

2024

Popular Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2024



The Educational Employees' Supplementary Retirement System of Fairfax County
A component unit of Fairfax County Public Schools
Fairfax, Virginia

ERFC MISSION AND PRINCIPLES

MISSION

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

CUSTOMER SERVICE

OPEN COMMUNICATION

INTEGRITY

CONTINUOUS EDUCATION

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THE YEAR IN REVIEW

We are pleased to present the Popular Annual Financial Report (PAFR) for the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) for the fiscal year ended June 30, 2024. The PAFR provides an overview of ERFC's Plans, services, and financial condition. The financial information contained in the report is derived from ERFC's Annual Comprehensive Financial Report (ACFR). The ACFR is a more detailed report prepared in accordance with U.S. generally accepted accounting principles (GAAP) and is available on the ERFC website at erfc.pension.org/resources/financials.

STRATEGIC PLAN AND OPERATIONAL UPDATES

ERFC is in the final year of the Board-adopted 2022-2024 Strategic Plan, which emphasizes sustainability, engagement, education, and operational excellence. This fiscal year, ERFC implemented numerous improvements in pension processes and member services, enhancing efficiency for staff and providing clearer, more concise educational resources for members. We launched our first standalone website, which included a fresh design, updated and new content, and improved navigation. Our targeted ERFC Ambassador recruitment campaigns increased engagement across the county, with approximately 197 onsite Ambassadors serving our members. ERFC continued to promote ERFCDirect, our secure web portal that allows members to access their retirement plan account. During the fiscal year, over 36,000 active and retired members used the portal to run estimates, update beneficiaries, access their annual member statement, and more. These and other initiatives have led to increased efficiencies, cost savings, and better member service. Continued quality and efficiency improvements over the next decade will enable us focus on serving and educating all segments of our membership.

FINANCIAL CONDITION

The ERFC Fund earned a 6.2 percent net of fees on investments. ERFC's funded ratio increased from 77.2 percent to 78.5 percent for the valuation period ending December 31, 2023. Liabilities were higher than expected largely due to salary increases and losses related to retirements, but the increase in liabilities due to demographic experience was offset because of the better-than-expected asset performance, which increased the asset value more than expected, and coding refinements, which lowered liabilities as a result of transitioning to a new actuary. The Fund's longer-term performance dropped; the 10-year return of 5.7 percent exceeded the policy index return of 5.3 percent but remains lower than the Fund's long-term target return of 7.0 percent.

AWARDS

The Public Pension Coordinating Council honored ERFC with the *Public Pension Standards' Award for Funding and Administration 2024*. Furthermore, the Government Finance Officers Association of the United States and Canada (GFOA) recognized ERFC with a prestigious *Award of Outstanding Achievement in Popular Financial Reporting* for the fiscal year ended June 30, 2023.

