

2025 Popular Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2025



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, 2025. ERFC is a legally separate entity that provides pension benefits to full-time educational and administrative support employees of Fairfax County Public Schools (FCPS) who are not in other Fairfax County retirement plans. Because the FCPS School Board appoints most of ERFC's trustees and, along with employees, funds ERFC, ERFC is considered a fiduciary component unit of FCPS. 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: <https://erfcension.org/resources/financials>.

STRATEGIC PLAN AND OPERATIONAL UPDATES

ERFC is in the first year of the Board-adopted fiscal year 2025-2027 Strategic Plan, which emphasizes four key strategic objectives: excellent governance, impactful member experience, effective operations, and purposeful education. 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 continued to raise awareness and educate members through several initiatives. Our targeted ERFC Ambassador recruitment campaigns increased engagement across the county, with approximately 200 onsite Ambassadors serving our members. We continued efforts to simplify our communications and create targeted messaging and media content that's accessible 24/7. Our recorded retirement information sessions were viewed over 900 times during the fiscal year, and videos tailored to different stages of a member's retirement journey further improved our outreach efforts. ERFC continued to promote ERFCDirect, our secure web portal that allows members to access their retirement plan account. During the fiscal year, over 38,000 active and retired members used the portal to run estimates, update beneficiaries, access their annual member statement, and more. These initiatives have led to increased efficiencies, cost savings, and better member service. Continued quality and efficiency improvements over the next decade will enable us to focus on serving and educating all segments of our membership.

FINANCIAL CONDITION

ERFC's actuary reported that the System's funded ratio decreased from 78.5 percent to 77.5 percent for the valuation period ending December 31, 2024. This decrease was due to market volatility and an increase in retirees and beneficiaries collecting retirement benefits. The recommended employer contribution rate was 6.48 percent of payroll, which was consistent with fiscal year 2024. ERFC's return of 9.0 percent net of fees for fiscal year 2025 underperformed the benchmark index return of 9.4 percent. The Fund's longer-term performance dropped; the 10-year return of 6.7 percent exceeded the policy index return of 6.1 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 2025*. 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, 2024.

THANK YOU

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



Melissa O'Neal, CSM, NAF
Executive Director

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



William Solomon
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, 2024. 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 six consecutive years.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

