plan Fiduciary Net Position - Beginning	2,593,383,175	2,521,441,472	2,446,279,897	2,304,281,654	2,107,587,698	2,179,724,057	2,204,927,191	1,956,772,826
Plan Fiduciary Net Position - Ending (b)	3,272,151,084	2,593,383,175	2,521,441,472	2,446,279,897	2,304,281,654	2,107,587,698	2,179,724,057	2,204,927,191
Net Pension Liability - Ending (a) - (b)	$ 438,056,419	$ 950,573,071	$ 884,899,416	$ 792,156,393	$ 790,027,663	$ 829,513,057	$ 609,503,371	$ 492,761,431
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	88.19%	73.18%	74.02%	75.54%	74.47%	71.76%	78.15%	81.73%
Covered Payroll	$ 1,627,085,559	$ 1,626,417,003	$ 1,549,247,780	$ 1,469,629,439	$ 1,430,259,607	$ 1,374,735,094	$ 1,366,029,848	$ 1,324,537,175
Net Pension Liability as a Percentage of Covered Payroll	26.93%	58.45%	57.12%	53.90%	55.24%	60.34%	44.62%	37.20%

This schedule presents information for available years. Additional years will be added prospectively until 10 years of information is available.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

FY ENDING JUNE 30	ANNUAL RETURN[1]
2014	15.91%
2015	1.49%
2016	(0.63)%
2017	12.14%
2018	8.29%
2019	4.88%
2020	4.49%
2021	27.82%

This schedule presents information for available years. Additional years will be added prospectively until 10 years of information is available.

1 Annual money-weighted rate of return, net of investment expenses.

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

SUMMARY OF SIGNIFICANT CHANGES TO THE PENSION SYSTEM

The following provides a summary of the composite employer and employee contribution rates and other significant changes to the pension system during the past fiscal years.

CONTRIBUTION RATES

As a percent of salary

Fiscal Year	Composite Employer	Employee	Total
June 2006	3.37%	4.00%	7.37%
2007	3.37	4.00	7.37
2008	3.37	4.00	7.37
2009	3.37	4.00	7.37
2010	3.20	4.00	7.20
2011	4.04	4.00	8.04
2012	4.34	4.00	8.34
2013	5.34	3.00	8.34
2014	5.60	3.00	8.60
2015	5.60	3.00	8.60
2016	5.60	3.00	8.60
2017	5.60	3.00	8.60
2018	6.24	3.00	9.24
2019	6.26	3.00	9.26
2020	6.44	3.00	9.44
2021	6.44	3.00	9.44

- July 1, 2006 — The implementation of a Benefit Restoration Plan in order to make benefit payments in excess of the limits established by Section 415 of the Internal Revenue Code.

- April 29, 2004 – The Board of Trustees agreed to transition to calendar year actuarial valuations.

- December 18, 2003 — Effective July 1, 2004, members hired prior to July 1, 2001 (ERFC Benefit Structure), are eligible for a Level Lifetime Benefit (LLB) that is calculated by determining the annuitized value of the greater of their accumulated contribution balance or the present value of the currently provided defined benefit. The following changes apply to members hired on or after July 1, 2001 (ERFC 2001 Benefit Structure):

  - The defined contribution component of the benefit structure that was to be offered as an option to members on July 1, 2006, was eliminated.

  - The matching contribution provisions of the benefit structure were eliminated effective July 1, 2004. Members who met the requirements for a contribution match as of June 30, 2004, had the match credited to their accounts on June 30, 2004.

  - Beginning July 1, 2004, members who retire are eligible for a minimum benefit that is calculated by determining the annuitized value of their accumulated contribution balance.

- July 24, 2003 – The Working After Retirement (WAR) program is closed to new entrants, effective June 30, 2004, which is two years earlier than originally planned.

- April 27, 2017 - ERFC members hired on or after July 1, 2017 are members of *ERFC 2001 Tier 2*. For all members, the annual interest rate credited on member accounts was reduced.

FINANCIAL

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year Ended June 30, 2021

PERSONNEL SERVICES	
Salaries and wages	$ 2,182,971
Retirement contributions	506,848
Insurance	315,650
Social security	160,928
TOTAL PERSONNEL SERVICES	**3,166,397**
PROFESSIONAL SERVICES	
Actuarial	105,842
Legal	233,802
Payroll disbursement	56,821
Plan automation support	29,093
Strategic planning	21,696
Audit	56.038
TOTAL PROFESSIONAL SERVICES	**503,292**
COMMUNICATIONS	
Printing	17,770
Postage	5,206
TOTAL COMMUNICATIONS	**22,976**
SUPPLIES	
Office supplies	16,109
Dues and subscriptions	6,375
TOTAL SUPPLIES	**22,484**
OTHER SERVICES AND CHARGES	
Board travel and staff development	130,407
Equipment	210,415
Building rent	311,909
Depreciation expense and asset disposal	38,652
Miscellaneous	16,907
TOTAL OTHER SERVICES AND CHARGES	**708,290**
TOTAL ADMINISTRATIVE EXPENSES	**$ 4,423,439**

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

SCHEDULE OF INVESTMENT EXPENSES

Year Ended June 30, 2021

INVESTMENT MANAGEMENT FEES	
Fixed income managers	
DoubleLine Capital, L.P.	$ 412,116
Fidelity Institutional Asset Management	471,138
Loomis-Sayles and Company, L.P.	815,863
Mellon Capital Management Corporation	19,190
Mondrian Investment Partners (US), Inc.	510,611
Equity managers	
Cramer Rosenthal McGlynn, LLC	516,187
Mellon Capital Management Corporation	53,647
Schroder Investment Management North America, Ltd.	519,856
Westfield Capital Management	537,922
International managers	
Acadian Asset Management, Inc.	716,737
William Blair & Company	1,962,648
Multi Asset Class Solutions (MACS)	
Wellington Management Company LLP	794,229
TOTAL INVESTMENT MANAGEMENT FEES	**7,330,144**
Other investment service fees	
Custodial fees - Mellon Trust	396,501
Investment consultant fees - Meketa Investment Group	285,000
Investment consultant fees - Segal Marco Advisors	775,000
Foreign tax consulting - Pricewaterhousecoopers	3,759
Investment salaries	283,406
TOTAL OTHER INVESTMENT SERVICE FEES	**1,743,666**
TOTAL INVESTMENT EXPENSES[1]	**$ 9,073,810**

1 Some investment fees are netted directly against assets under management. See Schedule of Investment Manager Fees located within the Investment Section on page 57.

FINANCIAL

OTHER SUPPLEMENTARY INFORMATION

(Unaudited)

SCHEDULE OF PROFESSIONAL SERVICE FEES

Year Ended June 30, 2021

SERVICE PROVIDER	NATURE OF SERVICE	AMOUNT
Aon Consulting, Inc.	Actuary	$ 105,842
Levi, Ray & Shoup, Inc.	Plan automation support	29,093
Bredhoff & Kaiser, PLLC.	Legal counsel	220,732
Reed Smith, LLP	Legal counsel	13,070
ADP Payroll Services	Pension disbursements	56,821
Cherry Bekaert, LLP	Audit	56,038
Strategy Compass GmbH	Strategic Planning	21,696
TOTAL PROFESSIONAL SERVICE FEES		**$ 503,292**

INVESTMENT

UNAUDITED

Keep an eye on your financial fitness by accessing your plan info, estimating your benefit, and updating your beneficiaries through ERFC*Direct*.

SWING INTO SUMMER

CONSULTANT REPORT ON INVESTMENT ACTIVITY

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December 1, 2021

Board of Trustees
The Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC")
8001 Forbes Place, Suite 300
Springfield, VA 22151

Re: Report of Investment Activity for Fiscal Year 2021

Dear Trustees:

This letter summarizes the structure and performance of the Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC") Fund through the fiscal year ending June 30, 2021. This letter will also highlight any changes to the plan in fiscal 2021.

ERFC Asset Allocation

The Trustees establish an Investment Policy asset allocation targets after considering the long-term growth prospects of a diversified portfolio of investments and the expected costs of the Plan participants' benefits. Asset allocation refers to the percentages of the ERFC Fund assets that are in stocks, bonds and private market investments. In order to participate in the broad market performance, while keeping Fund expenses low, the Fund invests in passive, index strategies for the majority of its U.S. large capitalization public equity allocation. For ERFC, diversification is very important to the long term planning.

During the 2021 FY, the asset allocation implementation with changes within the fixed income, multi asset class strategies ("MACs"), infrastructure, real estate and private equity/credit continued to progress.

As of the June 30 fiscal year-end, the Fund was in compliance with policy target ranges with 46.2% in equities, 4.8% in real estate, 26.3% in fixed income, 5.7% in hedge fund strategies, 7.6% in private equity/debt, 9.3% in multi asset class strategies, 0.0% in Infrastructure, and 0.1% in cash. Over the long-term, which is the framework for considering the term structure of the Plans' liabilities, we expect the asset allocation will continue to meet the benefit needs while providing growth and preservation of principal.

Economic and Market Comment

In the first half of 2021, all equities performed strongly with value stocks leading the way with meaningful gains. As COVID vaccination rates climbed, the global re-opening remained on track.

CONSULTANT REPORT ON INVESTMENT ACTIVITY

December 1, 2021
Page 2

Equities in general continued to show strong performance coinciding with the increasing vaccine rates. Vaccination rates for both the U.S. and U.K. are over 50%. Meanwhile, Japan has shown to be the laggard with only 15% of its population vaccinated. There are concerns regarding new variants of COVID-19 but thus far, the vaccines have been effective against these.

The U.S. stock market, as measured by the benchmark, Russell 3000 Index, returned +44.2% for the Fiscal Year 2021. With U.S. market volatility falling to its lowest levels since 2019, U.S. markets closed the first half of 2021 at record highs despite fears over inflation and the end of the Federal Reserve stimulus. All sectors in the Russell 3000 Index saw positive returns for the fiscal year to date period primarily due to optimism for an imminent global recovery particularly in the U.S. The financials sector (+60.9%) came out the strongest, followed by energy (+55.5%).

Non-U.S. developed equities also produced gains during the fiscal period as well as during the first half of 2021. The non-U.S. equity market, as measured by the benchmark, MSCI EAFE Index, returned +32.35% for the Fiscal Year 2020. The U.K. market outperformed broad international developed indices, as the country continued to re-open. The Japanese market trailed other developed markets, as the country struggled to vaccinate its population. A rise in COVID-19 cases during the first half of the second quarter of 2021 led the government to delay lifting its country's state of emergency until June 20th. This was subsequently re-imposed in mid-July until late August. All sectors in the MSCI EAFE posted double digit gains during the fiscal year period with consumer discretionary (+49.83%) and materials (+47.16%) being the notable leaders.

Emerging markets stocks rebounded strongly over the fiscal year to date period despite continued concerns regarding the COVID-19 and its variants as well as access to vaccines. Latin America led the way in the rebound driven primarily by the Brazilian market. Asian markets were the weakest given regulatory actions taken by the Chinese government and renewed COVID lockdowns causing concern among investors and muted return for the Chinese equity markets. The emerging market asset class as measured by the benchmark, MSCI Emerging Markets Index, returned +40.90% for the Fiscal Year 2021.

Within the fixed income market, the yield curve continued to flattened, with modest rate increases at the front end of the curve and more dramatic declines at the tail end. Yields began to fall across the curve starting at the 5-year point. Fiscal year returns from fixed income were muted or in negative territory with the exception of U.S. corporate high yields which posted double digit gains.

Fund Summary of Investment Performance

On a net of fee basis, the Fund earned a return of 26.8% for the one-year period ending June 30, 2021 and ranked in the 48th percentile of the public fund greater than $1 billion within the Investment Metrics Public Plan Universe. Over the same period, ERFC outpaced its assumed actuarial return target of 7.25% by 19.55%. The Fund is not expected to outperform the actuarial return target every year. The Fund's assets increased from $2.6 billion as of fiscal year-end 2020 to approximately $3.3 billion as of fiscal year-end 2021. Over the 5-year time period ending June 2021, the Fund has averaged a 11.0% annual return versus 9.8% for the Interim Policy Benchmark. The 5-year performance ranks in the 30th percentile of public funds' peers. It is important to note that a pension fund is a long-term investment established to pay for participants' benefits.

CONSULTANT REPORT ON INVESTMENT ACTIVITY

December 1, 2021
Page 3

During this most recent FY, the Fund's asset allocation hurt relative performance versus the Policy benchmark. Manager selection, that is the component contributed by the active management of the individual stock and bond purchases more than made up the for the allocation effect. The Long Term Policy Index[1] return, measuring if the Fund asset allocation was all invested in passive, index funds, was lower at 24.5%. The Fund also performed better than the Interim Policy Index[2] which returned 22.0% for the fiscal year to date period. The Interim Policy differs from the Long Term Policy primarily within the private asset classes as these are being funded slowly to ensure vintage year diversification.

The one-year performance was very good. The diversified holdings of the ERFC Fund has been a contributor to its long-term success. The Fund is slightly overweight to U.S. investments coupled with an underweight to international developed investments while still maintaining a diversified geographic and asset class structure. This diversification was an important factor in the positive performance during this most recent period. The Fund has investments across all the major public and private equity, fixed income and real estate capital markets. Fixed income, international developed, emerging markets equity, and hedge fund opportunistic added the most value to the Fund's attribution versus the Long Term Policy. Pension investors such as the ERFC Fund have long-term horizons over which benefits will be paid. Therefore, ERFC and its peers diversify a portion to less liquid, private investments with higher expected returns where the invested capital is not needed for benefit payments over a 5 to 7-year period. These private market investments are not similarly affected by short-term moves in stocks, interest rates and inflation. These investments have added value to the Fund over longer periods and continue to be an important allocation.

Equities:
The ERFC Fund is diversified across U.S. and non-U.S. markets. In the first half of 2021, equity markets exhibited strong returns, with U.S. equities returning 8.2% for the quarter and 44.2% for the 1-year, reflecting the COVID recovery. Calendar year to date through June 30, 2021, U.S. equities remained in positive territory. The U.S. stock market, as measured by the benchmark, Russell 3000 Index, returned 44.16% for the Fiscal Year 2021. Performance in the U.S. was fueled by a rise in vaccinations and the reopening of businesses. In the U.S., the poorest performing sectors were consumer staples, healthcare and utilities. The largest technology companies did well

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[1]The ERFC Policy Index is a custom index representing the weighted average return of the benchmarks for each major investment program in the Fund. The Policy Benchmark as of 6/30 consisted of: 14% Russell 1000 / 10% Russell 2000 / 5% MSCI ACWI ex USA / 5% MSCI Emerging Markets / 5% MSCI World / 2.6% MSCI AC World Index / 4% BBgBarc US TIPS TR / 2% JPM GBI-EM Global Diversified TR / 9% NCREIF - ODCE NET / 15.4% BBg Barc US Aggregate TR / 8% BBg Barc US Credit TR / 4% BBg Barc US Corporate High Yield +150 bps / 5% HFRI Fund of Funds Composite Index / 7% ThomsonOne All Regions Private Equity Index / 4% CPI – All Urban Consumers (Unadjusted) +4%. In June of 2020, ERFC added a 5% weight to International Small Cap. This will be added to the ERFC policy benchmark when funded.

[2] The Interim Policy Index as of 6/30 consisted of: 16% Russell 1000 / 7% Russell 2000 / 9% MSCI ACWI ex USA / 5% MSCI Emerging Markets / 5% MSCI World / 5.8% MSCI AC World / 1% CPI +4% / 4% BBgBarc US TIPS TR / 3% JPM GBI-EM Global Diversified TR / 6% NCREIF - ODCE NET / 14% BBg Barc US Aggregate TR / 8% BBg Barc US Credit / 1% BBg Barc US Corporate High Yield +150 bps / 4% HFRI Fund of Funds Composite Index / 6% ThomsonOne All Regions Private Equity Index / 3.2% BBg Barc US Aggregate TR / 2% 90 Day US Treasury Bill.