THANK YOU

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



Ryk Tierney, CEBS
Executive Director



Srikumar Bala
Deputy Executive Director, Finance and IT

BOARD MEMBERS



Kimberly Adams
Chairperson
Elected Member



Kathie Pfeffer-Hahn
Vice Chairperson
Elected Member



Leigh Burden
Treasurer
Appointed Member



Marty K. Smith
Trustee
Appointed Member



Dr. Sherry Agnew-Scott
Trustee
Appointed Member



Ducchi Quan
Trustee
Elected Member

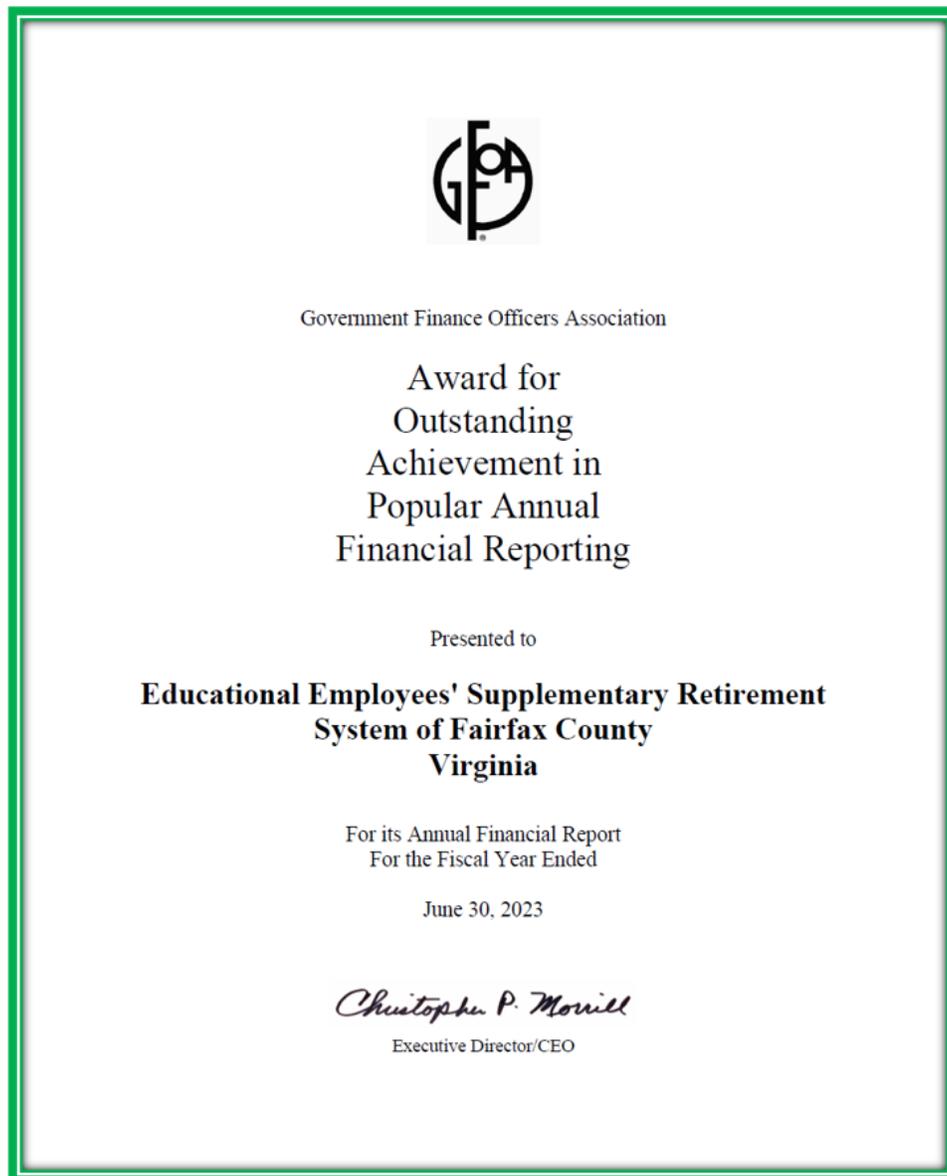


Adam McConagha
Trustee
Appointed Member

AWARD

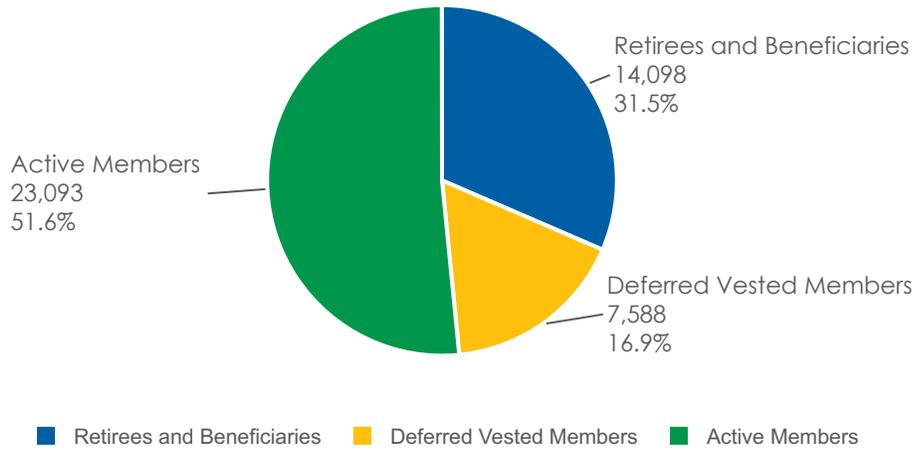
AWARD FOR OUTSTANDING ACHIEVEMENT IN POPULAR ANNUAL FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to ERFC for its Popular Annual Financial Report for the fiscal year ended June 30, 2023. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. ERFC has received a Popular Award for the last five consecutive years.



