



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

MEETING MINUTES

Approved October 18, 2024

An in-person meeting of the ERFC Board of Trustees was held on September 20, 2024, in the ERFC conference room located at 3110 Fairview Park Drive, Suite 300, Falls Church, VA 22042.

Trustees present:

Kimberly Adams, *Chairperson and Trustee*
Kathie Pfeffer-Hahn, *Vice Chairperson and Trustee*
Leigh Burden, *Treasurer and Trustee*
Ducchi Quan, *Trustee*
William Solomon, *Trustee*
Adam McConagha, *Trustee*

Trustee absent:

Marty Smith, *Trustee*

Also present:

J. Ryk Tierney, *Executive Director*
Melissa O'Neal, *Deputy Executive Director of Operations (Acting)*
Basil AlQudwa, *Investment Specialist*
Mussie Hagos, *Senior Functional Applications Specialist*
Adolphus Tarty, *Functional Applications Specialist I*
Jenifer Cromwell, *Member, Bredhoff & Kaiser*
Ernest Zhu, *Associate, Bredhoff & Kaiser*
Kevin Spanier, *Principal, Public Sector Retirement Operations Leader, Gallagher (departed at 9:22am)*
Elizabeth Wiley, *Director, Wealth Practice, Gallagher (departed at 9:22am)*
Rosemary Elly Guillette, *Senior Vice President and Senior Consultant, Segal Marco Advisors (departed 12:25pm)*

ERFC Board of Trustees Meeting – September 20, 2024

Call to Order

Ms. Adams called the meeting to order at 9:00am.

Announcement of Agenda Changes

Ms. Adams announced that there were no changes to the agenda. Ms. Pfeffer-Hahn **moved to approve the agenda, as presented**. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the agenda.

Consent Agenda

Approval of Minutes of the June 27-28, 2024, Board of Trustees Retreat & Meeting

Mr. Quan **moved to approve the minutes of the June 27-28, 2024, Board of Trustees Retreat & Meeting, as presented**. Ms. Burden seconded the motion. Mr. Solomon abstained from the vote because he was not present at the Retreat and did not attend the Trustees meeting as a Trustee. The remaining Trustees voted unanimously to approve the minutes as presented.

The June 27-28, 2024, Board of Trustees Retreat & Meeting Minutes were posted to BoardDocs.

Old Business

Actuarial Valuation

Mr. Spanier and Ms. Wiley presented the revised actuarial valuation report. Ms. Wiley reported that, after the preliminary valuation results were presented on May 17, 2024, Gallagher modified actuarial assumptions based on the actual DROP participation rates from July 2024.

Ms. Wiley reviewed the revised actuarial valuation report and noted that the actuarial value of assets funded ratio increased from 77.2% at the close of 2022, to 78.5% at the close of 2023. Mr. Spanier and Ms. Wiley noted that this valuation is used to set the employer contribution rate, and they reviewed the recommended employer contribution rate of 6.61% for the 2026 and 2027 fiscal years and the projected employer contribution rates over the next three decades. They responded to questions from the Trustees about the actuarial valuation.

Ms. Pfeffer-Hahn **moved that the Board of Trustees accept the Actuarial Valuation results for the period ending December 31, 2023, as presented by the Plan Actuary, and recommend to the School Board an employer contribution rate of 6.61% for the 2026 and 2027 fiscal years.** Mr. Quan seconded the motion. The Trustees voted unanimous approval.

Gallagher's December 31, 2023 Actuarial Valuation Report was posted to BoardDocs.

New Business

Annual Legal Update

Ms. Cromwell and Mr. Zhu provided the annual legal update on fiduciary duties, the Virginia Freedom of Information Act ("VA FOIA"), the Public Records Act, and other Virginia legislative changes. They responded to questions from Trustees.

Bredhoff & Kaiser's memoranda on VA FOIA, the Public Records Act, other legislation, and the Trustees' Fiduciary Duties were posted to BoardDocs. Bredhoff & Kaiser's presentation and copies of VA FOIA and the Public Records Act also were posted to BoardDocs.

Board Procedures and Board of Trustees' and Staff Standards of Conduct – Proposed Revisions

Mr. Zhu reviewed the proposed revisions to the Board Procedures. Ms. Cromwell and Mr. Zhu responded to questions from Trustees. The Trustees requested additional changes to the Board Procedures for review at the next Trustees meeting.

Ms. Cromwell reviewed proposed revisions to the Board of Trustees' Standards of Conduct and Standards of Conduct for the ERFC Staff. Ms. Cromwell reported that only minor changes were made to both policies.

Ms. Pfeffer-Hahn **moved that the Board of Trustees approve the proposed revisions to the Board of Trustees' Standards of Conduct and Standards of Conduct for the ERFC Staff,** as presented. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the revised policies.

The proposed revised Board Procedures and Board of Trustees' Standards of Conduct and Standards of Conduct for ERFC Staff were posted to BoardDocs.

Consider Updates to Board Education and Trustee Succession Planning Policies

Ms. Cromwell reviewed possible revisions to the Board Education and Trustee Succession Planning Policies. Ms. Cromwell responded to questions from Trustees. The Trustees requested additional changes to the Board Education Policy for review at the next Trustees meeting.

The Board Education and Trustee Succession Planning Policies with possible revisions were posted to BoardDocs.

New Business

Fiscal Year 2026 Proposed Budget

Mr. Tierney reviewed the actual revenue and expenditure for fiscal year 2024, proposed modifications to the fiscal year 2025 budget, and the fiscal year 2026 proposed budget. He noted that the proposed revised FY2025 budget reflects an increase in retiree payments and refunds, and a decrease in investment expenses and other administrative expenses. The proposed revision does not add to the approved FY2025 budget. He noted that the FY2026 proposed budget reflects a 5.39% increase in expenditures over the proposed revised FY2025 budget. He explained that both the increase in expenditures for FY2025 and the proposed FY2026 budget increase are primarily attributable to member benefit payments and salary increases. He answered questions from Trustees.