CONSULTANT REPORT ON INVESTMENT ACTIVITY

December 1, 2021
Page 4

and have led the recovery within the U.S. equity returns. In addition, energy, financials, and industrials were among the top performing sectors.

Similarly, Non-U.S. developed equities were largely positive in the first half of 2021. The non-U.S. equity market, as measured by the benchmark, MSCI AC World ex USA Index, returned 35.7% for the Fiscal Year 2021. Within non-U.S. developed countries, the strong rebound in economic activity throughout Europe was the primary driver of the 5.7% return posted by international developed markets. At the end of June, the Eurozone composite PMI rose to 59.2, reaching its highest level since June 2006. During the month of June, some of the Eurozone countries began to experience higher numbers of new COVID-19 cases as the Delta variant became more prominent. Japan trailed other developed markets as the country struggled to vaccinate its population. The poorest performing sectors were telecom and utilities. Healthcare, consumer staples, and information technology were among the top performing sectors.

Emerging markets stocks had a strong second quarter of 2021 despite continued concerns regarding COVID-19 and the Delta variant. As supply chains reopened and government spending surged, many companies were able to rebound with high activity in the second quarter of 2021. The emerging market asset class as measured by the benchmark, MSCI Emerging Markets Index, returned 40.9% for the Fiscal Year 2021. Businesses linked to real estate continued to struggle, and Asian markets lagged the index as regulatory actions taken by the Chinese government along with renewed lockdowns caused concern for investors. Real estate was the poorest performing sector, while healthcare, industrials, and energy were among the top performing sectors.

Domestic Equity Portfolio:
For the fiscal year 2021 period, the domestic equity composite held $831 million (25.3% of the total Fund). The Total Domestic Equity Portfolio returned 45.7%, versus the Russell 3000 Index return of 44.2%, for the fiscal year. The passive managers matched their benchmarks while active manager selection in U.S. stocks posted mixed results.

International Developed Equity Portfolio:
For the fiscal year 2021 period, the international developed equity composite held $299 million (9.1% of the total Fund). The total international equity portfolio returned 42.6%, outperforming the MSCI ACWI ex USA return of 35.7%. Both active managers outpaced the index.

Emerging Market Equity Portfolio:
The emerging market equity composite held $210 million (6.4% of the total Fund). The total emerging market equity composite returned 50.7%, beating the MSCI Emerging Market Index return of 40.9%.

Global Equity Portfolio:
For the fiscal year 2021 period, the global equity composite held $180 million (5.5% of the total Fund). The total global equity composite returned 38.8%, lagging the MSCI AC World Index return of 39.3%.

CONSULTANT REPORT ON INVESTMENT ACTIVITY

Fixed Income:
U.S. yields flattened, with modest increases across the front end of the curve and dramatic declines at the tail end of the curve in Q2 2021. Shorter-maturity yields less than 1-year rose, resulting in a return of liquidity in the Treasury market. The 1-month Treasury ended the 2Q 2021 up four basis points from the prior quarter. Treasury yields with maturities between 2- and 5-years rose. The 20-year yield showed a decrease of 31 basis points over the prior quarter, as unemployment data slightly improved but labor shortages, supply chain issues, and virus fears led to continued investor concern. Longer-maturity yields decreased as well, with the 30-yr yield ending the quarter at 2.06%, a 35 basis point decrease over the prior quarter.

Global Central bank provided more stimulus measures as the economic consequences of the pandemic linger. The British pound, Euro, and JPY appreciated relative to the U.S. Dollar. Emerging market debt ended the second quarter 2021 with strong returns. The strong performance however was not enough to recover from Q1, with returns remaining negative on a YTD basis.

Domestic Fixed Income Portfolio:
For the fiscal year 2021, the total domestic fixed income composite held $661 million (20.1% of the total Fund). The composite returned 3.9%, versus the Barclays U.S. Aggregate return of -0.3%

Emerging Market Debt Portfolio:
For the fiscal year 2021, the total emerging market debt composite held $95 million (2.9% of the total Fund). The composite returned 8.5%, versus the JP Morgan GBI-EM index return of 6.6%.

MACS Portfolio: (Better Beta/Global Asset Allocation)
For the fiscal year 2021, the MACS composite held $306 million (9.3% of the total Fund). The composite returned 22.1%, versus the custom Index return of 15.4%.

Real Estate:
The real estate market outlook shifted dramatically as the pandemic hit, with office and retail most affected. In the U.S., retail sector appreciation was -0.24% for the first quarter of 2021 and office sector appreciation was 0.31%. For the same time period, retail sector income was 1.14% and office sector income was 1.12%. Specifically to COVID-19, sectors such as multi-family and industrials are viewed as defensive as people stay home. These sectors also benefited from continued growth of e-commerce. In the U.S., the return by region for the second quarter for 2021 was as follows: East (2.70%), Midwest (3.02%), South (3.83%), and West (4.28%).

Real Estate Portfolio:
For the fiscal year 2021, the total real estate composite held $158 million (4.8% of the total Fund). The composite returned 7.0%, versus the ERFC's blended real estate (custom) index return of 7.1%.

Hedge Funds:
The HFRI Fund Weighted Composite gained 4.1% in Q2 2021. Equity Hedge, up 5.1%, was the leading strategy, while Relative Value, up 2.4%, was the laggard. Equity Hedge performance was

CONSULTANT REPORT ON INVESTMENT ACTIVITY

led by energy and basic materials sectors, while funds that focused on healthcare posted the weakest results. Relative Value hedge funds generated rather muted performance amid dramatic actions taken by governments globally, with the exception of yield-alternative focused strategies, which seeks to capitalize on spread opportunities through non-fixed income securities.

Hedge Fund Portfolio:
For the fiscal year 2021, the total hedge fund opportunistic composite held $188 million (5.7% of the total Fund).

Infrastructure:
U.S. private infrastructure funds gained 1.5% in Q3 2020, but had the weakest returns relative to European funds (5.1%) and the global composite return (2.6%). Telecom demonstrated the strongest demand growth as workers continue to remain remote, doubling its average share of quarterly deal growth from 4% to 9%. Public infrastructure, as measured by the FTSE Global Core Infrastructure 50/50 Index, returned 2.2% in Q3 2020, and -11.0% YTD.

Infrastructure Portfolio:
For the fiscal year 2021, the total infrastructure composite held $257 thousand (0.0% of the total Fund).

In fiscal year 2021, Segal Marco Advisors recommended a number of changes within the asset class structures and investment managers within the fixed income, equity and MAC asset classes which were implemented by the Plan. The Fund also made changes in the private markets investments. Market conditions and Fund performance will continue to be monitored closely to accomplish the goal of providing the benefits to participants.

Sincerely,

Sue Crotty

Senior Vice President &
Senior Consultant

Rosemary Guillette

Vice President & Senior
Consultant

Vanessa Vargas Guijarro

Vice President & Senior
Consultant

STRATEGIC REVIEW AND INVESTMENT POLICY

INTRODUCTION

The members of the ERFC Board of Trustees have jurisdiction over and ultimate fiduciary responsibility for the investment of the System's assets. In carrying out their responsibilities, they must adhere to applicable laws, regulations, and rulings with respect to the duties of investment fiduciaries. Accordingly, they are required to "discharge their duties in the interest of plan participants" and "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims." The Board of Trustees has established a Statement of Investment Policy that identifies a set of investment objectives, guidelines, and performance standards for the assets of the fund. The objectives are formulated in response to the following:

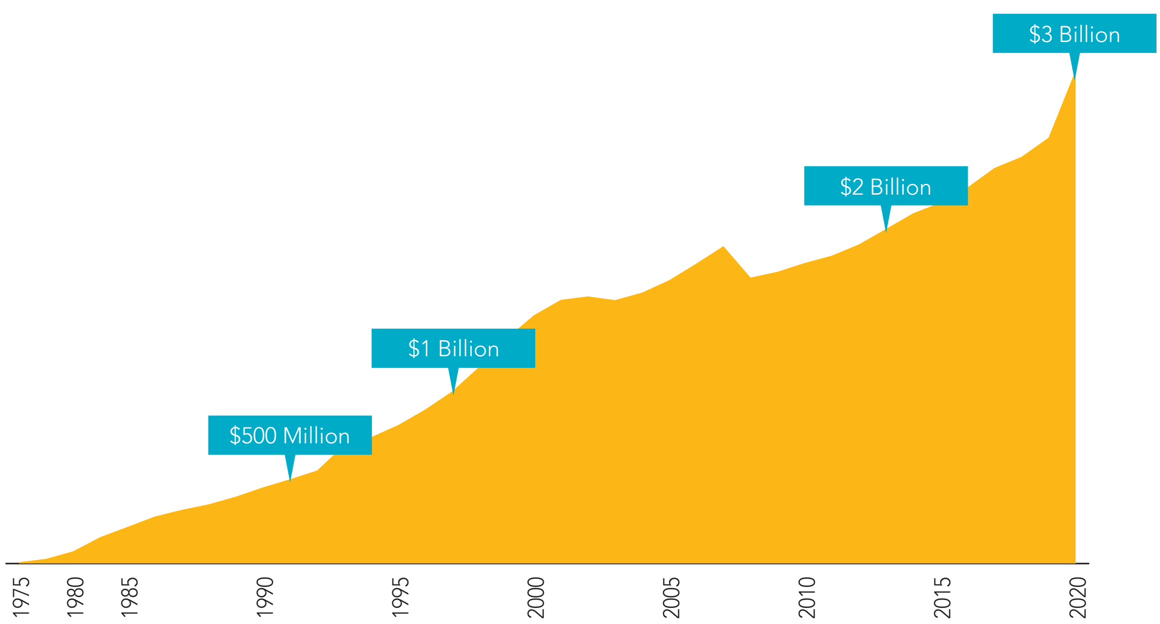
- the anticipated financial needs of the ERFC
- consideration of risk tolerance; and
- the need to document and communicate objectives, guidelines and standards to the investment managers.

INVESTMENT OBJECTIVES

The investment objective of the ERFC is to ensure, over the long-term life of the fund, an adequate level of assets to fund the benefits for ERFC members and their beneficiaries at the time they are payable. The Trustees seek to achieve a high level of total investment return consistent with a prudent level of portfolio risk. The fund's actuary uses an investment return assumption of 7.25 percent, compounded annually, of which 2.75 percent constitutes an assumed rate of inflation and 4.5 percent reflects an assumed real rate of return on investments. The fund's objective is to meet or exceed the assumed real rate of return over time, while preserving the fund's principal.

ERFC TOTAL FUND GROWTH — VALUATION ASSETS SINCE INCEPTION

(As reflected in the December 31, 2020 actuarial valuation)



INVESTMENT MANAGERS

ASSETS UNDER MANAGEMENT

As of June 30, 2021 ($ in millions)

INVESTMENT MANAGER	INVESTMENT TYPE	AMOUNT
EQUITIES		
Large Capitalization		
Mellon Capital Management Corp.	Core Index (Russell 1000)	530.8
Small/Mid Capitalization		
Cramer Rosenthal McGlynn, LLC	Value	98.8
Schroder Investment Management NA, Ltd.	Core	102.2
Westfield Capital Management	Growth	99.6
International		
Acadian Asset Management	Core	155.3
Lazard Asset Management	Value	180.2
William Blair & Company	Growth	143.4
William Blair & Company	Emerging Market	209.6
FIXED INCOME		
DoubleLine Capital, L.P.	Core Plus	184.9
Fidelity Institutional Asset Management	Core Plus	205.6
Loomis-Sayles & Company	Core Plus	270.6
Mellon Capital Management Corp.	TIPS	107.8
Mondrian Investments	Emerging Market	94.6
MULTI ASSET CLASS SOLUTIONS		
Bridgewater Associates, Inc.	Better Beta	166.0
Wellington Management Co.	Global Asset Allocation	140.2
HEDGE FUNDS - OPPORTUNISTIC		
Grosvenor Institutional Partners	Multi-Asset Class	187.6
PRIVATE MARKETS		
Accomplice	Equity	6.0
Audax	Debt	0.7
Davidson Kempner	Debt	4.8
Flagship	Equity	0.5
Francisco	Debt	9.6
Glouston	Equity	4.7
Grain	Infrastructure	0.2
HarbourVest	Equity	111.4
HarbourVest Credit	Debt	3.3
K5	Equity	0.1
Lakestar	Equity	15.1
Lexington	Equity	21.4
Lightspeed	Equity	17.1
Newstone	Debt	0.9
OHA	Debt	2.1
Private Advisors	Equity	26.9
Searchlight	Equity	6.7
Silver Point	Debt	6.2
Stellex	Equity	0.5
Strategic Value	Debt	0.7
REAL ESTATE		
DivcoWest	Value-Added	1.7
Investors Diversified Realty	Value-Added	31.2
IPI Partners	Value-Added	0.2
JP Morgan Asset Management	Core-Plus	56.9
Landmark Partners	Secondary	13.1
PGIM Real Estate	Core	50.4
Torchlight investors	Opportunistic	2.6
CASH (TEMPORARY CASH)		
TOTAL		**$ 3,272.2**

INVESTMENT

ASSET STRUCTURE

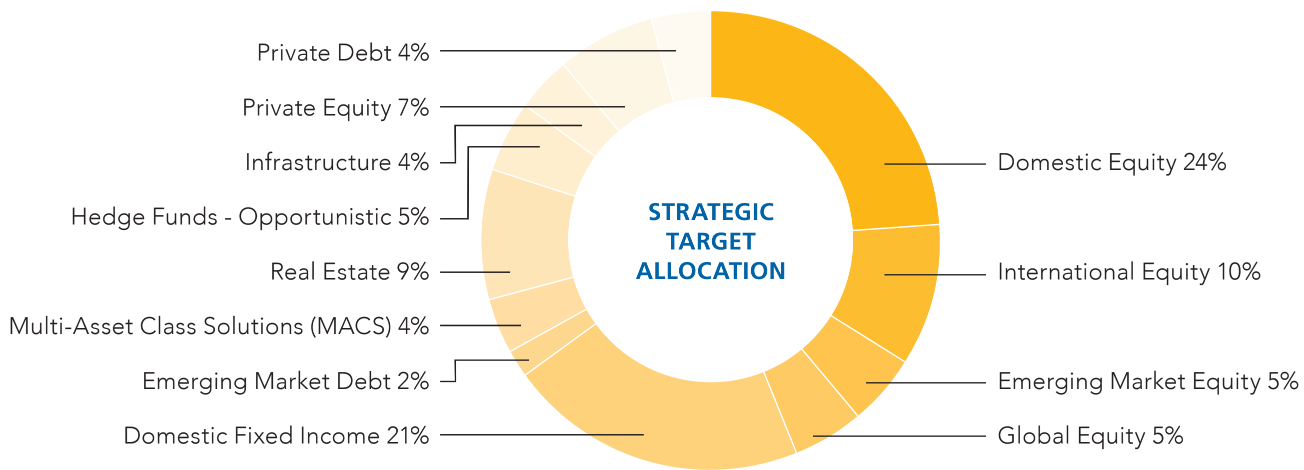
INTERIM STRATEGIC TARGET ALLOCATION AS OF JUNE 30, 2021

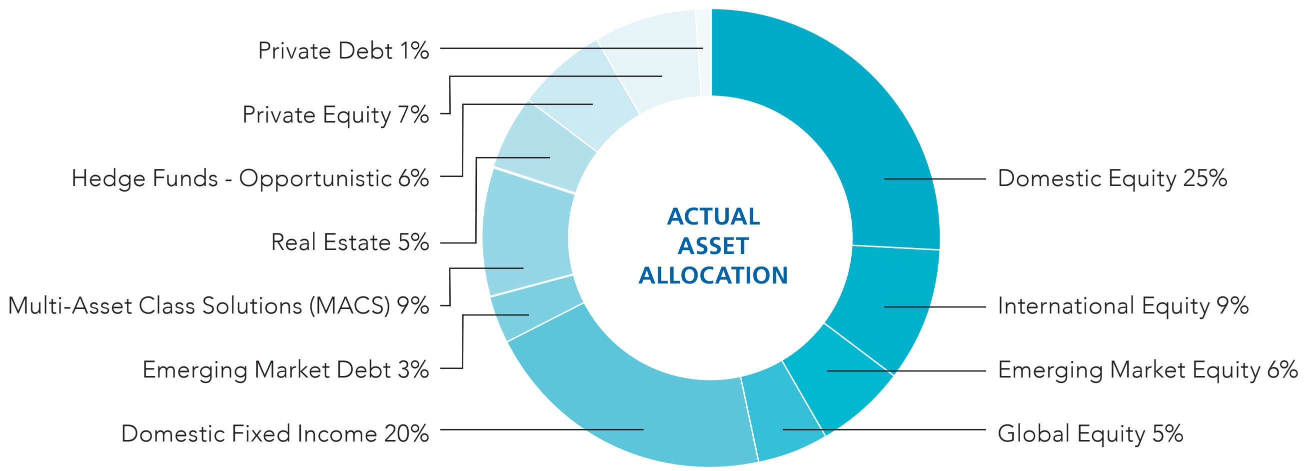
The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2021. This interim strategic allocation provides a reasonable expectation that the fund's investment objective can be achieved based on historic relationships of asset class performance.

