



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



A Fiduciary Component Unit of Fairfax County, Virginia

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Three systems...
one team.



A Fiduciary Component Unit of Fairfax County, Virginia

This report was prepared by the financial,
administrative and investment staff of the
Fairfax County Employees' Retirement System.

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INTRODUCTORY





INTRODUCTORY





County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 16, 2023

Dear Members of the Board of Trustees:

I am pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the Fairfax County Employees' Retirement System (System) for the fiscal year ended June 30, 2023. This ACFR is provided as an aid to understanding the structure and evaluating the status of the System. The System's management is responsible for the accuracy of financial information contained herein. The Management's Discussion and Analysis provides further detail to the financial statements.

History

The Fairfax County Supplemental Retirement System was established on July 1, 1955. On February 26, 2001, the name of the System was changed to the Fairfax County Employees' Retirement System. In previous years, Fairfax County Employees' Retirement System reported the plan as a cost-sharing multiple employer defined benefit plan. The System is considered as a single employer public employee retirement system providing defined benefit pension plan coverage to full-time and certain part-time Fairfax County, and its component units, employees who are not covered by the Fairfax County Police Officers Retirement System, the Fairfax County Uniformed Retirement System, the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) or the Virginia Retirement System (VRS). There were 13,783 active members, 742 in the Deferred Retirement Option Program (DROP), 2,735 terminated vested, and 11,065 retirees participating in the System as of June 30, 2023. For calculations surrounding the Total Pension Liability and its components, Cheiron, the System's actuary, used June 30, 2023, as the measurement date which coincides with the actuarial valuation date.

Provisions

The benefit provisions of the System are established by County Ordinance. The System provides normal service retirement and early service retirement benefits for members who attain age or service requirements. Coverage for service-connected disability benefits is immediate upon membership in the System. Ordinary (non-service-related) disability benefits are provided after the attainment of five years of service. Members are vested after five years of service and are eligible for benefits at the early or normal service retirement date.



Fairfax County Retirement Systems
12015 Route 50, Suite 350, Fairfax, VA 22033
Phone: 703-279-8200 * 1-800-333-1633 * Fax: 703-273-3185
www.fairfaxcounty.gov/retirement/

Capital Markets and Economic Conditions

In fiscal year 2023, the system returned -1.77%, gross of fees (-2.48% net of fees), ranking in the 98th percentile of all public funds in the BNY Mellon Total Public Fund Universe. For the three, five, and ten-year periods (annualized), the system returned gross of fees, +7.62% (+6.04% net of fees), ranking in the 68th percentile, +6.72% gross of fees (+5.45% net of fees) ranking in the 56th percentile, and +6.44% gross of fees (+5.57% net of fees) ranking in the 88th percentile respectively. Additional details on the markets and the System's investments are provided in the Investment Section.

Internal and Budgetary Controls

The System's management is responsible for the financial information presented in this report in accordance with U.S. Generally Accepted Accounting Principles. Proper internal accounting controls exist to provide reasonable, but not absolute, assurance for both the safekeeping of assets and the fair presentation of the financial statements. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Investment Policies and Strategies

The Board of Trustees (Board) has adopted the Employees' Retirement System Investment Policy Statement. This Statement establishes the investment goals, guidelines, constraints, and performance standards that the Board of Trustees uses when exercising its fiduciary duties to manage the investment assets of the System. The Board operates in conformity with the standard of care required in making investments as stated in the Code of Virginia §51.1-803. Please see Note 3 in the Financial Section of this report for a description of this standard of care and details on the System's investment policies and strategies.

The Board receives quarterly reporting from staff to ensure compliance with its stated objectives and policy. Staff also monitors the performance of the System and its investment managers and updates the Board monthly throughout the year. Rate of return information included in the Investment Section is calculated using a time-weighted rate of return and is provided by BNY Mellon.

Securities of the System, except for the pooled funds and the County's pooled cash and temporary investments, are held in safekeeping, on the System's behalf, by BNY Mellon Asset Servicing as agent. The BNY Mellon Financial Corporation, the parent company, carries Financial Institution bond insurance coverage including a Computer Crime Policy. An additional Excess Securities policy covers all risk of physical loss to securities.

Funded Status

An actuarial valuation of the System to determine funding requirements is performed annually. The System's funding policy provides for periodic employer contributions at actuarially determined rates, which are calculated as a percentage of covered payroll, and are adjusted as necessary to accumulate sufficient assets to meet the costs of benefit payments when due. As of the latest annual valuation, performed as of June 30, 2023, the ratio of the market value of assets to total pension liabilities for benefits decreased from 72.10 percent to 66.90 percent. The actuarial section contains further information on the results of the June 30, 2023, valuation.

Based on the June 30, 2021, actuarial valuation, the employer contribution rate for 2023 following the adopted corridor-based funding policy remained at 28.88 percent. Working in concert with the County's Chief Financial Officer, the System's actuary (Cheiron) and other County staff, efforts continue to improve the funded status of the Plan. As a result of this work, and as referenced above, the County has increased the employer contribution rate above what was required by the adopted corridor-based funding policy for three consecutive years.

Major Initiatives

During fiscal year 2023, the Deputy Director position was reestablished and staffed; with Brad Baker joining the team in that role. This, along with new members of the team replacing the retiring Managers of Accounting and Technology, bring new perspectives and talents to the Retirement team.

This year, we also developed an email-based retiree newsletter, conducted several virtual retiree meetings on topics of interest, and redesigned the retiree-related pages on the Retirement website.

We also created two additional staff positions on the investment team, for succession planning purposes and to supplement existing staff. These positions are in the process of being filled and will be on board by the middle of fiscal year 2024.

Finally, we implemented an educational learning management solution for Board member education and to assist them in their duties as fiduciaries.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Fairfax County Employees' Retirement System for its ACFR for the fiscal year ended June 30, 2022. This was the thirteenth consecutive year that the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Fairfax County Retirement Systems received the Public Pension Standards Award for Funding and Administration for the fiscal year ended June 30, 2023, from the Public Pension Coordinating Council (PPCC), in recognition of meeting the professional standards for plan funding as set forth in the Public Pensions Standards. The PPCC is a confederation of the National Association of the State Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement.

Other Information

Independent Audit and Actuarial Certifications

Cherry Bekaert LLP performed an annual audit of the financial statements of the System to obtain reasonable assurance about whether the financial statements are free from material misstatements, whether due to fraud or error. Additionally, Cheiron performed an annual actuarial valuation to assess the plan's ability to meet future obligations. The report of independent auditor and certification from the actuary are included in this report.

Acknowledgments

This report is intended to provide complete and reliable information for determining the financial status of the System. It is being submitted to the Board of Supervisors and other interested parties and is available to the public via the County's website located at www.fairfaxcounty.gov/retirement/.

This annual report for the Employees' Retirement System is the result of the hard work of the System's Accounting team, as assisted by other members of the Retirement Systems team.

As always, I am very thankful and feel privileged to lead the Retirement Systems team. These fine people work every day to provide the best-possible service and stewardship for the employees, retirees and citizens of Fairfax County. This year, however, I am particularly appreciative of their flexibility and diligence in adapting to a significant change in how we do business. That, along with the support of County technology and administrative resources, allowed us to continue to serve our members during the COVID-19 pandemic.

Finally, I must express my deep appreciation, on behalf of the 28,325 members and beneficiaries of the Employees' Retirement System, for your dedicated service as trustees.

Respectfully submitted,



Jeffery K. Weiler
Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Fairfax County Employees' Retirement System
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

Presented to

Fairfax County Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Board of Trustees

Ten members serve on the Fairfax County Employees' Retirement System Board of Trustees. Four of the members are citizens appointed by the Fairfax County Board of Supervisors. Three of the members are elected by Fairfax County Government employees, Fairfax County Public Schools employees, and Fairfax County retirees respectively. The Director of Human Resources, the Director of Finance, and the Coordinator from the Office of Benefit Services, Fairfax County Public Schools serve as Ex-Officio members.



Robert C. Carlson - *Chairman*
Board of Supervisors Appointee
Term Expires: July 31, 2024



John M. Yeatman - *Vice Chairman*
Elected Retiree Trustee
Term Expires: December 31, 2026



Christopher J. Pietsch - *Treasurer*
Ex-Officio Trustee
Fairfax County Director of Finance



Ricky L. Brown - Elected Member Trustee
Fairfax County Government
Term Expires: June 30, 2025



Anthony H. Griffin
Board of Supervisors Appointee
Term Expires: June 30, 2023



Terry Kellogg - Ex-Officio Trustee
Office of Benefit Services
Fairfax County Public Schools



Jon A. Miskell, Jr.
Board of Supervisors Appointee
Term Expires: July 31, 2026



Kevin L. North
Board of Supervisors Appointee
Term Expires: August 31, 2025



Catherine M. Schafrik
Ex-Officio Trustee
Fairfax County Director of Human Resources



Daniel T. McGraw - Elected Member Trustee
Fairfax County Public Schools
Term Expires: June 30, 2027

Administrative Organization

Administrative Staff

Jeffrey K. Weiler
Executive Director

Brad D. Baker
Deputy Director

Andrew J. Spellar
Chief Investment Officer

Investment Managers

Aberdeen Asset Management, Inc	London, United Kingdom
AlphaSimplex Group, LLC	Cambridge, MA
Apollo Financial Credit Investment, LLC	New York, NY
AQR Capital Management, LLC	Greenwich, CT
Aspect Capital Ltd	London, United Kingdom
Axiom International Investors, LLC	Greenwich, CT
BlackRock, Inc	San Francisco, CA
Blockchain Capital	San Fransisco, CA
Blue Owl Capital, Inc	New York, NY
Brandywine Global Investment Management, LLC	Philadelphia, PA
Bridgewater Associates, LP	Westport, CT
Cohen & Steers Capital Management, Inc	New York, NY
Crabel Capital Management, Inc	Los Angeles, CA
Credit Suisse Asset Management, LLC	New York, NY
Crestline Management	Fort Worth, TX
Czech Asset Management, LP	Old Greenwich, CT
DePrince, Race & Zollo, Inc	Los Angeles, CA
DoubleLine Capital, LP	Los Angeles, CA
DWS	Chicago, IL
EJF Capital, LLC	Arlington, VA
Fairfax County Retirement	Fairfax, VA
Florin Court Capital LLP	London, United Kingdom
Frazier Healthcare Partners	Menlo Park, CA
Hoisington Investment Management, Co	Austin, TX
Investcorp, LLC	New York, NY
ITE Management, LP	New York, NY
JPMorgan Investment Management, Inc	New York, NY

Investment Managers

Kirkoswald Asset Management, LLC	New York, NY
Landmark Partners	Simsbury, CT
Lavrock Ventures	McLean, VA
Lazard Asset Management, LLC	New York, NY
Lombard Odier Asset Management, Co	New York, NY
Man Asset Management, Ltd	London, United Kingdom
Marathon Asset Management, LLP	London, United Kingdom
Marathon Asset Management, LP	New York, NY
Millennium Management, LLC	New York, NY
Morgan Creek Capital Management, LLC	Chapel Hill, NC
Onyxpoint Global Management, LP	New York, NY
Parametric Portfolio Associates, LLC	Minneapolis, MN
Parataxis	New York, NY
PIMCO	Newport Beach, CA
Pinnacle Associates GP, LLC	New York, NY
Polychain Capital	San Francisco, CA
Prudential Global Investment Management	Newark, NJ
Red Tree Venture Capital	Redwood City, CA
Roundhill Music Royalty Partners	New York, NY
Sands Capital Management, LLC	Arlington, VA
Second Foundation Partners	Westport, CT
Section Partners	Palo Alto, CA
Shenkman Capital Management, Inc	New York, NY
Solus Alternative Asset Management	Pittsburgh, PA
The Hive	Palo Alto, CA
Two Sigma	New York, NY
Van Eck Securities Corporation	New York, NY
Vanguard	King of Prussia, PA
Verition	Greenwich, CT
WCM Investment Management	Laguna Beach, CA

Professional ServicesActuary

Cheiron
Actuaries
McLean, VA

Independent Auditor

Cherry Bekaert LLP
Certified Public Accountants
Orlando, FL

Custodian Bank

BNY Mellon Asset Servicing
Pittsburgh, PA

Legal Counsel

Morgan, Lewis & Bockius LLP
Washington, DC

Schedule of fees and schedule of commissions are located in the Investment Section, pages 68-69.

Organization Chart



Board of Supervisors

*Kathy L. Smith, Penelope A. Gross, Dalia A. Palchik, James R. Walkinshaw
Walter L. Alcorn, Pat Herrity, Daniel G. Storck, Jeffrey C. McKay, John W. Foust, Rodney L. Lusk*

Board of Trustees

(Ten Members - see page 7)

*Ricky L. Brown, Robert C. Carlson, Anthony H. Griffin, Terry Kellogg, Daniel T. McGraw,
Jon A. Miskell, Jr., Kevin L. North, Christopher J. Pietsch, Catherine M. Schafrik, John M. Yeatman*



Executive Director
Jeffrey K. Weiler



Deputy Director
Brad D. Baker



Chief Investment Officer
Andrew J. Spellar

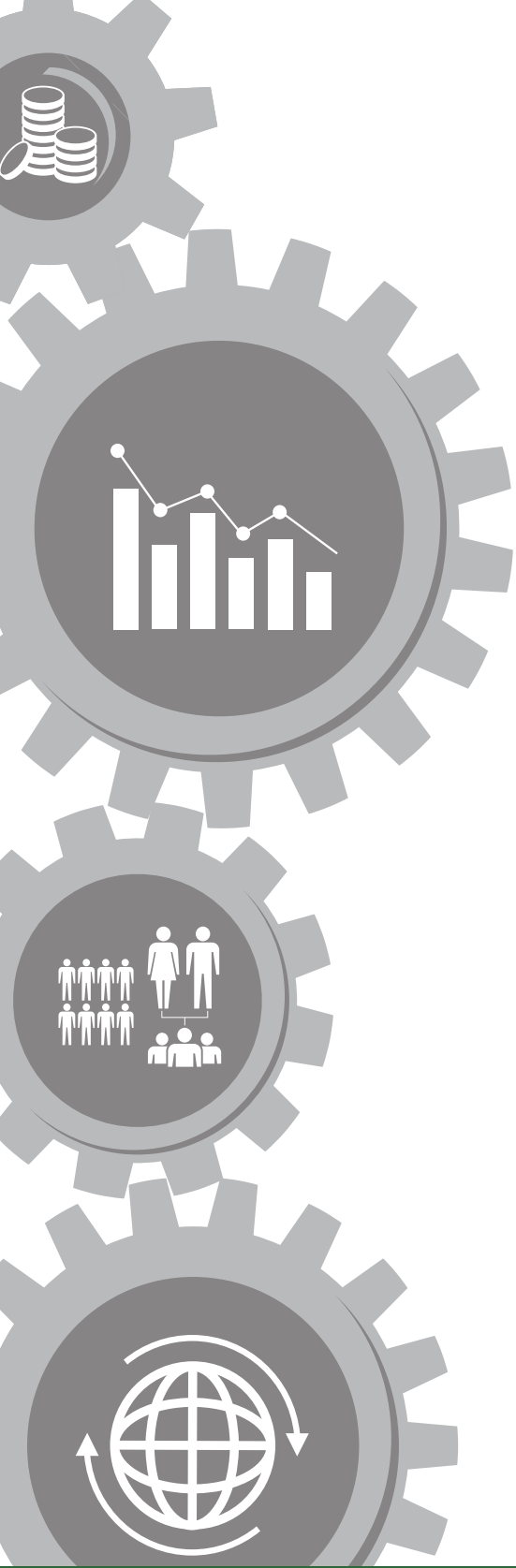
Retirement Systems Management Team

*Robert Harvey - Technology
Michelle Pagano-Dierkes - Accounting and Financial Reporting
John Prather - Membership Services
Jennifer Snyder - Investment Operations
Meir Zupovitz - Retiree Services
Vacant - Communications*



FINANCIAL





FINANCIAL





Report of Independent Auditor

To the Board of Supervisors
County of Fairfax, Virginia

To the Board of Trustees
Fairfax County Employees' Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Fairfax County Employees' Retirement System (the "System"), a fiduciary component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The accompanying other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control over financial reporting and compliance.



Orlando, Florida
November 16, 2023

Management’s Discussion and Analysis
(Unaudited)

This section presents management’s discussion and analysis of the Fairfax County Employees’ Retirement System’s (“System” or “Plan”) financial performance and provides an overview of the financial activities for the fiscal year ended June 30, 2023. The information in this section should be reviewed in conjunction with the Letter of Transmittal located in the Introductory Section.

Overview of Financial Statements and Accompanying Information

The financial presentation is composed of four parts: (1) the financial statements; (2) notes to the financial statements; (3) required supplementary information and (4) other supplementary information. Below is the summary of the information provided in each of these sections.

Financial Statements

The System presents the Statement of Fiduciary Net Position as of June 30, 2023, and Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2023. The Statement of Fiduciary Net Position provides a snapshot of the financial position. It reports the assets, liabilities and resulting net position restricted for pension benefits. The Statement of Changes in Fiduciary Net Position presents the Plan’s transactions under the categories of Additions and Deductions. Additions include contributions from the County and by participating employees, net appreciation (depreciation) in the fair value of investments, dividend and interest income. Investment income is reduced by investment-related expenses such as asset management fees, custody charges and consulting fees. Deductions include outlays for monthly pension benefits, death benefits, refunds of contributions to employees and fees paid for professional services and administrative expenses.

Notes to the Financial Statements

The Notes to the Financial Statements are an integral part of the financial statements and include additional information and schedules to provide a better understanding of the fiduciary fund financial statements. The Notes to the Financial Statements include detailed information that is not readily evident in the financial statements such as the accounting policies, plan membership and benefits, and summary disclosures. Specifically:

- Note 1 Describes significant accounting policies.
- Note 2 Provides a description of the System, the funding policy, and member contributions and benefits.
- Note 3 Describes the investments and disclosures on fair value hierarchy, interest rate, credit quality, foreign currency risk, derivatives disclosures, and security lending.
- Note 4 Describes the net pension liability, actuarial method and assumptions.
- Note 5 Discusses the accounting of subscription-based information technology arrangements (SBITAs), the right-to-use subscription asset, and a subscription liability.
- Note 6 Explains the System’s tax status.

Required Supplementary Information

This section consists of historical trend exhibits such as the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Net Pension Liability, Schedule of Employer Contributions accompanied by the Notes to Schedule of Employer Contributions and Schedule of Money-Weighted Rate of Return. A Summary of Significant Changes to the Pension System is also included.

Other Supplementary Information

This section includes the Schedule of Administrative Expenses and the Schedule of Investment and Consultant Expenses.

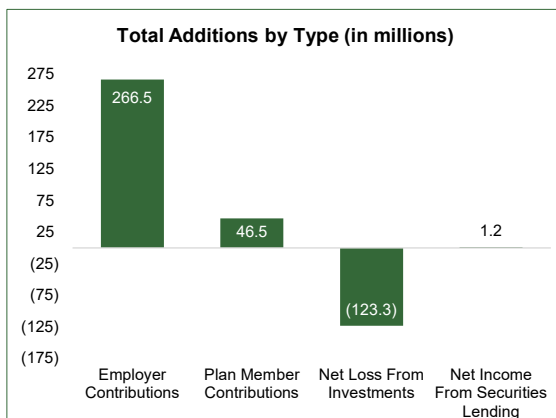
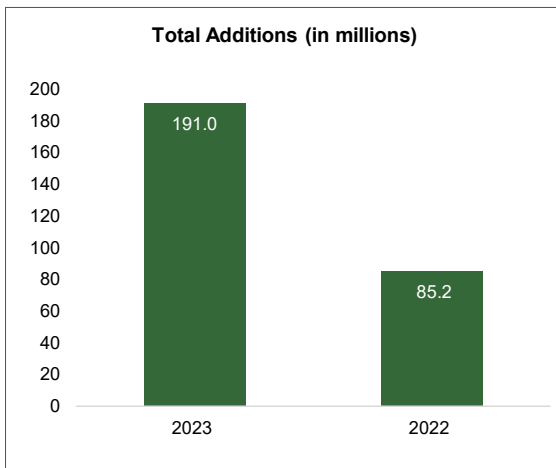
The Required Supplementary Information and Other Supplementary notes are immediately following the Notes to the Financial Statements.

Management’s Discussion and Analysis
(continued)

Financial Highlights

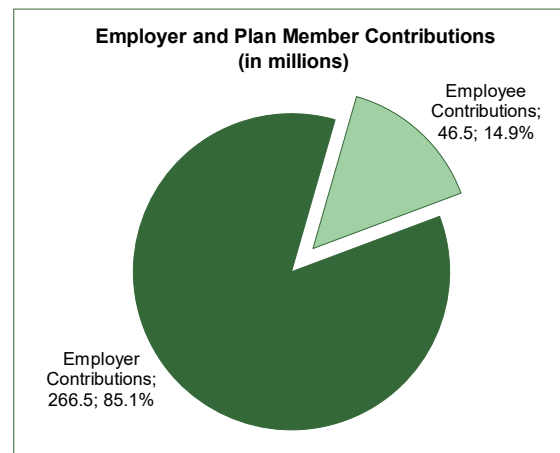
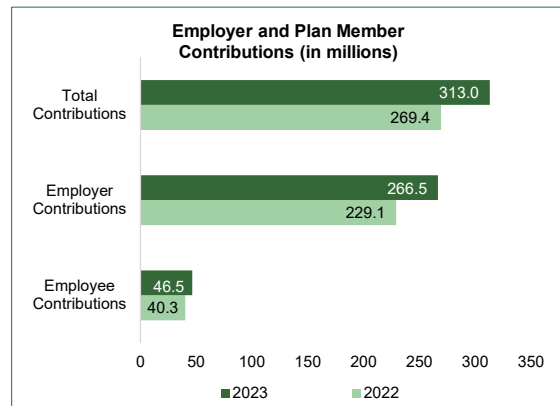
The net position restricted for pension benefits as of June 30, 2023, and June 30, 2022, was \$4,651.8 million and \$4,857.1 million, respectively. The net position restricted for pension benefits representing assets available to pay for current and future member pension benefits, decreased by \$205.3 million or 4.2 percent.

Total additions to fiduciary net position has increased from \$85.2 million in 2022 to \$191.0 million in 2023.