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

For its Annual Financial Report
For the Fiscal Year Ended

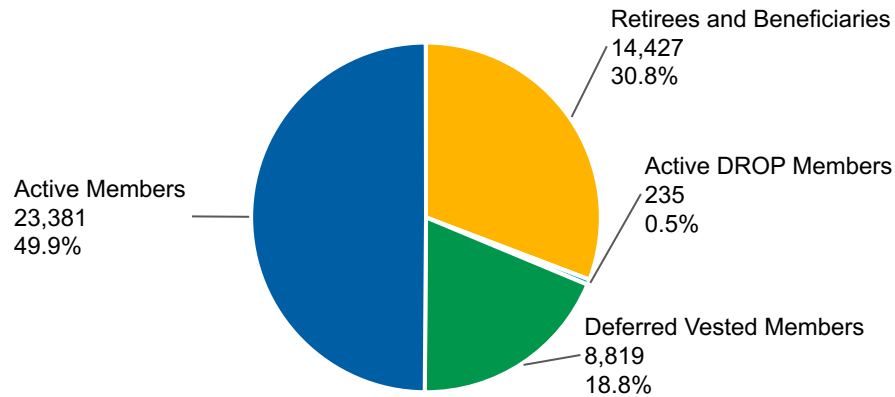
June 30, 2024

Christopher P. Morrell

Executive Director/CEO

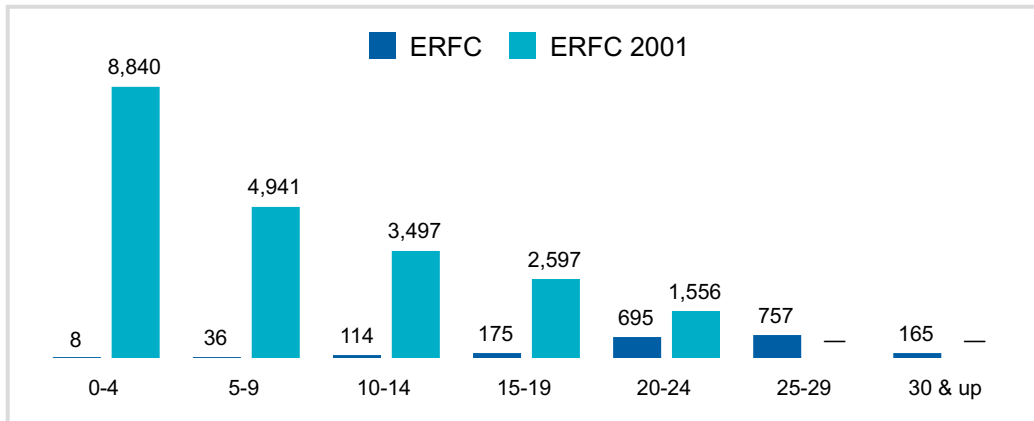
MEMBERS AS OF DECEMBER 31, 2024

TOTAL ERFC MEMBERSHIP



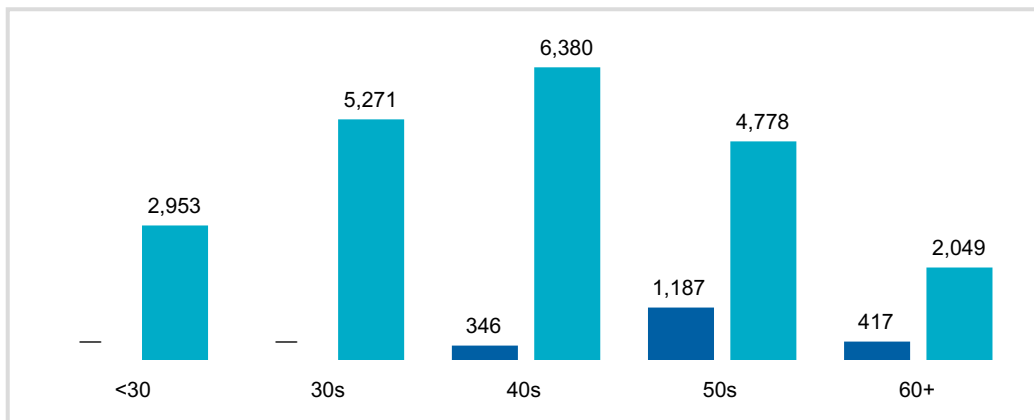
ACTIVE MEMBER BY YEARS OF SERVICE

Average Service = 9.6 years

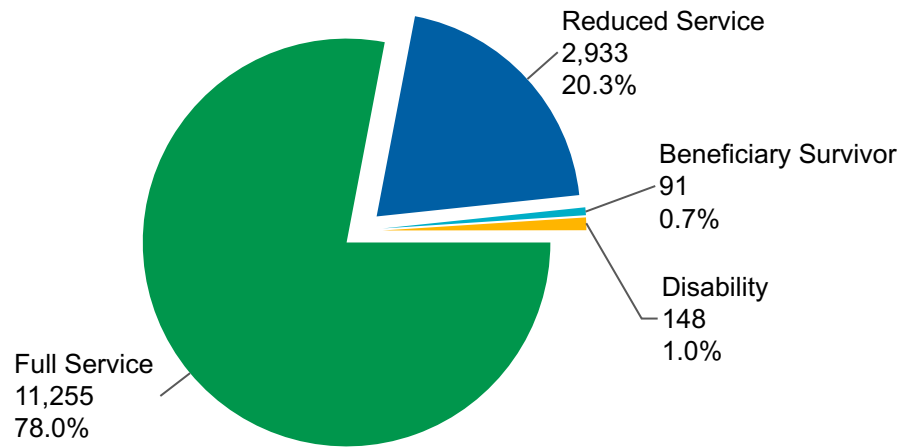


ACTIVE MEMBER BY AGES

Average Age = 44.9 years | Total Active Members = 23,381



PENSION BENEFITS BY PAYMENT TYPES



PENSION BENEFITS PAID TO FAIRFAX COUNTY RESIDENTS



69.1% of retiree benefits payments were paid to Virginia residents

43.7% of retiree benefits payments were paid to Fairfax County residents

FINANCIAL HIGHLIGHTS

SUMMARY OF FIDUCIARY NET POSITION

The System net position value increased \$225.7 million or 7.0% percent in fiscal year 2025. The change mainly consisted of an increase of \$175.4 million in the value of cash and investments, a decrease in receivables and other assets of \$39.8 million, and a decrease of \$59.3 million in securities purchased.