The charts below provide a comparison between the target asset mix, consistent with the achievement of the long-term objective of the fund, and the actual asset allocation as of June 30, 2021.

ACTUAL ASSET ALLOCATION AS OF JUNE 30, 2021

The asset structure of ERFC has historically reflected a proper balance of the fund's needs for liquidity, growth of assets, and risk tolerance. The fund's investment policy is designed to continue to meet its long-term investment objectives while, at the same time, provide increased flexibility to meet short-term funding requirements.

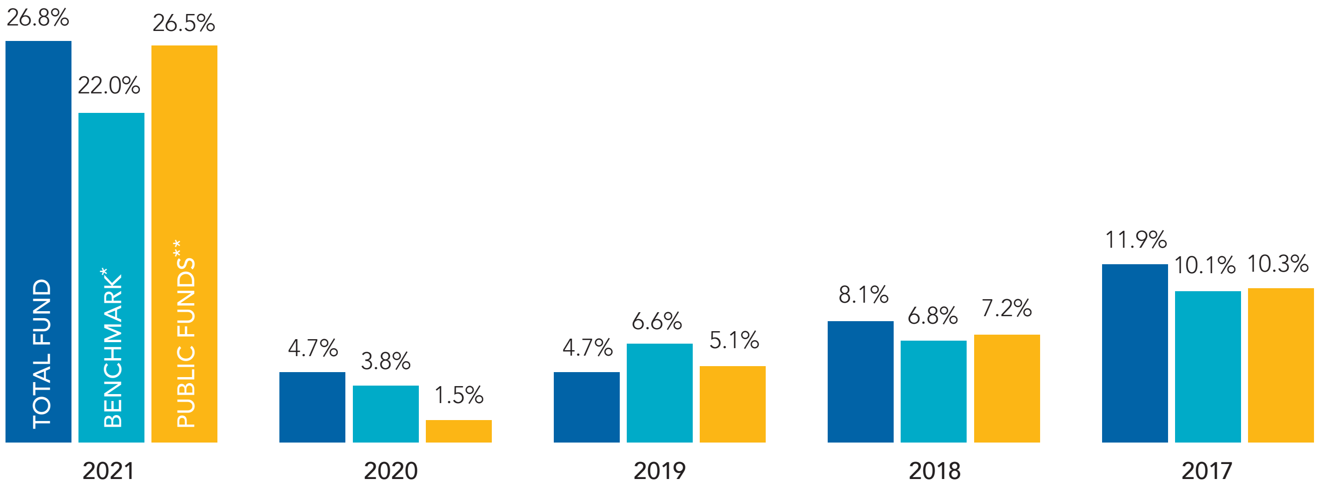




INVESTMENT RESULTS

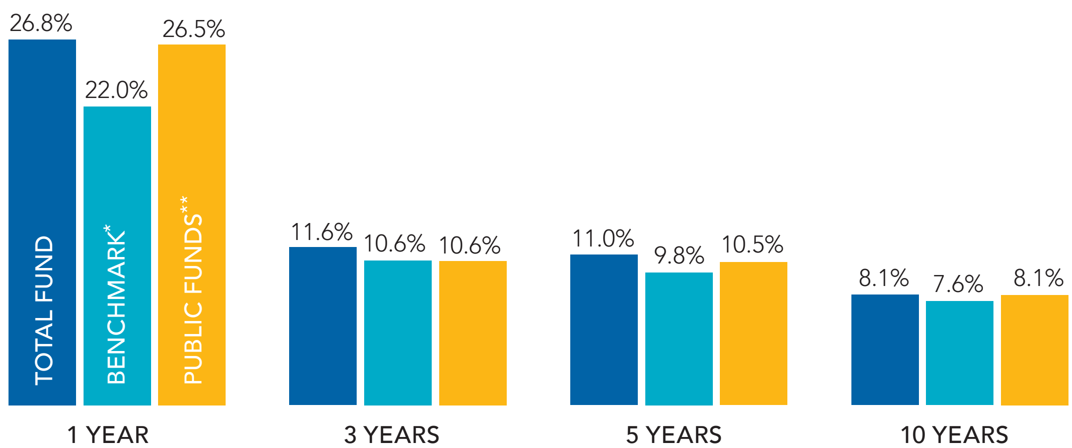
TOTAL FUND RETURNS

FISCAL YEARS ENDING JUNE 30
(NET OF FEES)



TOTAL FUND RETURNS

TRAILING YEARS ENDING JUNE 30, 2021
(NET OF FEES)

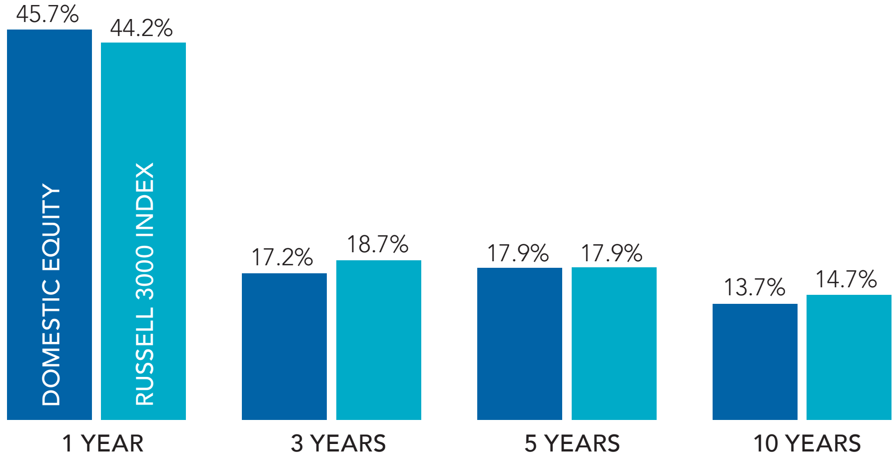


* 16% Russell 1000 Index, 7% Russell 2000 Index, 9% MSCI AC World ex USA (Net), 5% MSCI EM (net), 5% MSCI World (Net), 14% BB U.S. Aggregate, 8% BB U.S. Credit Index, 3% JPM GBI-EM Global Diversified TR, 4% BB U.S. TIPS, 5.8% MSCI AC World Index (Net), 3.2% BB U.S. Aggregate, 4% HFRI Fund of Funds Composite Index, 6% NCREIF - ODCE NET, 1% CPI + 4 %, 1% BB U.S. Corp High Yield + 150 bps, 6% ThomsonOne All Regions PE , 2% 90 Day U.S. Treasury Bill

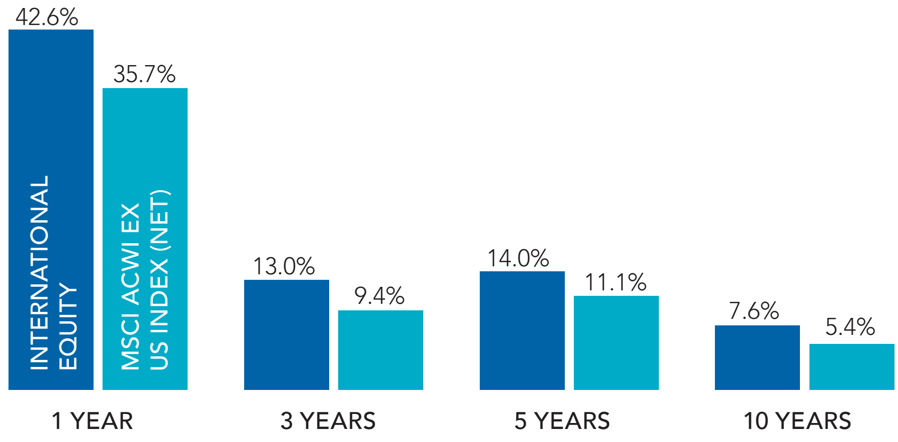
** Investment Metrics Public Plan Universe > $1B

INVESTMENT RESULTS

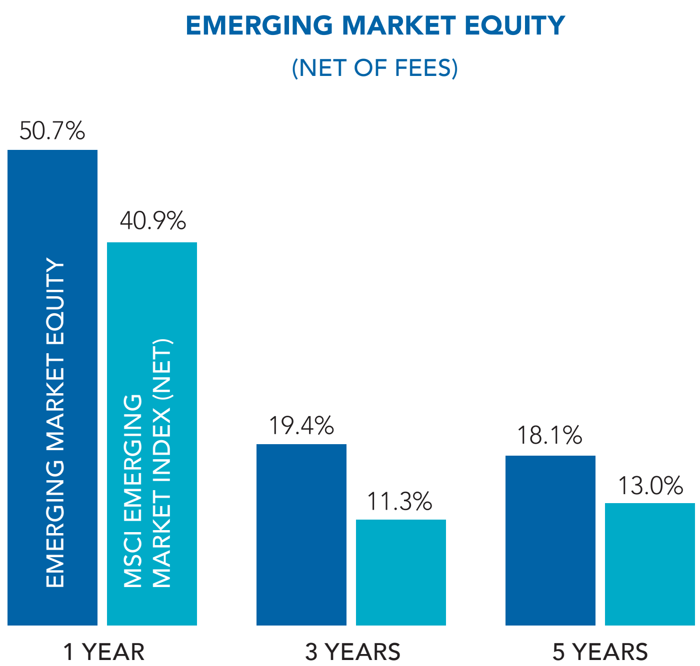
DOMESTIC EQUITY
(NET OF FEES)



INTERNATIONAL EQUITY
(NET OF FEES)



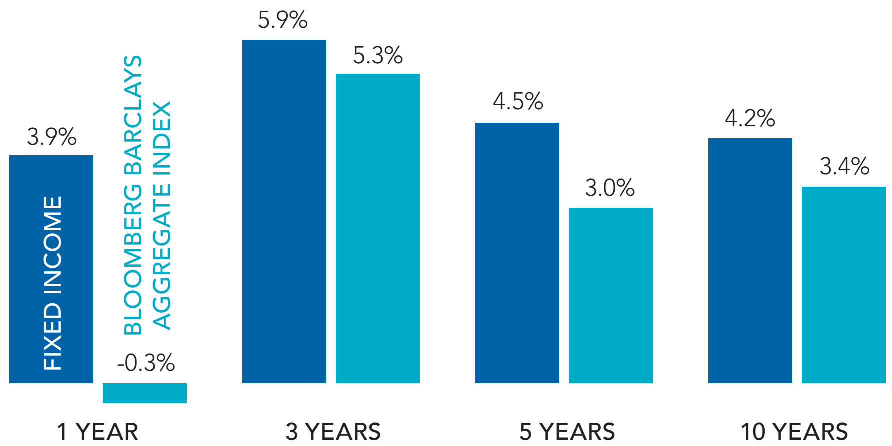
INVESTMENT RESULTS



INVESTMENT RESULTS

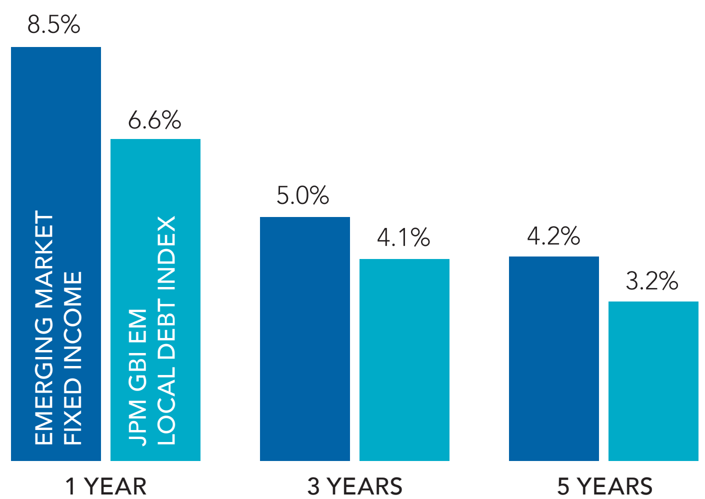
DOMESTIC FIXED INCOME

FOR THE PERIODS ENDING JUNE 30, 2021
(NET OF FEES)



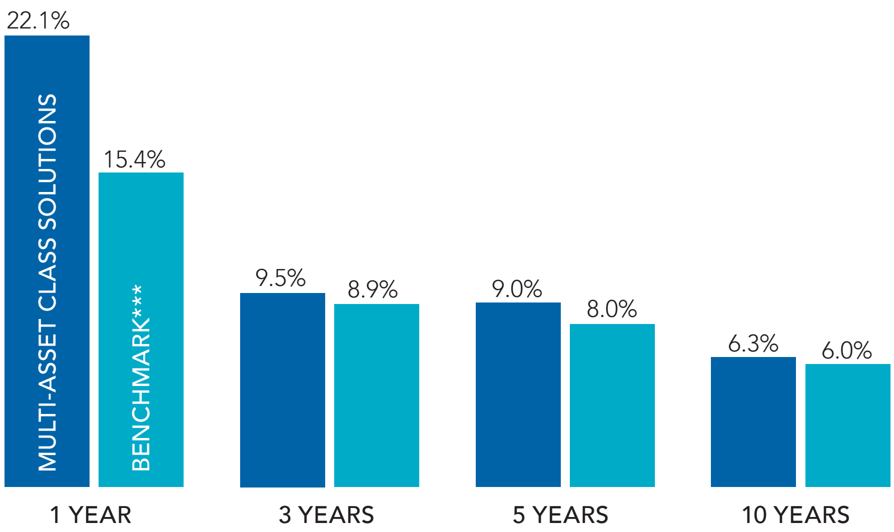
EMERGING MARKET FIXED INCOME

(NET OF FEES)

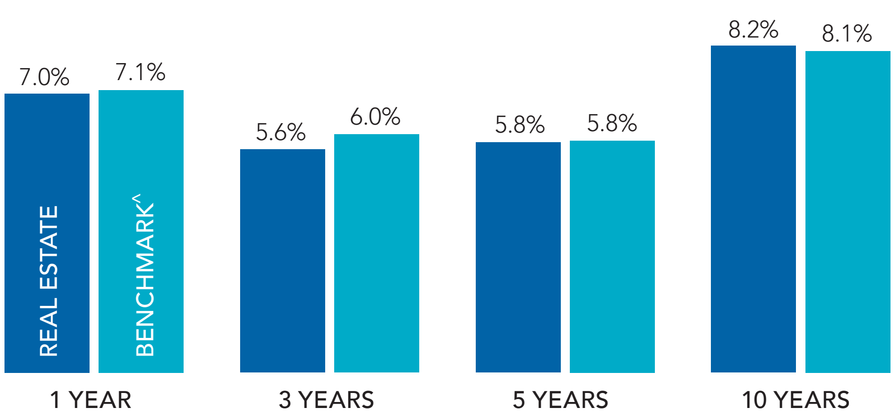


INVESTMENT RESULTS

MULTI-ASSET CLASS SOLUTIONS
(NET OF FEES)



REAL ESTATE
(NET OF FEES)



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

Custom benchmark members have changed over time.

