



MEETING MINUTES

Approved October 27, 2023

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

An in-person meeting of the ERFC Board of Trustees was held on September 29, 2023, 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*
Marty Smith, *Trustee (departed 2:53pm)*
Adam McConagha, *Trustee*
Sherry Wilson, *Trustee*

Also present:

Srikumar Bala, *Deputy Executive Director of IT, Member Services and Communication*
Wendy Zhi, *Acting Deputy Executive Director, Finance and Investment*
Melissa O'Neal, *Coordinator, Communications & Operations*
Kevin McCarty, *Financial Analyst II (9:55am-10:44am)*
Basil AlQudwa, *Investment Specialist (departed 2:03pm)*
Adolphus Tarty, *Functional Applications Specialist (departed 2:04 pm)*
Adam Bowen, *FCPS Technology Integration Specialist (departed 1:02 pm)*
Gary Gordon, *ERFC Member (1:50pm-2:16pm)*
Jenifer Cromwell, *Member, Bredhoff & Kaiser*
Ernest Zhu, *Associate, Bredhoff & Kaiser*
John Haggerty, *CFA, Managing Principal/Director of Private Market Investments, Meketa Investment Group (departed 2:03pm)*
Balaj Singh, *CFA, Private Markets Analyst, Meketa Investment Group (departed 2:03pm)*
Adam Toczyłowski, *CFA, Managing Principal/Private Markets Consultant, Meketa Investment Group (via video conference) (12:52pm-1:32pm)*
Sabrina Ciampa, *Private Markets Senior Investment Associate, Meketa Investment Group (via video conference) (12:41pm-1:32pm)*
Rosemary Elly Guillette, *Senior VP and Senior Consultant, Segal Marco Advisors (departed 1:20pm)*
Christian Sevier, *Vice President and Senior Consultant, Segal Marco Advisors (departed 2:03pm)*

Meeting

Call to Order

Ms. Adams called the meeting to order at 9:36am.

Announcement of Agenda Changes

Ms. Adams announced that there were no other changes to the agenda.

Ms. Pfeffer-Hahn **moved to approve the September 29, 2023 Board of Trustees Meeting Agenda, as presented**. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the agenda.

The September 29, 2023, Board of Trustees Meeting Agenda was posted to BoardDocs.

Consent Agenda

Approval of Minutes of the July 21, 2023 Board of Trustees Meeting

Ms. Pfeffer-Hahn **moved to approve the minutes of the July 21, 2023, Board of Trustees Meeting, as presented**. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the minutes.

The July 21, 2023, Board of Trustees Meeting Minutes were posted to BoardDocs.

Unfinished Business

Asset Allocation Rebalancing

Ms. Guillette introduced the rebalancing asset allocation discussion. She reviewed the proposed rebalancing asset allocation recommendation, which was presented for discussion and action. She explained that the recommended change is to the interim policy asset allocations. Ms. Guillette responded to questions from the Trustees.

Ms. Pfeffer-Hahn **moved to adopt the rebalancing asset allocation, as recommended by Segal Marco Advisors**. Mr. Quan seconded the motion. The Trustees voted unanimously to approve the motion.

Segal Marco's presentation was posted to BoardDocs.

Fiscal Year 2024 ERFC Board of Trustees Meeting Schedule

Ms. Zhi reviewed board meeting schedules of ERFC peer pension plans and neighboring governments' pension plans. She also reviewed recurring major topics discussed at ERFC Trustees Meetings in the past three years. Ms. Zhi presented possible revisions to the ERFC Trustees Meetings Schedule. Ms. Cromwell reviewed legal considerations for setting trustee meeting frequency. Ms. Zhi and Ms. Cromwell responded to questions from the Trustees.

Ms. Pfeffer-Hahn **moved that the Board of Trustees adopt the revised Fiscal Year 2024 ERFC Board of Trustees schedule reflected in Option 2, as presented.** Dr. Wilson seconded the motion. The Trustees voted unanimously to approve the motion.

The presentation regarding the Fiscal Year 2024 ERFC Board of Trustees meeting schedule was posted to BoardDocs.

New Business

Ms. Zhi announced that ERFC received the SPQA award for "Progress in Performance Excellence." The Trustees congratulated the staff and thanked them for their work on the award.

Fiscal Year 2025 Proposed Budget

Mr. McCarty reviewed the fiscal year 2025 proposed budget and the proposed revisions to the fiscal year 2024 budget. He noted that the proposed revised FY2024 budget reflects a \$6.2 million reduction in expenditures, and that the FY2025 proposed budget reflects a 4.0% increase in expenditures over the proposed revised FY2024 budget. He explained that the reduction in expenditures for FY2024 related to investment expenses and is largely attributable to a change in how investment expenses are recognized. The proposed FY2025 budget increases are primarily attributable to member benefit payments and investment service fees. Mr. McCarty, Ms. Zhi, and Mr. Bala responded to questions from the Trustees.

Ms. Pfeffer-Hahn **moved that the Board of Trustees recommend to the School Board approval of the ERFC Proposed FY 2025 budget and the revisions to the FY 2024 budget, as presented.** Mr. Quan seconded the motion. The Trustees voted unanimously to approve the motion.

The FY2025 Proposed Budget and presentation were posted to BoardDocs.