	JUNE 30, 2025	JUNE 30, 2024	VARIANCE
ASSETS			
Total cash and investments	\$ 3,561,653,968	\$ 3,386,276,644	\$ 175,377,324
Total receivables	20,993,236	60,461,710	(39,468,474)
Other assets	2,141,753	2,357,728	(215,975)
TOTAL ASSETS	3,584,788,957	3,449,096,082	135,692,875
LIABILITIES			
Lease liability	2,696,227	2,888,910	(192,683)
Accounts payable	1,938,337	1,610,960	327,377
Securities purchased	21,812,930	81,080,056	(59,267,126)
Securities lending collateral	119,201,065	150,091,528	(30,890,463)
TOTAL LIABILITIES	145,648,559	235,671,454	(90,022,895)
NET POSITION RESTRICTED FOR PENSIONS	\$ 3,439,140,398	\$ 3,213,424,628	\$ 225,715,770

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

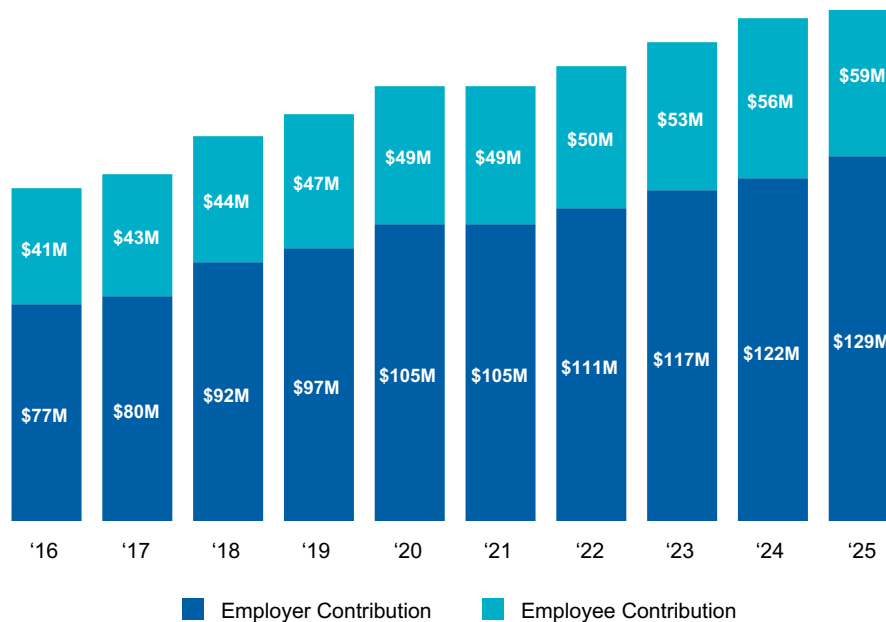
The net change in fiscal year 2025 was due to \$188.3 million in contributions and \$268.6 million in net investment gain, which was offset by \$219.6 million in benefits, \$5.1 million in refunds, and \$6.5 million in administrative and amortization expenses.