*** 65% MSCI (NET) / 35% BB Aggregate

^ 100% NCREIF ODCE

SCHEDULES OF TEN LARGEST EQUITY & FIXED INCOME HOLDINGS

(As of June 30, 2021)

TEN LARGEST EQUITY HOLDINGS*

NO. SHARES	DESCRIPTION	COST	FAIR VALUE	% OF TOTAL PORTFOLIO
6,586	LVMH Moet Hennessy Louis Vuitt	$ 2,760,191	$ 5,164,976	0.57%
132,231	G-III Apparel Group Ltd	2,781,469	4,345,111	0.38%
88,663	Steven Madden Ltd	2,906,187	3,879,893	0.30%
60,827	SPX Corp	2,870,178	3,715,313	0.25%
30,850	Taiwan Semiconductor Manufactu	1,601,424	3,706,936	0.24%
2,304	Straumann Holding AG	2,055,248	3,676,529	0.16%
81,794	Hancock Whitney Corp	2,186,996	3,634,925	0.16%
14,665	Valmont Industries Inc	2,032,151	3,461,673	0.15%
35,925	Clean Harbors Inc	2,772,669	3,346,055	0.15%
25,883	Airbus SE	3,378,794	3,328,528	0.15%
TOTAL		**$ 25,345,307**	**$ 38,259,939**	**2.51%**

TEN LARGEST FIXED INCOME HOLDINGS*

PAR VALUE	SECURITY	COUPON	MATURITY	COST	FAIR VALUE	% OF TOTAL PORTFOLIO
17,502,000	US Treasury Bond	2.375%	5/15/51	$ 17,603,743	$ 18,702,462	0.57%
12,500,000	US Treasury Note	0.125%	4/30/22	12,486,816	12,502,875	0.38%
9,790,000	US Treasury Note	0.125%	10/31/22	9,790,656	9,785,399	0.30%
8,105,000	US Treasury Note	0.125%	5/31/23	8,090,318	8,087,250	0.25%
7,945,000	US Treasury Note	0.125%	2/28/23	7,939,197	7,935,069	0.24%
5,315,000	US Treasury Note	0.125%	4/30/23	5,312,301	5,304,848	0.16%
5,063,000	US Treasury Note	1.250%	5/31/28	5,057,384	5,079,607	0.16%
4,853,072	FNMA Pool #0MA4237	2.000%	1/1/51	4,970,039	4,909,902	0.15%
4,840,000	US Treasury Note	0.375%	3/31/22	4,855,125	4,850,212	0.15%
4,592,195	FHLMC Pool #RA-3515	2.500%	9/1/50	4,753,640	4,765,734	0.15%
TOTAL				**$ 80,859,219**	**$ 81,923,358**	**2.51%**

* A detailed list of the portfolio's equity and fixed income holdings are available upon request.

SCHEDULE OF BROKERAGE COMMISSIONS

(Year Ended June 30, 2021)

BROKER NAME	BASE VOLUME	TOTAL SHARES	BASE COMMISSION	COMMISSION PERCENTAGE
Jefferies & Co Inc, New York	$ 76,414,420	1,758,523	$ 27,549	1.57 %
Morgan Stanley & Co Inc, NY	59,495,126	9,635,359	18,331	0.19
Liquidnet Inc, New York	36,484,245	1,023,878	30,067	2.94
National Finl Svcs Corp, New York	35,814,596	1,080,313	26,515	2.45
JP Morgan Secs Ltd, London	33,164,863	1,151,027	9,308	0.81
Merrill Lynch Intl London Equities	31,900,598	2,728,956	11,659	0.43
UBS Securities Llc, Stamford	31,246,570	1,508,095	13,330	0.88
Instinet Clearing Ser Inc, New York	28,601,287	812,623	19,894	2.45
Goldman Sachs & Co, NY	27,514,968	5,207,138	13,333	0.26
Instinet Europe Limited, London	20,587,843	787,575	5,185	0.66
Credit Suisse, New York (Csus)	20,332,993	505,569	12,902	2.55
JP Morgan Securities, Hong Kong	15,008,096	10,912,454	4,822	0.04
JP Morgan Securities Inc, New York	13,685,550	292,417	8,646	2.96
Investment Tech Group Inc, New York	12,179,938	283,130	6,541	2.31
Instinet Pacific Ltd, Hong Kong	11,625,261	11,750,363	3,347	0.03
HSBC Secs Inc, New York	11,625,178	7,830,453	3,615	0.05
JP Morgan Securities LLC, New York	11,609,260	454,078	1,755	0.39
UBS Equities, London	11,591,864	2,290,606	4,664	0.20
Bernstein Sanford C & Co, New York	10,753,743	288,913	3,675	1.27
Merrill Lynch Pierce Fenner Smith Inc NY	10,199,749	441,008	5,489	1.24
HSBC Bank PLC (Midland BK)(JAC), London	9,609,891	3,843,873	3,309	0.09
BNY Convergex Execution Sol, New York	9,038,389	488,299	2,259	0.46
Societe Generale, Paris	8,688,138	2,929,186	6,067	0.21
Suntrust Capital Markets Inc, New York	7,653,605	333,559	13,342	4.00
RBC Capital Markets LLC, New York	7,144,606	245,053	6,461	2.64
Morgan Stanley & Co Intl Ltd, Tapei	7,081,402	2,615,690	4,964	0.19
Wells Fargo Securities, LLC, New York	6,508,887	173,446	6,561	3.78
Instinet Corp, New York	6,208,205	620,231	921	0.15
Luminex Trading And Analytics, Boston	6,087,602	117,661	3,177	2.70
Bradesco S.A. CTVM, Sao Paulo	5,898,462	1,159,057	2,949	0.25
Baird, Robert W & Co Inc, Milwaukee	5,759,708	169,171	6,685	3.95
Pershing LLC, Jersey City	5,398,648	183,953	2,242	1.22
Jefferies & Co Ltd, London	5,292,391	417,465	3,238	0.78
ISI Group Inc, New York	5,189,272	147,909	4,681	3.16
Abel Noser, New York	4,931,209	184,541	7,382	4.00
Stifel Nicolaus	4,492,314	105,675	4,179	3.95
UBS Warburg Asia Ltd, Hong Kong	4,164,930	3,526,712	1,352	0.04
JP Morgan Securities Inc, New York	4,106,863	205,871	853	0.41
UBS AG London Branch, London	3,751,729	50,326	2,021	4.02
Piper Jaffray & Co., Jersey City	3,729,609	142,494	5,700	4.00
Keefe Bruyette + Woods Inc, New York	3,713,927	173,123	6,925	4.00
Credit Suisse (Europe), London	3,710,935	90,435	2,290	2.53
JP Morgan Sec, Sydney	3,707,691	370,890	1,482	0.40
JP Morgan Secs (Far East) Ltd, Seoul	3,621,739	72,118	1,089	1.51
Credit Lyonnais Secs, Singapore	3,615,730	128,800	977	0.76
Other Brokers	85,611,540	15,249,313	69,229	0.45
TOTAL	**$ 734,553,570**	**94,487,329**	**$ 400,962**	

INVESTMENT

INVESTMENT SUMMARY

	As of June 30, 2021		As of June 30, 2020	
	FAIR VALUE	**% FAIR VALUE**	**FAIR VALUE**	**% FAIR VALUE**
FIXED INCOME				
U.S. Government obligations	$ 134,299,276	4.1%	$ 127,212,756	4.8%
Asset-backed securities	131,235,280	4.0%	114,457,007	4.3%
Domestic corporate bonds	296,155,653	9.0%	303,801,747	11.4%
Convertible bonds	7,885,605	0.2%	3,958,329	0.1%
International bonds	48,744,879	1.5%	26,323,671	1.0%
Municipal bonds	629,074	0.0%	542,731	0.0%
Index / Commingled fund	212,099,908	6.5%	100,776,981	3.8%
Total fixed income	**831,049,675**	**25.3%**	**677,073,222**	**25.4%**
DOMESTIC EQUITY				
Basic industry	52,949,629	1.6%	27,648,810	1.0%
Consumer services	97,004,067	3.0%	57,817,862	2.2%
Financial and utility	64,695,292	2.0%	43,409,759	1.6%
Technological	57,421,636	1.7%	34,561,672	1.3%
Index / Commingled fund	520,490,767	16.0%	502,907,676	18.9%
Total domestic equity	**792,561,391**	**24.3%**	**666,345,779**	**25.0%**
International Equity				
Basic industry	61,162,027	1.9%	39,110,530	1.5%
Consumer and services	114,953,093	3.5%	85,026,061	3.2%
Financial and utility	43,594,546	1.3%	40,328,651	1.5%
Technological	75,635,292	2.3%	77,405,327	2.9%
Preferred stocks	2,847,981	0.1%	126,688	0.0%
Index / Commingled fund	389,329,018	11.8%	138,096,463	5.2%
Total international equity	**687,521,957**	**20.9%**	**380,093,720**	**14.3%**
Real Estate				
Commercial	81,649,684	2.5%	95,989,145	3.6%
Commingled	56,880,922	1.7%	66,486,874	2.5%
Private	17,601,518	0.5%	13,264,667	0.5%
Total real estate	**156,132,124**	**4.7%**	**175,740,686**	**6.6%**
Alternative investments				
Multi Asset Class Solutions (MACS)	306,184,789	9.3%	347,596,101	13.0%
Hedge Funds - Opportunistic	187,556,946	5.7%	94,317,040	3.5%
Private Markets	238,898,086	7.3%	134,084,397	5.0%
Total alternative investments	**732,639,821**	**22.3%**	**575,997,538**	**21.5%**
Subtotal investments at fair value	**3,199,904,968**	**97.6%**	**2,475,250,945**	**92.8%**
Short-term Investments				
Money Market	82,434,178	2.5%	192,753,779	7.2%
Total short-term investments	**82,434,178**	**2.5%**	**192,753,779**	**7.2%**
Total	**$ 3,282,339,146**	**100.0%**	**$ 2,668,004,724**	**100.0%**

Note: This summary is comprised of investments at fair value and short-term investments.

SCHEDULE OF INVESTMENT MANAGEMENT FEES

(Year Ended June 30, 2021)

INVESTMENT CATEGORY	ASSETS UNDER MANAGEMENT	EXPENSE
Fixed income managers	$ 863,136,015	$ 2,228,918
Equity managers	831,263,676	1,627,612
International managers	508,318,702	2,679,385
Multi Asset Class Solutions (MACS)	140,198,744	794,229
Total	**$ 2,342,917,137**	**$ 7,330,144**

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Focus on the big picture by staying with FCPS for at least five years in order to get vested. Your ERFC benefit is guaranteed for life and remains constant year after year.

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ACTUARY'S CERTIFICATION LETTERS

Aon
Empower Results®

November 17, 2021

Board of Trustees
Educational Employees' Supplementary Retirement System of Fairfax County (ERFC)
8001 Forbes Place, Suite 300
Springfield, VA 22151

Dear Board Members,

To meet the financial obligations attributable to current and future retirees and beneficiaries, the Educational Employees' Supplementary Retirement System of Fairfax County ("ERFC") is required to determine and receive contributions which meet the following objectives:

- Contributions would remain approximately level from generation to generation when expressed as a percent of active member payroll; and
- When combined with the current fair value of assets and future investment return will be sufficient to meet the current and future financial obligations of ERFC.

During the annual actuarial funding valuation process, the actuary develops the contribution rates that are necessary to fund the plan's current cost, that is the costs associated with the year of service about to be performed, and to also fund the unfunded actuarial accrued liabilities as a level percent of active member payroll over a specified, and finite, period. The latest funding valuation was completed based on population data, asset data and plan provisions as of December 31, 2020. The plan's administrative staff provides Aon with the data for the valuation. This data is reviewed for internal and year to year consistency before use, and the plan's external auditor audits the actuarial data annually.

All calculations were performed according to generally accepted actuarial principles and practices and were also in accordance with all applicable Actuarial Standards of Practice issued by the Actuarial Standards Board.

As part of its regular financial reporting requirements, ERFC is required to disclose certain financial information under Governmental Accounting Standards Board ("GASB") Statement Numbers 67 and 68. To assist with these requirements, Aon prepared a separate accounting valuation report based on a measurement date of June 30, 2021 for GASB Statement Numbers 67 and 68.

The accounting report was based on information previously reported in the funding valuation report that was prepared as of December 31, 2020 and the accounting valuation report that was prepared as of June 30, 2020. In addition to these reports, the plan's administrative staff provided Aon with supplementary data that was needed for the GASB financial reporting information, including asset performance information. Aon relied on the data after reviewing it for internal consistency and after comparing it with information that was previously reported.

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ACTUARY'S CERTIFICATION LETTERS

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ERFC Board of Trustees
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November 17, 2021

For funding purposes, assets are valued on a smoothed basis that recognizes each year's difference between actual and assumed investment return over a closed five-year period, subject to a 75% to 125% corridor when compared to the fair value of assets. When determining the Net Pension Liability under GASB Statement No. 67, assets are valued on a market basis. The long term assumed rate of investment return on pension fund assets is 7.25%. Based upon the results of a projection performed in accordance with GASB Statement No. 67 parameters and reported in the June 30, 2020 Actuarial Report, the Single Discount Rate for purposes of discounting pension liabilities for pension financial reporting purposes is also 7.25%.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 2020 valuation was conducted using assumptions that are based on an experience study conducted by Aon in 2020. The revised assumptions were approved by the Board of Trustees at the December 11, 2020 meeting. The assumptions and methods used in the valuation for funding purposes meet the parameters set by the Actuarial Standards of Practice.

It is our understanding that the information prepared by Aon was used by ERFC for the following schedules in their fiscal year 2021 Comprehensive Annual Financial Report:

Actuarial Section

- Summary of Actuarial Assumptions and Methods
  - Sample Pay Increase Assumptions for an Individual Member
  - Sample Rates of Separation From Active Employment Before Retirement
  - Probabilities of Retirement for Members Eligible to Retire
  - Single Life Retirement Values
- Summary of Member Data Included in Valuation as of December 31, 2020
  - Historical Information for All Members (last 8 years)
  - All Active Members in Valuation on December 31, 2020 by Attained Age and Years of Service
  - Active Members by Years of Service, Salaries and Ages
  - Retirees and Beneficiaries Added and Removed
  - Short-Term Solvency Test
  - Analysis of Financial Experience Including Experience Gains and Losses by Risk Area
  - ERFC Contribution Rates

ACTUARY'S CERTIFICATION LETTERS

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ERFC Board of Trustees
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November 17, 2021

Financial Section

- Notes to the Schedule of Contributions;
- Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption;
- Schedule of Contributions; and
- Schedule of Changes in Net Pension Liability and Related Ratios.

