



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

MEETING MINUTES

Approved July 21, 2023

The ERFC Board of Trustees held its annual Board Retreat and monthly meeting June 22-23, 2023, in the conference room on the main floor of the building located at 3110 Fairview Park Drive, 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*
Marty Smith, *Trustee (arrived on June 23 at 9:40am)*
Adam McConagha, *Trustee*
Sherry Wilson, *Trustee*

Also present:

Kathleen Wilson, *Interim Executive Director/CIO*
Srikumar Bala, *Deputy Executive Director of IT/Finance (departed on June 23 at 1:36pm)*
Melissa O'Neal, *Coordinator, Communications & Operations (departed on June 23 at 1:36pm)*
Wendy Zhi, *Finance Coordinator (departed on June 23 at 1:36pm)*
Denise Kropp, *Investment Specialist (departed on June 23 at 12:56pm)*
Pedro Rivera, *Senior Functional Applications Specialist (departed on June 23 at 1:36pm)*
Jenifer Cromwell, *Member, Bredhoff & Kaiser*
Ernest Zhu, *Member, Bredhoff & Kaiser (June 23 only)*
Al-Karim Alidina, *FSA, EA, Principal Consulting Actuary, Aon (10:49am to 11:25am on June 23)*
Wil Ocasio, *ASA, EA, Senior Consultant, Aon (June 22 only, by video conference)*
Rosemary Elly Guillette, *Senior VP and Senior Consultant, Segal Marco Advisors (departed on June 23 at 1:36pm)*
Sue Crotty, *Senior Vice President, Chief Investment Officer, Segal Marco Advisors (June 23 only and departed at 1:29pm)*

John Ross, Senior Vice President, ALM and Risk, Segal Marco Advisors (June 22 only)

John Haggerty, CFA, Managing Principal/Director of Private Market Investments, Meketa Investment Group (departed on June 23 at 1:36pm)

Andrew Gilboard, Senior Vice President, Senior Private Markets Investment Analyst, Meketa Investment Group (departed on June 23 at 1:36pm)

Sabrina Ciampa, Private Markets Senior Investment Associate, Meketa Investment Group (June 22 only – morning session, by video conference)

Colin Hill, Managing Principal, Real Estate Consultant, Meketa Investment Group (June 22 only)

ERFC Board of Trustees Meeting and Annual Retreat – June 22-23, 2023

Thursday – June 22, 2023 – Annual Retreat

The Annual Retreat was called to order at 9:00am. Ms. Wilson welcomed the Board of Trustees, thanked the ERFC staff and Segal Marco and Meketa for their work on the Annual Retreat, and thanked the speakers. She reviewed the agenda and introduced Kristina Hooper from Invesco.

Keynote Address

Kristina Hooper, Chief Global Market Strategist, Invesco

Ms. Hooper reviewed the macro market economic outlook and the implications for investments.

Ms. Hooper's presentation was posted to BoardDocs.

Manager Panel (Inflation, Fed, Fixed Income Market, etc.)

Mina Krishnan, CFA, Multi-Asset Portfolio Manager, Schroders
Rene LeFevre, Vice President and Relationship Manager, Loomis, Sayles & Company
Kristina Hooper, Chief Global Market Strategist, Invesco
Rosemary Elly Guillette, Senior Vice President and Senior Consultant, Segal Marco Advisors

Ms. Guillette invited Ms. Hooper to join the panel. Ms. Guillette introduced the Inflation and Fixed Income Market panel topic. The panelists presented their views and discussed market investment conditions and outlook.

Venture Capital

Joanne Chen, General Partner, Foundation Capital

Ms. Chen reviewed the state of artificial intelligence venture capital.

Real Estate

Colin Hill, Managing Principal, Real Estate Consultant, Meketa Investment Group

Mr. Hill reviewed the state of the real estate office market, including market trends regarding remote work and hybrid work following the COVID-19 pandemic.

Mr. Hill's presentation was posted to BoardDocs.

Asset Allocation Education

**Rosemary Elly Guillette, Senior Vice President and Senior Consultant,
Segal Marco Advisors
John Ross, Senior Vice President, ALM and Risk, Segal Marco Advisors**

Mr. Ross reviewed the asset allocation process, including the considerations and decisions relevant to asset allocation design.