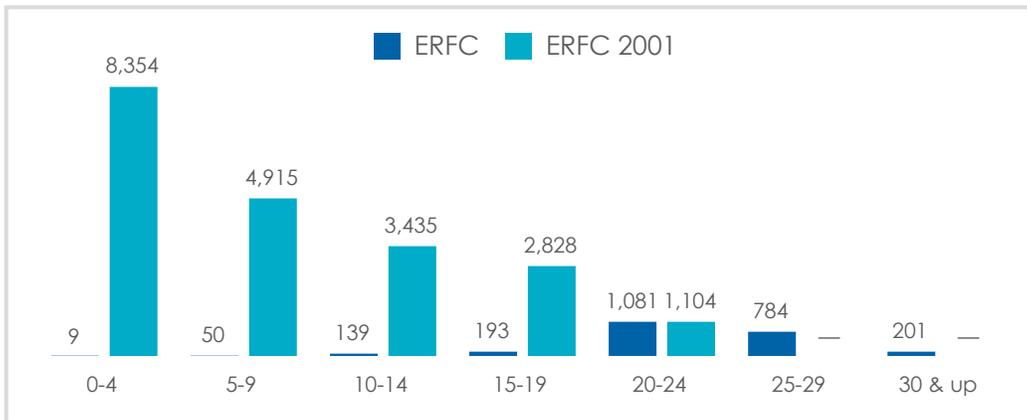
MEMBERS AS OF DECEMBER 31, 2023

TOTAL ERFC MEMBERSHIP



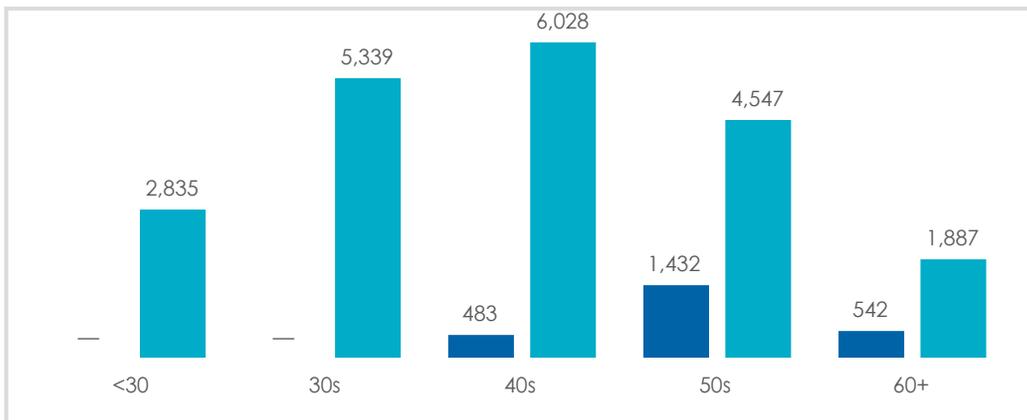
ACTIVE MEMBER BY YEARS OF SERVICE

Average Service = 9.8 years

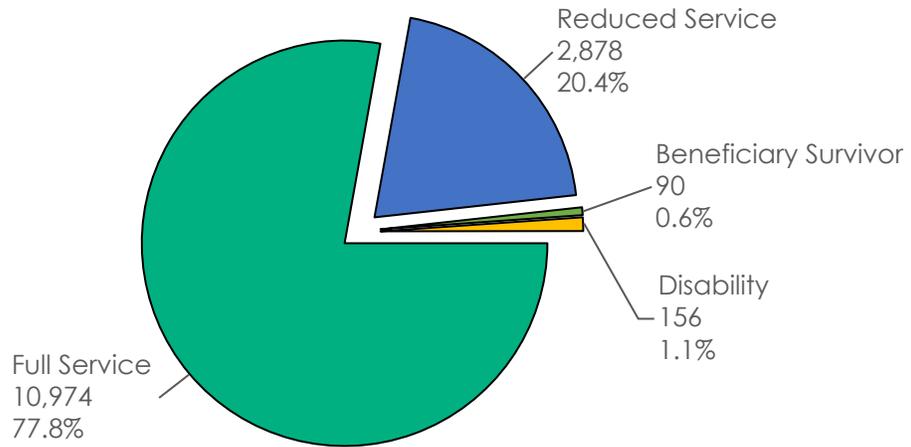


ACTIVE MEMBER BY AGES

Average Age = 45.0 years | Total Active Members = 23,093



PENSION BENEFITS BY PAYMENT TYPES



PENSION BENEFITS PAID TO FAIRFAX COUNTY RESIDENTS



69.1% of retiree benefits payments were paid to Virginia residents

40.1% of retiree benefits payments were paid to Fairfax County residents

FINANCIAL HIGHLIGHTS

SUMMARY OF FIDUCIARY NET POSITION

The System net position value increased \$136.7 million or 4.4 percent in fiscal year 2024. The change mainly consisted of an increase of \$149.0 million in cash and investments, an increase in receivables and other assets of \$40.2 million, and an increase of \$55.7 million in securities purchased.

	JUNE 30, 2024	JUNE 30, 2023	VARIANCE
ASSETS			