Net loss from investments (excluding securities lending) was reduced year over year by 33.7 percent from a loss of \$185.9 million in 2022 to a loss of \$123.3 million in 2023. The net money-weighted rate of return on investments on a fair value basis was -2.86 percent in fiscal year 2023, and has increased from -3.54 percent in fiscal year 2022.

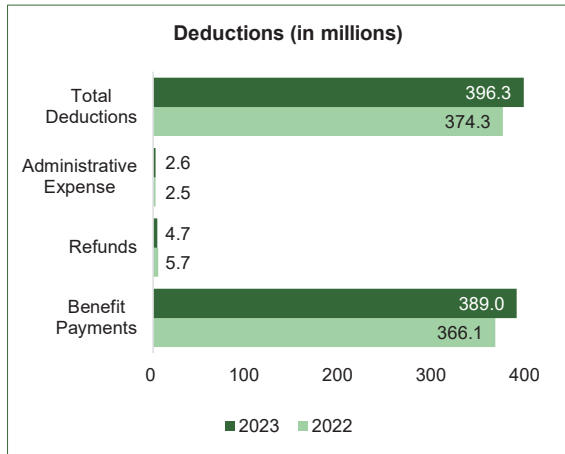
Employer and employee contributions received during the year totaled to \$313.1 million, an increase of 16.2 percent or \$43.7 million compared to 2022 received contributions of \$269.4 million. The employer contributions increased by 16.3 percent from \$229.1 million in fiscal year 2022 to \$266.5 million in fiscal year 2023. The employee contributions increased by 15.6 percent from \$40.3 million in fiscal year 2022 to \$46.5 million in fiscal year 2023.



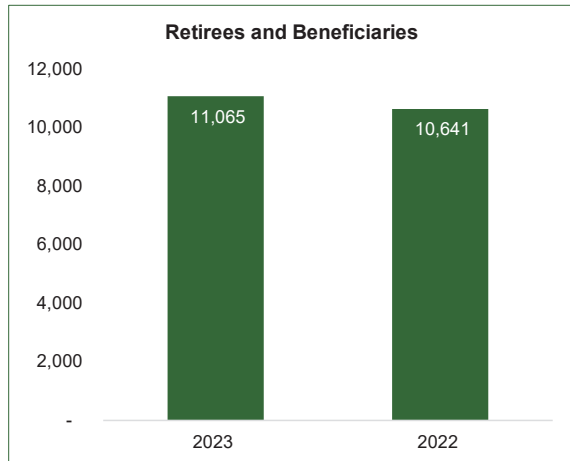
Management’s Discussion and Analysis
(continued)

Total deductions from fiduciary net position increased by \$22.0 million from \$374.3 million in 2022 to \$396.3 million in 2023. Member retirement benefit payments of \$389.0 million in 2023 make up the majority of total deductions and increased by \$22.9 million or 6.2 percent from \$366.1 million in 2022. The number of retired members and beneficiaries receiving a benefit payment increased 4.0 percent from 10,641 to 11,065 payees as of June 30, 2023.

The net pension liability as calculated per Generally Accepted Accounting Principles in the United States of America (GAAP) as of June 30, 2023, and June 30, 2022, was \$2,302.0 million and \$1,879.5 million, respectively. The plan fiduciary net position as a percentage of total pension liability as of June 30, 2023, and June 30, 2022, was 66.90 percent and 72.10 percent, respectively. The net pension liability as a percentage of covered payroll has increased from 236.91 percent in fiscal year 2022 to 249.42 percent in fiscal year 2023. The covered payroll increased from \$793.3 million in fiscal year 2022 to \$922.9 million in fiscal year 2023.



	2023	2022
Net Pension Liability (in millions)	\$2,302.0	\$1,879.5
Net Position as Percentage of TPL	66.90%	72.10%
Covered Payroll (in millions)	\$922.9	\$793.3
Net Pension Liability as Percentage of Covered Payroll	249.42%	236.91%



Management's Discussion and Analysis

(continued)

Financial Analysis

Plan Fiduciary Net Position

When viewed over time, increases or decreases in plan fiduciary net position can be used to measure the financial condition of a pension plan.

For fiscal year 2023, the fiduciary net position of the Employees' Retirement System decreased 4.2 percent, resulting in a total fiduciary net position value of \$4,651.8 million, reflecting a decrease of \$205.3 million over fiscal year 2022.

Total assets as of June 30, 2023, were \$5,515.7 million, representing an increase of \$274.7 million, or 5.2 percent over the previous fiscal year. The main component of the increase was due to the \$510.2 million increase in receivables from \$219.0 million in fiscal year 2022 to \$729.2 million in fiscal year 2023.

The table below details the Employees' Retirement System's net position for the current and prior fiscal year.

Net Position for Current and Prior Fiscal Year			
Fiscal Year	Ending Balances (millions)	Net Change in Dollars (millions)	Net Change in Percent
2023	\$4,651.8	-\$205.3	-4.2%
2022	4,857.1	-289.1	-5.6%

Summary of Plan Fiduciary Net Position				
Assets	2023	2022	Difference	Percentage of Change
Total Cash and Investments	\$4,662,404,261	\$4,845,016,259	(\$182,611,998)	-3.8%
Cash Collateral, Securities Lending	123,370,903	176,934,112	(53,563,209)	-30.3%
Capital Assets, net	732,786	43,307	689,479	1592.1%
Total Receivables	<u>729,157,486</u>	<u>219,005,529</u>	<u>510,151,957</u>	232.9%
Total Assets	5,515,665,436	5,240,999,207	274,666,229	5.2%
Liabilities				
Purchase of Investments	\$725,461,689	\$192,212,753	\$533,248,936	277.4%
Cash Collateral, Securities Lending	123,370,903	176,934,112	(53,563,209)	-30.3%
Accounts Payable and Others	<u>14,996,638</u>	<u>14,732,751</u>	<u>263,887</u>	1.8%
Total Liabilities	<u>863,829,230</u>	<u>383,879,616</u>	<u>479,949,614</u>	125.0%
Net Position Restricted for Pension Benefits	<u>\$4,651,836,206</u>	<u>\$4,857,119,591</u>	<u>(\$205,283,385)</u>	-4.2%

Management's Discussion and Analysis
(continued)

Total liabilities as of June 30, 2023, were \$863.8 million, representing an increase of \$479.9 million, or 125.0 percent, over the previous year. There was a 0.9 percent decrease in accrued expenses, including the year-end accrual for management fees. In addition, the increase in the liability is brought by the increase in accounts payable due to purchases of investments by \$533.2 million, or 277.4 percent, and is offset by a decrease in the securities lending cash collateral by \$53.6 million or 30.3 percent.

The Plan's investments are exposed to various risks including interest rate, market and credit risks. These risks may be influenced by changes in economic conditions and market conditions. Therefore, it is reasonable to assume that there will be changes in the values of the investments held in trust which could materially affect the amounts reported in the financial statements. Detailed information on investment results are in the Investment Section of this report.

The total assets of \$5,515.7 million exceeded its liabilities of \$863.8 million at the close of the Plan year ended June 30, 2023, with \$4,651.8 million in fiduciary net position restricted for pension benefits.

	2023	2022	Difference	Percentage of Change
Accrued Expenses (in thousands)	\$8,172.6	\$8,248.2	(\$75.6)	-0.9%

Summary of Additions and Deductions				
	2023	2022	Difference	Percentage of Change
Additions				
Employer Contributions	\$266,535,889	\$229,114,059	\$37,421,830	16.3%
Plan Member Contributions	46,534,884	40,269,006	6,265,878	15.6%
Net Income/(Loss) from Investments	(123,328,356)	(185,899,915)	62,571,559	33.7%
Net Income from Securities Lending	<u>1,234,745</u>	<u>1,687,963</u>	<u>(453,218)</u>	-26.8%
Total Additions	190,977,162	85,171,113	105,806,049	124.2%
Deductions				
Benefit Payments	\$388,978,677	\$366,112,271	\$22,866,406	6.2%
Refunds	4,716,049	5,694,611	(978,562)	-17.2%
Administrative Expense	<u>2,565,821</u>	<u>2,477,066</u>	<u>88,755</u>	3.6%
Total Deductions	<u>396,260,547</u>	<u>374,283,948</u>	<u>21,976,599</u>	5.9%
Net Increase/(Decrease)	<u>(\$205,283,385)</u>	<u>(\$289,112,835)</u>	<u>\$83,829,450</u>	-29.0%

	2023	2022	Difference	Percentage of Change
Dollars (in thousands)				
Interest	\$24,086.1	\$36,919.5	(\$12,833.4)	-34.8%
Dividends	<u>18,041.6</u>	<u>21,391.8</u>	<u>(3,350.1)</u>	-15.7%
Total	<u>\$42,127.7</u>	<u>\$58,311.3</u>	<u>(\$16,183.5)</u>	-27.8%

Management’s Discussion and Analysis
(continued)

Additions and Deductions

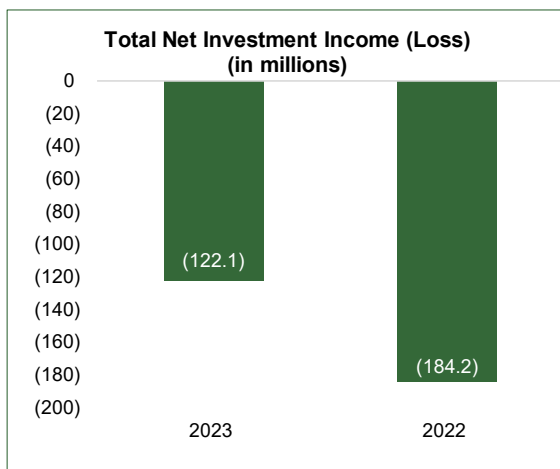
Total additions to the retirement fund consist of contributions from employers and active members and changes in the value of assets. Total additions increased by \$105.8 million or 124.2 percent, attributed primarily due to the decrease in net loss from investments in fiscal year 2023 versus the net loss from investments in fiscal year 2022. The employer contributions also experienced an increase of \$37.4 million, or 16.3 percent. The significant increase in total additions was due to the changes in market environment in fiscal year 2023.

Total contributions for the fiscal year ended June 30, 2023, amounted to \$313.1 million. This was an increase of \$43.7 million when compared with the activity of fiscal year 2022. The employer contributions for fiscal year 2023 increased by 16.3 percent. Employee contributions increased by 15.6 percent. The increases in employer and employee contributions are primarily due to an overall rise in salary based on a cost-of-living adjustment (COLA) for contributing membership from 2.6 percent in fiscal year 2022 to 4.0 percent in fiscal year 2023. These increases are also impacted by other factors including buybacks, the timing of members coming in and out of the plan, and the number of pay periods fluctuating from year to year.

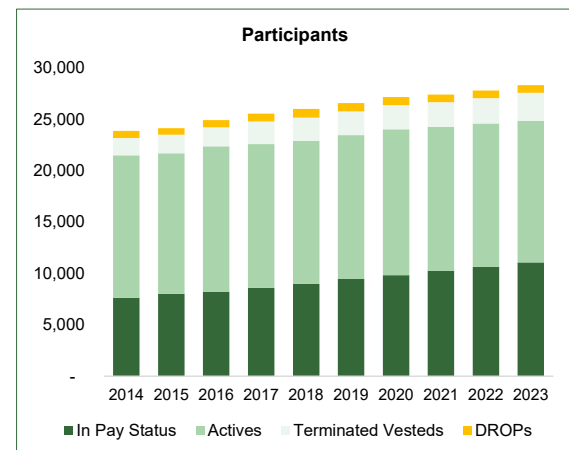
Investment returns had an upturn for fiscal year 2023 compared to fiscal year 2022, reflecting a bounce back in equity returns over the course of the year. Total net investment income (including securities lending) increased from a loss of \$184.2 million in fiscal year 2022 to a loss of \$122.1 million in fiscal year 2023.

Total deductions of the System consist of the payments of benefits to retirees and beneficiaries, the refund of contributions to former members and the cost of administering the System. The total deductions for fiscal year 2023 were \$396.3 million, an increase of \$22.0 million, or 5.9 percent, over fiscal year 2022.

Regular pension benefit payments increased as the number of retirees and beneficiaries receiving benefit payments rose to 11,065 in fiscal year 2023 from 10,641 in fiscal year 2022. Benefit payments also increased due to a cost-of-living adjustment increase of 4.0 percent and higher average benefits for new retirees. Refunds reflected a 17.2 percent decrease due to less employees asking for refunds or lower balance of refunded amount.

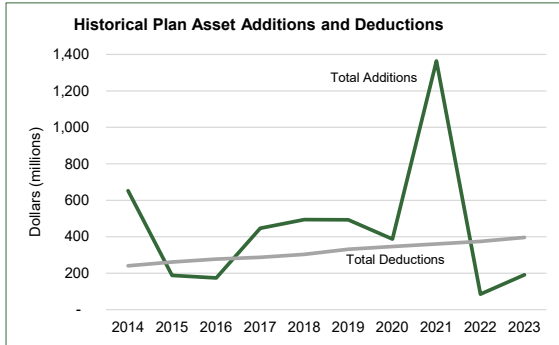


Participant Count	2023	2022
Actives	13,783	13,943
DROP Members	742	734
Terminated Vesteds	2,735	2,475
Retirees and Beneficiaries in Payment Status	<u>11,065</u>	<u>10,641</u>
Total	<u>28,325</u>	<u>27,793</u>



Management’s Discussion and Analysis
(continued)

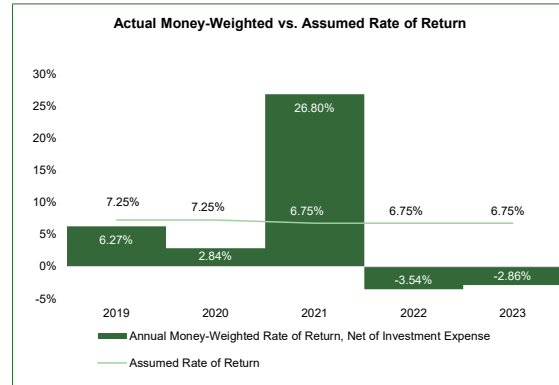
Historical additions to and deductions from fiduciary net position indicate a pattern of steadily increasing deductions as compared to fluctuating additions as a result of the unpredictable market environment.



The System utilizes two methodologies when analyzing investment returns. They may vary from each other in any given period. For GAAP accounting valuation purposes, a money-weighted return is used. A money-weighted rate of return calculates the investment performance accounting for all cash flows (contributions and withdrawals) occurring during the performance measurement period. The System’s investment returns, net of fees, on a money-weighted rate of return increased from -3.54 percent in fiscal year 2022 to -2.86 percent in fiscal year 2023.

For investment performance reporting purposes, the System relies on a time-weighted approach. A time-weighted rate of return minimizes the impact of cash flows occurring throughout the measurement period. This methodology allows the System to compare its investment performance with relevant benchmark returns, as well as its performance with other pension plans. The System’s investment returns, net of fees, on a time-weighted rate of return increased from -3.65 percent to -2.48 percent in fiscal year 2023.

The annual money-weighted rate of return of -2.86 percent did not exceed the assumed 6.75 percent rate of return, net of fees, for the year ended June 30, 2023.



An actuarial valuation is performed annually by Cheiron. The actuarial value of the assets as of the last valuation on June 30, 2023, was \$5,125.2 million, while actuarial liabilities as of the same period was \$6,953.8 million. As of June 30, 2023, the date of the most recent actuarial valuation, the funded ratio of the System was 73.70 percent. This was a decrease of 2.06 percent from the June 30, 2022, valuation funded ratio of 75.76 percent.

Under GAAP calculation, using the December 31, 2022, data rolled forward to June 30, 2023, the plan fiduciary net position as a percentage of the total pension liability was 66.90 percent. It decreased from 72.10 percent in fiscal year 2022, as a result of the increase in Total Pension Liability and the decrease in Plan Fiduciary Net Position. The Total Pension Liability as of June 30, 2023, and June 30, 2022, was \$6,953.8 million and \$6,736.6 million, respectively. The Plan Fiduciary Net Position as of June 30, 2023, and June 30, 2022, was \$4,651.8 million and \$4,857.1 million, respectively.

Management's Discussion and Analysis

(Dollars in millions)	2023	2022
Actuarial Accrued Liability	\$6,953.8	\$6,736.6
Actuarial Value of Assets	<u>5,125.2</u>	<u>5,103.4</u>
Unfunded Actuarial Liability	<u>\$1,828.6</u>	<u>\$1,633.3</u>
Funding Ratio	73.70%	75.76%
Total Pension Liability	\$6,953.8	\$6,736.6
Plan Fiduciary Net Position	<u>4,651.8</u>	<u>4,857.1</u>
Net Pension Liability	<u>\$2,302.0</u>	<u>\$1,879.5</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.90%	72.10%

Contacting the System's Financial Management

This financial report is designed to provide our membership, the Board of Trustees and the County's Board of Supervisors with a general overview of the System's financial condition. If you have any questions about this report or need additional information, contact the Fairfax County Retirement System, 12015 Route 50, Fairfax, VA 22033. This report can also be found on the County's internet site at www.fairfaxcounty.gov/retirement/.

Financial Section**Basic Financial Statements****Statement of Fiduciary Net Position**

As of June 30, 2023

Assets

Cash and Short-Term Investments

Equity in County's Pooled Cash and Temporary Investments	\$22,893,353	
Cash Collateral Received for Securities on Loan	123,370,903	
Short-Term Investments	<u>(198,786,794)</u>	
Total Cash and Short-Term Investments		(\$52,522,538)

Capital Assets

Building Improvements, net	23,031	
Equipment, net	15,589	
Right-to-Use Subscription, net	<u>694,166</u>	
Total Capital Assets		732,786

Receivables

Accounts Receivable	9,051,428	
Accrued Interest and Dividends	8,768,273	
Investment Proceeds and Other Receivables	<u>711,337,785</u>	
Total Receivables		729,157,486

Investments

Common Stock	855,213,238	
Preferred Securities	259,271	
Fixed Income		
Asset-Backed Securities	115,897,948	
Corporate Bonds	241,270,325	
International Bonds	246,140,736	
U.S. Government Obligations	489,261,650	
Pooled and Mutual Funds	<u>2,890,254,534</u>	
Total Investments		<u>4,838,297,702</u>
Total Assets		5,515,665,436

Current Liabilities

Investment Purchases and Other Liabilities	725,461,689
Cash Collateral Received for Securities on Loan	123,370,903
Accounts Payable and Accrued Expenses	13,956,846
Compensated Absences, Short-Term	87,897
Subscription Liability, Short-Term	265,489

Noncurrent Liabilities

Compensated Absences, Long-Term	288,373
Subscription Liability, Long-Term	<u>398,033</u>
Total Liabilities	<u>863,829,230</u>

Net Position Restricted for Pension Benefits	<u>\$4,651,836,206</u>
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See accompanying notes to financial statements.

Basic Financial Statements

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2023

Additions

Contributions

Employer	\$266,535,889	
Plan Members	<u>46,534,884</u>	
Total Contributions		\$313,070,773

Investment Income

Net Depreciation in Fair Value of Investments	(113,596,073)	
Interest and Other Investment Income	24,086,146	
Dividends	<u>18,041,647</u>	
Total Investment Loss	(71,468,280)	

Investment Activity Expense

Management Fees	(50,114,183)	
Custodial Fees	(145,252)	
Consulting Fees	(38,000)	
Allocated Administration Expense, Including Legal Fees	<u>(1,562,641)</u>	
Total Investment Expense	<u>(51,860,076)</u>	

Net Loss from Investment Activities		(123,328,356)
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Securities Lending Activities

Securities Lending Income	1,713,297	
Securities Lending Expense	<u>(478,552)</u>	

Net Income from Securities Lending Activities		<u>1,234,745</u>
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Total Net Investment Loss		<u>(122,093,611)</u>
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Total Additions		190,977,162
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Deductions

Annuity Benefits	371,480,267	
Disability Benefits	7,349,508	
Survivor Benefits	10,148,902	
Refunds of Employee Contributions	4,716,049	
Administrative Expenses	<u>2,565,821</u>	

Total Deductions		<u>396,260,547</u>
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Net Decrease		(205,283,385)
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Net Position Restricted for Pension Benefits

Beginning of Fiscal Year		<u>4,857,119,591</u>
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End of Fiscal Year		<u>\$4,651,836,206</u>
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See accompanying notes to financial statements.

Notes to the Financial Statements

The Fairfax County Employees' Retirement System ("System" or "Plan") is a single employer defined benefit pension plan considered part of the County of Fairfax, Virginia's ("County") reporting entity and its financial statements are included in the County's basic financial statements as a pension trust fund.

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

The System's basic financial statements have been prepared under the accrual basis of accounting in accordance with accounting principles applicable to governmental units in the United States of America (GAAP). Member and employer contributions to the Plan are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due in accordance with the terms of the Plan. The cost of administering the Plan is paid by the System.

For financial reporting purposes, the System adheres to GAAP. The System applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

B. Method Used to Value Investments

Short-term investments are reported at fair value when published market prices and quotations are available, or at a cost plus accrued interest, which approximates market or fair value. All other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Because of the inherent uncertainty in valuing these securities, the fair value may differ from the values that would have been used had a ready market for such securities existed. Accordingly, the realized value received upon the sale of the assets may differ from the fair value. The System records investment purchases and sales as of the trade date. These transactions are not finalized until the settlement date, which occurs approximately three business days after the trade date. The amounts of trade receivables and payables are shown as receivables and payables on

the Statement of Fiduciary Net Position. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received. The fair values of private investments and private real estate are generally lagged by at least one quarter due to the timing of receipt of private market valuations and information.

C. Equity in County's Pooled Cash and Temporary Investments

The System maintains cash with the County, which invests cash and allocates interest earned, net of a management fee, on a daily basis to the System based on the System's average daily balance of equity in pooled cash. As of June 30, 2023, the bank balance of the County's public deposits was either insured by the Federal Deposit Insurance Corporation or through the State Treasury Board pursuant to the provisions of the Security for Public Deposit Act. The County's investments are exposed to various risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

D. Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused annual and compensatory leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employees; however, it is converted to years of service upon retirement. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours. Compensatory leave in excess of 240 hours is forfeited at the end of the calendar year.

Notes to the Financial Statements

(continued)

Compensated Absences	
FY 2023 Beginning Balance	\$388,979
Leave Earned	67,342
Leave Used	<u>80,051</u>
FY 2023 Ending Balance	<u>\$376,270</u>
Due Within One Year	\$87,897

Note 2. Summary of Plan Provision

A. Plan Description and Provision

The Employees' Retirement System is a single employer defined benefit pension plan which covers employees of the County and its component units. Benefit provisions are established and may be amended by County ordinance. All benefits vest at five years of service. The general provisions of the Employees' Retirement System are as follows:

Membership.