Based on the information provided, we believe that the ERFC is meeting its basic financial reporting requirements and that the information presented by Aon in the December 31, 2020 funding report and the June 30, 2021 accounting report meets all applicable Actuarial Standards of Practice.

Please let us know if you have any questions.

Sincerely,

Aon

Al-Karim Alidina

Al-Karim Alidina, FSA, EA

AKA:lav
Enclosures
cc: Ms. Jegda Jeanty, Aon

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in making the annual actuarial valuation are summarized in this section. The assumptions were adopted by the Trustees following a study of experience covering the five-year period ending December 31, 2020, with further adjustments to the mortality and salary assumptions adopted by the Board for the December 31, 2016 valuation.

ECONOMIC ASSUMPTIONS

The **investment return rate** used in making the valuation was 7.25 percent per year, compounded annually (net of investment expenses). The real rate of return is the portion of total investment return, which is more than the wage inflation rate. Based upon an assumed wage inflation rate of 3.25 percent, the 7.25 percent investment return rate translates to an **assumed real rate of return over wages of 4.0 percent.**

Pay increase assumptions for individual active members are shown by years of service on Table A. Part of the assumption is for merit and/or seniority increase, and the other 3.25 percent recognizes price inflation and real wage growth.

The number of active members is assumed to continue at the present number.

Total active member payroll is assumed to increase 3.25 percent annually, which is the portion of the individual pay increase assumptions attributable to wage inflation. This assumed increase is recognized in the funding of unfunded actuarial accrued liabilities.

NON-ECONOMIC ASSUMPTIONS

The **probabilities of retirement** for members eligible to retire are shown on Table C.

The **mortality table** used to measure retired life mortality was 90% of the male rates and 79% of the female rates of the RP-2014 mortality Total Data Set Healthy Annuitant Mortality tables, adjusted for mortality improvement back to the base year of 2006. Related values are shown on Table D.

The **probabilities of withdrawal** from service, death-in-service, and disability are shown for sample ages on Table B.

The **individual entry age actuarial cost method of valuation** was used for determining actuarial accrued liabilities and normal cost.

Actuarial gains and losses reduce or increase the unfunded liability. The unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent of payroll contributions.

Present assets *(cash and investments)* are valued on a market-related basis ***effective June 30, 1986.*** The asset valuation method has been adjusted at various times in the past to reduce volatility (set to market, corridor implementation/adjustment, etc.).

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

TABLE A: SAMPLE PAY INCREASE ASSUMPTIONS FOR AN INDIVIDUAL MEMBER

	PAY INCREASE ASSUMPTION		
SERVICE INDEX	MERIT & SENIORITY	BASE (ECONOMY)	INCREASE NEXT YEAR
1	4.50%	2.75%	7.25%
2	4.00%	2.75%	6.75%
3	4.00%	2.75%	6.75%
4	4.00%	2.75%	6.75%
5	4.00%	2.75%	6.75%
6	4.00%	2.75%	6.75%
7	4.00%	2.75%	6.75%
8	3.50%	2.75%	6.25%
9	3.50%	2.75%	6.25%
10–12	3.00%	2.75%	5.75%
13-14	2.50%	2.75%	5.25%
15-16	2.00%	2.75%	4.75%
17-19	1.50%	2.75%	4.25%
20-21	1.00%	2.75%	3.75%
22-24	0.50%	2.75%	3.25%
25+	0.00%	2.75%	2.75%

TABLE B: SAMPLE RATES OF SEPARATION FROM ACTIVE EMPLOYMENT BEFORE RETIREMENT

	PERCENT OF ACTIVE MEMBERS SEPARATING WITHIN NEXT YEAR							
	DEATH				DISABILTY			
	ORDINARY		DUTY		ORDINARY		DUTY	
SAMPLE AGES	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN
25	0.0228%	0.0071%	0.0023%	0.0007%	0.0146%	0.0082%	0.0036%	0.0020%
30	0.0215	0.0091	0.0022	0.0009	0.0158	0.0122	0.0040	0.0031
35	0.0252	0.0121	0.0025	0.0011	0.0234	0.0214	0.0059	0.0054
40	0.0298	0.0163	0.0030	0.0015	0.0339	0.0308	0.0085	0.0077
45	0.0456	0.0267	0.0046	0.0025	0.0520	0.0456	0.0130	0.0114
50	0.0789	0.0454	0.0079	0.0042	0.0842	0.0726	0.0210	0.0181
55	0.1333	0.0704	0.0133	0.0065	0.1469	0.1228	0.0367	0.0307
60	0.2279	0.1016	0.0228	0.0095	0.2447	0.1770	0.0612	0.0443

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

TABLE C: PROBABILITY OF RETIREMENT FOR MEMBERS ELIGIBLE TO RETIRE

	***ERFC LEGACY* (HIRED BEFORE 7/1/2001)**		***ERFC 2001 TIER 1* (HIRED 7/1/2001-6/30/2017)**			***ERFC 2001 TIER 2* (HIRED ON/AFTER 7/1/2017)**	
	TYPE OF RETIREMENT					AGE BASED	
						RULE OF 90 MET?	
AGE	Age Based	25+ Years of Service	Age Based	Service	Service Based	Yes	No
45		2.0%					
46		2.0%					
47		2.0%					
48		2.0%					
49		2.0%					
50		2.0%					
51		2.0%					
52		7.0%					
53		7.0%					
54		15.0%					
55	12.5%	40.0%		30	17.5%		
56	12.5%	25.0%		31	17.5%	35.0%	0.0%
57	12.5%	25.0%		32	12.5%	35.0%	0.0%
58	12.5%	15.0%		33	12.5%	35.0%	0.0%
59	12.5%	25.0%		34	12.5%	35.0%	0.0%
60	12.5%	25.0%	10.0%	35	10.0%	35.0%*	0.0%
61	17.5%	20.0%	10.0%	36	10.0%	35.0%	0.0%
62	20.0%	30.0%	10.0%	37	10.0%	35.0%	0.0%
63	20.0%	25.0%	15.0%	38	25.0%	35.0%	0.0%
64	25.0%	25.0%	15.0%	39	40.0%	35.0%	0.0%
65	40.0%	35.0%	25.0%	40 & up	100.0%	35.0%	0.0%
66	40.0%	45.0%	30.0%			35.0%	0.0%
67	35.0%	35.0%	25.0%			35.0%	30.0%
68	30.0%	35.0%	20.0%			35.0%	15.0%
69	30.0%	35.0%	20.0%			35.0%	15.0%
70	40.0%	35.0%	45.0%			35.0%	15.0%
71	25.0%	35.0%	30.0%			35.0%	15.0%
72	35.0%	35.0%	30.0%			35.0%	15.0%
73	35.0%	35.0%	30.0%			35.0%	15.0%
74	35.0%	35.0%	30.0%			35.0%	15.0%
75 & Over	100.0%	100.0%	100.0%			100..0%	100.0%

* The probability is 60% at age 60 for people who first meet the Rule of 90 at age 60.

ACTUARIAL

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

TABLE D: SINGLE LIFE RETIREMENT VALUES

Mortality rates for a particular calendar year are determined by applying the fully generational MP-2020 Mortality Improvement scale to the above-described tables. Tables were extended below age 50 with a cubic spline to published Juvenile rates. These tables were first used in the December 31, 2020 valuation. The rationale for the mortality assumption is based on the 2015-2020 Experience Study issued October 15, 2020 and further analysis done in December 2020.

MORTALITY

	FUTURE LIFE EXPECTANCY (YEARS)	
SAMPLE AGES IN 2021	MALE	FEMALE
55	32.33	34.76
60	27.39	29.81
65	22.65	25.00
70	18.16	20.32
75	13.99	15.88
80	10.29	11.89

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

TABLE E: RATES OF FORFEITURE FOLLOWING VESTED SEPARATION

Forfeiture occurs when a vested person separates from service and withdraws contributions thereby forfeiting future rights to an employer financed benefit. The total probability of forfeiture is obtained by multiplying the probability of withdrawal by 10.0%. The table does not apply to individuals who are eligible for retirement at the time of termination.

	% OF ACTIVE PARTICIPANTS WITHDRAWING	
SERVICE	MALE	FEMALE
0-1	17%	16%
1-2	12%	14%
2-3	12%	13%
3-4	11%	12%
4-5	11%	12%
5-6	9%	11%
6-7	7%	10%
7-8	7%	10%
8-9	7%	8%
9-10	6%	8%
10-11	5%	7%
11-12	4%	7%
12-13	4%	6%
13-14	3%	5%
14-15	3%	5%
15-16	3%	4%
16-17	2%	3%
17-18	2%	2%
18-19	2%	2%
19-20	2%	2%
20-21	2%	2%
21-22	2%	2%
22-23	2%	2%
23-24	2%	2%
24-25	2%	2%

ACTUARIAL

EMPLOYER SCHEDULE OF FUNDING PROGRESS

(Last Ten Years)

EMPLOYER SCHEDULE OF FUNDING PROGRESS

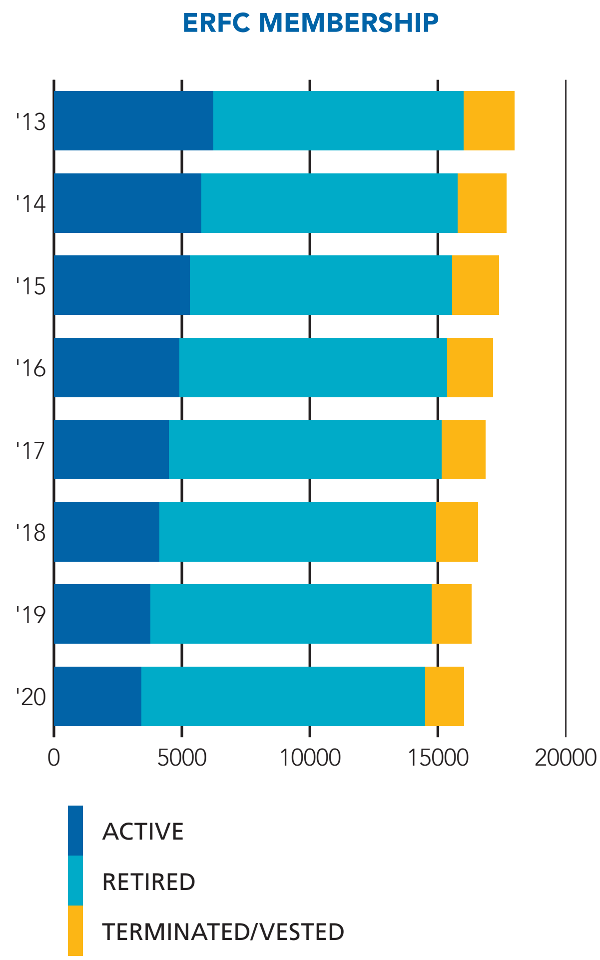
(Dollars in Thousands)

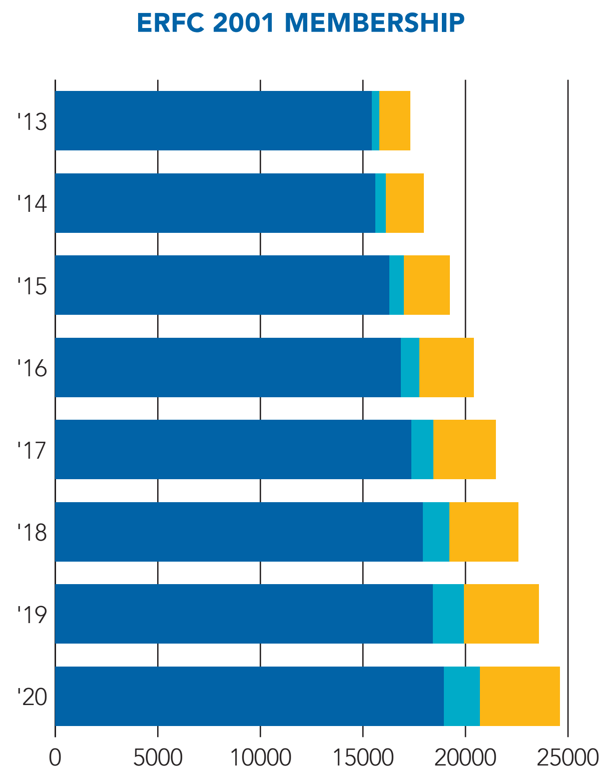
ACTUARIAL VALUATION DATE AS OF DECEMBER 31	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (B)	UNFUNDED AAL (UAAL) (B-A)	ANNUAL COVERED PAYROLL (C)	PERCENT FUNDED (A/B)	UAAL PERCENTAGE OF COVERED PAYROLL [(B-A)/C]
2011	$1,866,952	$2,470,964	$604,012	$1,246,973	75.6%	48.4%
2012	1,935,292	2,566,128	630,836	1,297,537	75.4%	48.6%
2013	2,029,005	2,645,500	616,495	1,320,309	76.7%	46.7%
2014	2,123,910	2,733,845	609,935	1,340,344	77.7%	45.5%
2015	2,188,037	2,880,703	692,666	1,373,096	76.0%	50.4%
2016	2,279,741	3,032,503	752,762	1,436,588	75.2%	52.4%
2017	2,398,668	3,167,941	769,272	1,475,449	75.7%	52.1%
2018	2,466,004	3,334,114	868,110	1,554,614	74.0%	55.8%
2019	2,582,582	3,468,150	885,568	1,632,427	74.5%	54.3%
2020	2,786,297	3,635,244	848,947	1,633,458	76.6%	52.0%

See Schedule of Employer Contributions on page 32.