Internal Control Examination

Ms. Zhi reviewed the Internal Controls Examination Policy, which requires an independent examination of the effectiveness of ERFC's internal controls over financial reporting when a new or updated operations system is implemented and at least every eight years. The most recent Internal Controls Examination was conducted in 2015. Ms. Zhi presented different options regarding who could conduct the examination. Ms. Zhi responded to questions from the Trustees.

Ms. Pfeffer-Hahn **moved that the Board of Trustees authorize an Internal Control Examination to be conducted by auditor Cherry Bekaert**. Mr. Quan seconded the motion. Mr. McConagha abstained from voting on this motion. The remaining Trustees voted unanimously to approve the motion.

The Internal Control Examination presentation was posted to BoardDocs.

Consultants

Investment Performance

Mr. Sevier reviewed current market conditions, the flash report on portfolio performance, and asset allocations for the period ending August 31, 2023. He noted that except for domestic fixed income, all asset allocations are within long-term target ranges. He reported that ERFC's total return for the one-month ending August 31, 2023, was -1.5% compared to the benchmark return of -1.7% for the same period. ERFC's total return for the fiscal year-to-date was -0.1% compared to the benchmark return of 0.4% for the same period, and the year-to-date return was 5.2% compared to the benchmark return of 6.2% for the same period. He reported that the returns for the three-, five-, and ten-year periods, and since inception, were strong and outperformed the policy index. Ms. Guillette noted that Segal Margo is continuing to monitor closely William Blair and Lazard, but that Segal Marco is not recommending any changes at this time. Mr. Sevier and Ms. Guillette answered questions from the Trustees.

Mr. Sevier reviewed the Quarterly Investment Performance Report for the Period Ending June 30, 2023.

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

Alternative Markets Education

Ms. Guillette reviewed different types of alternative market investments. She noted that alternative markets such as private equity, private debt, real estate, and infrastructure have attractive risk return characteristics, but also introduce

new risks and fees that require measurement and monitoring. Ms. Guillette and Mr. Haggerty answered questions from the Trustees.

Segal Marco's presentation on alternative markets was posted to BoardDocs.

Private Market Performance Report

Mr. Haggerty and Mr. Singh reviewed the private markets program as of August 31, 2023, and discussed current market conditions. They reviewed recent commitments made to Atalaya Asset Income Fund Evergreen, L.P., Kinterra Battery Metals Mining Fund, L.P., and Tiverton AgriFinance III, L.P.

Mr. Toczykowski introduced the natural resources portfolio discussion. Mr. Toczykowski reviewed different sub-sector categories of natural resources and a few case studies on specific investment managers.

Mr. Haggerty, Mr. Singh, and Mr. Toczykowski answered questions from ERFC staff and the Trustees, including questions from Dr. AlQudwa about risk analysis and asset class exposure of specific funds.

Meketa's quarterly and monthly reports and investment memoranda were posted to BoardDocs.

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

Staff Reports

Finance Report

Ms. Zhi reported that ERFC received the FY22 GFOA Certificate of Achievement for Excellence in Financial Reporting. She reported that the FY23 external audit is underway, and that the FY23 Annual Comprehensive Financial Report is on schedule.

The GFOA Certificate of Achievement for Excellence in Financial Reporting was posted to BoardDocs.

Operations and Communications Report

Ms. O'Neal reviewed ERFC's recent events and efforts to engage new hires. Ms. O'Neal also reviewed the education initiatives in the current 2022-2024 Strategic Plan. She updated the Trustees on future improvements to ERFC's operations,

including the new website targeted to launch before the end of the year. Ms. O'Neal responded to questions from the Trustees.

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

Ms. O'Neal also reviewed the SPQA award and reported on the presentation to SPQA.

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

Investment Report

Mr. AlQudwa reported that all managers are currently in compliance with ERFC guidelines.

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

Ms. Pfeffer-Hahn **moved that the Board of Trustees go into Closed Session, including Mr. Gary Gordon, authorized ERFC staff and legal counsel, to discuss personal and legal matters, specifically the member appeal submitted by Gary Gordon, according to Virginia Code Sections 2.2-3711.A.4 and 2.2-3711.A.8, respectively**. Mr. Quan seconded the motion. The Trustees voted unanimously to go into Closed Session for personal and legal matters at 2:04pm.

Mr. Gordon departed the Closed Session at 2:16pm.

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 2:52pm.

Ms. Pfeffer-Hahn **moved to certify that only personal and legal matters were discussed or considered by the Board of Trustees while in Closed Session**. Mr. Smith 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 granted Gary Gordon's appeal to change his benefit payment type, subject to his repayment to ERFC of the difference in amount previously paid.** Mr. Quan seconded the motion. The Trustees voted unanimous approval.

Adjournment

Ms. Adams updated the Trustees on a request to provide a quote for a press release to be issued by JLL regarding ERFC's move to its new location. Ms. Adams also reported that EFL Associates is working on the search for a new Executive Director for ERFC.

Ms. Pfeffer-Hahn **moved to adjourn the Board of Trustees meeting.** Mr. Quan seconded the motion. Mr. Smith was not present for the vote. The remaining Trustees voted unanimously to adjourn the meeting.

The meeting was adjourned at 2:55pm.

**Next Meeting – October 27, 2023
(Board of Trustees Meeting)
(in-person)**