The Plan covers full-time and certain part-time County, Public Schools, Economic Development Authority, Park Authority and Fairfax County Redevelopment and Housing Authority employees who are not covered by other plans of the County or the Virginia Retirement System.

Normal Retirement.

To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of service, (b) for Plan A and B, attain the age of 50 plus years of eligibility service being greater than or equal to 80, or (c) for Plans C, D, and E, attain the age of 55 plus years of eligibility service being greater than or equal to 85.

For Plan A and C, the benefit is the sum of 1.8 percent average final compensation (i.e., the highest consecutive three years) up to the Social Security breakpoint plus 2 percent of average final compensation in excess of the breakpoint, all multiplied by benefit service, and increased by 3 percent.

For Plan B and D, the benefit is 2 percent of average final compensation multiplied by benefit service, increased by 3 percent.

For Plan E, the benefit is 2 percent of average final compensation multiplied by creditable service.

Pre-Social Security Supplement for Plans A, B, C, and D is 1 percent of average final compensation up to the Social Security breakpoint times benefit service, and increased by 3 percent. This benefit is payable from normal retirement age until the participant is eligible to receive the unreduced Social Security benefits.

Early Retirement.

For all plans, a member is eligible for early retirement at age 50 or older when the member's age plus eligibility service totals 75 or more. Reduction factors are applied to the basic formula for early retirement based on how far from age 65 the member is at early retirement and no Pre-Social Security Benefit is payable.

Deferred Retirement Option Program (DROP).

Members who are eligible for normal retirement may participate in DROP for up to three years. While in DROP, the member continues to work and receive a salary. In lieu of continuing to earn service credit, DROP participants accumulate a lump sum, including interest, payable at retirement. For those in Plan C, D, or E, the member does not receive the Pre-Social Security Benefit while in DROP.

Deferred Vested Retirement.

Deferred vested retirement is available for vested members (vesting is at 5 years of service) who leave their contributions in the System when they terminate. These members are entitled to their normal retirement benefit, at age 65, based on service with the County or a reduced benefit earlier when they reach age 50 and age plus years of creditable service equal 75. The member also has the option to request a refund of member contributions and interest at any time prior to reaching age 65 or receiving retirement benefits.

Service-Connected Disability Retirement.

Service-connected disability retirement is available for members, regardless of their length of service, who become disabled as a result of a job-related illness or injury. Benefits are 66.67 percent of average final compensation, less an offset for a workers' compensation award.

Notes to the Financial Statements
(continued)

Ordinary Disability Retirement.

Ordinary disability retirement is available for vested members who become disabled due to an injury or illness that is not job-related. For Plans A, B, C, and D, benefits are 2.0 percent of average final compensation (highest consecutive three years) times the benefit service. The total benefit is then increased by 3.0 percent. For Plan E, the benefit is 2.0 percent of final average salary times the benefit service, but there is no 3.0 percent increase.

Death Benefits.

If death occurs prior to retirement:

If the member is vested and the spouse is the listed beneficiary, the spouse may elect to receive 50.0 percent of the normal retirement benefit earned as of the date of the member's death. If the 50.0 percent of normal retirement benefit is not payable, a refund of the member's contribution plus interest will be paid to the named beneficiary or member's estate.

If death occurs after retirement:

A refund of any of the member's contributions and interest not already paid in benefits will be payable to the named beneficiary(ies) unless the member has elected the irrevocable Joint and Last Survivor Option which provides a benefit to the member's spouse for life. At retirement, the member may choose to have his or her spouse receive 50.0 percent, 66.67 percent, 75.0 percent or 100.0 percent of

the member's reduced annuity upon the member's death. The member's annuity is reduced by a percentage based on the difference in age between the member and his or her spouse. If the spouse predeceases the member, the annuity is restored to what it would have been if this option had not been elected.

If death occurs because of a job-related illness or injury:

A \$10,000 lump-sum payment is made to the beneficiary if the member's death is due to a job-related illness or injury.

Cost of Living Benefit.

Annual cost of living adjustments (COLAs) are provided to retirees and beneficiaries equal to the lesser of 4.0 percent or the percentage increase in the Consumer Price Index for the Metropolitan Statistical Area that includes Fairfax County.

Benefit Limits.

Benefits are limited to the maximum amounts for qualified plans as set forth in Section 415 of the Internal Revenue Code. A separate, nonqualified benefit restoration plan has been established for the payment of any benefit formula amounts in excess of the Section 415 limit.

Note: Detailed provisions may be found in the Retirement Handbook for Active Employees.

Contribution Rates		
Member	Plan A & C	The contribution rate for Plan A and C is 4.0% of creditable compensation up to the Social Security taxable wage base, plus 5.33% of creditable compensation in excess of the Social Security taxable wage base.
	Plan B, D, and E	The contribution rate for Plan B, D, and E is 5.33% of creditable compensation.
Employer	Plan A, B, C, D, and E	The contribution rate for all five plans for Fiscal Year 2023 was 28.88%.

Notes to the Financial Statements

(continued)

B. Board of Trustees

Ten members serve on the Fairfax County Employees' Retirement System Board of Trustees (Board). Four of the members are citizens appointed by the Fairfax County Board of Supervisors. Three of the members are elected by Fairfax County Government Employees, Fairfax County Public Schools Employees, and Fairfax County Retirees respectively. The Director of Human Resources, the Director of Finance, and the Assistant Superintendent of Human Resources at the Fairfax County Public Schools also serve as Ex Officio members.

C. Membership

At June 30, 2023, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and Beneficiaries	
Receiving Benefits	11,065
Terminated Vesteds	2,735
Deferred Retirement Option Program (DROP) Participants	742
Active Plan Members	<u>13,783</u>
Total	<u>28,325</u>

D. Deferred Retirement Option Program

Members eligible for normal retirement may elect to enter the DROP. As a DROP member, he or she will continue to work and receive a salary for a maximum period of three years while an amount equal to what could have been received as a retirement benefit is credited to his or her DROP account. (No pre-Social Security Supplements are paid into DROP accounts for Plans C, D, and E). The monthly benefit that will be credited to the DROP account is determined by the years of service and Average Final Compensation at the DROP entry date. During the DROP period, the retirement plan accumulates his or her accrued monthly benefit which is payable at the end of the DROP period. The DROP account balance is credited at an annual interest rate of 5 percent, compounded monthly. At the end of the DROP period, the DROP member must terminate employment with the Fairfax County Government and will

begin receiving his or her monthly retirement benefit. Upon DROP exit, the retiree can elect to receive the balance of the DROP account in the form of a lump sum distribution, a rollover to another qualified plan (or IRA), or as an addition to the monthly retirement annuity. The DROP balance as of June 30, 2023, was \$53.0 million.

E. Contributions

The contribution requirements of the System members are established and may be amended by County ordinances. Employees hired prior to January 1, 2013 are members of Plan A or Plan B. All eligible employees whose County or School Board employment commenced by reporting to work on or after January 1, 2013, were enrolled in Plan C or Plan D. As of July 1, 2019, new hires are automatically enrolled in Plan E. Plan A and C require member contributions of 4 percent of compensation up to the social security wage base and 5.33 percent of compensation in excess of the wage base. Plan B, D and E require member contributions of 5.33 percent of compensation. The County is required to contribute at an actuarially determined rate; the rates for the year ended June 30, 2023, was 28.88 percent of annual covered payroll. Total contributions for the fiscal year ended June 30, 2023, amounted to \$313.1 million.

F. Deductions

The deductions from the System included the payment of retiree and beneficiary payments, the refund of employee contributions to former members and administrative expenses. The total deductions for the fiscal year ended June 30, 2023, amounted to \$396.3 million.

Note 3. Investments

A. Investment Policy

The authority to establish the System is set forth in Section 51.1-800 Code of Virginia (Code). Section 51.1- 803 of the Code authorizes fiduciaries of the System *to purchase investments with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a*

Notes to the Financial Statements
(continued)

like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. The Board shall also diversify such investments as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

The System’s Board of Trustees has adopted the Employees’ Retirement System Investment Policy Statement to provide a well-managed investment program to meet the long-term needs of the System. The Board of Trustees has the authority to amend the investment policy. Investment decisions for these assets are made by the Board of Trustees or investment managers selected by the Board. The overall investment policy does not address specific levels of credit risk, interest rate risk or foreign currency risk. The Board of Trustees believes that risks can be managed, but not eliminated, by establishing constraints on the investment portfolio and by properly monitoring the investment markets, the System’s asset allocation and the investment managers hired by the System. Each individual investment portfolio is managed by an investment management firm selected by the Board. Each investment manager has a specific benchmark and investment guidelines appropriate for the type of mandate they are managing and that fit within the total risk tolerance of the fund.

The following was the System’s adopted asset allocation policy as of June 30, 2023. The asset allocation policy commonly exceeds 100 percent because of target exposures to both direct investments in asset classes plus notional exposure to asset classes through derivative positions such as Futures held at the portfolio level. Also, the System commonly includes notional exposures for select Investment Managers that have a mandate from the Board to provide the System with additional asset class exposure using leverage or derivatives.

Asset Class	Target Exposure
Absolute Return	20.0%
Global Equity	30.0%
Global Fixed Income	47.5%
Global Multi-Asset	20.0%
Global Real Assets*	17.5%

* Includes 2.5% gold futures

B. Concentrations

At June 30, 2023, the System does not hold investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one issuer that represents 5.0 percent or more of net position available for benefits. All investments, except for the pooled and mutual funds, short-term investment fund and a short-term collateral investment pool, are held by an unaffiliated custodian. There is no custodial credit risk since the custodian’s records establish the System’s interest in the securities and the custodian provides insurance for all custody assets.

C. Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was -2.86 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Fair Value Hierarchy

The System measures and records its investments using fair value hierarchy measurement guidelines established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest level to unobservable inputs (Level 3 measurements).

Notes to the Financial Statements
(continued)

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Observable inputs other than quoted market prices.

Level 3 Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value

hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The table on the following page shows the fair value levels of the investments.

Equities and fixed income securities classified in Level 1 are valued using prices quoted in the active markets for those securities. Securities in Level 2 and Level 3 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationships to benchmark quoted prices. Level 3 securities use proprietary information or single source pricing.

Financial Section

Notes to the Financial Statements
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Fair Value Hierarchy				
Investments by Fair Value Level	6/30/2023	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Asset-Backed Securities	\$115,897,948	\$ -	35,324,907	\$80,573,041
Equity	855,213,238	843,730,862	-	11,482,376
Convertible or Exchangeable Securities	8,132,720	-	8,132,720	-
Corporate Bonds	233,137,605	-	137,820,388	95,317,217
International Bonds	246,140,736	-	240,836,489	5,304,247
Preferred Securities	259,271	91	231,534	27,646
U.S. Government Obligations	<u>489,261,650</u>	<u>-</u>	<u>489,261,650</u>	<u>-</u>
	<u>\$1,948,043,168</u>	<u>\$843,730,953</u>	<u>\$911,607,688</u>	<u>\$192,704,527</u>
Investment Measured at Net Asset Value (NAV)				
Absolute Return*	\$670,761,855			
Global Equity*	627,541,305			
Global Fixed Income*	798,793,753			
Global Multi-Asset*	384,474,058			
Global Real Assets*	<u>408,683,563</u>			
	<u>2,890,254,534</u>			
Investments Measured at Amortized Cost				
Short Term	<u>(198,786,794)</u>			
Total Investments	<u>\$4,639,510,908</u>			

*Pooled funds

Investment Measured at NAV				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Absolute Return	\$670,761,855	\$ -	Monthly, Quarterly	3 - 90 days
Global Equity	627,541,305	274,069,174	Daily, Monthly, None	3 - 15 days
Global Fixed Income	798,793,753	197,390,208	Daily, Semi-Annually, None	5 - 90 days
Global Multi-Asset	384,474,058	-	Daily, Monthly, Quarterly	1 - 30 days
Global Real Assets	<u>408,683,563</u>	<u>95,712,881</u>	Daily, None	5 - 20 days
Total Investment Measured at NAV	<u>\$2,890,254,534</u>	<u>\$567,172,263</u>		

Notes to the Financial Statements

(continued)

Absolute Return.**Relative Value:**

This type includes eight hedge funds which implement long and short relative value strategies to capture these structural returns across multiple asset classes including: equity sectors, equity indices, fixed income, currency, and commodities. The fair values of each of these hedge funds has been determined monthly using NAV per share (or its equivalent) of the investments.

Global Macro:

This type includes seven hedge funds that invest long and short across fixed income, currency, equity, and commodity markets. The process is equally driven by analysis of the macro environment, flows of capital, the expected reaction to changes in interest rates, trend following and other drivers. The fair values of the investments in this type have been determined monthly using NAV per share (or its equivalent) of the investments.

Global Equity.**Domestic Equity:**

This type includes two funds. The first fund's strategy maintains a single growth-oriented investment philosophy that has been applied across the firm for over three decades. Their philosophy is rooted in the belief that over time common stock price appreciation follows the earnings power and growth of the underlying business. The second fund's strategy is based on their belief that undervalued stocks with an above average dividend yield and a fundamental catalyst provide the opportunity for superior long-term total returns. Dividend yield has provided a meaningful portion of the market's total return and is a credible valuation tool.

International Equity:

This type includes four funds providing traditional long-only international equity exposure. The fair values of the investments in this type have been determined monthly using NAV per share (or its equivalent) of the investments.

Private Equity:

This type includes twenty-two private funds. This first and second fund purchases private equity stakes in investment management firms and thus a share of the firm's revenues and capital appreciation. The third and fourth private fund invests in blockchain technology, its many other industry uses, and the infrastructure for crypto currency markets (index rights, wallet, settlement, and custody platforms, etc.). The fifth and sixth fund targets highly innovative life sciences businesses that are leaders in their spaces and present attractive return opportunities with downside protection. The strategy will target companies operating in specific areas of innovation such as therapeutics, medical devices, diagnostics, and life sciences tools. The seventh fund targets highly innovative private hyper growth businesses that can become substantial public franchises. These businesses have a high prospect of sustainable earnings growth, financial strength with attractive downside protection rights and rational valuation relative to business prospect. The eighth fund focuses on acquiring minority interests in alternative asset managers, particularly GPs who manage longer-duration private capital strategies (e.g. private equity, private credit, real estate). The ninth fund seeks to invest in leading technology and technology enabled businesses with the potential to become large public companies. The tenth and eleventh fund seeks to generate superior returns through the long-term capital appreciation of venture capital investments primarily structured as equity and equity-related investments in early stage blockchain technology companies and associated digital assets, including digital currencies, tokens, and other blockchain-based assets. The twelfth fund focuses on the underlying blockchain technology, its many other industry uses, and the infrastructure for crypto currency markets (index rights, wallet, settlement, and custody platforms, etc.). Additionally, the fund seeks to invest in Artificial Intelligence technologies that act in concert with Blockchain technologies.

Notes to the Financial Statements
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The thirteenth makes select direct equity investments alongside its sister fund. The fourteenth fund will seek to invest in early-stage operating companies, which are developing technologies that are poised for broad adoption in finance, such as real-time payments, digital assets, banking-as-a-service, regtech (fraud prevention, AML/KYC, compliance), and AI-based credit decisioning. The fifteenth fund is an early-stage venture capital fund focusing on pre-seed and Series A financing rounds in the blockchain technology space. The sixteenth fund seeks to make minority investments in early-stage, emerging technology businesses in dynamic, high-growth markets. They are focused on businesses that are enabling and building on rapid digitalization and continued advancements in computing power that have the potential to drastically change the way we work and live. The seventeenth fund is a healthcare-focused private equity firms. Investing in building therapeutics companies developing novel products for patients. The eighteenth fund is an early-stage biased life sciences portfolio with an emphasis on sourcing innovation from Stanford University. The nineteenth fund is an early-stage that uses the lens of National Security community to identify best-of-breed commercial technology. Investment focus on enterprise software, data/analytics, deep tech – through a National Security lens. The twentieth fund is a venture studio that is positioned very early on in the idea generation and company formation phase of the equity value creation chain in technology. The twenty-first and twenty-second funds are strategies that provide unique access to compelling direct equity investment opportunities.

Global Fixed Income.

Fixed Income:

This type includes four funds providing leveraged exposure to US and international government issued inflation-linked bonds as a capital efficient way to gain the exposure. This type also includes two emerging market debt funds. The fair values of the investments in this type have been

determined monthly using NAV per share (or its equivalent) of the investments. This type also includes six high yield strategies.

Direct Lending:

This type includes one private debt fund conducting middle market corporate direct lending with negotiated senior secured loans to borrowers that are too small to attract the attention of conventional banks and lenders. These investments cannot be redeemed. Instead, the nature of the investments in these private debt funds are that distributions are received through the liquidation of underlying assets of the funds over a period of years as per the terms of the fund. Loan payments are also distributed on a monthly or quarterly basis. The loans are held at book value unless a payment default has occurred at which time a third-party appraisal value is determined.

Opportunistic Credit:

This type includes nineteen opportunistic/distressed funds investing in public and private debt, equity and real estate as opportunities present themselves. All but one of these investments cannot be redeemed. Instead, the nature of the investments in these private debt funds are that distributions are received through the liquidation of underlying assets of the funds over a period of years as per the terms of the fund. The fair values of the investments in this type have been determined monthly or quarterly using NAV per share (or its equivalent) of the investments.

Global Multi-Asset.

This type includes four funds that invest in a relatively passive manner across multiple asset classes using a risk balanced approach in their asset allocation and one fund that is active in its approach. The main goal is to construct a portfolio that achieves the best risk adjusted return at a given expected level of volatility which varies by fund. This is achieved through the use of derivatives and liquid long positions across multiple asset classes. The fair values of the investments in this type have been determined monthly using NAV per share (or its equivalent) of the investments.

Notes to the Financial Statements

(continued)

Global Real Assets.

This type includes ten funds. The first fund owns and operates a fleet of commercial bulk container and tanker vessels. The second and third fund purchases interests in other private real estate funds on the secondary market. The fourth fund owns and operates the real estate, infrastructure and inventory of a cattle feeding operation. The fifth fund seeks to capture value in the commodity supply chain through hedged physical trading/arbitrage as well as merchanting activities. The sixth fund owns two bands of wireless spectrum. The valuations of scarce spectrum assets have risen substantially in the face of exploding demand for data and increased connectivity, and they expect that this trend will continue. The seventh and eighth fund invests in royalty-producing intellectual property related to music by acquiring rights from songwriters and other third-party rights holders. They target blue chip songs that have gained significant popularity and earn a steady level of royalties across

various media streams. These investments cannot be redeemed. Instead, the nature of the investments in these private debt funds are that distributions are received through the liquidation of underlying assets of the funds over a period of years as per the terms of the fund. The fair values of the investments in this type have been determined quarterly using NAV per share (or its equivalent) of the investments. The ninth fund specializes in the energy sector and seeks to generate superior returns by applying their flexible strategy of investing long and short across the capital structure and liquidity spectrum in distressed investments, special situations opportunities, asset build-ups and private equity transactions. The tenth fund strategy produces an annual income stream of ~10% annually and is an evergreen fund structure, with periodic liquidity provisions. Has a long-term nature of leases, rail car utilization and leasing rates are less cyclical and volatile making them uncorrelated to the broader capital markets.

E. Sensitivity to Interest Rate Risk

The System's investments' sensitivity to interest rates at June 30, 2023, were as follows:

Investment Type	Fair Value	Option Adjusted Duration (yrs)	Percentage of Fixed
Asset-Backed Securities	\$115,897,948	3.4	10.6%
Corporate Bonds	241,270,325	1.7	22.1%
International Bonds	246,140,736	10.1	22.5%
U.S. Government Obligations	<u>489,261,650</u>	8.8	<u>44.8%</u>
Total Fixed Income	<u>\$1,092,570,659</u>	7.0	<u>100.0%</u>
Short-Term Investments			
Cash and Cash Equivalents	\$109,536,926	0.1	
Employees' STIF*	<u>(308,323,720)</u>	0.0	
Total Short-Term Investments	<u>(\$198,786,794)</u>		
*Short-Term Investment Funds			

The duration of the System's overall fixed income portfolio excluding the pooled funds was 11.91 years for the separately managed accounts. The Barclays Capital Aggregate Bond Index's (BCAG) years of duration is 6.38 years. Commingled funds would alter the duration number above.

F. Short-term Investment

The Short-Term Investments of (\$198.8) million includes a position of (\$308.3) million of commingled cash held by our investment managers and cash held by the System in an enhanced short-term investment fund managed by BlackRock. Short-term investments also include repurchase agreements, which

Notes to the Financial Statements
(continued)

are generally considered safe investments because the security in question functions as collateral. Classified as a money-market instrument, a repurchase agreement functions in effect as a short-term, collateral-backed, interest-bearing loan. The buyer acts as a short-term lender, while the seller acts as a short-term borrower. The securities being sold are the collateral. Thus, secured funding and liquidity, are met.

G. Quality Ratings

The System's investment quality ratings at June 30, 2023, for the separately managed fixed income accounts, were as follows:

Type of Investment	Fair Value Ratings	Percentage of Fixed
U.S. Government Obligations	\$489,261,650	44.8%
Asset-Backed Securities	27,294,929 AA	2.5%
	608,552 A	0.1%
	4,737,961 BBB	0.4%
	9,839,909 BB	0.9%
	2,523,863 B	0.2%
	913,785 CC	0.1%
	3,798,001 D	0.3%
	66,180,948 Unrated	6.1%
Corporate Bonds	2,410,487 AA	0.2%
	4,130,647 A	0.4%
	12,224,744 BBB	1.1%
	52,084,135 BB	4.9%
	42,145,990 B	3.9%
	21,248,691 CCC	1.9%
	273,410 D	0.0%
	106,752,221 Unrated	9.7%
International Bonds	8,068,410 AAA	0.7%
	18,186,729 BBB	1.7%
	8,217,132 BB	0.8%
	3,670,764 B	0.3%
	<u>207,997,701</u> Unrated	<u>19.0%</u>
Total Fixed Income	<u>\$1,092,570,659</u>	<u>100.0%</u>
Short-Term Investments		
Cash and Cash Equivalents	\$109,536,926 Unrated	
Employees' STIF*	<u>(308,323,720)</u> Unrated	
Total Short-Term Investments	<u>(\$198,786,794)</u>	

As of June 30, 2023, the fixed income portfolio, excluding pooled funds, consisted of 51.9 percent invested in investment grade securities, 13.3 percent invested in below-investment-grade securities and 34.8 percent invested in unrated securities.