SUMMARY OF MEMBER DATA

(Last Eight Years)





		ERFC			ERFC 2001			
	YEAR	ACTIVE	RETIRED	TERMINATED/ VESTED	ACTIVE	RETIRED	TERMINATED/ VESTED	TOTAL
Calendar Year	2013	6,221	9,776	2,009	15,422	380	1,500	35,308
(As of December 31)	2014	5,754	10,006	1,917	15,598	518	1,844	35,637
	2015	5,292	10,253	1,845	16,293	684	2,254	36,621
	2016	4,892	10,476	1,778	16,856	891	2,668	37,561
	2017	4,488	10,657	1,705	17,353	1,072	3,054	38,329
	2018	4,115	10,815	1,636	17,933	1,286	3,360	39,145
	2019	3,761	10,998	1,555	18,415	1,499	3,670	39,898
	2020	3,408	11,092	1,523	18,952	1,750	3,892	40,617

SUMMARY OF MEMBER DATA

(As of December 31, 2020)

ACTIVE ERFC MEMBERS BY ATTAINED AGE AND YEARS OF SERVICE

	YEARS OF SERVICE TO VALUATION DATE							TOTALS		
AGE GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30 & UP	NO.	SALARY	AVERAGE
35-39					1			1	$ 97,457	$ 97,457
40-44		8	23	53	147			231	22,587,820	97,783
45-49	4	25	59	113	481	69		751	75,590,387	100,653
50-54	6	33	48	105	456	296	43	987	98,410,867	99,707
55-59	2	17	33	71	339	147	48	657	60,390,598	91,919
60	1		2	12	65	28	13	121	10,436,004	86,248
61	1	1	7	14	65	14	8	110	9,494,785	86,316
62		1	3	5	52	19	6	86	7,409,613	86,158
63		1	3	3	53	21	9	90	7,688,614	85,429
64			1	5	62	19	8	95	7,884,509	82,995
65			2	8	39	15	9	73	6,473,921	88,684
66			2	3	32	11	5	53	4,506,141	85,022
67		1		3	21	1	2	28	2,275,155	81,256
68				5	20	4	7	36	3,159,014	87,750
69	1		1		7	9	4	22	1,721,228	78,238
70				3	10	3	3	19	1,547,721	81,459
71				1	4	1	2	8	707,278	88,410
72			1	1	5	2	2	11	989,066	89,915
73		1			5			6	471,910	78,652
74				1	2	2		5	491,625	98,325
75 & over					7	4	7	18	1,558,198	86,567
TOTAL	**15**	**88**	**185**	**406**	**1,873**	**665**	**176**	**3,408**	**$ 323,891,911**	**$ 95,039**

SUMMARY OF MEMBER DATA

(As of December 31, 2020)

ACTIVE *ERFC 2001* (TIER 1) MEMBERS BY ATTAINED AGE AND YEARS OF SERVICE

AGE GROUP	YEARS OF SERVICE TO VALUATION DATE				TOTALS		
	0-4	5-9	10-14	15 & UP	NO.	SALARY	AVERAGE
20-24	3				3	$ 87,500	$ 29,167
25-29	387	358			745	45,049,223	60,469
30-34	338	1,516	195		2,049	139,483,492	68,074
35-39	199	847	880	221	2,147	166,783,536	77,682
40-44	177	575	522	675	1,949	162,460,995	83,356
45-49	211	558	374	465	1,608	128,687,929	80,030
50-54	175	582	424	418	1,599	121,389,974	75,916
55-59	132	498	439	412	1,481	104,585,945	70,618
60	15	62	84	85	246	17,494,546	71,116
61	8	54	62	99	223	16,632,535	74,585
62	10	46	54	61	171	12,301,265	71,937
63	11	30	61	66	168	12,579,277	74,877
64	4	32	45	45	126	8,865,179	70,359
65	8	21	40	42	111	7,464,983	67,252
66	2	14	26	32	74	5,123,186	69,232
67	2	14	19	27	62	4,264,231	68,778
68	7	8	13	14	42	3,216,222	76,577
69	1	10	5	18	34	2,302,752	67,728
70	3	6	7	13	29	1,953,937	67,377
71	1	3	4	8	16	947,068	59,192
72		5	4	2	11	619,715	56,338
73	1	3	1	1	6	271,871	45,312
74	1	3	2	1	7	490,129	70,018
75 & over	1	3		9	13	836,028	64,310
TOTAL	**1,697**	**5,248**	**3,261**	**2,714**	**12,920**	**$ 963,891,518**	**$ 74,605**

ACTUARIAL

SUMMARY OF MEMBER DATA

(As of December 31, 2020)

ACTIVE *ERFC 2001* (TIER 2) MEMBERS BY ATTAINED AGE AND YEARS OF SERVICE

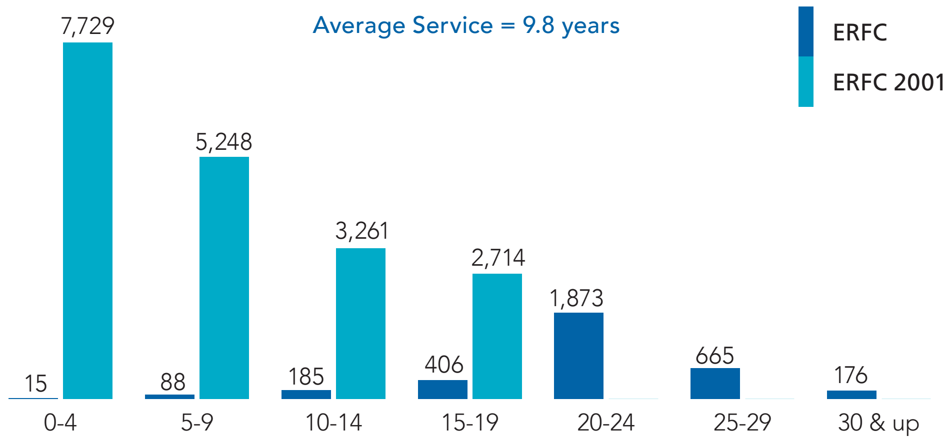
	YEARS OF SERVICE TO VALUATION DATE				TOTALS		
AGE GROUP	**0-4**	**5-9**	**10-14**	**15 & UP**	**NO.**	**SALARY**	**AVERAGE**
15-19	2				2	$ 50,606	$ 25,303
20-24	609				609	29,585,498	48,580
25-29	1,638				1,638	88,102,913	53,787
30-34	847				847	49,594,289	58,553
35-39	653				653	41,085,805	62,919
40-44	666				666	41,943,748	62,979
45-49	606				606	36,166,838	59,681
50-54	513				513	30,062,521	58,601
55-59	318				318	18,924,166	59,510
60	30				30	1,656,410	55,214
61	37				37	2,194,360	59,307
62	34				34	1,957,647	57,578
63	18				18	1,062,908	59,050
64	24				24	1,262,202	52,592
65	11				11	639,082	58,098
66	4				4	175,964	43,991
67	7				7	450,920	64,417
68	6				6	277,989	46,332
69	3				3	177,747	59,249
70	1				1	64,342	64,342
73	4				4	146,696	36,674
75 & over	1				1	91,723	91,723
	6,032	**-**	**-**	**-**	**6,032**	**$ 345,674,374**	**$ 57,307**

SUMMARY OF MEMBER DATA

(As of December 31, 2020)

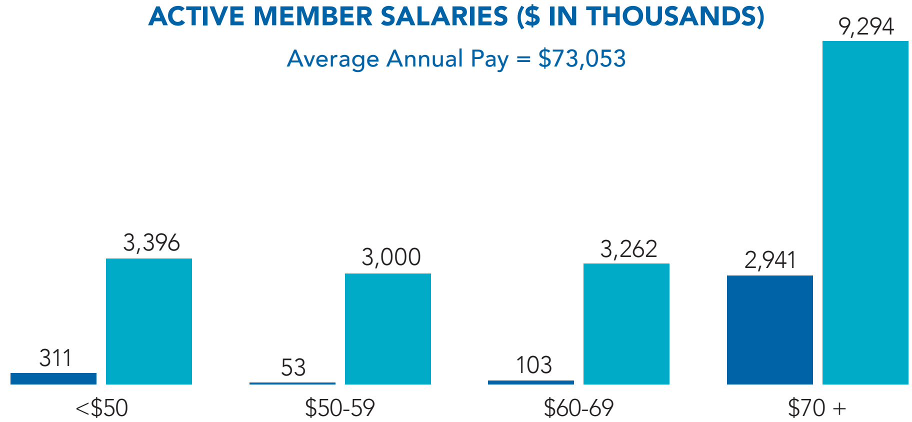
ACTIVE MEMBER YEARS OF SERVICE

Average Service = 9.8 years



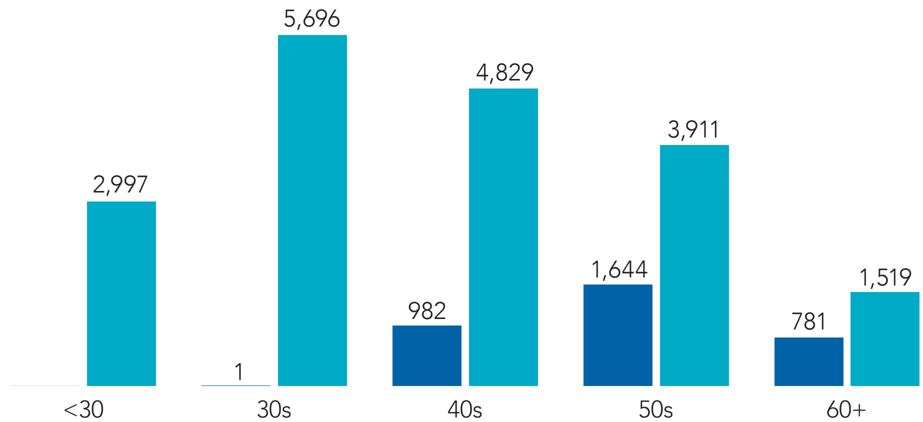
ACTIVE MEMBER SALARIES ($ IN THOUSANDS)

Average Annual Pay = $73,053



ACTIVE MEMBER AGES

Average Age = 44.4 years | Total Active Members = 22,360



SUMMARY OF MEMBER DATA

(Last 10 Years)

ACTIVE MEMBER VALUATION DATA

ANNUAL VALUATION DATE	ANNUAL NUMBER	ANNUAL PAYROLL	AVG. ANNUAL PAY	% INCREASE IN AVERAGE PAY
December 31, 2011	20,976	$ 1,246,973,240	$ 59,448	0.5%
December 31, 2012	21,519	1,297,536,507	60,297	1.4
December 31, 2013	21,643	1,320,308,508	61,004	1.2
December 31, 2014	21,352	1,340,343,666	62,774	2.9
December 31, 2015	21,585	1,373,095,719	63,613	1.3
December 31, 2016	21,748	1,436,587,994	66,056	3.8
December 31, 2017	21,841	1,475,449,186	67,554	2.3
December 31, 2018	22,048	1,554,614,462	70,510	4.4
December 31, 2019	22,176	1,632,427,309	73,612	4.4
December 31, 2020	22,360	1,633,457,804	73,053	0.0

RETIRANTS AND BENEFICIARIES ADDED AND REMOVED (10 YEARS)

	ADDED TO PAYROLL		REMOVED FROM PAYROLL		PAYROLL AT END OF YEAR			
Year	No.	Annualized Monthly Benefit	No.	Annualized Monthly Benefit	No.	Annualized Monthly Benefit	Average Annualized Monthly Benefit	% Increase in Monthly Benefit
(As of December 31)								
2010	563	$ 774,606	254	$ 170,078	9,081	$ 11,916,352	$ 1,312	3.03
2011	629	851,853	243	169,704	9,467	12,410,208	1,311	4.14
2012	636	821,485	315	194,842	9,788	12,867,671	1,315	3.69
2013	653	773,322	285	230,145	10,156	13,065,714	1,287	1.54
2014	629	738,766	261	213,231	10,524	13,206,280	1,255	1.08
2015	677	798,525	264	230,255	10,937	13,439,526	1,229	1.77
2016	672	715,048	242	228,976	11,367	13,682,009	1,204	1.80
2017	646	825,458	284	268,684	11,729	14,008,708	1,194	2.39
2018	666	776,099	294	280,925	12,101	14,320,306	1,183	2.28
2019	634	763,576	253	264,402	12,482	14,709,284	1,178	2.72
2020	637	840,599	277	267,780	12,842	15,142,804	1,179	2.95

SHORT-TERM SOLVENCY TEST

If the contributions to ERFC are level in concept and soundly executed, the System **will be able to pay all promised benefits when due — the ultimate test of financial soundness.** Testing for level contribution rates is the **long-term test.**

A **short-condition test** is one means of checking a system's progress under its funding program. In a short-condition test, the plan's present assets (cash and investments) are compared with:

1) Active member contributions on deposit;
2) The liabilities for future benefits to present retired lives; and
3) The liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1 in the table below) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the system.

AGGREGATE ACTUARIAL ACCRUED LIABILITIES

Last 20 years

VALUATION DATE	(1) MEMBER CONTRIBUTIONS	(2) RETIREES AND BENEFICIARIES	(3) MEMBERS (EMPLOYER FINANCED PORTION)	VALUATION ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY ASSETS (1)	(2)	(3)
		($ in thousands)					
6/30/2001	$ 178,564	$ 667,605	$ 674,857	$ 1,599,219	100%	100%	112%
* 6/30/2001	178,564	667,605	706,389	1,599,219	100	100	107
6/30/2002	170,849	699,251	823,856	1,619,889	100	100	91
* 6/30/2003	176,648	903,963	691,807	1,597,459	100	100	75
# 12/31/2004	227,725	1,083,988	623,869	1,643,020	100	100	53
12/31/2005	257,142	1,130,378	635,442	1,718,399	100	100	52
12/31/2006	239,780	1,176,979	688,793	1,818,930	100	100	58
12/31/2007	269,404	1,221,969	695,428	1,924,886	100	100	62
@12/31/2008	302,910	1,237,613	714,775	1,733,946	100	100	27
12/31/2009	342,663	1,264,675	706,944	1,769,540	100	100	23
# 12/31/2009	342,663	1,314,885	682,321	1,769,540	100	100	16
@ 12/31/2010	374,086	1,355,093	654,882	1,822,603	100	100	14
* 12/31/2011	402,847	1,401,877	666,240	1,866,952	100	100	9
12/31/2012	426,609	1,448,291	691,228	1,935,292	100	100	9
12/31/2013	439,310	1,482,770	723,420	2,029,005	100	100	15
12/31/2014	457,591	1,510,717	765,537	2,123,910	100	100	20
# 12/31/2015	472,933	1,590,489	817,281	2,188,037	100	100	15
*#12/31/2016	491,333	1,668,485	872,685	2,279,741	100	100	14
12/31/2017	510,583	1,733,431	923,927	2,398,668	100	100	17
12/31/2018	528,500	1,791,189	1,014,425	2,466,004	100	100	14
12/31/2019	550,487	1,841,322	1,076,341	2,582,582	100	100	18
12/31/2020	574,541	1,903,321	1,157,382	2,786,297	100	100	27

@ After change in asset valuation method. * After change in benefits or contribution rates. # After changes in actuarial assumptions.

ACTUARIAL

ANALYSIS OF FINANCIAL EXPERIENCE

Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.

Investment Return. If there is a greater investment return than assumed, there is a gain. If smaller return, a loss.

Age & Service Retirement. If members retire at older ages than assumed, there is a gain. If at younger ages, a loss.

Disability & Death in Service. If disability claims are less than assumed, there is a gain. If claims are more, a loss. If survivor claims are less than assumed, there is a gain. If claims are more, a loss.

Other Separations. If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.

EXPERIENCE GAINS AND LOSSES BY RISK AREA

(Dollars in Millions)

ECONOMIC RISK AREA				DEMOGRAPHIC RISK AREA			TOTAL GAIN (LOSS)	
Experience Period	Pay Increases	Investment Return	Age and Service Retirement	Disability and Death-in Service	Other Separations	Other&	Amount	Percent of Liabilities
For Periods Ending June 30								
2000–01	$(9.1)	$17.6	$(0.3)	$(1.0)	$13.0	$(19.5)	$0.7	0.0%
2001–02	3.0	(50.4)	3.5	(1.1)	2.6	(29.9)	(72.3)	(4.7)
2002–03	18.5	(92.5)	11.0	(0.3)	4.0	(23.3)	(82.6)	(4.9)
For Periods Ending December 31								
@2003–04	*Due to transition to calendar year valuations, a gain/loss analysis was not conducted for this valuation period.*							
#2005	(7.1)	1.9	1.0	0.1	0.0	(3.2)	(7.3)	(0.4)
2006	(4.7)	23.6	2.0	0.0	(0.8)	2.6	22.7	1.1
2007	10.0	25.1	1.9	(0.2)	(2.2)	(7.2)	27.4	1.4
2008	4.1	(277.5)	5.2	(0.4)	(4.0)	13.5	(259.1)	(11.8)
2009	45.0	(34.6)	8.8	(0.8)	(10.0)	(11.6)	(3.2)	(0.1)
#2010	53.1	(16.9)	5.2	0.2	(5.3)	(4.2)	32.1	1.4
2011	18.8	(30.6)	5.3	(0.2)	(4.2)	(4.8)	(15.7)	(0.7)
2012	12.3	(10.8)	4.6	(0.3)	(3.4)	(10.2)	(7.8)	(0.3)
2013	16.6	7.6	5.7	0.0	2.9	(5.1)	27.7	1.1
2014	8.5	(2.8)	5.8	(0.1)	0.6	2.8	14.8	0.6
#2015	17.7	(40.2)	5.9	(0.4)	1.0	(12.4)	(28.4)	(1.0)
2016	(14.2)	(13.9)	5.1	0.2	6.6	(5.6)	(21.8)	(0.8)
2017	8.8	2.7	3.3	0.0	2.6	(19.6)	(2.2)	(0.1)
2018	(16.1)	(77.7)	(6.0)	(1.8)	4.3	(6.0)	(103.3)	(3.3)
2019	(12.0)	(26.5)	(4.1)	(2.7)	6.3	(1.7)	(40.7)	(1.2)
#2020	(10.5)	51.6	1.9	(4.7)	1.9	(7.6)	32.6	0.9

\# Experience Study

@ Gain Loss analysis not performed

& Includes post-retirement mortality

SUMMARY OF BENEFIT PROVISIONS

Available to a Member Retiring with Some Service **Before July 1, 1988** (*ERFC* Members)

Service Retirement: Alternate Amount After Social Security Normal Retirement Age. By election at time of retirement, a member with service before July 1, 1988, may elect to receive 1988 new benefits with a special alternate amount for payment periods after the age the member becomes eligible for full Social Security benefits. The alternate amount is 103 percent of the total of:

1) the amount payable under June 30, 1987 benefit provisions,

2) plus, if the retiring member is younger than age 65 and if creditable Virginia service is less than 30 years, 1.65 percent of VRS average final compensation in excess of $1,200, multplied by years of creditable Virginia service, and further multiplied by a certain percent based upon the number of months that retirement occurs before reaching the earlier of the above two conditions; such percent is half of one percent for each of the first 60 such months and 4/10 of one percent for each of the next 60 such months, if any.

