



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

MEETING MINUTES

Approved January 20, 2023

An in-person meeting of the ERFC Board of Trustees was held on December 16, 2022, in a conference room at the administrative offices located at 8001 Forbes Place, Suite 300, Springfield, Virginia 22151.

Trustees present:

Kimberly Adams, *Chairperson and Trustee (departed 12:53pm)*
Kathie Pfeffer-Hahn, *Vice Chairperson and Trustee*
Leigh Burden, *Treasurer and Trustee*
Adam McConagha, *Trustee*
Ducchi Quan, *Trustee*
Marty Smith, *Trustee*

Also present:

Eliazer Martinez, *Executive Director/CIO*
Srikumar Bala, *Deputy Executive Director of IT/Finance (departed 12:11pm)*
Kathleen Wilson, *Deputy Executive Director, Operations*
Melissa O'Neal, *Coordinator, Communications & Operations (departed 12:11pm)*
Wendy Zhi, *Finance Coordinator (departed 12:11pm)*
Mussie Hagos, *Functional Applications Specialist II (departed 12:11pm)*
Denise Kropp, *Investment Specialist (departed 12:11pm)*
Jenifer Cromwell, *Member, Bredhoff & Kaiser*
Rosemary Elly Guillette, *Senior Vice President and Senior Consultant, Segal Marco Advisors (via video conference) (departed 11:00am)*
Christian Sevier, *Vice President and Senior Consultant, Segal Marco Advisors (departed 12:11pm)*
John Haggerty, *Managing Principal/Director of Private Market Investments, Meketa Investment Group (via video conference) (departed 12:11pm)*
Andrew Gilboard, *Senior Vice President, Senior Private Markets Investment Analyst, Meketa Investment Group (via video conference) (10:15am-12:11pm)*

Meeting

Call to Order

Ms. Adams called the meeting to order at 9:32am.

Announcement of Agenda Changes

Ms. Adams announced that there were no changes to the agenda. Mr. McConagha **moved to approve the agenda**. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the agenda.

Consent Agenda

Approval of Minutes of the November 15, 2022, Special Closed Session Meeting and the November 18, 2022, Board of Trustees Meeting

Ms. Pfeffer-Hahn **moved to approve the minutes of the November 15, 2022, Special Closed Session Meeting and the November 18, 2022, Board of Trustees Meeting, as presented**. Mr. Quan seconded the motion. Ms. Burden abstained from voting because she was not present at the November 18, 2022, Trustees meeting. The remaining Trustees voted unanimously to approve the minutes.

The November 15, 2022, Special Closed Session Meeting and the November 18, 2022, Board of Trustees Meeting Minutes were posted to BoardDocs.

New Business

Interim Asset Allocation Policy Change

Mr. Martinez introduced the interim asset allocation changes, and reminded the Trustees that the asset allocations are adjusted periodically. Ms. Guillette reviewed Segal Marco's memorandum describing the proposed changes to the interim asset allocations and the long-term policy ranges for certain asset classes. She also reviewed the proposed rebalancing. Ms. Guillette responded to Trustee questions.

Ms. Pfeffer-Hahn **moved that the Board of Trustees approve the revised interim targets, the revised long-term asset allocation policy ranges, and the proposed rebalancing, as presented and in accordance with the recommendation of Segal Marco Advisors**. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the changes to the asset allocation and the proposed rebalancing.

Segal Marco's memorandum describing the proposed revisions to the asset allocations and proposed rebalancing was posted to BoardDocs.

Russell 1000 Index Structure Changes

Mr. Sevier reviewed the proposed consolidation of ERFC's large cap portfolios. He reviewed the portfolio's current structure, and compared the characteristics and performance of the existing and proposed Russell indices. Mr. Martinez noted that the proposed change will simplify the portfolio and there will be a small cost savings. Segal Marco responded to Trustee questions.

Ms. Pfeffer-Hahn **moved that the Board of Trustees approve the consolidation of the large cap portfolios, specifically, the Russell 1000 Growth and Value portfolios, into the Russell 1000 core account, as presented and in accordance with the recommendation of Segal Marco Advisors.** Ms. Burden seconded the motion. The Trustees voted unanimously to approve the proposed consolidation of the large cap portfolio.

Segal Marco's presentation was posted to BoardDocs.

Consultants

ESG Department of Labor Updates & ESG Status Report

Mr. Martinez introduced the ESG discussion. Ms. Guillette reported that Segal Marco reviewed the ESG philosophies of ERFC's existing active managers. She reviewed the responses from the managers. Ms. Guillette also described the recently issued guidance on ESG and proxy voting from the Department of Labor, and she noted that while the guidance does not apply to ERFC, it provides a good framework for considering fiduciary duties related to ESG and proxy voting.