	JUNE 30, 2025	JUNE 30, 2024	VARIANCE
ADDITIONS			
Contributions			
Employer	\$ 129,278,658	\$ 121,645,811	\$ 7,632,847
Member	59,011,733	56,450,447	2,561,286
Net investment income	268,646,641	180,365,641	88,281,000
TOTAL ADDITIONS	456,937,032	358,461,899	98,475,133
DEDUCTIONS			
Benefits	219,607,894	210,636,405	8,971,489
Refunds	5,070,399	5,448,543	(378,144)
Administrative expenses	6,326,994	5,459,646	867,348
Amortization expense	215,975	225,779	(9,804)
TOTAL DEDUCTIONS	231,221,262	221,770,373	9,450,889
NET INCREASE IN NET POSITION	225,715,770	136,691,526	89,024,244
NET POSITION RESTRICTED FOR PENSIONS			
BEGINNING OF YEAR	3,213,424,628	3,076,733,102	136,691,526
END OF YEAR	\$ 3,439,140,398	\$ 3,213,424,628	\$ 225,715,770

FUNDING

TOTAL CONTRIBUTIONS

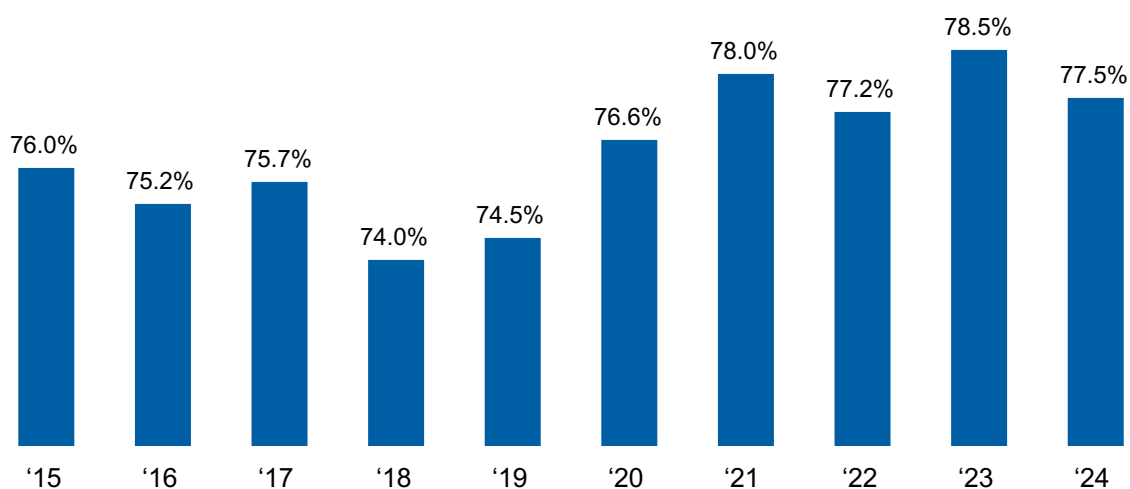
For the fiscal year ended June 30, 2025



FUNDED RATIO

For the calendar year ended December 31, 2024

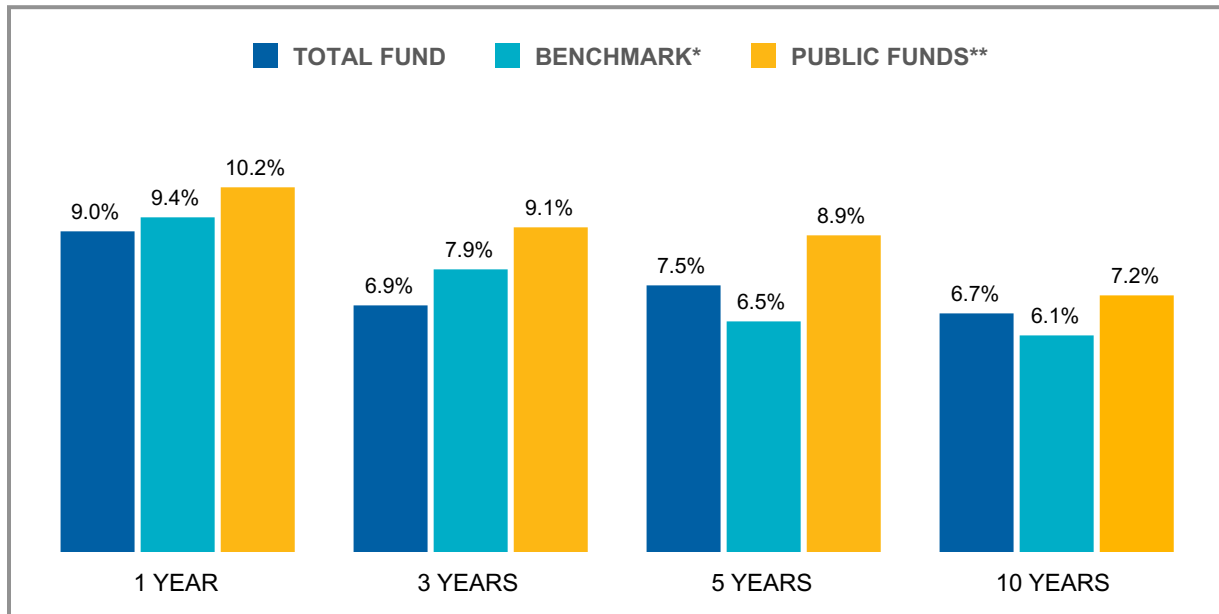
The funded ratio represents the value of assets divided by the accrued liabilities at a point in time. This percentage is an indication of the plan's ability to pay future benefits. For the valuation period ending December 31, 2024, ERFC's funded ratio decreased from 78.5 percent to 77.5 percent.



INVESTMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TOTAL FUND RETURNS

(Net of Fees)