The BCAG is the standard benchmark against which the industry and the System's Board measures its fixed income portfolio performance and volatility. The System's fixed income managers have discretion, within circumscribed limits, to extend the duration of their portfolios beyond that of the BCAG if they forecast falling interest rates (and thus higher bond prices). Conversely, if managers anticipate that the general level of interest rates will rise, they have the ability to shorten the duration of their portfolio and thus reduce the portfolio's sensitivity to rising rates.

*Short-Term Investment Funds

Notes to the Financial Statements
(continued)

H. Foreign Currency Risk

The Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of the international investments. The System's investments at June 30, 2023, held in currencies other than U.S. dollars, were as follows:

International Securities	Short-Term Investments & Other	Convertible & Fixed Income	Equity	Total
Australian Dollar	(\$888,255)	\$3,053,869	\$7,209,694	\$9,375,308
Brazil Real	1,034	7,329,063	1,984,870	9,314,967
Canadian Dollar	158,314	9,441,282	11,981,183	21,580,779
Colombian Peso	50	8,954,769	-	8,954,819
Danish Krone	540	-	10,489,558	10,490,098
Euro Currency Unit	(15,622,268)	80,905,374	58,605,983	123,889,089
Hong Kong Dollar	-	-	12,847,152	12,847,152
Indian Rupee	1,850	-	9,749,371	9,751,221
Japanese Yen	117,164	18,164,552	40,897,221	59,178,937
Mexican Peso	-	15,703,164	1,281,505	16,984,669
New Taiwan Dollar	-	-	3,664,869	3,664,869
New Zealand Dollar	14,200	1,879,183	285,362	2,178,745
Norwegian Krone	-	-	2,172,699	2,172,699
Pound Sterling	(13,328,210)	90,588,205	31,536,351	108,796,346
Singapore Dollar	16,232	-	3,676,152	3,692,384
South African Rand	4	3,843,920	-	3,843,924
Swedish Krona	11,262	4,425,647	8,881,938	13,318,847
Swiss Franc	1,115	-	12,978,264	12,979,379
Thailand Baht	-	-	2,167,756	2,167,756
Other	13,365	186,034	2,964,939	3,164,338
Grand Total	(\$29,503,603)	\$244,475,062	\$223,374,867	\$438,346,326

Notes to the Financial Statements
(continued)**I. Derivative Financial Instruments**

In accordance with the Board's investment policies, the System regularly invests in derivative financial instruments in the normal course of its investing activities to enhance return on investment and manage exposure to certain risks within the System. The System also enters into derivative transactions to gain exposure to currencies and markets where derivatives are the most cost-effective instrument. Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indices. The System had exposure to various derivatives including asset-backed securities, collateralized mortgage obligations (CMOs), exchange-traded futures contracts, forward currency contracts, options, swaps and floating rate securities. Some securities, such as structured notes, can have derivative-like characteristics where the return may be linked to one or more indexes. Asset-backed securities, such as CMOs, are sensitive to changes in interest rates and pre-payments. It should also be noted that the System also has exposure to derivatives indirectly through its ownership interests in certain hedge funds, mutual funds and commingled funds which may use, hold, or write derivative financial instruments.

Derivative investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements. Market risk results from the fluctuations in interest rates and currency rates. The credit risk of these investments is associated with the creditworthiness of the related parties to the contracts. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. Holders of futures contracts look to the exchange for performance under the contract and not to the other party holding the offsetting futures position. Accordingly, the amount at risk due to nonperformance of counterparties to futures contracts is minimal. For counterparties involving over the counter derivatives, the Board seeks to control this risk through counterparty credit

evaluations, counterparty credit limits and exposure monitoring procedures conducted by investment managers and staff.

At June 30, 2023, the System held the following four types of derivative financial instruments: futures, currency forwards, options and swaps. These four types of derivatives provide the System with the opportunity to build passive benchmark positions, enhance returns, and gain market exposure to various indices in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

Investment managers are prohibited from purchasing securities on margin or using leverage unless specifically permitted within the investment manager's guidelines. Derivative instruments are reported at fair value. The changes in fair value of derivative instruments that are used for investment purposes are reported within the investment revenue classification. Gains and losses on derivative securities are determined based upon fair values as determined by our custodian and recorded in the Statement of Changes in Fiduciary Net Position.

Futures.

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and typically require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal.

Notes to the Financial Statements

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The notional value of the System's investment in futures contracts at June 30, 2023, were as follows:

Types of Futures	Base Exposure	Notional Cost
Cash and Cash Equivalents		
Short	(\$185,061,518)	(\$185,018,838)
Commodity		
Long	251,607,623	255,075,662
Equity		
Long	195,703,838	190,836,787
Short	(89,022,150)	(88,211,432)
Fixed Income Securities		
Long	705,453,095	710,825,211
Short	<u>(92,270,831)</u>	<u>(92,779,270)</u>
Total	<u>\$786,410,057</u>	<u>\$790,728,120</u>

Swaps.

The System enters into several types of swap contracts, in which two counterparties agree to exchange one stream of payments for another over some agreed to period of tie. Swaps are used to manage risk and enhance returns. All counterparties are rated A or better. The following is the information on the System's swap contracts outstanding at June 30, 2023:

Fixed Income Securities Swaps	Fair Value	Base Exposure
Cleared Interest Rate Swaps	(\$703,453)	(\$720,297)
Cleared Credit Default Swaps	1,092,773	1,171,240
Cleared Inflation Swaps	<u>27,029</u>	<u>27,029</u>
Total	<u>\$416,349</u>	<u>\$477,972</u>

Currency Forwards.

Currency forwards represent foreign exchange contracts. They are used to affect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies, or to gain exposure to the change in fair value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. All counterparties are rated A or better. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates.

Notes to the Financial Statements
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The following is the summary information on the System's currency forward contracts at June 30, 2023:

Foreign Currency Contracts Purchased	Notional (Local Currency)	Cost	Fair Value Payable in U.S. Dollars	Unrealized Gain/(Loss)
Australian Dollar	(\$11,728,856)	(\$7,757,181)	(\$7,810,958)	(\$53,777)
Brazil Real	(13,830,000)	(2,773,099)	(2,858,994)	(85,894)
Canadian Dollar	(27,394,374)	(20,400,612)	(20,708,074)	(307,462)
Colombian Peso	(11,070,000,000)	(2,395,948)	(2,629,645)	(233,697)
Euro Currency Unit	(136,748,876)	(148,385,784)	(149,322,932)	(937,147)
Japanese Yen	(5,232,238,259)	(37,118,660)	(36,287,325)	831,335
Mexican Peso	(203,800,000)	(11,068,267)	(11,824,524)	(756,257)
New Zealand Dollar	(5,406,118)	(3,286,030)	(3,311,857)	(25,827)
Polish Zloty	(22,080,000)	(5,243,266)	(5,429,849)	(186,583)
Pound Sterling	(116,247,000)	(145,792,457)	(147,808,112)	(2,015,655)
South African Rand	(71,900,000)	(3,806,025)	(3,789,613)	16,412
Swedish Krona	(96,141,190)	(8,935,703)	(8,907,230)	28,474
Swiss Franc	(5,940,000)	<u>(6,662,928)</u>	<u>(6,687,362)</u>	<u>(24,434)</u>
		<u>(\$403,625,960)</u>	<u>(\$407,376,475)</u>	(\$3,750,512)
Foreign Currency Contracts Sold	Notional (Local Currency)	Cost	Fair Value Receivable in U.S. Dollars	Unrealized Gain/(Loss)
Australian Dollar	\$19,044,428	\$12,614,489	\$12,691,447	\$76,958
Canadian Dollar	19,733,974	14,769,247	14,916,344	147,097
Euro Currency Unit	88,591,938	97,113,083	96,705,807	(407,276)
Indian Rupee	274,000,000	3,326,333	3,331,505	5,173
Japanese Yen	7,474,621,956	53,492,109	52,120,168	(1,371,941)
New Zealand Dollar	5,421,059	3,333,175	3,320,698	(12,476)
Norwegian Krone	112,900,000	10,762,329	10,568,841	(193,488)
Polish Zloty	22,080,000	5,277,360	5,429,849	152,489
Pound Sterling	60,349,000	76,416,718	76,726,312	309,594
South African Rand	41,400,000	2,133,724	2,182,058	48,334
South Korean Won	9,480,000,000	7,307,485	7,222,964	(84,521)
Swedish Krona	48,137,819	4,458,627	4,456,857	(1,770)
Thailand Baht	44,300,000	<u>1,324,167</u>	<u>1,254,373</u>	<u>(69,794)</u>
		<u>\$292,328,846</u>	<u>\$290,927,223</u>	<u>(\$1,401,621)</u>
Net Unrealized Gain/(Loss) on Foreign Currency Spot and Forward Contracts				<u>(\$5,152,133)</u>

Options.

Options contracts may be exchanged traded or negotiated directly in an over-the-counter transaction between two counterparties. Options holders have the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a future price and time. The System can both purchase and write options.

Notes to the Financial Statements

(continued)

Exchange traded options rely on the exchange for performance and the risk to non-performance of counterparties is minimal. All counterparties for over-the-counter options are rated A or better.

The following table provides information on the System's option contracts at June 30, 2023:

Option Types	Position	Call/Put	Cost	Fair Value	Total Unrealized Gain/(Loss)
Equity	Purchased	Put	\$255,211	\$242,277	(\$12,934)
Equity	Written	Put	(526,950)	(481,036)	45,914
Fixed Income	Purchased	Put	29,946	18,216	(11,730)
Fixed Income	Written	Put	(60,284)	(38,456)	21,828
Total Options			<u>(\$302,077)</u>	<u>(\$258,999)</u>	<u>\$43,078</u>

J. Securities Lending

The Board of Trustee policies permit the System to lend its securities to broker/dealer and other entities (borrowers) for collateral that will be returned for the same securities in the future. The System's custodian is the agent in lending the plan's domestic securities for collateral of 102.0 percent and international securities of 105.0 percent of fair value. The custodian receives cash or securities as collateral from the borrower. All securities loans can be terminated on demand by either the System or the borrower. Securities received as collateral are not reported as assets and liabilities on the balance sheet since the Retirement System does not have the ability to pledge or sell the collateral securities absent borrower default.

The System did not impose any restrictions during fiscal year 2023 on the amounts of loans the lending agent made on its behalf. At June 30, 2023, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the

amounts the borrowers owed the System. The custodian provides full indemnification to the System for any losses that might occur in the program due to the failure of a broker/ dealer to return a borrowed security or failure to pay the System income earned on the securities while on loan. Cash collateral is invested in a separate account with the lending agent which includes a larger allocation to equity repurchase securities.

At June 30, 2023, cash collateral had a weighted-average maturity of one day. The maturities of the resulting investments generally match the maturities of the securities lending arrangements. While the System bears no credit risk from the failure of a borrower to return a borrowed security, it does bear risk from investing the collateral.

The following represents the balances relating to the securities lending transactions at June 30, 2023:

Securities Lent	Underlying Securities	Cash Collateral Investment Value	Securities Collateral Investment Value
Lent for Cash Collateral			
U.S. Government Securities	\$14,158,093	\$14,976,146	
Corporate and Other Bonds	13,509,186	13,866,441	
Common and Preferred Stock	91,660,866	94,528,316	
Lent for Securities Collateral			
U.S. Government Securities	23,717,514	-	\$25,506,035
Common and Preferred Stock	<u>83,832,546</u>	<u>-</u>	<u>92,211,535</u>
Total Securities Lent	\$226,878,205	\$123,370,903	\$117,717,570

Notes to the Financial Statements
(continued)

Note 4. Net Pension Liability, Actuarial Methods and Assumptions

A. Net Pension Liability

The components of the net pension liability at June 30, 2023, were as follows:

Total Pension Liability	\$6,953,793,569
Plan Fiduciary Net Position	<u>4,651,836,206</u>
Net Pension Liability	<u>\$2,301,957,363</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.90%

B. Actuarial Methods and Assumptions

The Total Pension Liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

Entry Age Normal, Level Percent of Payroll	
Discount Rate, Net of Plan	
Investment Expenses	6.75%
Inflation	2.25%
Salary Increase; Including Inflation	2.25% + merit
Investment Rate of Return, Net of Plan Investment Expenses	6.75%
Municipal Bond Rate	N/A
Projected Period of Unfunded Benefit Payments	None

The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board of Trustees based on the most recent review of the System's experience study presented at a Board meeting on September 15, 2021.

The rate of employer contributions to the System is composed of normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for each plan participant. The actuarial accrued liability

is that portion of the present value of projected benefits that will not be paid by future normal employer costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative costs is based upon the System's actual administrative expenses.

The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2023, was 28.88 percent of annual covered payroll which was adopted for fiscal year 2023.

Mortality rates with adjustments for mortality improvements were based on 100% of the PubG-2010 Healthy Annuitant Head-Count Weighted Mortality Table for males and females, projected using the MP-2020 model, with an ultimate rate of 0.85% for ages 20-80 grading down to an ultimate rate of 0% for ages 114-120 and convergence to the ultimate rate in the year 2027. Five percent of pre-retirement deaths are assumed to be service-connected.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

C. Long Term Expected Rate of Return

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2023, are summarized on the next page:

Notes to the Financial Statements

(continued)

Asset Class	Long Term Expected Real Rate of Return
Absolute Return	8.0%
Core Fixed Income	2.8%
High Yield	5.3%
International Developed Mkt. Equities	5.4%
International Emerging Mkt. Equities	7.8%
Real Assets	5.7%
Risk Parity	6.4%
U.S. Equity	5.5%
Gold	1.0%

D. Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore,

the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In making this determination, we assumed the outflows would equal the anticipated benefit payments from the 2023 actuarial valuation. The administrative expenses attributable to current actives were assumed to equal 0.30 percent of covered payroll. The inflows to the plan were assumed to reflect the average aggregate member rate for the 2023 active population of 4.93 percent of payroll and County contributions were projected at 30.07 percent for fiscal year 2024 and increasing to 37.06 percent in 2035. After that time the County contribution is assumed to decrease to the normal cost plus expenses (8.88 percent) and amortization of any remaining experience gains and losses.

E. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County, calculated using the discount rate of 6.75 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate.

Sensitivity of Net Pension Liability			
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Total Pension Liability	\$7,782,676,152	\$6,953,793,569	\$6,259,507,514
Plan Fiduciary Net Position	<u>4,651,836,206</u>	<u>4,651,836,206</u>	<u>4,651,836,206</u>
Net Pension Liability	<u>\$3,130,839,946</u>	<u>\$2,301,957,363</u>	<u>\$1,607,671,308</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.77%	66.90%	74.32%

Notes to the Financial Statements
(continued)

Note 5. Subscription Payable

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

On July 1, 2022, the Authority entered a 41-month subscription for the use of Backstop Portfolio Management. An initial subscription liability for the System was recorded in the amount of \$341,524. As of June 30, 2023, the value of the subscription liability is \$232,176. The Authority is required to make annual fixed payments of \$112,809. The subscription has an interest rate of 2.0377%. The value of the right to use asset as of June 30, 2023, of \$341,524 with accumulated amortization of \$97,656 is included with Software on the Subscription Class activities table found below.

On July 1, 2022, the Authority entered a 57-month subscription for the use of Pension Gold Subscription. An initial subscription liability was recorded in the amount of \$531,945. As of June 30, 2023, the value of the subscription liability is \$407,128. The Authority is required to make annual fixed payments of \$133,570. The subscription has an interest rate of 2.1860%. The value of the right to use asset as of June 30, 2023, of \$531,945 with accumulated amortization of \$111,923 is included with Software on the Subscription Class activities table found below.

On September 4, 2022, the Authority entered a 24-month subscription for the use of Diligent Board Portal Subscription. An initial subscription liability was recorded in the amount of \$48,175. As of June 30, 2023, the value of the subscription liability is \$24,218. The Authority is required to make annual fixed payments of \$23,958. The subscription has an interest rate of 1.8940%. The value of the right to use asset as of June 30, 2023, of \$51,534 with accumulated amortization of \$21,258 is included with Software on the Subscription Class activities table found below. The Authority has one extension option(s), each for 12 months.

Amount of Subscription Assets by Major Classes of Underlying Asset			
As of Fiscal Year-End			
Asset Class	Subscription Asset Value	Accumulated Amortization	
Software	<u>\$925,003</u>	<u>\$230,837</u>	
Total Subscriptions	<u>\$925,003</u>	<u>\$230,837</u>	
Principal and Interest Requirements to Maturity			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$265,490	\$14,089	\$279,579
2025	255,199	8,524	263,723
2026	<u>142,833</u>	<u>3,122</u>	<u>145,955</u>
Total	<u>\$663,522</u>	<u>\$25,735</u>	<u>\$689,257</u>

Notes to the Financial Statements
(continued)

Trust Fund Activities	Balance as of			Balance as of
Fund (Rollforward Schedule)	July 1, 2022	Additions	Reductions	June 30, 2023
Subscription Liability				
Software				
Backstop Portfolio Management	\$341,524	\$ -	\$109,348	\$232,176
Diligent Board Portal Subscription	-	48,175	23,957	24,218
Pension Gold Subscription	<u>531,945</u>	-	<u>124,817</u>	<u>407,128</u>
Total Software Subscription Liability	<u>873,469</u>	<u>48,175</u>	<u>258,122</u>	<u>663,522</u>
Subscription Assets				
Software				
Backstop Portfolio Management	341,524	-	-	341,524
Diligent Board Portal Subscription	-	51,534	-	51,534
Pension Gold Subscription	<u>531,945</u>	-	-	<u>531,945</u>
Total Software Subscription Assets	<u>873,469</u>	<u>51,534</u>	-	<u>925,003</u>
Subscription Accumulated Amortization				
Software				
Backstop Portfolio Management	-	97,656	-	97,656
Diligent Board Portal Subscription	-	21,258	-	21,258
Pension Gold Subscription	-	<u>111,923</u>	-	<u>111,923</u>
Total Software Subscription Accumulated Amortization	-	<u>230,837</u>	-	<u>230,837</u>
Total Trust Fund Subscription Assets, Net	<u>\$873,469</u>	<u>(\$179,303)</u>	<u>\$ -</u>	<u>\$694,166</u>

Note 6. Income Taxes

The Internal Revenue Service issued the System a determination letter which stated that the System and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from federal income taxes.

Notes to the Financial Statements

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Required Supplementary Information
(Unaudited)

Schedule of Net Pension Liability

Year Ended June 30	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary	Covered Payroll	Net Pension
				Net Position as a Percentage of Total Pension Liability		Liability as a Percentage of Covered Payroll
2023	\$6,953,793,569	\$4,651,836,206	\$2,301,957,363	66.90%	\$922,908,203	249.42%
2022	6,736,635,842	4,857,119,591	1,879,516,251	72.10%	793,331,229	236.91%
2021	6,329,809,523	5,146,232,426	1,183,577,097	81.30%	803,690,586	147.27%
2020	5,961,066,083	4,142,063,209	1,819,002,874	69.49%	828,019,905	219.68%
2019	5,791,680,570	4,101,637,346	1,690,043,224	70.82%	777,319,219	217.42%
2018	5,591,223,791	3,940,926,716	1,650,297,075	70.48%	745,663,954	221.32%
2017	5,367,731,521	3,749,384,616	1,618,346,905	69.85%	730,618,376	221.50%
2016	5,116,417,171	3,590,082,229	1,526,334,942	70.17%	708,414,611	215.46%
2015	4,979,660,749	3,693,357,619	1,286,303,130	74.17%	686,288,895	187.43%
2014	4,807,873,661	3,766,059,665	1,041,813,996	78.33%	671,597,456	155.12%

Schedule of Money-Weighted Rate of Return

Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2023	-2.86%
2022	-3.54%
2021	26.80%
2020	2.84%
2019	6.27%
2018	7.27%
2017	6.87%
2016	-0.44%
2015	0.46%
2014	14.85%

Required Supplementary Information
(continued)

Schedule of Changes in Collective Net Pension Liability and Related Ratios

	Year Ended June 30				
	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost (MOY)	\$128,855,773	\$119,241,774	\$108,644,084	\$103,313,271	\$99,758,925
Interest (includes interest on service cost)	450,350,446	422,967,377	427,327,332	415,148,914	400,860,241
Changes in Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	31,646,234	236,424,050	(43,615,538)	(5,460,817)	29,354,840
Changes in Assumptions	-	-	233,719,707	-	-
Benefit Payments, Including Refunds of Member Contributions	(393,694,726)	(371,806,882)	(357,332,145)	(343,615,855)	(329,517,227)
Net Change in Total Pension Liability	\$217,157,727	\$406,826,319	\$368,743,440	\$169,385,513	\$200,456,779
Total Pension Liability - Beginning	<u>6,736,635,842</u>	<u>6,329,809,523</u>	<u>5,961,066,083</u>	<u>5,791,680,570</u>	<u>5,591,223,791</u>
Total Pension Liability - Ending (a)	<u>\$6,953,793,569</u>	<u>\$6,736,635,842</u>	<u>\$6,329,809,523</u>	<u>\$5,961,066,083</u>	<u>\$5,791,680,570</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$266,535,889	\$229,114,059	\$227,846,281	\$234,743,643	\$210,964,436
Contributions - Member	46,534,884	40,269,006	39,914,839	40,327,359	37,915,769
Net Investment Income (Loss)	(122,093,611)	(184,211,952)	1,096,259,683	111,442,161	243,545,545
Benefit Payments, Including Refunds of Member Contributions	(393,694,726)	(371,806,882)	(357,332,145)	(343,615,855)	(329,517,227)
Administrative Expenses	(2,565,821)	(2,477,066)	(2,519,441)	(2,471,445)	(2,197,893)
Net Change in Plan Fiduciary Net Position	(\$205,283,385)	(\$289,112,835)	\$1,004,169,217	\$40,425,863	\$160,710,630
Plan Fiduciary Net Position - Beginning	<u>4,857,119,591</u>	<u>5,146,232,426</u>	<u>4,142,063,209</u>	<u>4,101,637,346</u>	<u>3,940,926,716</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$4,651,836,206</u>	<u>\$4,857,119,591</u>	<u>\$5,146,232,426</u>	<u>\$4,142,063,209</u>	<u>\$4,101,637,346</u>
Net Pension Liability - Ending (a)-(b)	<u>\$2,301,957,363</u>	<u>\$1,879,516,251</u>	<u>\$1,183,577,097</u>	<u>\$1,819,002,874</u>	<u>\$1,690,043,224</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.90%	72.10%	81.30%	69.49%	70.82%
Covered Payroll	<u>\$922,908,203</u>	<u>\$793,331,229</u>	<u>\$803,690,586</u>	<u>\$828,019,905</u>	<u>\$777,319,219</u>
Net Pension Liability as a Percentage of Covered Payroll	249.42%	236.91%	147.27%	219.68%	217.42%

See next page for the continuation of the 10 year report.