Total cash and investments	\$ 3,386,276,644	\$ 3,237,285,222	\$ 148,991,422
Total receivables	60,461,710	19,994,116	40,467,594
Other assets	2,357,728	2,603,176	(245,448)
TOTAL ASSETS	3,449,096,082	3,259,882,514	189,213,568
LIABILITIES			
Right-to-use lease liability	2,888,910	2,761,361	127,549
Accounts payable	1,610,960	1,928,358	(317,398)
Securities purchased	81,080,056	25,402,687	55,677,369
Securities lending collateral	150,091,528	153,057,006	(2,965,478)
TOTAL LIABILITIES	235,671,454	183,149,412	52,522,042
NET POSITION RESTRICTED FOR PENSIONS	\$ 3,213,424,628	\$ 3,076,733,102	\$ 136,691,526

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

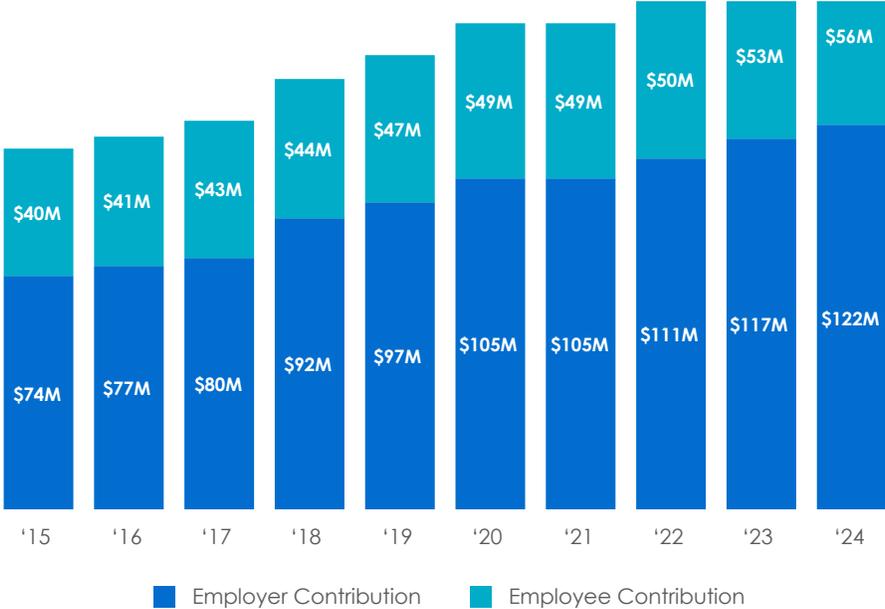
The net change in fiscal year 2024 was due to \$178.1 million in contributions and \$180.4 million in net investment gain, which was offset by \$210.6 million in benefits, \$5.4 million in refunds and \$5.7 million in administrative, depreciation and amortization expenses.