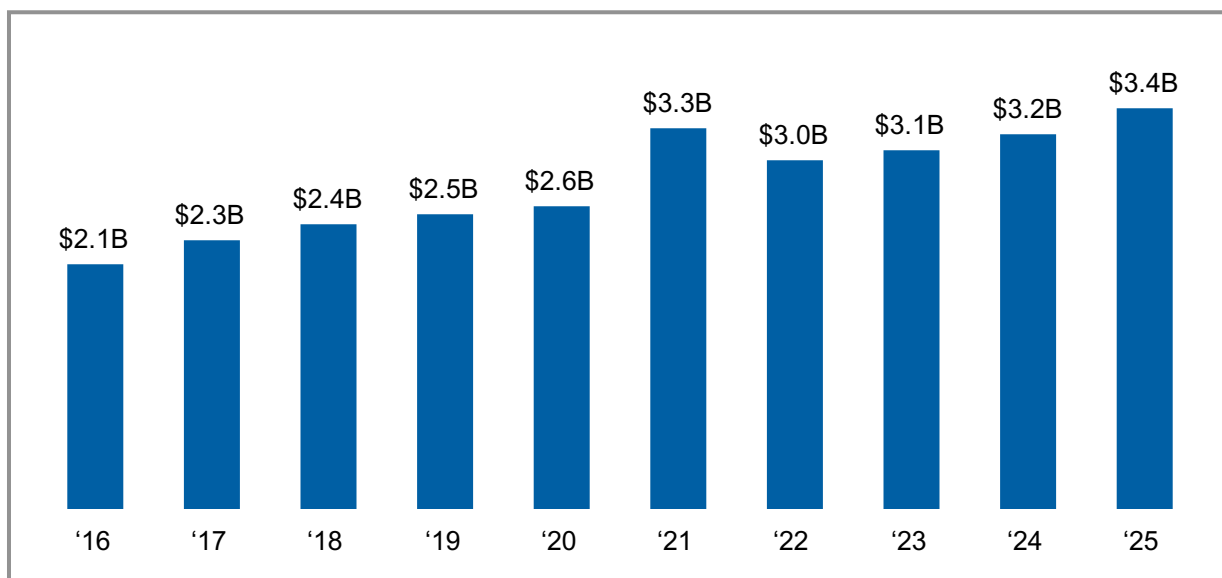


* 13.0% Russell 1000 Index, 2.0% Russell 2000 Growth Index, 2.0% Russell 2000 Value Index, 2.0% Russell 2000 Index, 5.0% International Equity Index, 3.0% MSCI EAFE Small Cap (Net), 3.0% MSCI Emerging Markets IMI (Net), 3.0% MSCI AC World Index (Net), 22.0% Blmbg. U.S. Aggregate, 9.0% Blmbg. U.S., Gov't/Credit, 1.3% MSCI AC World Index (Net), 0.7% Blmbg. U.S. Aggregate, 8.0% HFRI Fund of Funds Composite Index, 3.0% FTSE 10 Year Treasury OTR, 7.0% NCREIF - ODCE NET, 9.0% ThomsonOne All Regions PE, 4.0% Morningstar LSTA US Leveraged Loan, 1.0% Blmbg. U.S. Aggregate, 2.0% 90 Day, U.S. Treasury Bill

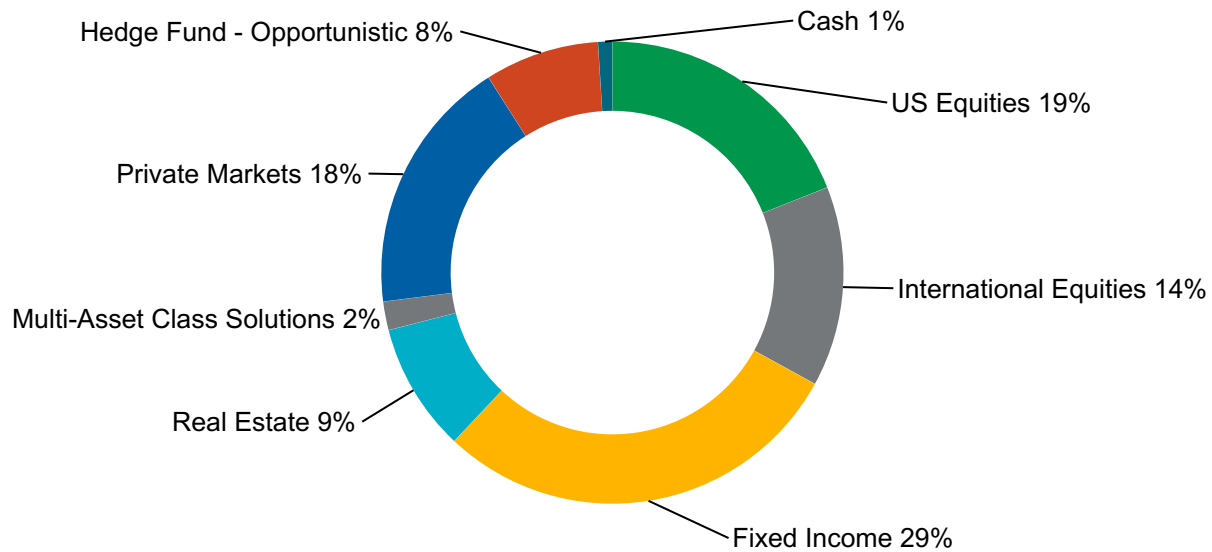
** Investment Metrics Public Plan Universe > \$1B

TOTAL FUND GROWTH

Last 10 years



ACTUAL ASSET ALLOCATIONS



ASSET CLASS	CURRENT ALLOCATION	INTERIM TARGET*	LONG-TERM TARGET
US Equities	19%	19%	19%
International Equities	14%	14%	16%
Fixed Income	29%	31%	37%
Real Estate	9%	7%	7%
Multi-Asset Class Solutions	2%	2%	2%
Private Markets	18%	17%	19%
Hedge Fund - Opportunistic	8%	8%	-
Cash	1%	2%	-
Total	100%	100%	100%

*Interim target will change to reflect the gradual implementation of the Private Markets investments.

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

CONNECT WITH ERFC

LOCATION

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M-F 8 AM–4:30 PM

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erfcoffice@fcps.edu

WEB

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www.erfc.direct

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