Reduced Service Retirement: With 25 Years Service. By election at time of retirement, such a member may elect to receive 103 percent of the following combination of benefits:

- **To age 55,** 2.85 percent of the 3-year average annual salary multiplied by years of credited service, then actuarially reduced to reflect retirement age younger than age 55; and

- **From age 55 to Social Security Normal Retirement Age,** the amount to age 55 reduced by: 1.65 percent of the portion of VRS average final compensation in excess of $1,200, multiplied by applicable years of creditable Virginia service; provided if creditable Virginia service is less than 30 years, the result of such multiplication shall be actuarially reduced for each month before the earlier of (1) attainment of age 65, and (2) the date when 30 years service would have been completed; and

- **From Social Security Normal Retirement Age for life,** the amount payable at age 65 according to June 30, 1987 provisions or the amount payable at age 65 according to July 1, 1988 provisions.

ACTUARIAL

SUMMARY OF BENEFIT PROVISIONS

For a Person Becoming a Member after July 1, 1988 but Before July 1, 2001 (*ERFC* Members)

Final Average Compensation (FAC): A member's final average compensation is the average of the 3 highest consecutive years of salary during eligible employment.

Service Retirement Eligibility: A member may retire any time after reaching the service retirement date, which is either (i) age 65 with 5 years service or (ii) age 55 with 25 years of service.

Service Retirement Pension: For payment periods during the retired member's lifetime 103 percent times (i) minus (ii) where:

(i) means 1.85 percent of the FAC multiplied by years of credited service, and

(ii) means 1.65 percent of the portion of VRS FAC in excess of $1,200, multiplied by applicable years of creditable Virginia service; provided if the member is younger than age 65 and if creditable Virginia service is less than 30 years, the result of such multiplication shall be reduced for each month before the earlier of:
- –1) attainment of age 65, and
- –2) the date when 30 years service would have been completed.

The reduction shall be one-half of 1% for each of the first 60 months and four-tenths of one percent for each month beyond 60 months, if any.

For payment periods, if any, before the age the member becomes eligible for full Social Security benefits, an additional temporary benefit equal to 1 percent of the FAC multiplied by years of credited service.

Reduced Service Retirement: A member with 25 years service but younger than age 55 may retire after age 45. A member with less than 25 years service and younger than age 65 may retire after age 55.

Reduced Service Retirement: Amount After 25 Years Service. Service Retirement amount reduced to reflect retirement age younger than age 55.

Reduced Service Retirement: Amount After 5-24 Years Service. For payment periods during the retired member's lifetime, the Service Retirement amount payable at age 65 reduced to reflect that the retirement age younger than age 65. For payment periods before the age the member becomes eligible for full Social Security benefits, an additional temporary benefit equal to the Service Retirement temporary benefit reduced to reflect that the retirement age is younger than age 65.

Disability Retirement: An active member with 5 or more years of service who becomes totally and permanently disabled may be retired and receive a disability pension. The 5 year service requirement is waived if the disability is service-connected.

The amount is 103 percent times a lifetime pension equal to 0.25 percent of the FAC multiplied by years of credited service. Credited service shall be increased by the time period from disability retirement to the date when member would have reached service retirement date. The minimum pension payable is 2.5 percent of FAC.

Death-in-Service Benefits: An active member with 5 or more years of service who dies will have benefits payable to the surviving spouse or other eligible beneficiary. The 5 year service requirement is waived if the death is service-connected.

Deferred Retirement: Calculated in the same manner as reduced service retirement.

Member Contributions: Members contribute 3 percent of their salaries. Interest credits of 5 percent are added annually through June 30, 2017, and 4 percent anually thereafter. If a member leaves covered employment before becoming eligible to retire, accumulated contributions are returned upon request. Members who receive a refund of contributions and are later rehired become members of ERFC 2001 Tier 2.

Post-Retirement Increases: On March 31, most pensions are increased by 3 percent. These increases are compounded each year. Pensions of members or beneficiaries who retired in the immediately preceding calendar year are increased by 1.489 percent (½ of a year's increase).

Lifetime Level Benefit: Members retiring after July 1, 2004 are eligible for a lifetime level benefit (LLB) that is calculated by determining the annuitized value of the greater of their accumulated contribution balance or the present value of the currently provided benefit.

Optional Forms of Payment:

Option A — 100 percent joint and survivor.
Option B — 50 percent joint and survivor.
Option C — 10 years certain and life.
Option D — Single sum payment not exceeding member's accumulated contribution balance, plus a single life annuity actuarially reduced from the pension amount otherwise payable.

SUMMARY OF BENEFIT PROVISIONS

For a Person Becoming a Member July 1, 2001 but before July 1, 2017 (ERFC 2001 Tier 1)

Final Average Compensation (FAC): A member's final average compensation is the average of the 3 highest consecutive years of salary during eligible employment.

Service Retirement Eligibility: A member may retire at age 60 with 5 years service, or after 30 years of credited service, regardless of age.

Service Retirement Pension: The amount is a lifetime pension equal to 0.8 percent of the FAC multiplied by years of credited service. If necessary, the pension will be increased to make the reserve value of the pension equal to the member's accumulated contributions as of the retirement effective date.

Death-in-Service Benefits: Any member with 5 or more years of credited service who dies before beginning to recieve a pension will have benefits payable to the nominated beneficiary.

The amount is a pension equal to 0.8 percent of the 3-year average annual salary multiplied by years of credited service at date of death, reduced in accordance with an option A election and payable at age 60. Beneficiaries may elect to receive benefits before age 60 if benefits are further reduced as follows:

- an additional reduction of the smaller of
  1) ½ of 1 percent for the first 60 months and 4/10 of 1 percent for each additional month between the member's age at the date of death and age 60, and
  2) ½ of 1 percent for the first 60 months and 4/10 of 1 percent for each additional month between the member's service at the date of death and 30 years.

Deferred Retirement: Any member with 5 or more years of credited service who terminates employment prior to the service retirement date, will be entitled to a pension with payments beginning at age 60, provided accumulated contributions are left on deposit with the Plan.

The amount is equal to 0.8 percent of FAC at retirement multiplied by years of credited service. If necessary, the pension will be increased to make the reserve value of the pension equal to

Before July 1, 2017, *continued on next page*

the member's accumulated contributions as of the effective retirement date.

Member Contributions: Members contribute 3 percent of their salaries. Interest credits of 5 percent are added annually through June 30, 2017, and 4 percent anually thereafter. If a member leaves covered employment before becoming eligible to retire, accumulated contributions are returned upon request.

Members who receive a refund of contributions and are later rehired become members of ERFC 2001 Tier 2.

Post-Retirement Increases: On March 31, most pensions are increased by 3 percent. These increases are compounded each year. Pensions of members or beneficiaries who retired in the immediately preceding calendar year are increased by 1.489 percent.

SUMMARY OF BENEFIT PROVISIONS

For a Person Hired On/After July 1, 2017 **(ERFC 2001 Tier 2)**

Final Average Compensation (FAC): A member's Final Average Compensation is the average of the 5 highest years of salary during eligible employment.

Service Retirement Eligibility: A member may retire at Full Social Security Age (FSSA) with 5 or more years of credited service, or when the sum of age plus service is greater than or equal to 90 (i.e., Rule of 90).

Service Retirement Pension: The amount is a lifetime pension equal to 0.8 percent of FAC at retirement multiplied by years of credited service. If necessary, the pension will be increased to make the reserve value of the pension equal to the member's accumulated contributions as of the retirement effective date.

Death-in-Service Benefits: Any member with 5 or more years of credited service who dies before beginning to receive a pension will have benefits payable to the named beneficiary.

The amount is a lifetime pension equal to 0.8 percent of FAC multiplied by years of credited service at the date of death. If necessary, the pension will be increased to make the reserve value of the pension equal to the member's accumulated contributions as of the date of death. The pension will be adjusted in accordance with an Option A (in the case of a spouse or an ex-spouse subject to a Domestic Relations Order (DRO)) or Option B (in case of another eligible beneficiary) election payable immediately unless the member did not reach the service retirement eligibility prior to death, in which case the pension is reduced for each month that the member was younger than service retirement eligibility on the date of death in the following manner:

1) one-half of 1% for each of the first 60 months and four-tenths of one percent for each month beyond 60 months (the number of months used for reduction is based on the lesser of FSSA or the age the member would have attained "Rule of 90."

Deferred Retirement: Any member with 5 or more years of credited service who terminates employment prior to the service retirement date, will be eligible to receive a deferred vested pension commencing at FSSA, provided accumulated contributions are left on deposit with the Plan.

The amount is a lifetime pension equal to 0.8 percent of FAC at termination multiplied by years of credited service. If necessary, the pension will be increased to make the reserve value of the pension equal to the member's accumulated contributions as of the effective retirement date.

Members Contributions: Members contribute 3 percent of their salaries. Interest credits are 4 percent annually. If a member leaves covered employment before becoming eligible to retire, accumulated contributions are returned upon request.

Cost-of-Living Adjustments: The amount of the monthly benefit is adjusted each March 31, by 100 percent of the Consumer Price Index (CPI-U) for the Washington, D.C. metropolitan area for the period ending in November (with a cap of 4 percent) compounded annually, beginning with the March 31 which is more than three full months after the members effective retirement date. Pensions of members that retire in the immediately preceding calendar year are increased by one-half a year's increase.

Optional Methods of Payment: Before the effective retirement date, a retiring member may elect one of the following options:

Option A — 100 percent joint and survivor benefit. Benefit is 85 percent of the straight life amount adjusted for the difference in age between the retiree and beneficiary. The maximum benefit is 94 percent of the straight life amount.

Option B — 50 percent joint and survivor benefit. Benefit is 91 percent of the straight life amount adjusted for the difference in age between the retiree and beneficiary. The maximum benefit is 97 percent of the straight life amount.

Option C — 10 years certain and life. Benefit is 96 percent of the straight life amount.

ERFC CONTRIBUTION RATES

(Last 20 years)

	SUPPORT EMPLOYEES		
FISCAL YEAR	EMPLOYEE	EMPLOYER	TOTAL
ERFC began using composite rates effective July 1, 1999			
2001	2.00	3.69	5.69
2002	2.00	3.69	5.69
2003	2.00	4.00	6.00
2004			
7/1 to 5/30	2.00	4.29	6.29
6/1 to 6/30	4.00	2.53	6.53
2005	4.00	3.37	7.37
2006	4.00	3.37	7.37
2007	4.00	3.37	7.37
2008	4.00	3.37	7.37
2009	4.00	3.37	7.37
2010	4.00	3.20	7.20
2011	4.00	4.04	8.04
2012	4.00	4.34	8.34
2013	3.00	5.34	8.34
2014	3.00	5.60	8.60
2015	3.00	5.60	8.60
2016	3.00	5.60	8.60
2017	3.00	5.60	8.60
2018	3.00	6.24	9.24
2019	3.00	6.26	9.26
2020	3.00	6.44	9.44

SUMMARY OF PLAN CHANGES

There were no significant plan changes during the valuation period ending December 31, 2020.

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STATISTICAL

UNAUDITED

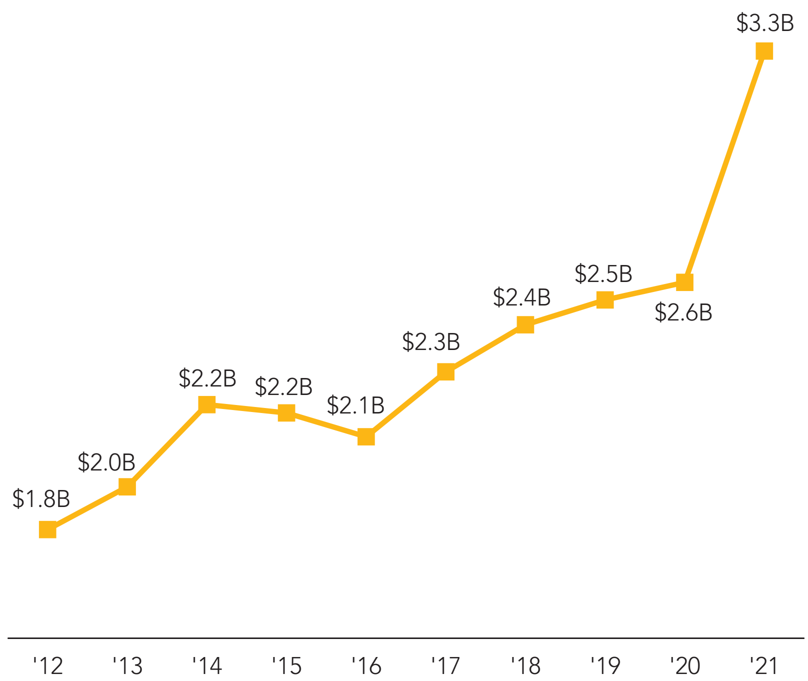
ERFC gives you the tools you need to establish a firm financial foundation for retirement. And that means you can continue constructing a bright future for years to come.