	JUNE 30, 2024	JUNE 30, 2023	VARIANCE
ADDITIONS			
Contributions			
Employer	\$ 121,645,811	\$ 117,155,967	\$ 4,489,844
Member	56,450,447	52,542,598	3,907,849
Net investment income	180,365,641	120,795,408	59,570,233
TOTAL ADDITIONS	358,461,899	290,493,973	67,967,926
DEDUCTIONS			
Benefits	210,636,405	202,023,360	8,613,045
Refunds	5,448,543	4,021,605	1,426,938
Administrative expenses	5,459,646	5,119,588	340,058
Depreciation and amortization expenses	225,779	506,198	(280,419)
TOTAL DEDUCTIONS	221,770,373	211,670,751	10,099,622
NET INCREASE IN NET POSITION	136,691,526	78,823,222	57,868,304
NET POSITION RESTRICTED FOR PENSIONS	3,076,733,102	2,997,909,880	78,823,222
BEGINNING OF YEAR			
END OF YEAR	\$ 3,213,424,628	\$ 3,076,733,102	\$ 136,691,526

FUNDING

TOTAL CONTRIBUTIONS

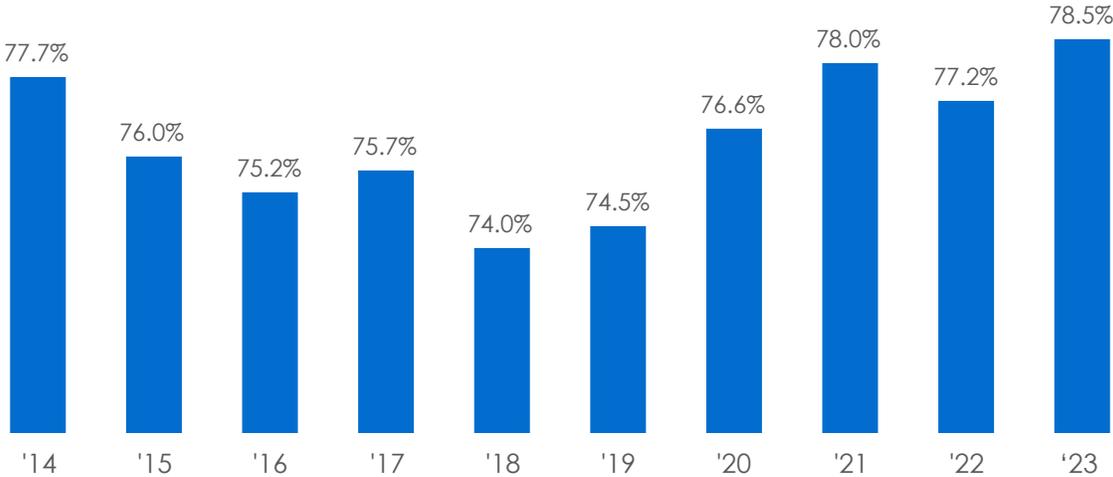
For the fiscal year ended June 30, 2024



FUNDED RATIO

For the calendar year ended December 31, 2023

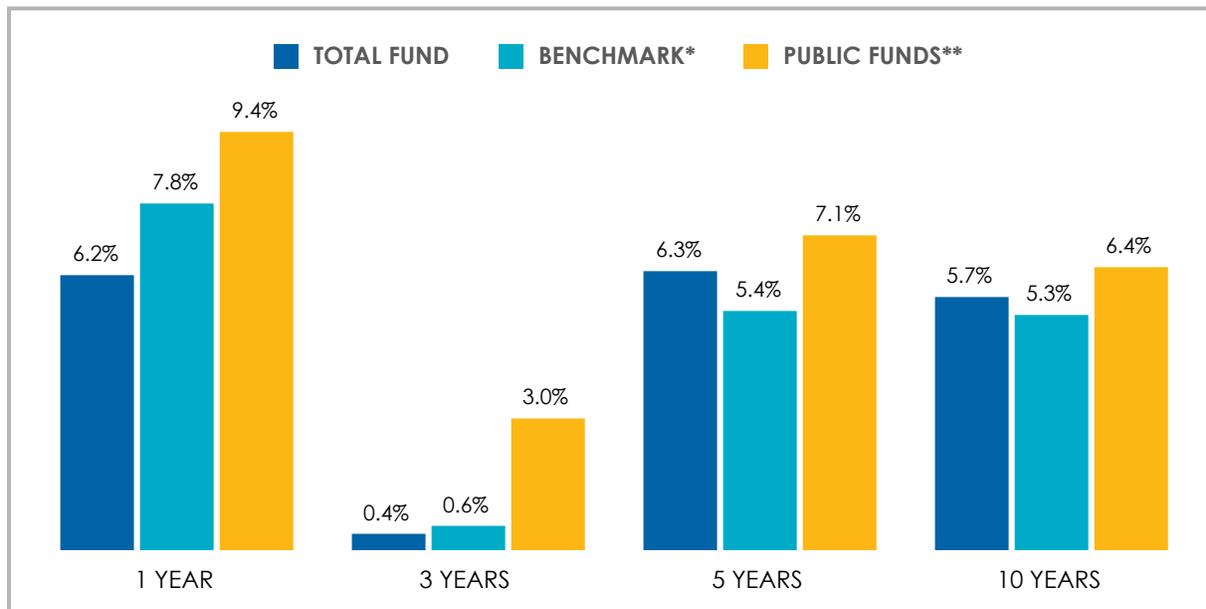
The funded ratio represents the value of assets divided by the accrued liabilities at a point in time. This percentage is an indications of the plan's ability to pay future benefits. For the valuation period ending December 31, 2023, ERFC's funded ratio increased from 77.2 percent to 78.5 percent.



INVESTMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

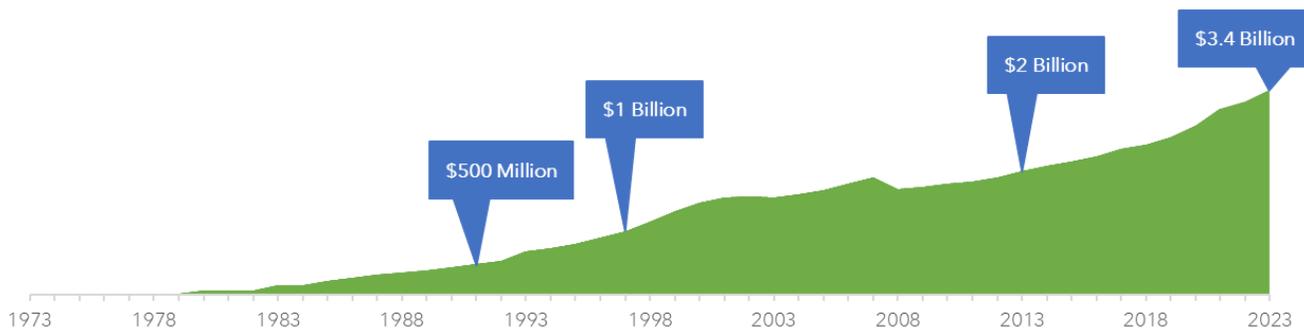
TOTAL FUND RETURNS

(NET OF FEES)