The total pension liability contained in this schedule was calculated by Cheiron, the System's Actuary. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Employees' Retirement System.

Required Supplementary Information
(continued)

	Schedule of Changes in Collective Net Pension Liability and Related Ratios				
	Year Ended June 30				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost (MOY)	\$96,662,966	\$93,128,267	\$85,498,714	\$84,153,689	\$84,074,831
Interest (includes interest on service cost)	385,504,765	367,586,251	361,073,638	353,621,871	340,919,519
Changes in Benefit Terms	603,265	582,418	773,066	1,462,698	-
Differences Between Expected and Actual Experience	41,362,698	74,947,987	(104,260,427)	(8,616,589)	-
Changes in Assumptions	-	-	68,573,373	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(300,641,424)</u>	<u>(284,930,573)</u>	<u>(274,901,942)</u>	<u>(258,834,581)</u>	<u>(238,560,893)</u>
Net Change in Total Pension Liability	\$223,492,270	\$251,314,350	\$136,756,422	\$171,787,088	\$186,433,457
Total Pension Liability - Beginning	<u>5,367,731,521</u>	<u>5,116,417,171</u>	<u>4,979,660,749</u>	<u>4,807,873,661</u>	<u>4,621,440,204</u>
Total Pension Liability - Ending (a)	<u>\$5,591,223,791</u>	<u>\$5,367,731,521</u>	<u>\$5,116,417,171</u>	<u>\$4,979,660,749</u>	<u>\$4,807,873,661</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$188,578,414	\$167,311,608	\$155,780,373	\$138,493,099	\$129,618,309
Contributions - Member	36,357,591	35,476,023	34,627,061	33,193,593	32,758,587
Net Investment Income (Loss)	269,418,157	243,496,177	(16,668,287)	16,342,457	490,196,386
Benefit Payments, Including Refunds of Member Contributions	<u>(300,641,424)</u>	<u>(284,930,573)</u>	<u>(274,901,942)</u>	<u>(258,834,581)</u>	<u>(238,560,893)</u>
Administrative Expenses	<u>(2,170,638)</u>	<u>(2,050,848)</u>	<u>(2,112,595)</u>	<u>(1,896,614)</u>	<u>(1,884,827)</u>
Net Change in Plan Fiduciary Net Position	\$191,542,100	\$159,302,387	(\$103,275,390)	(\$72,702,046)	\$412,127,562
Plan Fiduciary Net Position - Beginning	<u>3,749,384,616</u>	<u>3,590,082,229</u>	<u>3,693,357,619</u>	<u>3,766,059,665</u>	<u>3,353,932,103</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$3,940,926,716</u>	<u>\$3,749,384,616</u>	<u>\$3,590,082,229</u>	<u>\$3,693,357,619</u>	<u>\$3,766,059,665</u>
Net Pension Liability - Ending (a)-(b)	<u>\$1,650,297,075</u>	<u>\$1,618,346,905</u>	<u>\$1,526,334,942</u>	<u>\$1,286,303,130</u>	<u>\$1,041,813,996</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.48%	69.85%	70.17%	74.17%	78.33%
Covered Payroll	<u>\$745,663,954</u>	<u>\$730,618,376</u>	<u>\$708,414,611</u>	<u>\$686,288,895</u>	<u>\$671,597,456</u>
Net Pension Liability as a Percentage of Covered Payroll	221.32%	221.50%	215.46%	187.43%	155.12%

Continued from previous page.

Required Supplementary Information
(continued)

Schedule of Collective Employer Contributions

Fiscal Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$266,535,889	\$266,535,889	\$ -	\$922,908,203	28.88%
2022	229,114,059	229,114,059	-	793,331,229	28.88%
2021	227,846,281	227,846,281	-	803,690,586	28.35%
2020	234,743,643	234,743,643	-	828,019,905	28.35%
2019	210,964,436	210,964,436	-	777,319,219	27.14%
2018	188,578,414	188,578,414	-	745,663,954	25.29%
2017	167,311,608	167,311,608	-	730,618,376	22.90%
2016	155,780,373	155,780,373	-	708,414,611	21.99%
2015	138,493,099	138,493,099	-	686,288,895	20.18%
2014	129,618,309	129,618,309	-	671,597,456	19.30%

Notes to Schedule

Valuation Date	June 30, 2021
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
<u>Key Methods and Assumptions Used to Determine Contribution Rates:</u>	
Actuarial cost method	Entry Age Normal, Level Percent of Payroll
Asset valuation method	33% of Aggregate Gain/Loss is recognized
Amortization method	Closed 15-year layers, with level % of payroll
Discount rate	6.75%
Amortization growth rate	2.25%
Price inflation	2.25%
Salary increases	2.25% plus merit component based on employee's years of service
Mortality	Mortality (Active): PubG-2010 Employee Head-Count Weighted Mortality Table for males and females; Mortality (Healthy Retirees and Beneficiaries): PubG-2010 Healthy Annuitant Head-Count Weighted Mortality Table for males and females; Mortality (Disabled): PubG-2010 Disabled Head-Count Weighted Mortality Table for males and females all projected using the MP-2020 model, with an ultimate rate of 0.85% for ages 20-80 grading down to an ultimate rate of 0% for ages 114-120 and convergence to the ultimate rate in the year 2027
A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2023 can be found in the June 30, 2021 actuarial valuation report.	

Required Supplementary Information

Summary of Significant Changes to the Pension System

The summary of employer and employee contribution rates during the past five years and other significant changes in the pension system are as follows:

Contribution Rates		
Fiscal Year	Employer	Employee
2023	28.88%	4%, 5.33%
2022	28.88%	4%, 5.33%
2021	28.35%	4%, 5.33%
2020	28.35%	4%, 5.33%
2019	27.14%	4%, 5.33%

July 2019	New hires on or after July 1, 2019, are enrolled in Plan E.
December 2018	Retirement Board of Trustees approved a new plan for all employees hired on or after July 1, 2019.
July 2017	Social Security offset reduced from 10 percent to 5 percent.
July 2016	Social Security offset reduced from 15 percent to 10 percent.
January 2014	Service-Connected Disability Social Security offset was reduced from 25.0 percent to 15.0 percent.

Other Supplementary Information

Schedule of Investment & Consultant Expenses

For the Year Ended June 30, 2023

Investment Manager Fees		
Absolute Return	\$11,442,877	
Global Equity	16,201,320	
Global Fixed Income	11,279,271	
Global Multi-Asset	3,290,258	
Global Real Assets	7,077,410	
Short Term and Others	823,047	
Fees Related to Securities Lending	478,552	
Custodial Fees	145,252	
Consultant Expenses	38,000	
Investment Related Legal Fees	155,321	
Allocated Administration Expense	<u>1,407,320</u>	
Total Investment and Consultant Expenses		<u>\$52,338,628</u>

Schedule of Administrative Expenses

For the Year Ended June 30, 2023

Personnel services		
Salaries and Wages	\$1,392,086	
Fringe Benefits	<u>579,292</u>	
Total Personnel Services		\$1,971,378
Professional services		
Actuarial	45,428	
Audit	27,587	
Legal	<u>10,456</u>	
Total Professional Services		83,471
Communications		
Phone Charges	16,745	
Printing, Binding and Copying	10,494	
Postage	<u>21,508</u>	
Total Communications		48,747
Supplies		
Office Supplies	<u>3,312</u>	
Total Supplies		3,312
Other Services and Charges		
Staff Travel and Development	7,485	
Professional Membership	4,730	
Professional Subscriptions	4,484	
Insurance	19,000	
Building rent	81,928	
Depreciation Expense	136,306	
Computer System	103,079	
Interest Expense	11,306	
Other Operating	<u>90,595</u>	
Total Other Services and Charges		<u>458,913</u>
Total Administrative Expenses		<u>\$2,565,821</u>



**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Supervisors
County of Fairfax, Virginia

To the Board of Trustees
Fairfax County Employees' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fairfax County Employees' Retirement System (the "System"), a pension trust fund of the County of Fairfax, Virginia, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Orlando, Florida
November 16, 2023



INVESTMENT





INVESTMENT





County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

October 2, 2023

Dear Members of the Board of Trustees:

Major global equity indexes rose sharply in the second half of the fiscal year ended June 2023. US equity markets (as measured by the S&P 500 Index) ended the 12-months of FY2023 with a return of +19.6%. Within the U.S. stock market, small cap stocks (as measured by the Russell 2000 Index) underperformed large cap stocks, posting a one-year gain of +12.3%. Developed international equity markets (as measured by the MSCI EAFE Index) ended FY2023 with a 12-month return of +18.8%. Emerging markets stocks (as measured by the MSCI Emerging Markets Index) lagged developed equity markets but ended the fiscal year with a positive one-year return of +1.7%. Private equity (as measured by the Burgiss Manager Universe - Global Private Equity Funds) materially underperformed public equity, returning +1.14% for the fiscal year. Within private equity, there was material dispersion between venture capital (as measured by the Burgiss Manager Universe - Global Venture Capital Funds) which declined -9.86% vs. buyout (as measured by the Burgiss Manager Universe - Global Buyout Funds) which gained +6.72%. Headline inflation declined from its 40-year high of 9.1% in June 2022 to 3.0% in June 2023, but remained above the U.S. Federal Reserve's target of 2.0%. During FY2023, the U.S. Federal Reserve raised its benchmark interest rate from a range of 1.50% - 1.75% at the end of FY2022 to a range of 5.0% - 5.25% by the end of FY2023, with an additional 0.25% rate hike in July 2023. The sharp increase in interest rates was a headwind for the U.S. investment grade bond market. The Bloomberg U.S. Aggregate Index ended the fiscal year down -0.9% for the trailing 12-month period ending June 30, 2023. The U.S. high yield bond market (as measured by the Bloomberg US High Yield Index) posted a positive return of +9.1% over the same period. In real assets, commodities declined, with the Bloomberg Commodities Index posting a one-year loss of -9.6% and WTI crude oil prices falling -34.4% since June 30, 2022.

Employees' Retirement System

The Employees' Retirement System continued to focus on optimizing and diversifying the portfolio and implementing a diversified investment program to achieve the System's strategic long-term goals. This disciplined investment process has been effective in achieving a long-term record of consistent asset growth.

As of June 30, 2023, the Fairfax County Employees' Retirement System stood at \$4.640 billion, down from \$4.837 billion at the end of fiscal year 2022. Calculating performance using a time-weighted rate of return for the year ending June 30, 2023, the system returned -1.77%, gross of fees (-2.48% net



Fairfax County Retirement Systems
12015 Lee Jackson Memorial Hwy, Suite 350, Fairfax, VA 22033
Phone: 703-279-8200 * 1-800-333-1633 * Fax: 703-273-3185
www.fairfaxcounty.gov/retirement/

of fees), ranking in the 98th percentile of all public funds in the BNY Mellon Total Public Fund Universe. For the three, five, and ten-year periods (annualized), the system returned gross of fees, +7.62% (+6.04% net of fees), ranking in the 68th percentile, +6.72% gross of fees (+5.45% net of fees) ranking in the 56th percentile, and +6.44% gross of fees (+5.57% net of fees) ranking in the 88th percentile respectively.

For the year ending June 30, 2023, the Fairfax County Employees' Retirement System was negatively impacted by some of its venture capital exposure, which as noted above declined in value despite positive returns in the public equity markets. During the past twelve months, the System continued to focus on further diversifying risk and implementing the previously adopted changes to long term asset allocation targets. Bridgewater TIPS was terminated at the portfolio level; PIMCO TIPS and Crestline Opp V were added to the Global Fixed Income lineup. Second Foundation Radiant was added to the Absolute Return lineup.

Sincerely,



Andrew J. Spellar
Chief Investment Officer
Fairfax County Employees' Retirement System

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Investment Section

Investments by Category and Investment Manager**				
For the Year Ended June 30, 2023				
Asset Class	Manager	Investment Style	Fair Value	% of Total Portfolio
Absolute Return				
	Alpha Simplx Trend	Global Macro	\$51,890,096	1.1%
	Aspect Systematic GM	Global Macro	40,181,770	0.9%
	Blackrock FIGA	Relative Value	87,196,387	1.9%
	Bridgewater PA II	Global Macro	91,297,105	2.0%
	Bridgewater PAMM II	Global Macro	2,306,652	0.0%
	Crabel Multi-Prod	Global Macro	61,914,922	1.3%
	Florin Court	Global Macro	54,062,600	1.2%
	Kirkoswald GM	Global Macro	79,791,014	1.7%
	Millennium USA	Relative Value	93,010,148	2.0%
	Parataxis	Relative Value	6,346,064	0.1%
	Pimco Commodity Alph	Relative Value	48,578,542	1.0%
	Pimco GCOF	Relative Value	109,111,161	2.4%
	Second Foundation Radiant	Relative Value	35,307,867	0.8%
	Verition Multi Strat	Multi-Strategy	68,420,366	1.5%
Global Equity				
	Aberdeen Em Equity	Int'l Emg. Equity	51,796,339	1.1%
	Axiom Intl Small Cap*	Int'l Dev. Equity	116,152,043	2.5%
	Blockchain V	Private Markets Equity	17,856,965	0.4%
	Blockchain VI	Private Markets Equity	15,536,586	0.3%
	Deprince Lc Value*	US Equity	127,130,816	2.8%
	Dyal Capital II	Private Markets Equity	57,596,449	1.2%
	Dyal Captial IV	Private Markets Equity	53,032,385	1.1%
	EJF Silvergate II	Private Markets Equity	7,043,332	0.2%
	FCERS EM Equity ETF	Emerging Market Equity	62,883,896	1.4%
	FCERS Intl Equity ETF*	Int'l Dev. Equity	71,124,474	1.5%
	FCERS US Equity ETF*	US Equity	90,859,304	2.0%
	Fraxier Life XI	Private Markets Equity	8,335,575	0.2%
	HIVE IV	Private Markets Equity	5,234,872	0.1%
	Investcorp Strat Cap	Private Markets Equity	42,496,388	0.9%
	Lavrock Ventures II	Private Markets Equity	5,298,034	0.1%
	LSV Intl Value	Int'l Dev. Equity	540	0.0%
	Marathon Intl Eq	Int'l Dev. Equity	120,814,231	2.6%
	Morgan Creek Bco I	Private Markets Equity	18,794,000	0.4%
	Morgan Creek Bco II	Private Markets Equity	55,350,485	1.2%
	Morgan Creek Digital	Private Markets Equity	42,730,523	0.9%
	Polychain III	Private Markets Equity	19,686,119	0.4%
	Red Tree Ventures	Private Markets Equity	14,634,489	0.3%
	Sands Global Inov	Private Markets Equity	24,067,346	0.5%
	Sands Global Inov II	Private Markets Equity	21,946,237	0.5%
	Sands Global Ven III	Private Markets Equity	19,777,830	0.4%
	Sands LC Growth*	US Equity	54,156,532	1.2%
	Sands Life Pulse II	Private Markets Equity	17,458,199	0.4%
	Sands Life Sci Pulse	Private Markets Equity	14,856,650	0.3%
	Section Ventures	Private Markets Equity	8,726,522	0.2%
	Section Ventures II	Private Markets Equity	500,000	0.0%
	Two Sigma Ventur IV	Private Markets Equity	3,749,578	0.1%
	WCM Intl Growth*	Int'l Dev. Equity	116,391,516	2.5%
Global Multi-Asset				
	AQR Multi Asset II	Core Risk Parity	54,733,750	1.2%
	BlackRock Market Advantage	Core Risk Parity	104,228,837	2.2%
	FCERS Risk Balance*	Active Risk Parity	102,769,094	2.2%
	Lombard Odier	Active Risk Parity	110,791,023	2.4%
	Man AHL TargetRisk	Active Risk Parity	114,720,449	2.5%

See next page for the continuation of this report.

Investments by Category and Investment Manager**				
For the Year Ended June 30, 2023				
Asset Class	Manager	Investment Style	Fair Value	% of Total Portfolio
Global Fixed Income				
	Apollo FCI IV	Private Markets Credit	3,756,884	0.1%
	Blackrock MAOF	Private Markets Credit	38,807,880	0.8%
	Brandywine Global*	Global Bonds	112,506,386	2.4%
	Credit Suisse ILS II	Private Markets Credit	1,097,974	0.0%
	Crestline Opp III Eu	Private Markets Credit	33,844,447	0.7%
	Crestline Opp III Eu	Private Markets Credit	13,690,632	0.3%
	Crestline Opp IV	Private Markets Credit	51,191,971	1.1%
	Crestline Opp V	Private Markets Credit	18,812,904	0.4%
	Czech SJC III	Private Markets Credit	29,359,238	0.6%
	Doubleline Mtg Opp	Private Markets Credit	23,063,492	0.5%
	Doubleline Opp Cmbs	Private Markets Credit	9,919,639	0.2%
	Doubleline Strat Mbs*	US Mortgage	131,074,987	2.8%
	EJF Debt Opp	Private Markets Credit	70,653,497	1.5%
	Hoisington Us Treas*	Core Fixed	47,485,034	1.0%
	Lazard Em Debt Tr	Emg. Mkt. Debt	49,502,099	1.1%
	Marathon Dist Cr	Private Markets Credit	61,964,564	1.4%
	Marathon Eco III	Private Markets Credit	29,527,239	0.7%
	Marathon Eco VI	Private Markets Credit	42,098,853	0.9%
	Onyxpoint*	High Yield Bonds	59,145,327	1.3%
	Parataxis Digital	High Yield Bonds	26,584,488	0.6%
	Pgim Em Debt Plus	Private Markets Credit	47,337,410	1.0%
	Pimco Bravo II	Private Markets Credit	2,495,420	0.1%
	Pimco Bravo III	Private Markets Credit	47,680,603	1.0%
	Pimco Bravo IV	Private Markets Credit	57,406,633	1.2%
	Pimco Disco III	Private Markets Credit	848,574	0.0%
	Pimco Tac Opps	Private Markets Credit	57,889,189	1.2%
	Pimco TIPS*	Inflation-Linked	175,908,124	3.8%
	Section IV	Private Markets Credit	46,302,597	1.0%
	Section V	Private Markets Credit	7,355,204	0.2%
	Shenkman High Yield*	High Yield Bonds	101,942,440	2.2%
	VanEck Digital	High Yield Bonds	14,466,958	0.3%
Global Real Assets				
	C&S Intl Real Est*	U.S. Real Estate Securities	43,036,877	0.9%
	C&S Us Real Est*	Int'l Real Estate Securities	119,037,610	2.6%
	DWS Real Assets	Multi-Real Asset	77,797,552	1.7%
	ITE Rail Fund	Private Markets Real Assets	54,019,972	1.2%
	JPM Gbl Maritime	Private Markets Real Assets	8,297,586	0.2%
	Landmark Re Sec VIII	Private Markets Real Estate	29,347,670	0.6%
	Onyxpoint MSOF	Private Markets Real Assets	6,553,601	0.1%
	Pinnacle Cattle	Private Markets Real Assets	67,240,053	1.4%
	Pinnacle Physicals	Private Markets Real Assets	77,039,846	1.7%
	Roundhill Music III	Private Markets Real Assets	43,325,354	0.9%
	Roundhill Music Plus	Private Markets Real Assets	11,719,298	0.3%
	Solus L Band	Private Markets Real Assets	9,699,126	0.2%
	Terrestar Direct	Private Markets Real Assets	3,865,674	0.1%
Short Term and Others				
	Blackrock Stif A/L	Plan Level Cash Account	2,227,037	0.0%
	Cash Management	Plan Level Cash Account	4,525,841	0.1%
	Orphan Securities*	Operating Cash Account	100,798	0.0%
	Parametric Pios*	Operating Cash Account	65,280,224	1.5%
Total Investments			\$4,639,510,908	100.0%

* Separately Managed Accounts

** See pages 8-9 for complete listing of investment professionals

Continued from previous page.

Employees' Retirement System – Allocation of Market Exposures

Target Market Exposures

The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2023. The target asset allocation provides a reasonable expectation that the System's investment objectives can be achieved based on historical relationships of asset class performance.