Ms. Pfeffer-Hahn **moved that the Board of Trustees recommend to the School Board approval of the ERFC Proposed FY 2026 budget, as presented.** Mr. McConagha seconded the motion. The Trustees voted unanimous approval.

Ms. Pfeffer-Hahn **moved that the Board of Trustees approve the modifications to the FY 2025 budget, as presented.** Mr. Quan seconded the motion. The Trustees voted unanimous approval.

The FY2026 Proposed Budget and budget presentation were posted to BoardDocs.

Resolution

Ms. Adams introduced the Resolution Honoring Walter John Mika, Jr., a public high school teacher in Fairfax County who helped establish ERFC and passed away in late 2022.

Ms. Pfeffer-Hahn **moved that the Board of Trustees approve the Resolution Honoring Walter John Mika, Jr.** Mr. Quan seconded the motion. Ms. Burden was not present for the vote. The remaining Trustees voted unanimous approval.

Investment Consultants

Investment Performance

Ms. Guillette reviewed the quarterly investment performance for the period ending June 30, 2024. She reported that ERFC's assets grew from approximately \$3.20 billion as of April 1, 2024, to approximately \$3.22 billion as of June 30, 2024. She noted that all asset classes are within long-term ranges, except for hedge funds and private equity. She reported that ERFC's total return for the second quarter of 2024, was 0.9% compared to the interim policy benchmark return of 0.7% for the same period. She also reviewed the fees for investment managers, noting that the all-in-fee for the traditional portion of the portfolio is 38 basis points.

Ms. Guillette also reviewed ERFC's asset allocation and noted that ERFC has approximately 28% of its portfolio in alternatives. She noted that the alternatives program is fairly new, which means that it has not yet had time to fully perform. Ms. Guillette reviewed the allocations in public equities and noted challenges in the international portfolio, which recent changes to asset allocations are intended to address. She responded to Trustee questions regarding the public equity investments and approaches to optimize that portion of the portfolio.

Ms. Guillette reviewed current market conditions, the preliminary flash report on portfolio performance, and asset allocations for the period ending August 31, 2024. She reported that ERFC's total return for the one month ending August 31, 2024, was 1.2% compared to the interim policy benchmark return of 1.2% for the same period. ERFC's total return for the fiscal year-to-date was 2.7% compared to the interim policy benchmark return of 3.5% for the same period, and the one-year return was 9.5% compared to the interim policy benchmark return of 11.2% for the same period. Ms. Guillette responded to questions from the Trustees.

Segal Marco's Monthly Report and Quarterly Investment Report were posted to BoardDocs.

Ms. Pfeffer-Hahn **moved to receive and file the reports of the investment consultants.** Mr. Quan seconded the motion. The Trustees voted unanimously to receive and file the reports.

Staff Reports

Executive Updates

Mr. Tierney discussed with the Trustees a Request for Proposal for investment consultant services, which will be issued in the coming months. He reviewed the status of reporting under the 2025-2027 Strategic Plan and Mr. Solomon's new Trustee orientation. He reported that Mr. Smith would serve as Mr. Solomon's mentor Trustee, in accordance with the Board Education Policy. He also reviewed the results of the CEM Pension Administration Benchmark Report noting that ERFC received the highest score among its peer group. ERFC's administrative costs and expenses were lower than its peer group. He provided updates on ERFC's lease agreement and ERFC staff unionization.

IT & Finance Report

Mr. Tierney reviewed the status of the IT update and expenses related to system updates required as a result of the recent amendments to the Plan. He reported that ERFC is preparing the 2024 financial reports. He also reported that ERFC Finance received the GFOA Certificate of Achievement for Excellence in Financial Reporting award.

Investment Report

Dr. AlQudwa reported that all managers are currently in compliance with ERFC's Investment Policy Statement. He also reviewed the Investment Manager Questionnaire and described the meetings held with the investment managers. The meetings with investment managers are another way that ERFC oversees and monitors its investments. Mr. Tierney and Dr. AlQudwa answered questions from the Trustees.

Operations and Communications Report

Mr. Tierney reported that Ms. O'Neal was promoted to the Deputy Executive Director, Operations (Acting). Ms. O'Neal reviewed retirements for August 2024, retirements by calendar year, retirement totals for the last three calendar years, the number of DROP participants, and members in critical shortage positions. She also reported that the rules regarding unused sick leave were summarized and included in a recent FCPS Employee News newsletter and that ERFC is establishing a LinkedIn page. She also reviewed members' responses to recent communications regarding DROP, the vested campaign, and the public speaking training that ERFC staff would soon receive. Mr. Tierney and Ms. O'Neal answered questions from the Trustees.

The Retirement Summary Report and WAR Summary Report were posted to BoardDocs.

Educational Resource List

Mr. Tierney reviewed the Educational Resource List. Mr. Quan, Ms. Pfeffer-Hahn, and Mr. Tierney shared their experiences and key takeaways from recent trainings and conferences that they attended.

The Educational Resource List was posted to BoardDocs.

The Staff Reports presentation was posted to BoardDocs.

Mr. Quan **moved to receive and file the reports of ERFC staff**. Mr. McConagha seconded the motion. The Trustees voted unanimously to receive and file the reports.

Board Evaluations

Ms. Adams reviewed the results of the Board self-evaluation.

Adjournment

Ms. Pfeffer-Hahn **moved to adjourn the meeting**. Mr. Quan seconded the motion. The Trustees voted unanimously to adjourn the meeting at 2:04pm.

Next Meeting – October 18, 2024 (in-person)