Segal Marco's presentation was posted to BoardDocs.

Investment Performance

Mr. Sevier reviewed current market conditions, the flash report on portfolio performance, and asset allocations for the period ending November 30, 2022. He noted that the asset allocation report will be updated with the newly approved target ranges. Mr. Sevier reported that ERFC's total return for the one-month ending November 30, 2022, was 3.7% compared to the benchmark return of 4.7% for the same period. ERFC's total return for the fiscal year-to-date was 2.1% compared to the benchmark return of 3.1% for the same period, and the year-to-date return was -12.6% compared to the benchmark return of -11.3% for the same period. He reviewed the performance of specific managers, and noted

that Segal Marco has no concerns with any managers and that no managers are on the watch list.

Ms. Guillette reviewed ERFC's total returns over the longer term. The 3-year return was 6.2% compared to the benchmark return of 4.1% for the same period. The 5-year return was 5.8% compared to the benchmark return of 4.8% for the same period. The 7-year return was 7.0% compared to the benchmark return of 6.1% for the same period. The 10-year return was 6.8% compared to the benchmark return of 6.1% for the same period, and the return since inception (1/1/1999) was 6.2% compared to the benchmark return of 5.7% for the same period.

Segal Marco's Monthly Performance Report was posted to BoardDocs.

Private Market Performance Report

Mr. Haggerty reviewed the private markets program as of November 30, 2022. He reviewed the natural resources program in detail and reviewed the Paine Schwartz Partners Food Chain Fund VI. He responded to Trustee questions.

Meketa's monthly report and investment memorandum 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

Mr. Martinez reminded the Trustees that they agreed to discuss at this meeting the ad hoc Committee to review the actuarial RFP responses. Ms. Adams previously volunteered to serve on the ad hoc Committee. Mr. McConagha also volunteered to service on the Committee, and Ms. Pfeffer-Hahn volunteered to serve as a back-up, if needed.

Mr. Martinez reported that a request was made to move the March Trustees meeting, if possible, to allow Trustees to attend Segal Marco's conference. The Trustees discussed possible dates for March meeting. Mr. Martinez stated that he will follow up with possible dates.

IT and Finance Report

Mr. Bala reported that there was no finance report for this meeting. He updated the Trustees on IT matters, including the redesign of the ERFC website and

ERFC*Direct*. He reviewed the feedback and suggestions received from the Trustees on the redesign.

Operations and Communications Report

Ms. Wilson reviewed the status of the Senate Productivity and Quality Award (SPQA) program, and the benefits to ERFC of completing the program. She also reviewed staff activities with Lean Six Sigma, and areas of focus for continual improvement.

Ms. O'Neal reviewed retirements for November 2022, retirements by calendar year, and ERFC*Direct* account statistics. She also reviewed the communications projects, Question Sessions, and Ambassador program. She responded to questions from Trustees.

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

Investment Report

Ms. Kropp reviewed the investment guidelines compliance report as of October 31, 2022. She noted that although the Mellon Bond investment was out of compliance as of October 31, the one exception was explainable, and that Mellon was back in compliance in November.

The BNY Mellon Compliance Report was posted to BoardDocs.

Informational Items

Mr. Martinez reviewed the Educational Resource List.

The Educational Resource List was posted to BoardDocs.

The Staff Reports presentation was posted to BoardDocs.

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

Closed Session for Personnel Matters

Ms. Pfeffer-Hahn **moved that the Board of Trustees go into Closed Session, including authorized ERFC staff and legal counsel, for the purpose of discussing personnel matters, specifically the assignment and performance of specific employees, to complete the annual staff update review, according to Virginia Code**

Section 2.2-3711.A.1. Mr. Quan seconded the motion. The Trustees voted unanimous approval. The Board went into Closed Session for personnel matters at 12:12pm.

Ms. Adams left the meeting at 12:53pm. Ms. Pfeffer-Hahn chaired the remainder of the meeting.

Mr. McConagha **moved that the Board come out of Closed Session.** Mr. Quan seconded the motion, and the remaining Trustees voted unanimous approval. The Board came out of Closed Session at 12:55pm.

Mr. McConagha **moved to certify that only personnel matters were discussed or considered by the Board while in Closed Session.** Mr. Quan seconded the motion, and the remaining Trustees voted unanimous approval.

Adjournment

There being no further business, the meeting was adjourned without objection at 12:55pm.

Next Meeting – January 20, 2023 (in-person)