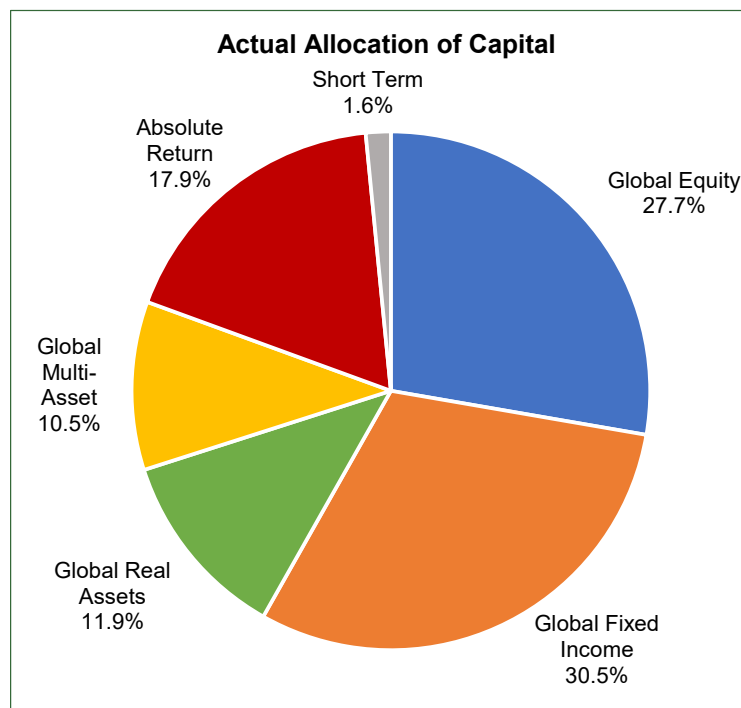
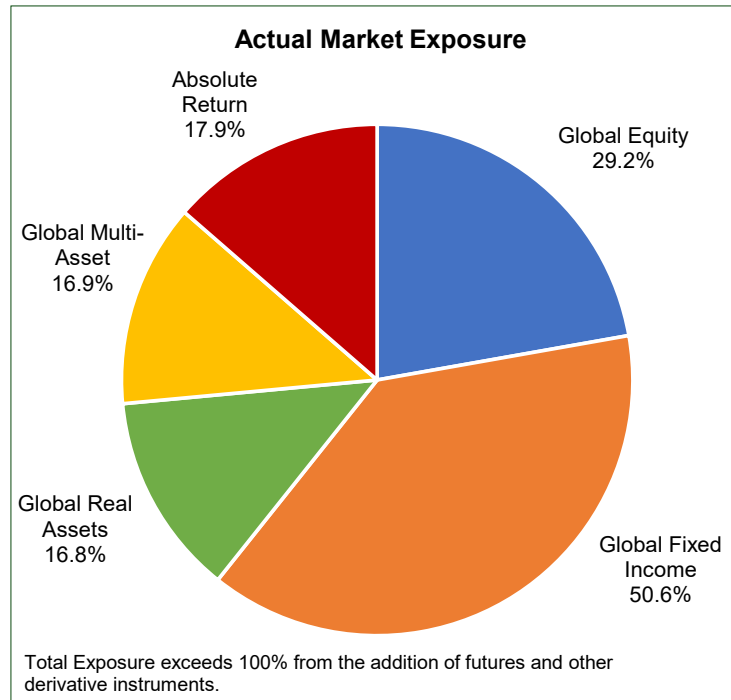
The pie chart below details the target asset mix, consistent with the achievement of the long-term objectives of the System, as of June 30, 2023.



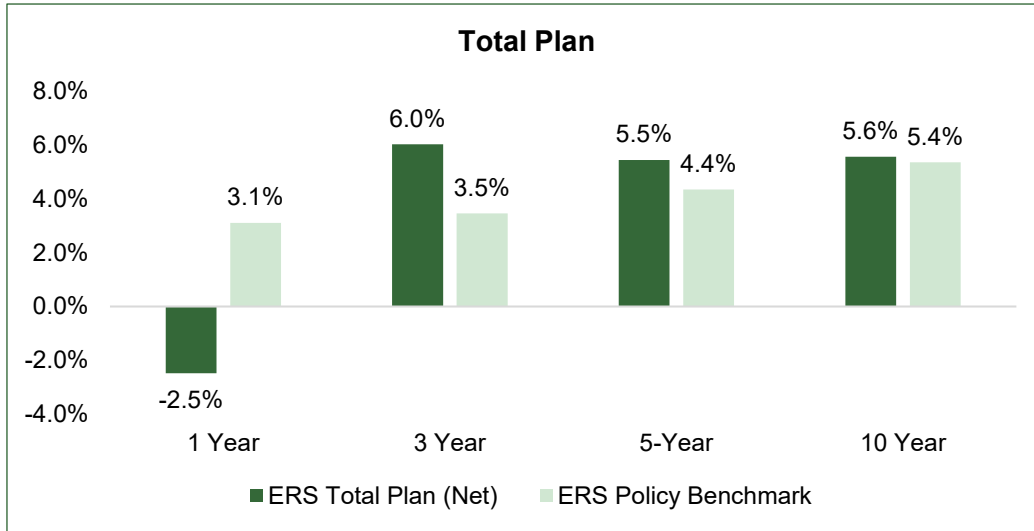
Actual Allocations as of June 30, 2023

The asset structure of the Employees' Retirement System has historically reflected a proper balance of the System's needs for liquidity, growth of assets, and risk tolerance. The System's investment policy is designed to continue to meet its long-term investment objectives while, at the same time, providing sufficient flexibility to meet short-term funding requirements.

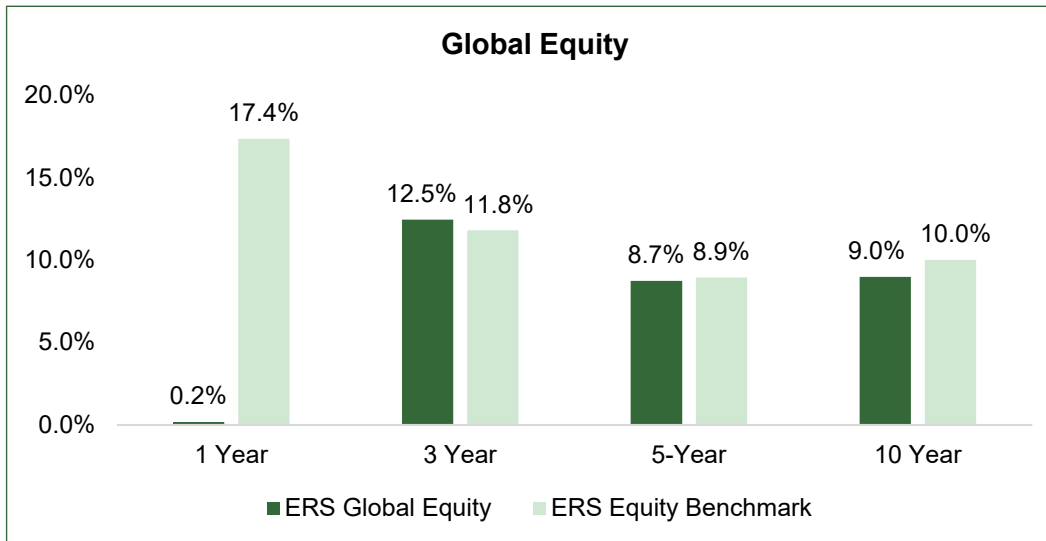
The pie chart below details the actual asset allocations as of June 30, 2023.



Investment Results
(Time-Weighted Return, net of Fees)

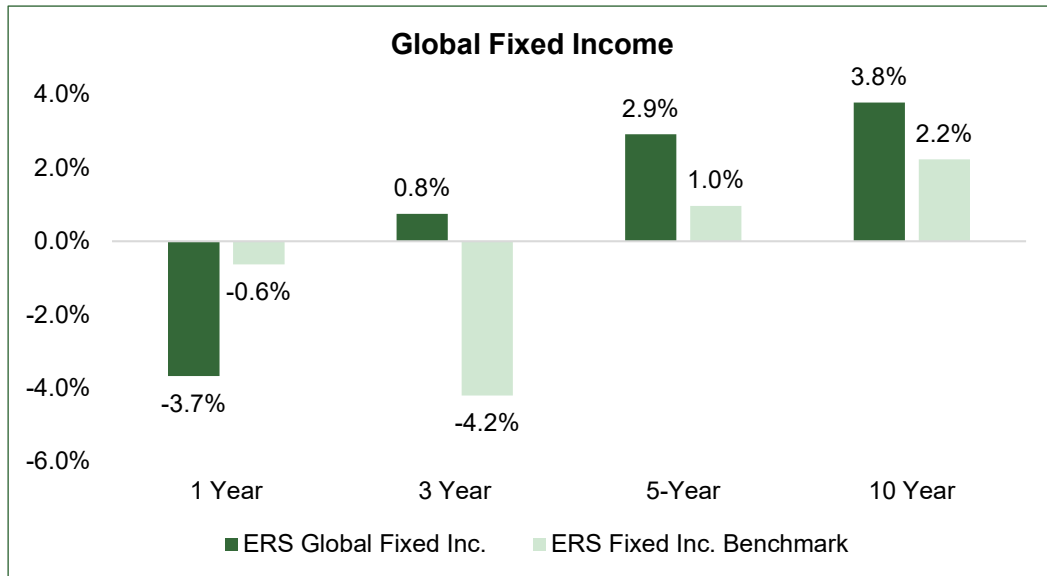


*Current Benchmark: Russell 3000 – 16.5%; MSCI World ex-US – 8.25%; MSCI EM – 2.75%; U.S. Agg Bond. x1.33 minus ICE 3-Mo. LIBOR x0.33 – 27.5%; High Yield– 12.5%; Real Asset Blended Benchmark – 12.5%; Risk Parity 10% Vol. Benchmark – 20.0% (Benchmark has been revised through time)

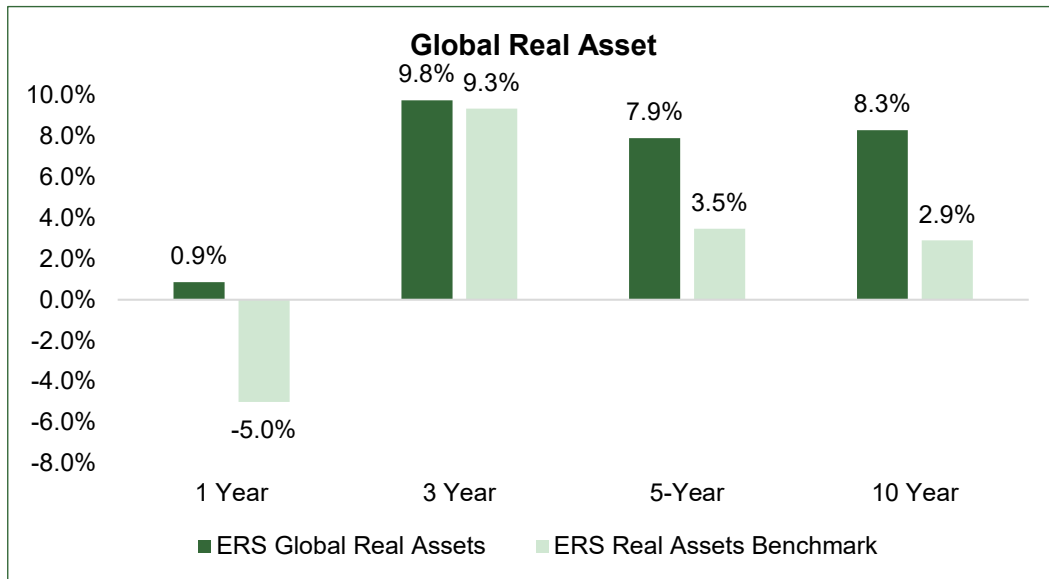


*Current Benchmark: Russell 3000 – 60.0%; MSCI World ex-US – 30.0%; MSCI EM – 10.0; (\$Gross) (Benchmark has been revised through time)

Investment Results
(Time-Weighted Return, net of Fees)

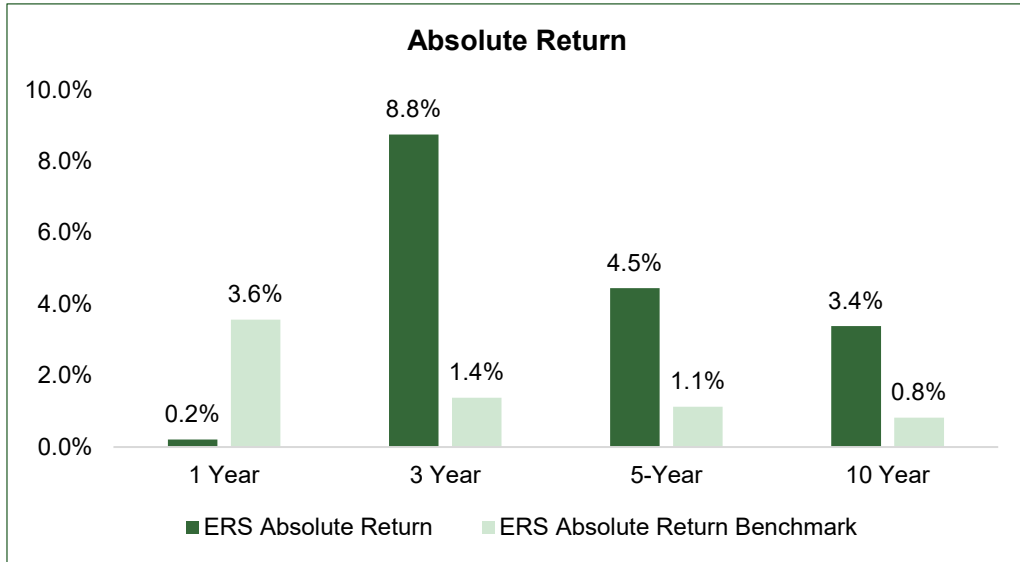


*Current Benchmark: U.S. Agg Bond. x1.33 minus ICE 3-Mo. LIBOR x0.33 – 68.75%; High Yield – 31.25% (Benchmark has been revised through time)

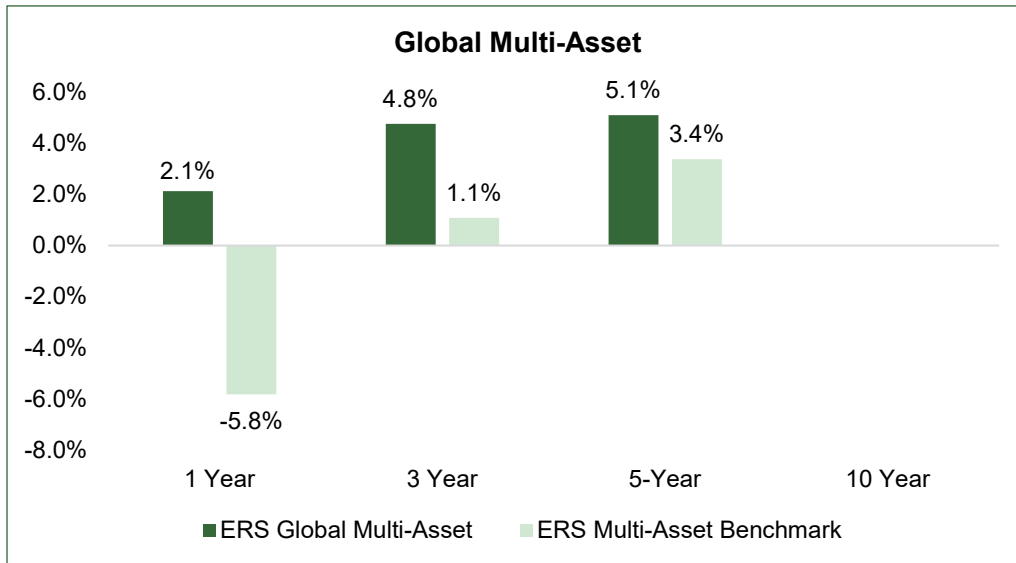


*Current Benchmark: FTSE/NAREIT Developed – 33.3%; DJ Brookfield Infrastructure – 33.3%; Commodity 33.3% (Benchmark has been revised through time)

Investment Results
(Time-Weighted Return, net of Fees)



*Current Benchmark: ICE 3-Mo. LIBOR (Benchmark has been revised through time)



*Current Benchmark: MSCI ACWI Index (Local) – 25.0%; Commodity – 25.0%; World I/L Bonds – 75.0%; Gbl TSY 7-10yr (H) – 75.0%; ICE 3-Month LIBOR – -100%; (Benchmark has been revised through time)

Schedule of Ten Largest Equity & Fixed Income Holdings

Ten Largest Equity Holdings*				
No. Shares	Description	Cost	Fair Value	% of Total Portfolio
98,294	Prologis Inc	\$8,878,145	\$12,053,793	0.26%
82,090	Digital Realty Trust Inc	9,992,544	9,347,588	0.20%
95,332	Welltower Inc	7,303,233	7,711,405	0.17%
122,913	Realty Income Corp	6,951,945	7,348,968	0.16%
213,583	Invitation Homes Inc	8,602,479	7,347,255	0.16%
63,379	Simon Property Group Inc	6,419,655	7,319,007	0.16%
32,805	American Tower Corp	7,009,458	6,362,202	0.14%
33,240	Novo Nordisk A/S	3,826,251	5,354,558	0.12%
46,501	Crown Castle Inc	6,809,077	5,298,324	0.11%
16,095	Ferrari Nv	<u>2,579,416</u>	<u>5,259,114</u>	<u>0.11%</u>
Total		\$68,372,203	\$73,402,214	1.59%

*Full disclosure of holdings is available upon request.

Ten Largest Fixed Income Holdings*				
No. Shares	Description	Cost	Fair Value	% of Total Portfolio
31,990,000	US Treasury Bond 2.500% 05/15/2046 DD 05/15/16	\$31,138,222	\$24,549,766	0.53%
19,365,926	US Treas-CPI Inflat 0.625%007/15/2032 DD 07/15/22	18,257,094	17,781,794	0.38%
18,420,000	US Treasury Note 1.875% 02/15/2032 DD 02/15/22	15,779,889	15,769,178	0.34%
14,838,292	US Treas-CPI Inflat 0.750% 07/15/2028 DD 07/15/18	14,409,628	14,053,940	0.30%
14,690,921	US Treas-CPI Inflat 0.875% 01/15/2029 DD 01/15/19	14,313,506	13,898,639	0.30%
13,662,041	US Treas-CPI Inflat 0.500% 01/15/2028 DD 01/15/18	13,063,063	12,771,823	0.28%
14,315,626	US Treas-CPI Inflat 0.125%007/15/2031 DD 07/15/21	13,053,412	12,683,644	0.27%
14,388,599	US Treas-CPI Inflat 0.125%001/15/2032 DD 01/15/22	13,113,612	12,652,614	0.27%
13,096,683	US Treas-CPI Inflat 0.125% 07/15/2026 DD 07/15/16	12,488,120	12,298,047	0.27%
13,644,126	US Treas-CPI Inflat 0.125%001/15/2031 DD 01/15/21	<u>12,502,464</u>	<u>12,113,392</u>	<u>0.26%</u>
Total		\$158,119,010	\$148,572,837	3.20%

*Full disclosure of holdings is available upon request.

Investment Section

Schedule of Brokerage Commissions

For the Year Ended June 30, 2023

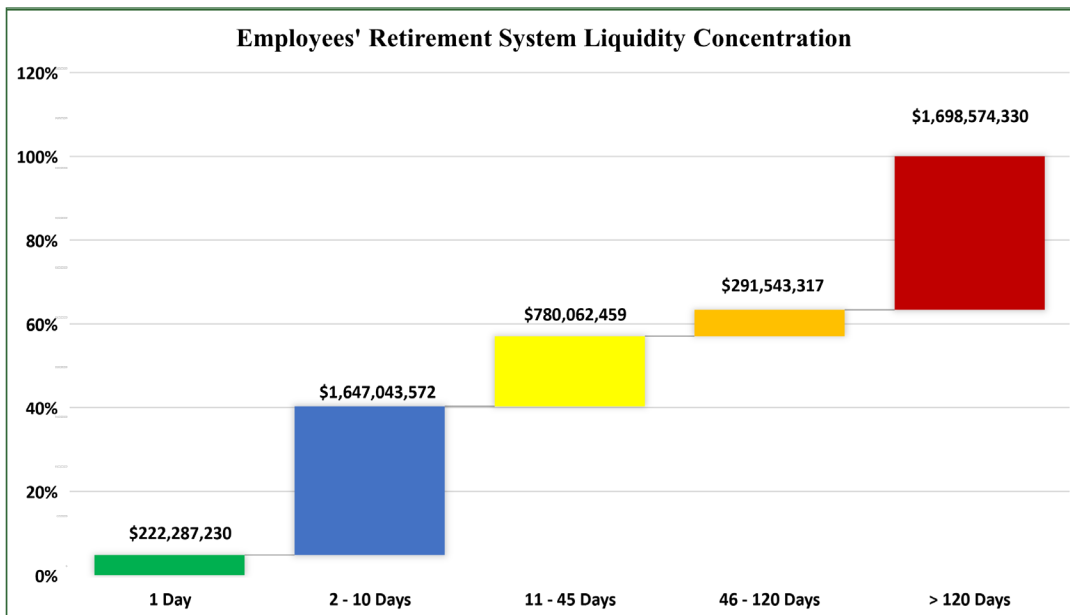
Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
CANTOR FITZGERALD & CO INC, NEW YORK	\$709,207	105,055	\$5,101	0.72%
MORGAN J P SECS INC, NEW YORK	58,561	20	312	0.53%
STIFEL, NICOLAUS AND CO,ST.LOUIS	289,084	113,600	864	0.30%
BOFA SECURITIES, INC, NEW YORK	544,524	121,829	1,108	0.20%
MORGAN STANLEY & CO, LONDON (MSLNGB2X)	410,283	736,800	822	0.20%
FEARNLEY FOND A/S, OSLO	355,181	358,314	709	0.20%
AMBIT CAPITAL PRIVATE LTD, MUMBAI	1,196,944	80,313	2,368	0.20%
STERNE AGEE & LEACH INC	716,502	34,245	1,370	0.19%
J.P. MORGAN SECURITIES, HONG KONG	655,394	1,920,527	1,090	0.17%
ROYAL BANK OF CANADA, TORONTO (RBCH)	5,029,310	(317)	8,035	0.16%
DAIWA SECS (HK) LTD, HONG KONG	250,955	10,255	380	0.15%
CALYON SECURITIES, NEW YORK	266,655	5,674,500	401	0.15%
CITIGROUP GBL MKTS INDIA, MUMBAI	994,776	544,780	1,495	0.15%
GOLDMAN SACHS (ASIA) LLC, TAIPEI	1,335,791	173,000	2,007	0.15%
SANTANDER INVESTMENT SEC INC, NEW YORK	138,010	38,400	207	0.15%
SCOTIA CAPITAL INC, NEW YORK	204,515	57,600	307	0.15%
BANCO ITAU, SAO PAULO	1,083,131	175,000	1,627	0.15%
DAIWA SECS SMBC CATHAY CO, TAIPEI	1,056,456	115,300	1,587	0.15%
GOLDMAN SACHS AUSTRALIA PTY LTD,MELBOURN	70,609	20,092	106	0.15%
SANFORD C. BERNSTEIN (INDIA) PRI, MUMBAI	2,823,982	273,726	4,233	0.15%
JEFFERIES AUSTRALIA PTY LIMITED, SYDNEY	520,116	232,656	779	0.15%
MACQUARIE SECURITIES LTD, AUCKLAND	15,002	12,421	22	0.15%
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	73,247	28,158	110	0.15%
JEFFERIES INDIA PRIVATE LTD, MUMBAI	4,807,589	2,134,403	7,201	0.15%
YUANTA SECURITIES CO., LTD., TAIPEI	1,262,620	189,000	1,891	0.15%
MIRAE ASSET SECURITIES, SEOUL	702,282	12,566	1,052	0.15%
MACQUARIE SECS (INDIA) PVT LTD, MUMBAI	682,295	204,705	1,022	0.15%
JP MORGAN INDIA PRIVATE LTD, MUMBAI	1,884,643	468,548	2,819	0.15%
DAIWA SEC SMBC INDIA PRIV LTD,MUMBIA	275,522	53,376	412	0.15%
WARBURG DILLON READ SEC, MUMBAI	1,556,384	139,301	2,277	0.15%
CREDIT LYONNAIS SECS (ASIA), HONG KONG	2,494,154	648,278	3,547	0.14%
ABG SECS, OSLO	157,717	126,810	224	0.14%
BRADESCO S.A. CTVM, SAO PAULO	1,104,583	113,600	1,526	0.14%
JEFFERIES HONG KONG LIMITED, HONG KONG	301,538	159,000	415	0.14%
BERENBERG GOSSLER & CIE, HAMBURG	3,023,849	54,915	4,092	0.14%
UBS WARBURG ASIA LTD, HONG KONG	1,963,974	1,276,961	2,642	0.13%
J P MORGAN SEC, SYDNEY	239,638	46,517	321	0.13%
MACQUARIE BANK LIMITED, SYDNEY	280,211	87,291	373	0.13%
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	2,006,626	1,727,600	2,658	0.13%
INSTINET PACIFIC LTD, HONG KONG	7,804,583	3,281,665	10,284	0.13%
HSBC BROKERAGE (USA) INC., NEW YORK	48,200	2,073	62	0.13%
DAIWA SECS AMER INC, NEW YORK	5,471,775	471,976	7,046	0.13%
GOLDMAN SACHS & CO, NY	286,148,855	3,310,471	368,164	0.13%
JEFFERIES & CO LTD, LONDON	3,694,657	1,700,534	4,724	0.13%
PERSHING LLC, JERSEY CITY	2,689,554	116,391	3,418	0.13%
KEPLER EQUITIES, PARIS	679,122	5,584	855	0.13%
MERRILL LYNCH INTL LONDON EQUITIES	13,538,887	3,552,625	16,786	0.12%
J P MORGAN SECS LTD, LONDON	5,952,522	998,585	7,336	0.12%
CITIGROUP GBL MKTS INC, NEW YORK	2,806,796	1,777,699	3,402	0.12%
STIFEL NICOLAUS EUROPE LIMITED, LONDON	125,633	26,324	151	0.12%
Other Brokers	<u>2,539,237,390</u>	<u>75,710,676</u>	<u>656,961</u>	0.03%
TOTAL	\$2,909,739,834	109,223,748	\$1,146,701	0.04%