ERFC TOTAL FUND GROWTH — VALUATION ASSETS SINCE INCEPTION

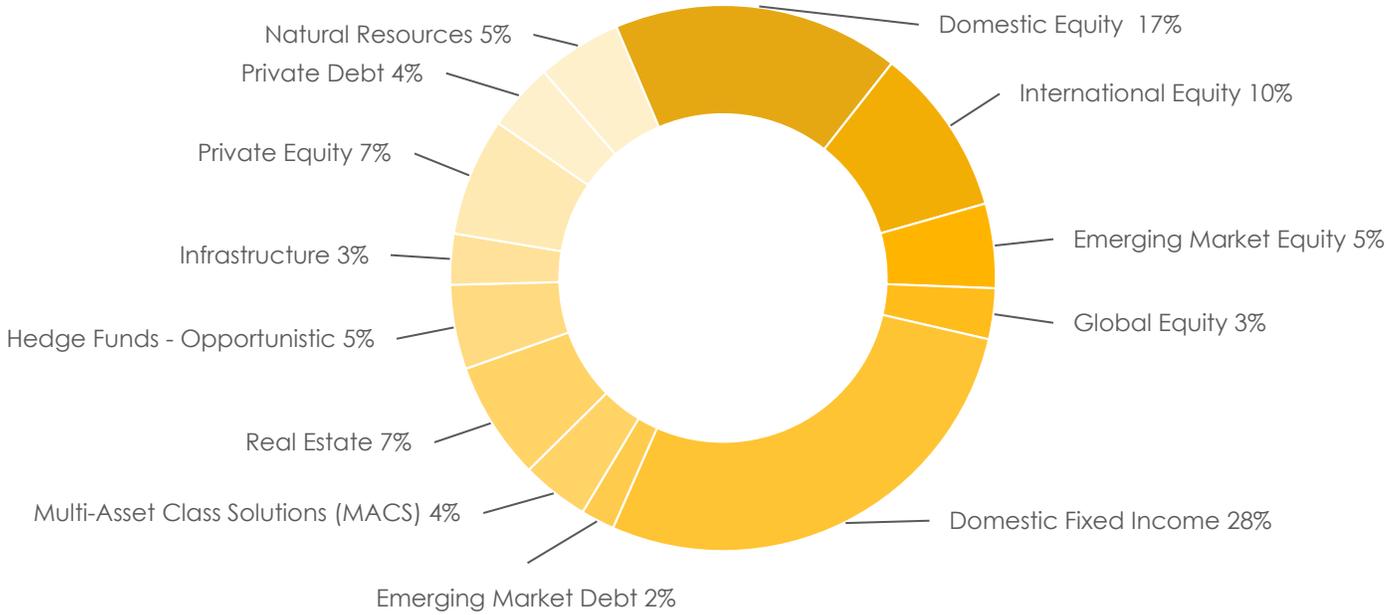
(As reflected in the December 31, 2023 actuarial valuation)