CELEBRATE WINTER

NET POSITION

Last 10 Fiscal Years

NET POSITION



FISCAL YEARS	NET POSITION
2012	$ 1,827,768,322
2013	1,956,772,826
2014	2,204,927,191
2015	2,179,724,057
2016	2,107,587,698
2017	2,304,281,654
2018	2,446,279,897
2019	2,521,441,472
2020	2,593,383,175
2021	3,272,151,084

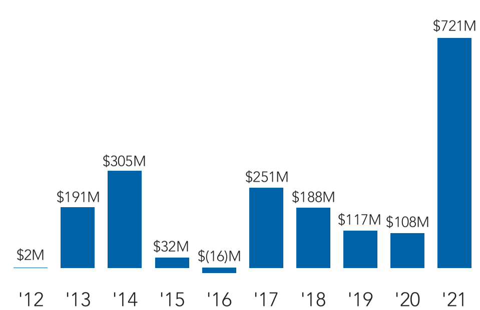
CHANGES IN NET POSITION

Last 10 Fiscal Years

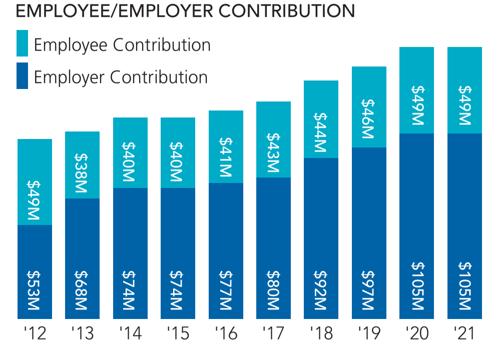
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
ADDITIONS										
Employee contributions	$49,142,379	$38,428,367	$40,018,590	$39,982,963	$41,383,642	$43,062,632	$44,169,100	$46,645,396	$49,095,601	$48,934,340
Employer contributions	52,934,245	67,734,634	74,174,082	74,324,396	76,599,695	80,094,538	91,704,877	96,982,911	104,741,255	104,784,310
Investment income (net of expenses)	1,635,435	190,947,851	304,640,803	32,083,908	(15,766,967)	250,981,777	188,145,489	117,727,500	108,472,534	720,738,680
TOTAL ADDITIONS TO PLAN NET POSITION	**103,712,059**	**297,110,852**	**418,833,475**	**146,391,267**	**102,216,370**	**374,138,947**	**324,019,466**	**261,355,807**	**262,309,390**	**874,457,330**
DEDUCTIONS										
Benefit payments	155,041,762	160,098,128	161,276,831	162,145,265	165,721,790	168,783,718	173,052,461	177,422,308	181,587,150	187,660,019
Contribution refunds	4,295,171	4,419,806	5,772,959	5,697,311	4,626,057	4,601,865	4,667,835	4,509,765	4,399,346	3,605,963
Administrative expenses	3,574,923	3,588,414	3,629,320	3,751,825	4,004,882	4,059,408	4,300,927	4,262,159	4,381,191	4,423,439
TOTAL DEDUCTIONS TO PLAN NET POSITION	**162,911,856**	**168,106,348**	**170,679,110**	**171,594,401**	**174,352,729**	**177,444,991**	**182,021,223**	**186,194,232**	**190,367,687**	**195,689,421**
CHANGE IN NET POSITION NET OF EXPENSES	**$(59,199,797)**	**$129,004,504**	**$248,154,365**	**$(25,203,134)**	**$(72,136,359)**	**$196,693,956**	**$141,998,243**	**$75,161,575**	**$71,941,703**	**$ 678,767,909**

ADDITIONS BY SOURCE

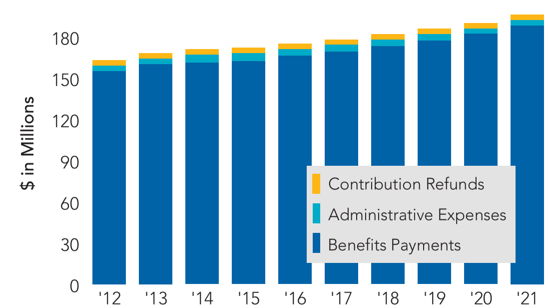
NET INVESTMENT INCOME



EMPLOYEE/EMPLOYER CONTRIBUTION



DEDUCTIONS BY TYPE



ASSETS AND LIABILITIES COMPARATIVE STATEMENT

Last 20 Years—Dollars in Thousands

		COMPUTED LIABILITIES					
Valuation Date	Active Member Payroll	Retired	Members	Total	Valuation Assets	[Excess of Assets] Unfunded Accrued Liabilities	Funded Percent
* 6/30/2001	$759,906	$667,605	$884,953	$1,552,558	$1,599,219	$(46,661)	103.0 %
6/30/2002	781,756	699,251	994,705	1,693,956	1,619,889	74,067	95.6
* 6/30/2003	866,502	903,963	868,455	1,772,418	1,597,459	174,959	90.1
12/31/2004	977,817	1,043,677	853,565	1,897,242	1,640,216	257,026	86.5
# 12/31/2004	977,817	1,083,988	851,594	1,935,582	1,643,020	292,562	84.9
12/31/2005	1,050,271	1,130,378	892,584	2,022,962	1,718,399	304,563	84.9
12/31/2006	1,111,828	1,176,979	928,573	2,105,552	1,818,930	286,662	86.4
12/31/2007	1,161,432	1,221,969	964,832	2,186,801	1,924,886	261,915	88.0
@ 12/31/2008	1,211,140	1,237,613	1,017,685	2,255,298	1,733,946	521,352	76.9
12/31/2009	1,208,093	1,264,675	1,049,607	2,314,282	1,769,540	544,742	76.5
# 12/31/2009	1,208,093	1,314,885	1,024,984	2,339,869	1,769,540	570,329	75.6
12/31/2010	1,191,290	1,355,093	1,028,968	2,384,061	1,822,603	561,458	76.5
* 12/31/2011	1,246,973	1,401,877	1,069,087	2,470,964	1,866,952	604,012	75.6
12/31/2012	1,297,537	1,448,291	1,117,837	2,566,128	1,935,292	630,836	75.4
12/31/2013	1,320,309	1,482,770	1,162,730	2,645,500	2,029,005	616,495	76.7
12/31/2014	1,340,344	1,510,717	1,223,128	2,733,845	2,123,910	609,935	77.7
# 12/31/2015	1,373,096	1,590,489	1,290,214	2,880,703	2,188,037	692,666	76.0
*# 12/31/2016	1,436,588	1,668,485	1,364,018	3,032,503	2,279,741	752,762	75.2
12/31/2017	1,475,449	1,733,431	1,434,510	3,167,941	2,398,668	769,273	75.7
12/31/2018	1,554,614	1,791,189	1,542,925	3,334,114	2,466,004	868,110	74.0
12/31/2019	1,632,427	1,841,322	1,626,828	3,468,150	2,582,582	885,568	74.5
12/31/2020	1,633,458	1,903,321	1,731,923	3,635,244	2,786,297	848,947	76.6

@ After change in asset valuation method.
* After change in benefits.
# After changes in actuarial assumptions.

BENEFIT DEDUCTIONS FROM NET POSITION BY TYPE

Last 10 Years

	SERVICE BENEFITS				DEATH BENEFITS		DISABILITY BENEFITS					
	NORMAL		EARLY		DUTY/NON-DUTY		DUTY		NON-DUTY		TOTAL	
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	PARTICI-PANTS	BENEFITS
Fiscal Years												
2011	4,717	$104,792,727	3,990	$41,654,507	160	$1,276,445	22	$300,684	189	$1,021,679	**9,078**	**$149,046,042**
2012	4,999	106,487,568	4,050	45,946,862	171	1,341,323	21	276,421	177	989,588	**9,418**	**155,041,762**
2013	5,124	110,634,206	4,232	46,926,222	169	1,308,058	21	265,153	173	964,489	**9,719**	**160,098,128**
2014	5,354	111,429,145	4,422	47,263,400	176	1,357,852	20	272,888	170	953,108	**10,142**	**161,276,393**
2015	5,557	112,009,606	4,590	47,509,606	181	1,401,710	20	272,296	165	952,482	**10,513**	**162,145,700**
2016	5,803	114,503,622	4,793	48,567,459	191	1,516,843	17	212,462	161	921,404	**10,965**	**165,721,790**
2017	6,008	116,586,070	4,963	49,450,743	204	1,675,274	17	160,378	158	911,253	**11,350**	**168,783,718**
2018	7,572	133,158,976	3,769	37,084,034	216	1,733,802	17	165,189	154	910,459	**11,728**	**173,052,460**
2019	9,188	149,649,778	2,527	24,865,264	220	1,828,195	18	173,351	151	905,720	**12,104**	**177,422,308**
2020	9,487	153,486,361	2,600	25,118,981	230	1,903,177	18	178,054	147	900,576	**12,482**	**181,587,149**
2021	9,769	159,199,384	2,647	25,458,837	237	1,938,134	18	183,396	141	880,268	**12,812**	**187,660,019**

BENEFIT REFUNDS BY TYPE

Last 10 Years

	SEPARATION		DEATHS		TOTAL	
FISCAL YEAR	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT
2012	659	$ 3,934,877	26	$ 360,294	685	$ 4,295,171
2013	634	4,081,157	19	338,649	653	4,419,806
2014	727	5,164,862	40	608,097	767	5,772,959
2015	718	5,300,442	22	396,869	740	5,697,311
2016	521	4,271,678	27	354,379	548	4,626,057
2017	465	4,392,979	16	208,886	481	4,601,865
2018	427	4,089,420	39	578,415	466	4,667,835
2019	432	4,094,919	32	407,805	464	4,502,724
2020	373	3,738,364	42	660,981	415	4,399,345
2021	247	2,399,929	51	1,206,034	298	3,605,963

RETIRED MEMBERS BY TYPE OF BENEFIT

(As of December 31, 2020)

AMOUNT OF MONTHLY BENEFIT	NUMBER OF RETIRED MEMBERS	TYPE OF RETIREMENT*					OPTION SELECTED**					
		1	2	3	4	5	BASIC BENEFIT	1	2	3	4	5
$ 1–$ 250	1,935	674	1,216	22	18	5	1,432	146	4	50	50	253
251–500	2,642	1,386	1,128	27	94	7	1,958	279	3	109	58	236
501–750	1,415	921	449	11	31	3	1,033	141	8	58	36	139
751–1,000	943	662	266	6	9	0	604	83	3	60	14	179
1,001–1,250	1,073	727	338	5	3	0	629	55	15	72	7	295
1,251–1,500	1,003	764	235	3	1	0	653	61	22	52	15	200
1,501–1,750	707	563	140	1	3	0	468	37	7	50	7	138
1,751–2,000	590	499	90	0	1	0	361	41	2	41	6	139
Over 2,000	2,534	2,153	375	0	3	3	1,584	144	21	187	25	572
TOTAL	**12,842**	**8,349**	**4,237**	**75**	**163**	**18**	**8,722**	**987**	**85**	**679**	**218**	**2,151**

*** TYPE OF RETIREMENT:**

1 Full Service
2 Reduced Service
3 Ordinary Death
4 Ordinary Disability
5 Service Connected Disability

**** OPTION SELECTED:**

Basic Benefit
1 Beneficiary receives 100% of member's reduced monthly benefit
2 Beneficiary receives 67% of member's reduced monthly benefit
3 Beneficiary receives 50% of member's reduced monthly benefit
4 Beneficiary receives a specified number of payments equal to 120 minus the number of payments the member has received.
5 Member receives partial lump sum and reduced monthly benefit

Options
A Used to be 67% now 100%
B 50%
C 120 Payments
D Lump Sum

Note: The source of information presented above is from the most recent actuarial valuation report.

AVERAGE BENEFIT PAYMENTS BY YEARS OF SERVICE

	YEARS CREDITED SERVICE					
	5-10	10-15	15-20	20-25	25-30	30+
RETIREMENT EFFECTIVE DATES						
Period 1/1/16 to 12/31/16						
Avg Monthly Benefit	$ 258.61	$ 506.32	$ 576.68	$ 882.85	$ 2,146.62	$ 2,563.33
Avg Final Average Salary	$ 4,772.48	$ 5,492.86	$ 5,502.74	$ 6,690.51	$ 7,579.43	$ 8,086.32
No. of Retired Members	105	146	128	77	120	77
Period 1/1/17 to 12/31/17						
Avg Monthly Benefit	$ 275.61	$ 526.17	$ 700.78	$ 937.41	$ 2,299.37	$ 2,743.94
Avg Final Average Salary	$ 4,748,92	$ 5,460.84	$ 5,939.78	$ 6,912.77	$ 7,777.73	$ 8,327.61
No. of Retired Members	81	109	127	80	128	100
Period 1/1/18 to 12/31/18						
Avg Monthly Benefit	$ 240.03	$ 495.62	$ 718.33	$ 847.16	$ 2,228.11	$ 2,428.89
Avg Final Average Salary	$ 4,594.82	$ 5,504.75	$ 6,068.43	$ 6,605.70	$ 7,648.54	$ 8,131.01
No. of Retired Members	78	134	129	85	122	96
Period 1/1/19 to 12/31/19						
Avg Monthly Benefit	$ 272.47	$ 494.45	$ 764.29	$ 960.17	$ 2,291.44	$ 2,353.86
Avg Final Average Salary	$ 4,886.21	$ 5,434.61	$ 6,260.99	$ 6,741.99	$ 7,772.99	$ 8,194.45
No. of Retired Members	77	102	127	106	117	92
Period 1/1/20 to 12/31/20						
Avg Monthly Benefit	$ 309.03	$ 501.34	$ 831.05	$ 992.11	$ 2,277.38	$ 2,647.15
Avg Final Average Salary	$ 5,247.02	$ 5,411.77	$ 6,614.76	$ 7,099.33	$ 8,109.82	$ 8,310.74
No. of Retired Members	84	83	104	107	119	110

AVERAGE COMPOSITE MONTHLY BENEFIT PAYMENTS FOR RETIREES

Last 10 Years

BY TYPE OF BENEFIT BEING PAID

	YEAR	SERVICE RETIREMENT	REDUCED SERVICE	ORDINARY DISABILITY
Calendar Year	2011	$1,717	$853	$492
	2012	1,688	839	570
	2013	1,626	815	575
	2014	1,557	799	583
	2015	1,523	807	579
	2016	1,478	794	595
	2017	1,462	788	594
	2018	1,436	784	606
	2019	1,421	782	614
	2020	1,407	789	665

RETIREES AND BENEFICIARIES CURRENT ANNUAL BENEFITS TABULATED BY ATTAINED AGES

(As of December 31, 2020)

	TOTAL	
ATTAINED AGES	NO.	ANNUAL AMOUNT
Under 40	2	$ 4,552
40 - 44	4	14,315
46	1	7,045
47	1	6,285
49	2	8,648
50	7	167,783
51	7	129,108
52	10	292,679
53	11	446,679
54	25	697,171
55	53	1,504,173
56	93	2,344,074
57	124	3,154,072
58	135	3,824,990
59	139	3,510,473
60	207	4,335,803
61	245	5,049,583
62	319	6,839,402
63	392	8,614,463
64	418	8,598,713
65	480	10,136,599
66	571	6,022,369
67	568	5,375,940
68	628	6,084,729
69	614	5,975,072
70 - 74	3,455	38,989,017
75 - 79	2,144	27,519,896
80 & Up	2,187	32,578,747
GRAND TOTAL	**12,842**	**$ 182,232,380**

Note: This source of information presented is from the most recent actuarial valuation report.

INACTIVE VESTED MEMBERS DEFERRED BENEFITS BY ATTAINED AGES

(As of December 31, 2020)

	TOTAL	
ATTAINED AGES	NO.	ANNUAL AMOUNT
27	4	$ 8,895
28	12	25,186
29	34	87,643
30	74	198,665
31	111	311,006
32	132	378,545
33	156	470,523
34	172	534,684
35	168	559,388
36	189	677,358
37	212	793,564
38	214	805,105
39	250	963,375
40	244	1,027,896
41	239	988,052
42	226	892,837
43	189	709,830
44	181	674,608
45	171	625,884
46	182	637,900
47	172	631,013
48	159	563,858
49	199	739,894
50	172	578,567
51	161	603,833
52	153	607,351
53	154	603,385
54	140	580,458
55	122	513,138
56	112	419,387
57	115	536,265
58	126	521,458
59	131	599,780
60	78	299,775
61	49	243,964
62	39	169,626
63	41	165,685
64	31	151,081
65 & Over	88	301,672
GRAND TOTAL	**5,402**	**$20,201,134**

Note: The source of this information is from the most recent actuarial valuation report. It does not include 13 inactive vested members.

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