Segal Marco's presentation was posted to BoardDocs.

Educational Game

**Rosemary Elly Guillette, Senior Vice President and Senior Consultant,
Segal Marco Advisors
John Ross, Senior Vice President, ALM and Risk, Segal Marco Advisors**

Ms. Guillette and Mr. Ross hosted an educational game regarding key investment terms.

Segal Marco's materials were posted to BoardDocs.

Actuarial Presentation

Wil Ocasio, Senior Consultant, Aon Retirement

Mr. Ocasio presented on behalf of Mr. Alidina, who was unable to attend the retreat. Mr. Ocasio presented actuarial core concepts, including reviewing key terminology and actuarial assumptions.

Aon's presentation was posted to BoardDocs.

The meeting recessed for the day at 4:14pm.

Friday – June 23, 2023 - Regular Meeting of the ERFC Board of Trustees

Call to Order

Ms. Adams called the meeting to order at 9:38am.

Announcement of Agenda Changes

Ms. Adams announced that the Closed Session would include discussion of both personnel matters and the award of a public contract, and there were no other changes to the agenda. The agenda was changed without objection.

Consent Agenda

Approval of Minutes of the May 19, 2023, Board of Trustees Meeting

Ms. Pfeffer-Hahn moved to approve the minutes of the May 19, 2023, Board of Trustees Meeting, as presented. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the minutes as presented.

The May 19, 2023, Board of Trustees Meeting Minutes were posted to BoardDocs.

New Business

Asset Allocation Changes

Ms. Guillette introduced the asset allocation discussion and reviewed the key considerations when establishing asset allocations. Ms. Crotty reviewed the changes in capital market assumptions that are prompting plans to review their asset allocations. She reviewed ERFC's current asset allocation and three possible revised asset allocations, which were presented for discussion, but not action. Ms. Crotty and Ms. Guillette responded to questions from the Trustees.

Segal Marco's presentation was posted to BoardDocs.

Changes to the Investment Management Agreement

Mr. Sevier reported that Schrodgers, one of ERFC's Small Cap investment managers, has been investing in about 92 stocks in recent years, which is at the lower end of the 90-150 limit in Schroder's Investment Management Agreement ("IMA"). Schroder requested a revision to the IMA to set the allowable range of stocks held to 80-140, which Segal Marco recommends, noting that it will provide more flexibility and is reasonable.

Ms. Pfeffer-Hahn moved, in accordance with the recommendation of the investment consultant, that the Board of Trustees approve the proposed revisions to the Investment Management Agreement, which would require Schroder to diversify ERFC's portfolio within the range of 80 to 140 stocks. Mr. Quan seconded the motion. The Trustees voted unanimous approval.

Consultants

Investment Performance

Mr. Sevier reviewed current market conditions, the flash report on portfolio performance, and asset allocations for the period ending May 31, 2023.

He reported that all asset allocations are within long-term target ranges. He reported that ERFC's total return for the one month ending May 31, 2023, was -1.0% compared to the benchmark return of -0.9% for the same period. ERFC's total return for the fiscal year-to-date was 2.7% compared to the benchmark return of 3.7% for the same period, and the one-year return was -2.8% compared to the benchmark return of -1.8% for the same period.

Mr. Sevier also reviewed the quarterly investment performance for the period ending March 31, 2023. He reported that ERFC's assets grew from approximately \$2.9 billion as of January 1, 2023, to approximately \$3.0 billion as of March 31, 2023. He further reported that ERFC's total return for the first quarter of 2023, was 3.6% compared to the benchmark return of 3.6% for the same period. He responded to questions from the Trustees.

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

Unfinished Business

December 31, 2022 Actuarial Valuation

Mr. Alidina presented the final actuarial valuation report. He noted that this valuation is not used to set the employer contribution rate. He reviewed membership data, the actuarial assumptions, the actuarial valuation results, and the proposal to establish a new 20-year amortization layer for the 2022 actuarial losses. Mr. Alidina stated that ERFC is an actuarially sound plan and that contributions are being made consistent with the funding recommendation. He responded to questions from the Trustees about the actuarial valuation.