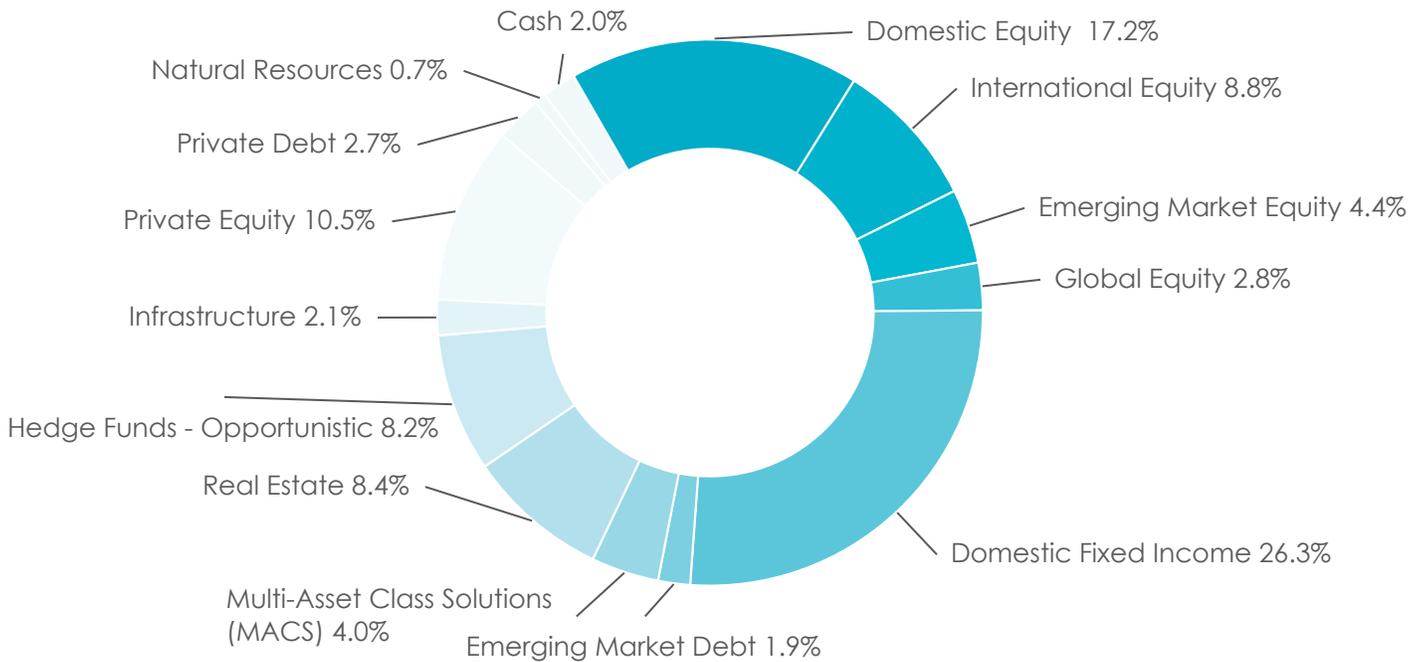
* 12.0% Russell 1000 Index, 7.0% Russell 2000 Index, 5.0% MSCI AC World ex USA (Net), 5.0% MSCI EAFE Small Cap (Net), 5.0% MSCI EM (net), 3.0% MSCI AC World Index (Net), 15.0% Blmbg. U.S. Aggregate, 9.0% Blmbg. U.S. Gov't/Credit, 4.0% Blmbg. U.S. TIPS, 2.0% JPM GBI-EM Global Diversified TR, 2.6% MSCI AC World Index (Net), 1.4% Blmbg. U.S. Aggregate, 5.0% HFRI Fund of Funds Composite Index, 3.0% CPI + 4 %, 7.0% NCREIF - ODCE NET, 7.0% ThomsonOne All Regions PE , 4.0% Bloomberg Barclays U.S. Corp High Yield + 150 bps, 1.0% CPI + 4 %, 2.0% 90 Day U.S. Treasury Bill

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

STRATEGIC TARGET ALLOCATION



ACTUAL ASSET ALLOCATION



OTHER RESOURCES

FCPS HUMAN RESOURCES

Search Human Resources on fcps.edu
571-423-3000

FCPS EMPLOYEE ASSISTANCE PROGRAM (EAP)

Financial Specialist Services
Search EAP on fcps.edu
855-355-9097

VRS

www.varetire.org
888-827-3847 | 804-649-8059

SOCIAL SECURITY

www.ssa.gov
800-772-1213

MEDICARE

www.medicare.gov
800-633-4227

QUESTIONS ABOUT ERFC?

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