Schedule of Management Fees by Asset Class		
For the Year Ended June 30, 2023		
Asset Class	Fair Value	Management Fees
Absolute Return	\$829,414,694	\$11,442,877
Global Equity	1,286,018,255	16,201,320
Global Fixed Income	1,413,720,687	11,279,271
Global Multi-Asset	487,243,153	3,290,258
Global Real Assets	550,980,219	7,077,410
Short Term and Others	<u>72,133,900</u>	<u>823,047</u>
Total	<u>\$4,639,510,908</u>	<u>\$50,114,183</u>

Investment Summary				
(Based on Capital Allocation)				
	As of June 30, 2023		As of June 30, 2022	
	Fair Value	% Fair Value	Fair Value	% Fair Value
Absolute Return	\$829,414,694	17.9%	\$815,143,936	16.7%
Global Equity	1,286,018,255	27.7%	1,349,575,960	28.0%
Global Fixed Income	1,413,720,687	30.4%	1,483,012,266	30.7%
Global Multi-Asset	487,243,153	10.5%	473,544,227	9.8%
Global Real Assets	550,980,219	11.9%	558,738,054	11.5%
Short Term and Others	<u>72,133,900</u>	<u>1.6%</u>	<u>156,819,682</u>	<u>3.3%</u>
Total	<u>\$4,639,510,908</u>	<u>100.0%</u>	<u>\$4,836,834,125</u>	<u>100.0%</u>

Liquidity Snapshot on June 30, 2023

The below liquidity chart for the Employees' Retirement System demonstrates how the pension fund's capital has been allocated to ensure sufficient liquidity to support short term uses of cash, such as retirement distributions, capital calls, potential daily margin calls and coverage ratio requirements on derivative notional balances. It details the liquidity concentration of the System's total capital allocated to investments by their redemption schedule (monthly, quarterly, annually or none), including the number of calendar days' notice that must be provided before the redemption of funds can be made.





ACTUARIAL





ACTUARIAL





October 27, 2023

Fairfax County Employees'
Retirement System
12015 Route 50, Suite 350
Fairfax, Virginia 22033

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the Fairfax County Employees' Retirement System as of June 30, 2023. The full results and analysis of that annual valuation will be presented in a full actuarial valuation report. The purpose of this actuarial section is to provide key information from that report and support the disclosure of Total Pension Liability that is presented in the Financial Section of this ACFR. For a more complete analysis, please see the full report.

Funding Objective

The funding objective of the System is to establish contribution rates that will remain level as a percentage of payroll over time. In order to achieve this, the County contribution rate is based on the normal cost rate and expense rate developed in the current valuation combined with an unfunded actuarial liability rate (UAL rate) based on 15 year layered amortization bases reflecting assumption changes, plan changes and annual gains and losses.

Assumptions

The actuarial assumptions used in performing the June 30, 2023 valuation were recommended by the actuary and adopted by the Board of Trustees based on our most recent review of the System's experience for the five-year period ending June 30, 2020. The assumptions and methods used for funding purposes were developed in compliance with the actuarial standards of practice as they relate to pension plans. The assumptions reflect our understanding of the likely future experience of the System and the assumptions both individually and as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the underlying assumptions, the results would vary accordingly.

Reliance on Others

In preparing our valuation, we relied on information (some oral and some written) supplied by the System. This information includes, but is not limited to, plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standards of Practice No. 23.

Supporting Schedules

As a part of the 2023 actuarial valuation, Cheiron prepared the Analysis of Financial Experience, Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls and Liability by Type provided in this Actuarial Section.

We are also responsible for the disclosures of Net Pension Liability and its components in the Financial Section. The information provided in Note 4 of the Financial Section comes from the Actuarial Valuation as of June 30, 2023.

Compliance with Code of Virginia §51.1-800

Code of Virginia §51.1-800 requires that the benefits provided to a retiree at age 65 from a local retirement system equal or exceed two-thirds of the allowance to which the employee would be entitled under the provisions of the Virginia Retirement System (VRS).

Although there is no formal procedure for making this comparison, we compared the least valuable rate under the Employees' Retirement System to the most valuable accrual rate under the VRS, making adjustments for the fact that employee contributions are required in excess of the VRS 5% rate. We found that the employer-provided accrual rates do exceed two-thirds of the most valuable employer-provided accrual rates under the VRS plan.

We certify that, to the best of our knowledge and understanding, the Fairfax County Employees' Retirement System satisfies the requirements of the Code of Virginia §51.1-800.

Certification

This section and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices, and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in this section. This section does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This section was prepared for the Fairfax County Employees' Retirement System for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this section are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron



Fiona E. Liston, FSA
Principal Consulting Actuary



Coralie A. Taylor, FSA
Consulting Actuary



Summary of Valuation Results

The Actuarially Determined Contribution rate for Fiscal Year (FY) 2023 was developed in the 2021 valuation report. For more information on the assumptions and methods used to develop that rate, please see the Funding Method section of that report.

Amounts disclosed in Note 4 of the Financial Section were developed in conjunction with the 2023 valuation.

Summary of Actuarial Assumptions and Methods

Funding Method

The Entry Age Normal Cost funding method is used to determine costs. Under this method, the County contribution has three components: the normal cost, the payment toward the unfunded actuarial liability, and the expense rate.

The normal cost is a level percent of pay cost which, along with the member contributions, will pay for projected benefits at retirement for each plan participant.

The actuarial liability is that portion of the present value of future benefits that will not be paid by future County normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability. The rate includes amortization layers which exhaust this unfunded liability amount over 15 year layers from the date first measured. The amortization is performed as a level percent of pay.

The expense rate is added to cover the System's administrative expenses.

The County's total contribution rate is equal to the sum of these three components.

Actuarial Value of Assets

For purposes of determining the County contribution to the System, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In determining the actuarial value of assets, we calculate an expected actuarial value based on cash flow for the year and imputed returns at the actuarial assumption. This expected value is compared to the market value, and one-third of the difference is added to the preliminary actuarial value to arrive at the final actuarial value.

Changes Since Last Valuation

None.

Long Term Assumptions Used to Determine System Costs and Liabilities

**Demographic Assumptions
Healthy Mortality**

Annual Deaths Per 10,000 Members		
Mortality Projected to 2023		
Age	Male	Female
50	47	36
55	61	41
60	84	49
65	113	65
70	169	102
75	277	179
80	487	328
85	868	616
90	1,490	1,168
95	2,280	1,910
100	3,207	2,847

*Post-retirement mortality shown

The PubG-2010 Healthy Annuitant Head-Count Weighted Mortality Table for males and females, respectively, projected using the MP-2020 model, with an ultimate rate of 0.85% for ages 20-80 grading down to an ultimate rate of 0% for ages 114-120 and convergence to the ultimate rate in the year 2027. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

5% of pre-retirement deaths are assumed to be service connected.

Disabled Mortality

**Annual Deaths Per 10,000 Disabled Members
Mortality Projected to 2023**

Age	Male	Female
45	115	96
50	159	138
55	214	178
60	281	214
65	341	234
70	402	278
75	511	387
80	728	594

The PubG-2010 Disabled Head-Count Weighted Annuitant Mortality Table for males and females, respectively, projected using the MP-2020 model, with an ultimate rate of 0.85% for ages 20-80 grading down to an ultimate rate of 0% for ages 114-120 and convergence to the ultimate rate in the year 2027. The valuation uses fully generational projection of mortality improvements. Sample rates shown are projected through the valuation date.

Active Separation From Service Due to Death

Annual Deaths Per 10,000 Members		
Mortality Projected to 2023		
Age	Male	Female
20	4	2
25	4	2
30	6	3
35	9	4
40	11	5
45	12	6

The PubG-2010 Employee Head-Count Weighted Mortality Table for males and females, respectively, projected using the MP-2020 model, with an ultimate rate of 0.85% for ages 20-80 grading down to an ultimate rate of 0% for ages 114-120 and convergence to the ultimate rate in the year 2027. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

Termination of Employment
(Prior to Normal Retirement Eligibility)

Annual Termination Rates Per 1,000 Members – County	
Service	Termination
0	162
5	71
10	35
15	15
20	6
25	2
30	0

Annual Termination Rates Per 1,000 Members – Schools	
Service	Termination
0	281
5	68
10	36
15	18
20	9
25	7
30	0

It is assumed that members who terminate before the earlier of age 45 or with age plus service equal to 60 elect to receive a refund of contributions instead of vested benefits.

Termination rates drop to zero three years prior to reaching Rule of 80 (or Rule of 85 for Plans C, D, and E) retirement.

Disability

Annual Disabilities Per 10,000 Members*		
Age	Male	Female
20	1	1
25	1	1
30	1	1
35	1	1
40	1	1
45	4	3
50	7	6
55	11	9
60	13	11

* 20% of disabilities are assumed to be service-connected. Of these, 31% are assumed to receive Workers' Compensation benefits.

No disability is assumed to occur once members reach eligibility for retirement.

Retirement/DROP

Annual Retirements/DROPs Per 1,000 Eligible Members*	
(Male and Female)	
Age	Normal
50	300
51	250
52	250
53	250
54	250
55	250
56	250
57	250
58	250
59	250
60	250
61	275
62	300
63	350
64	275
65	300
66	275
67	250
68	200
69	200
70	250
71	250
72	250
73	250
74	250
75	1,000

**Percentage of Retirements/DROP who
are assumed to be DROP**

Age	DROP
50	70%
55	68
60	63
65	30
70	30
75	30

Merit/Seniority Salary Increase
(in addition to across-the-board increase)

County	
Service	Merit/Seniority Increase
0	2.30%
5	2.45
10	1.85
15	1.55
20	1.45
25	1.20
30	0.90

Schools	
Service	Merit/Seniority Increase
0	7.50%
5	3.25
10	2.50
15	2.00
20	1.50
25	0.50
30	0.00

*Those who leave under this decrement are assumed to DROP in accordance with the percentages below. Those who do not take DROP are assumed to take immediate retirement. DROP participants are assumed to remain in DROP for three years and receive interest at 5% per annum on their DROP deferrals.

Family Composition

For purposes of valuing the pre-retirement death benefit, an assumption is made that 80% of employees are married at death while active and that the female spouse is three years younger than the male spouse.

Sick Leave Credit

Unused sick leave balances as reported for each active member are used as of the valuation date. Future sick leave accruals for members hired prior to 2013 are assumed to accrue at 100% of each participant's annual average but are capped at 124 hours per year for members hired on or after January 1, 2013.

Economic Assumptions

Investment Return:	6.75% compounded per annum.
Rate of General Wage Increase:	2.25% compounded per annum.*
Rate of Increase in Cost-of-Living:	2.10% compounded per annum.**
Total Payroll Increase (For amortization):	2.25% compounded per annum.
Administrative Expenses:	0.30% of payroll.

*General Wage Increase assumption applies for projecting contributions and developing Social Security benefits.

**Benefit increases are limited to 4% per year.

Rationale for Assumptions

The actuarial assumptions were adopted by the Board of Trustees upon the recommendation of the actuary, based on an experience study performed in 2021. The results of this study were presented in a report dated October 2021 and are incorporated into the actuarial report by reference.

Changes since Last Valuation

None.

Analysis of Financial Experience
Gain and Loss in Accrued Liability during Years Ended June 30¹
Resulting from Differences between Assumed Experience and Actual Experience

Type of Activity	Investment Income	Combined Liability Experience	Gain (or Loss) During Year from Financial Experience	Non-Recurring Items	Composite Gain (or Loss) During Year
2014	\$113,443,149	\$3,445,687	\$116,888,836	(\$1,462,698)	\$115,426,138
2015	(33,127,096)	73,129,057	40,001,961	-	40,001,961
2016	(120,548,533)	34,314,735	(86,233,798)	(69,346,439)	(155,580,237)
2017	(90,769,788)	(74,947,986)	(165,717,774)	(582,418)	(166,300,192)
2018	(64,779,936)	(41,362,698)	(106,142,634)	(603,265)	(106,745,899)
2019	(59,391,458)	(29,354,840)	(88,746,298)	-	(88,746,298)
2020	(103,597,308)	5,460,818	(98,136,490)	-	(98,136,490)
2021	192,341,249	43,615,539	235,956,788	2,280,293	238,237,081
2022	(123,127,160)	(236,424,050)	(359,551,210)	-	(359,551,210)
2023	(236,687,953)	(31,646,234)	(268,334,187)	-	(268,334,187)

¹ Schedule comes from the Actuarial Valuation as of June 30, 2023.

Schedule of Retirees and Beneficiaries
Added To and Removed From Rolls²

Year Ended June 30,	Added to Rolls		Removed From Rolls		On Rolls @ Yr. End		%	Average Allowance
	No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance		
2014	547	\$17,306,458	184	\$3,482,147	7,626	\$214,754,436	6.88%	\$28,161
2015	625	18,026,882	230	4,321,038	8,021	228,460,280	6.38%	28,483
2016	307	9,011,712	139	3,011,824	8,189	234,460,168	2.63%	28,631
2017	639	21,100,152	225	3,847,450	8,603	251,712,870	7.36%	29,259
2018	628	18,659,672	242	5,140,831	8,989	265,231,711	5.37%	29,506
2019	730	25,375,866	251	5,074,323	9,468	285,533,254	7.65%	30,158
2020	620	20,682,685	264	5,576,316	9,824	300,639,623	5.29%	30,603
2021	695	20,335,083	272	6,400,357	10,247	314,574,349	4.64%	30,699
2022	694	26,629,825	300	7,139,411	10,641	334,064,763	6.20%	31,394
2023	719	31,388,414	295	7,253,705	11,065	358,199,472	7.22%	32,372

²Prior to 2016, amounts are based on June 30 benefits adjusted for known COLA effective July 1. Post-2015, amounts reported are based on benefits on December 31 prior to the valuation date.

Schedule of Funded Liabilities by Type¹

Aggregate Accrued Liabilities For							
Valuation Date June 30,	(1)	(2)	(3)	Reported Assets	(1)	(2)	(3)
	Active Member Contributions	Retirees, Vested Terms, Beneficiaries & DROP	Active Members (County Financed Portion)		Portion of Accrued Liabilities by Reported Assets		
2014	\$363,335,228	\$2,769,188,984	\$1,668,195,558	\$3,614,067,515	100%	100%	29%
2015	372,037,954	2,884,906,681	1,649,587,057	3,759,611,811	100%	100%	30%
2016	396,434,811	2,987,100,852	1,732,881,508	3,831,179,295	100%	100%	26%
2017	380,179,076	3,216,480,052	1,771,072,393	3,930,924,191	100%	100%	26%
2018	397,692,499	3,444,004,357	1,749,526,935	4,070,486,587	100%	100%	13%
2019	404,341,900	3,624,784,344	1,762,554,326	4,220,420,263	100%	100%	11%
2020	419,154,588	3,719,369,617	1,822,541,878	4,349,257,826	100%	100%	12%
2021	409,477,095	3,995,179,306	1,925,153,122	4,997,549,929	100%	100%	31%
2022	437,379,797	4,228,989,782	2,070,266,263	5,103,373,910	100%	100%	21%
2023	437,995,519	4,475,222,086	2,040,575,964	5,125,212,112	100%	100%	10%

¹Schedule uses actuarial value of assets. Results would be different if market value of assets were used. Despite the name of this exhibit, the liabilities presented in this schedule are not an appropriate measurement of the settlement value of the System.

Schedule of Funding Progress

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	[(b) - (a)] / (c)
2014	\$3,614,067,515	\$4,800,719,770	\$1,186,652,255	75%	\$659,360,128	180%
2015	3,759,611,811	4,906,531,692	1,146,919,881	77%	663,896,916	173%
2016	3,831,179,295	5,116,417,171	1,285,237,876	75%	702,787,358	183%
2017	3,930,924,191	5,367,731,521	1,436,807,330	73%	728,022,176	197%
2018	4,070,486,587	5,591,223,791	1,520,737,204	73%	754,080,802	202%
2019	4,220,420,263	5,791,680,570	1,571,260,307	73%	789,790,124	199%
2020	4,349,257,826	5,961,066,083	1,611,808,257	73%	822,970,711	196%
2021	4,997,549,929	6,329,809,523	1,332,259,594	79%	805,120,408	165%
2022	5,103,373,910	6,736,635,842	1,633,261,932	76%	880,931,034	185%
2023	5,125,212,112	6,953,793,569	1,828,581,457	74%	903,108,220	202%

Schedule of Active Member Valuation Data

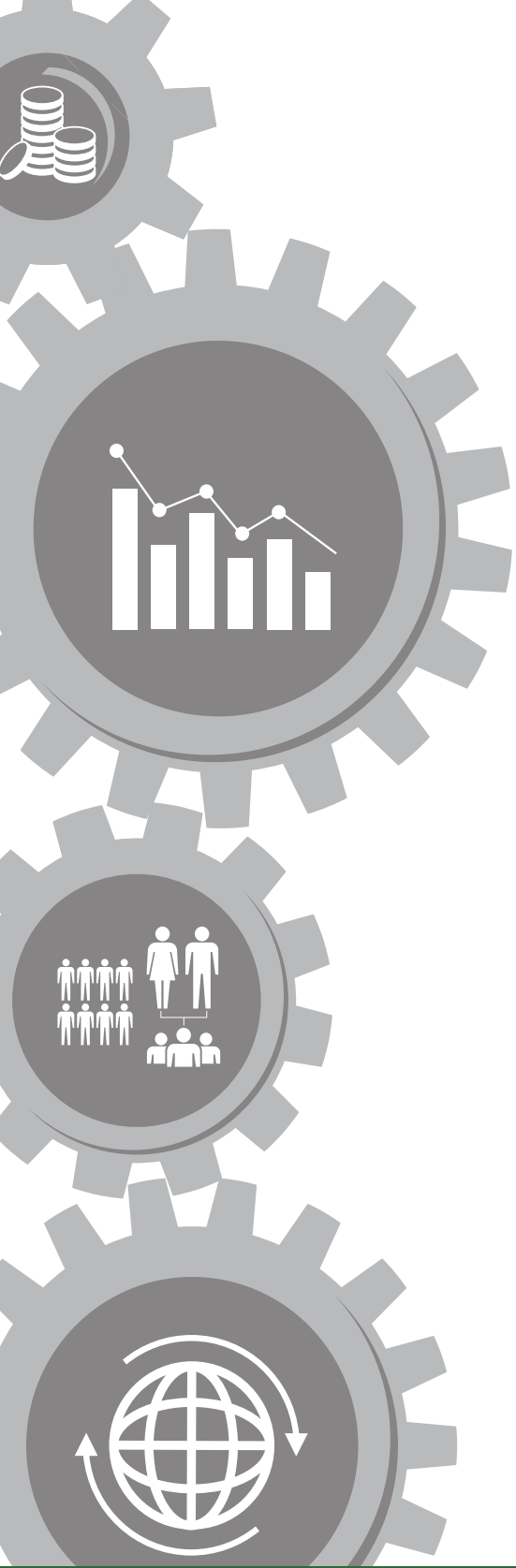
	Valuation Date June 30,	Number of Active Members ¹	Covered Payroll	Average Annual Salary	Percentage Increase in Average Pay
School	2014	5,869	\$181,560,970	\$30,936	
	2015	5,692	179,763,202	31,582	2.09%
	2016	5,927	189,237,256	31,928	1.10%
	2017	5,836	194,881,548	33,393	4.59%
	2018	5,665	196,161,116	34,627	3.70%
	2019	5,731	213,750,342	37,297	7.71%
	2020	5,783	214,899,962	37,160	-0.37%
	2021	5,514	192,348,196	34,884	-6.13%
	2022	5,501	220,195,821	40,028	14.75%
	2023	5,258	220,105,154	\$41,861	4.58%
County	2014	7,993	\$477,799,159	\$59,777	
	2015	7,977	484,133,722	60,691	1.53%
	2016	8,244	513,551,736	62,294	2.64%
	2017	8,150	533,140,400	65,416	5.01%
	2018	8,239	557,919,686	67,717	3.52%
	2019	8,269	576,039,782	69,663	2.87%
	2020	8,421	608,070,749	72,209	3.66%
	2021	8,501	612,586,452	72,061	-0.21%
	2022	8,442	660,735,213	78,268	8.61%
	2023	8,525	\$683,003,069	\$80,118	2.36%

¹ Excludes DROP participants.