Ms. Pfeffer-Hahn **moved, in accordance with the recommendation of the Plan Actuary, that the Board of Trustees establish a new 20-year amortization layer for actuarial losses that arose in calendar year 2022, pursuant to ERFC Regulations 16.03E.** Mr. Quan seconded the motion. The Trustees voted unanimously to establish a new 20-year amortization layer.

Ms. Pfeffer-Hahn **moved that the Board of Trustees accept the December 31, 2022 Actuarial Valuation presented by the Plan Actuary.** Mr. Quan seconded the motion. The Trustees voted unanimously to accept the December 31, 2022 Actuarial Valuation.

Ms. Adams, on behalf of the Trustees, thanked Mr. Alidina and Aon for the work they have done for ERFC.

Aon's December 31, 2022 Valuation Report was posted to BoardDocs.

Consultants

Private Market Performance Report

Mr. Haggerty and Mr. Gilboard reviewed the private markets program, including commitments and cash flow, for the period ending May 31, 2023, and for the fourth quarter of 2022.

They reported that the rate of return for ERFC's Private Market investments since inception is 19.7%, compared to the return of 8.4% for public market equivalents during the same period. They also reviewed significant events, performance by vintage year, and various other performance measures.

Meketa's quarterly and monthly reports 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

Investment Report

Ms. Wilson reviewed the investment guidelines compliance report as of May 31, 2023, and noted that all managers are currently in compliance except two, Schroders and Loomis, and the non-compliance for those managers was explainable.

Executive Updates

Ms. Wilson updated the Trustees on the status of the recent office move. She also reviewed proposed dates for Board of Trustees meetings next year.

The proposed Meeting Calendar was posted to BoardDocs.

Executive Director/CIO Search Updates

Mr. Bala reviewed the proposals ERFC received from search firms to conduct the Executive Director/CIO search.

Operations and Communications Report

Ms. O'Neal reviewed retirements for May 2023, retirements by calendar year, retirement totals for the last 3 calendar years, and ERFC *Direct* account statistics.

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

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.

Ms. Adams thanked the investment consultants for presenting at the Annual Retreat. She also thanked Ms. Wilson for all her work as Ms. Wilson's last day with ERFC would be July 7, 2023.

Closed Session

Ms. Pfeffer-Hahn **moved that the Board of Trustees go into Closed Session, including authorized staff and legal counsel, for the purposes of discussing personnel matters and discussing the award of a public contract, specifically the resignation of the Interim Executive Director/CIO, and the selection of a search firm for the Executive Director/CIO search, according to Virginia Code Section 2.2-3711.A.1 and Virginia Code Section 2.2-3711.A.29**. Mr. Quan seconded the motion. The Trustees voted unanimously to go into Closed Session for personnel matters and the award of a public contract at 1:46pm.

Ms. Pfeffer-Hahn **moved that the Board of Trustees come out of Closed Session**. Mr. Quan seconded the motion. The Trustees voted unanimously to come out of Closed Session at 2:47pm.

Ms. Pfeffer-Hahn **moved to certify that only personnel matters and the award of a public contract were discussed or considered by the Board of Trustees while in Closed Session**. Mr. Quan seconded the motion. The Trustees voted unanimous approval.

Ms. Pfeffer-Hahn **moved to confirm the action taken in Closed Session that the Board of Trustees authorized Srikumar Bala to terminate investment managers and liquate specific investment holdings, on the recommendation of investment consultants, in urgent, time-sensitive situations after consultation with the Board Chairperson, Investment Committee Chairperson, and the Independent Trustee, and that the authorization will take effect immediately upon the departure of the current Interim Executive Director/CIO on July 7, 2023**. Mr. Quan seconded the motion. The Trustees voted unanimous approval.

Ms. Pfeffer-Hahn **moved to confirm the action taken in Closed Session that the Board of Trustees selected EFL Associates as the search firm for the Executive Director search, subject to successful contract negotiations.** Mr. Quan seconded the motion. The Trustees voted unanimous approval.

Adjournment

There being no further business, the meeting was adjourned without objection at 2:52pm.

Next Meeting – July 21, 2023 (in-person)