STATISTICAL

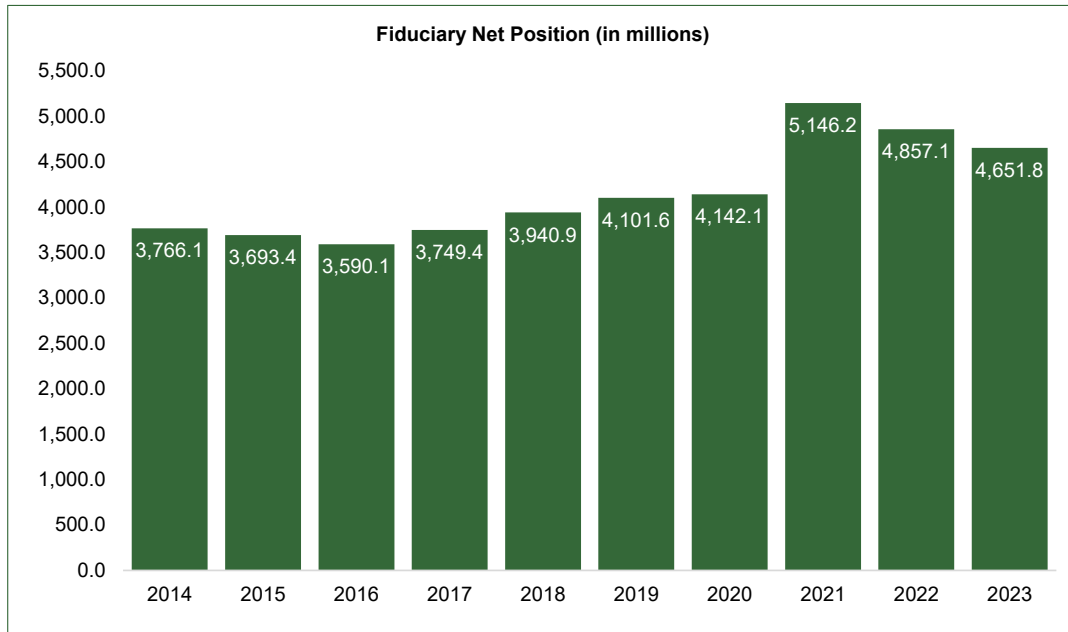




STATISTICAL



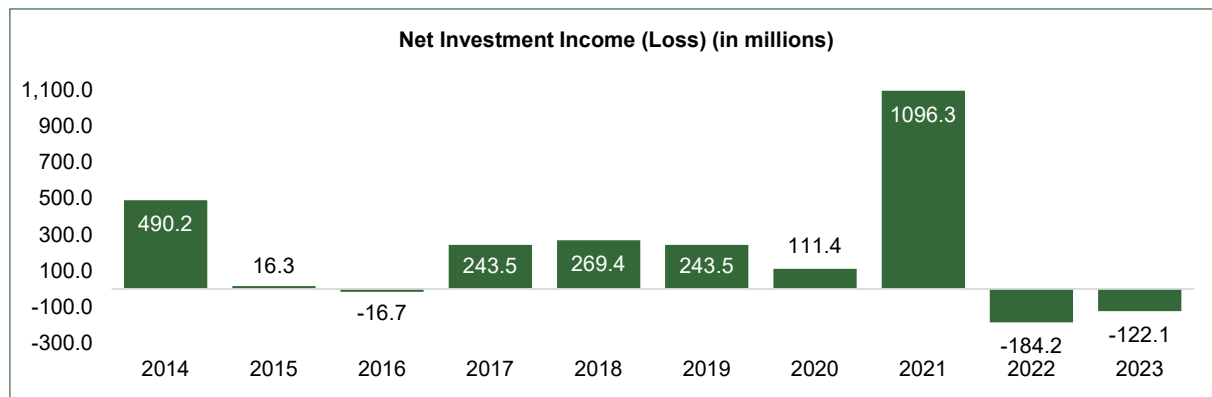
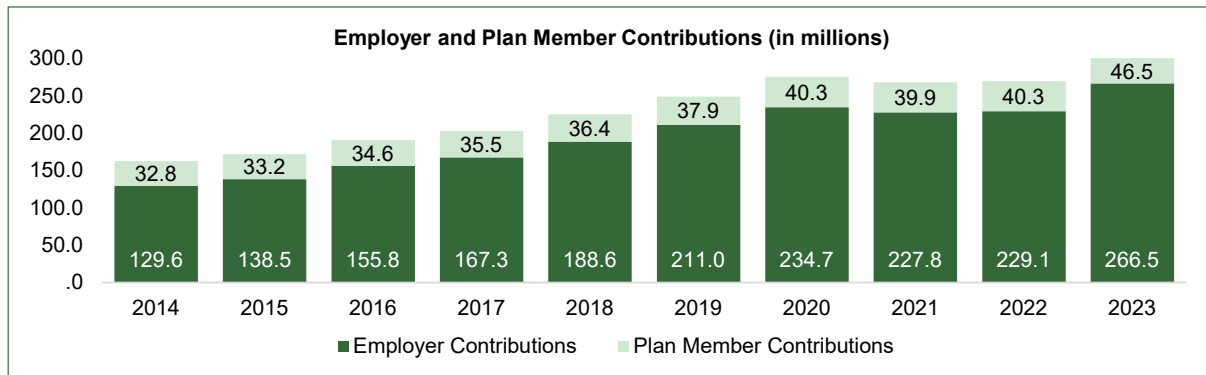
The Statistical Section presents historical information regarding the retirement plan. This information includes a ten-year analysis of the sources of change in fiduciary net position, benefit payments, the number of retired members and average monthly benefits. Sources of additions include employer and plan member contributions and net investment income; deductions include benefit payments to retirees and beneficiaries, refunds of employee contributions and administrative expenses. The amounts of benefits paid, the count of benefit recipients and the average benefit payments are provided by type of benefit, including service retirement annuities, service-connected and ordinary disability benefits and survivor benefits.



Fiscal Year	Fiduciary Net Position
2014	\$3,766,059,665
2015	3,693,357,619
2016	3,590,082,229
2017	3,749,384,616
2018	3,940,926,716
2019	4,101,637,346
2020	4,142,063,209
2021	5,146,232,426
2022	4,857,119,591
2023	4,651,836,206

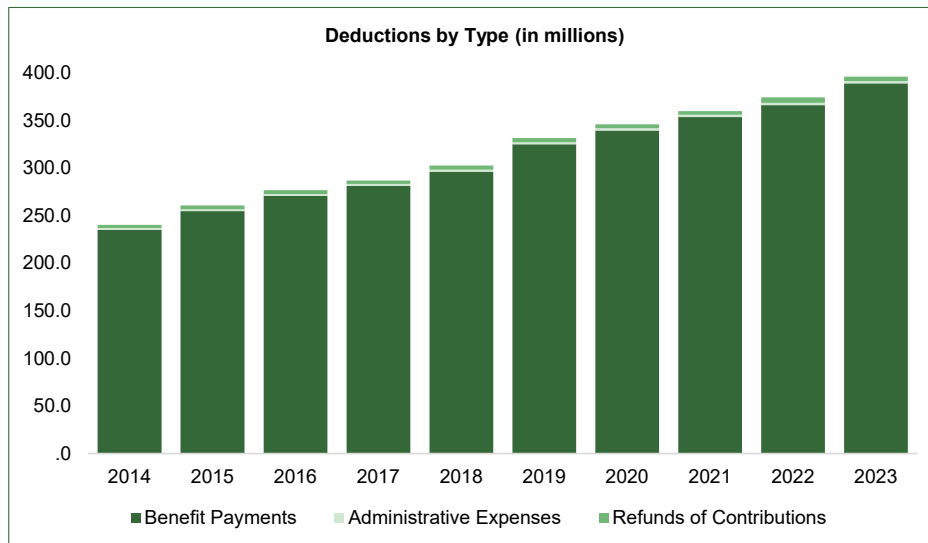
Changes in Fiduciary Position*					
Fiscal Year	2014	2015	2016	2017	2018
Additions by Source					
Plan Member Contributions	\$32,758,587	\$33,193,593	\$34,627,061	\$35,476,023	\$36,357,591
Employer Contributions	129,618,309	138,493,099	155,780,373	167,311,608	188,578,414
Net Investment Income (Loss)	<u>490,196,386</u>	<u>16,342,457</u>	<u>(16,668,287)</u>	<u>243,496,177</u>	<u>269,418,157</u>
Total Additions	652,573,282	188,029,149	173,739,147	446,283,808	494,354,162
Deductions by Type					
Benefit Payments	\$235,204,611	\$254,875,795	\$270,800,631	\$281,258,687	\$296,255,029
Refunds of Contributions	3,356,282	3,958,786	4,101,311	3,671,886	4,386,395
Administrative Expenses	<u>1,884,827</u>	<u>1,896,614</u>	<u>2,112,595</u>	<u>2,050,848</u>	<u>2,170,638</u>
Total Deductions	<u>240,445,720</u>	<u>260,731,195</u>	<u>277,014,537</u>	<u>286,981,421</u>	<u>302,812,062</u>
Change in Fiduciary Net Position	<u>\$412,127,562</u>	<u>(\$72,702,046)</u>	<u>(\$103,275,390)</u>	<u>\$159,302,387</u>	<u>\$191,542,100</u>

*This ten year report continues next page.



Changes in Fiduciary Position					
Fiscal Year	2019	2020	2021	2022	2023
Additions by Source					
Plan Member Contributions	\$37,915,769	\$40,327,359	\$39,914,839	\$40,269,006	\$46,534,884
Employer Contributions	210,964,436	234,743,643	227,846,281	229,114,059	266,535,889
Net Investment Income (Loss)	<u>243,545,545</u>	<u>111,442,161</u>	<u>1,096,259,683</u>	<u>(184,211,952)</u>	<u>(122,093,611)</u>
Total Additions	492,425,750	386,513,163	1,364,020,803	85,171,113	190,977,162
Deductions by Type					
Benefit Payments	\$325,167,739	\$339,610,116	\$353,630,536	\$366,112,271	\$388,978,677
Refunds of Contributions	4,349,488	4,005,739	3,701,609	5,694,611	4,716,049
Administrative Expenses	<u>2,197,893</u>	<u>2,471,445</u>	<u>2,519,441</u>	<u>2,477,066</u>	<u>2,565,821</u>
Total Deductions	<u>331,715,630</u>	<u>346,087,300</u>	<u>359,851,586</u>	<u>374,283,948</u>	<u>396,260,547</u>
Change in Fiduciary Net Position	<u>\$160,710,120</u>	<u>\$40,425,863</u>	<u>\$1,004,169,217</u>	<u>(\$289,112,835)</u>	<u>(\$205,283,385)</u>

Continued from previous page



Schedule of Benefit Payments by Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
2014	\$222,547,552	\$3,416,714	\$4,412,110	\$4,828,235	\$235,204,611
2015	241,694,202	3,498,363	4,444,633	5,238,597	254,875,795
2016	257,182,159	3,482,679	4,371,713	5,764,080	270,800,631
2017	267,245,571	3,501,643	4,323,112	6,188,361	281,258,687
2018	281,675,071	3,467,455	4,413,607	6,698,896	296,255,029
2019	310,161,066	3,520,311	4,368,567	7,117,795	325,167,739
2020	323,782,787	3,383,157	4,555,340	7,888,832	339,610,116
2021	337,623,320	3,210,483	4,346,527	8,450,206	353,630,536
2022	349,443,898	3,218,308	4,276,374	9,173,691	366,112,271
2023	371,480,267	3,150,548	4,198,960	10,148,902	388,978,677

Schedule of Retired Members by Benefit Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
2014	6,757	149	374	346	7,626
2015	7,139	149	368	365	8,021
2016	7,300	149	359	381	8,189
2017	7,691	146	358	408	8,603
2018	8,058	139	354	438	8,989
2019	8,520	145	348	455	9,468
2020	8,841	140	351	492	9,824
2021	9,259	134	339	515	10,247
2022	9,635	129	325	552	10,641
2023	10,039	130	311	585	11,065

Schedule of Average Monthly Benefit Amounts

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Average
2014	\$2,503	\$2,105	\$968	\$1,284	\$2,364
2015	2,506	2,148	988	1,323	2,376
2016	2,521	2,272	1,005	1,360	2,396
2017	2,568	2,103	995	1,344	2,436
2018	2,586	2,172	1,010	1,348	2,457
2019	2,630	2,200	1,034	1,383	2,505
2020	2,674	2,146	1,069	1,412	2,551
2021	2,678	2,098	1,065	1,422	2,557
2022	2,737	2,177	1,082	1,450	2,613
2023	2,818	2,188	1,109	1,521	2,694

Schedule of Average Monthly Benefit Payments by Years of Service							
	Years of Credited Service*						
	2-4	5-9	10-14	15-19	20-24	25-29	30+
<u>Period 7/1/2012 to 6/30/2013</u>							
Average Monthly Benefit **	\$207	\$581	\$990	\$1,832	\$2,514	\$3,123	\$4,569
Average of Final Monthly Salaries	\$2,847	\$4,114	\$4,278	\$5,430	\$5,860	\$6,300	\$7,428
Number of Retirees	34	66	54	69	113	77	37
<u>Period 7/1/2013 to 6/30/2014</u>							
Average Monthly Benefit **	243	538	1,012	1,746	2,512	3,173	3,918
Average of Final Monthly Salaries	3,693	3,835	4,501	5,445	5,964	6,214	6,543
Number of Retirees	30	68	69	57	88	88	39
<u>Period 7/1/2014 to 6/30/2015</u>							
Average Monthly Benefit **	243	598	1,035	1,784	2,596	3,061	4,010
Average of Final Monthly Salaries	3,146	4,053	4,450	5,328	6,108	6,071	6,532
Number of Retirees	20	79	70	68	108	110	42
<u>Period 7/1/2015 to 12/31/2015</u>							
Average Monthly Benefit **	171	532	1,132	1,708	2,423	3,316	3,540
Average of Final Monthly Salaries	2,784	3,682	4,751	5,117	5,640	6,581	5,826
Number of Retirees	7	37	42	34	55	51	19
<u>Period 1/1/2016 to 12/31/2016</u>							
Average Monthly Benefit **	285	645	1,001	1,777	2,753	3,458	4,504
Average of Final Monthly Salaries	4,220	4,481	4,332	5,276	6,520	6,773	7,267
Number of Retirees	24	89	90	85	89	128	65
<u>Period 1/1/2017 to 12/31/2017</u>							
Average Monthly Benefit **	261	549	1,055	1,670	2,662	3,443	4,544
Average of Final Monthly Salaries	3,541	3,718	4,570	5,005	6,278	6,773	7,375
Number of Retirees	33	102	99	86	81	94	52
<u>Period 1/1/2018 to 12/31/2018</u>							
Average Monthly Benefit **	245	574	1,118	1,719	2,706	3,545	4,489
Average of Final Monthly Salaries	3,664	4,258	4,606	5,311	6,216	6,816	7,346
Number of Retirees	32	81	115	104	88	123	57
<u>Period 1/1/2019 to 12/31/2019</u>							
Average Monthly Benefit **	324	563	1,192	1,786	2,574	3,531	5,055
Average of Final Monthly Salaries	3,132	3,948	4,893	5,312	6,070	6,830	8,288
Number of Retirees	21	91	86	117	91	120	54
<u>Period 1/1/2020 to 12/31/2020</u>							
Average Monthly Benefit **	337	642	1,208	1,890	2,586	3,558	4,357
Average of Final Monthly Salaries	4,302	4,547	5,101	5,596	6,084	6,842	7,209
Number of Retirees	41	111	93	99	94	105	66
<u>Period 1/1/2021 to 12/31/2021</u>							
Average Monthly Benefit **	245	624	1,199	1,813	2,579	3,708	4,749
Average of Final Monthly Salaries	4,059	4,564	5,206	5,577	6,162	7,120	7,922
Number of Retirees	38	104	99	131	97	83	54
<u>Period 1/1/2022 to 12/31/2022</u>							
Average Monthly Benefit **	324	631	1,273	1,908	2,838	3,729	4,979
Average of Final Monthly Salaries	4,535	4,605	5,373	5,670	6,754	7,417	8,435
Number of Retirees	44	103	103	136	102	75	52
*The Years of Credited Service is the service used in the determination of benefits, which may be different than service for eligibility.							
**Does not include supplements.							

Active Participants Count by Age/Service

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	127	44	1	-	-	-	-	-	172
25 to 29	272	384	66	1	-	-	-	-	723
30 to 34	290	505	339	57	5	-	-	-	1,196
35 to 39	268	474	392	237	98	3	-	-	1,472
40 to 44	292	503	392	235	277	90	3	-	1,792
45 to 49	235	501	362	239	305	179	49	2	1,872
50 to 54	243	501	461	317	337	263	107	22	2,251
55 to 59	195	446	450	327	307	194	53	43	2,015
60 to 64	108	341	390	292	247	97	31	29	1,535
65 & up	61	197	220	125	91	27	17	17	755
Total	2,091	3,896	3,073	1,830	1,667	853	260	113	13,783

Active Participants Total Salary by Age/Service

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	\$5,825,123	\$2,085,151	\$42,134	\$0	\$0	\$0	\$0	\$0	\$7,952,408
25 to 29	15,360,092	20,999,257	3,774,100	59,583	-	-	-	-	40,193,032
30 to 34	15,929,780	30,188,498	21,890,613	4,179,195	348,997	-	-	-	72,537,083
35 to 39	15,274,634	29,183,802	26,944,781	16,679,401	6,720,775	200,251	-	-	95,003,644
40 to 44	14,850,940	28,828,303	26,812,417	17,811,596	21,208,479	6,712,100	220,841	-	116,444,676
45 to 49	11,170,512	27,359,817	22,584,044	17,086,977	22,963,585	15,253,406	4,136,775	187,970	120,743,086
50 to 54	11,774,104	23,031,022	26,075,957	20,783,022	25,553,788	22,546,240	10,489,210	2,058,677	142,312,020
55 to 59	9,393,812	20,313,430	22,002,838	18,899,055	22,645,119	16,186,299	4,472,425	4,049,792	117,962,770
60 to 64	4,687,140	14,416,599	19,901,419	18,734,689	17,253,801	7,983,553	2,514,859	2,765,258	88,257,318
65 & up	2,615,430	7,697,757	9,893,566	7,341,722	6,126,255	1,921,670	1,336,892	1,557,732	38,491,024
Total	\$106,881,567	\$204,103,636	\$179,921,869	\$121,575,240	\$122,820,799	\$70,803,519	\$23,171,002	\$10,619,429	\$839,897,061

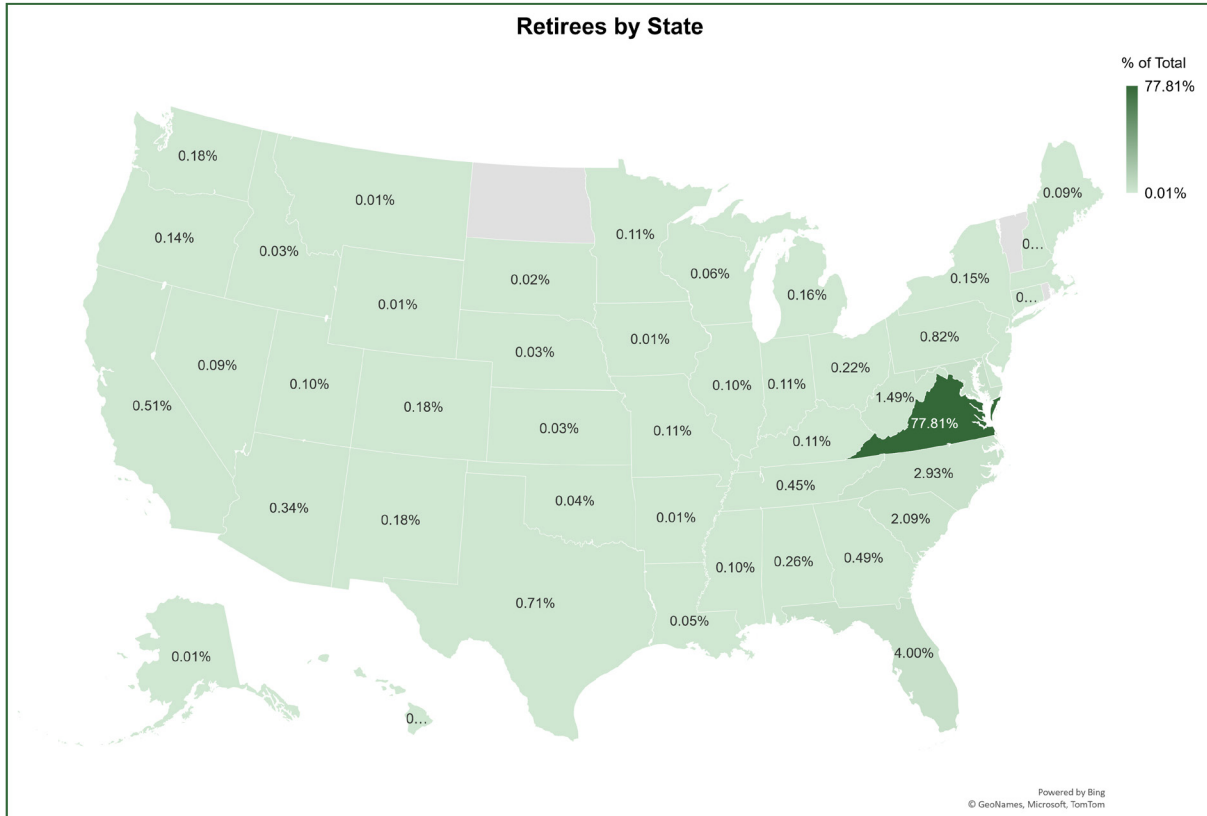
Retirees by Location

Retirees By State	
State	% of Total
Virginia	77.81%
Maryland	4.10%
Florida	4.00%
North Carolina	2.93%
South Carolina	2.09%
West Virginia	1.49%
Pennsylvania	0.82%
Texas	0.71%
District of Columbia	0.58%
Delaware	0.54%
California	0.51%
Georgia	0.49%
Tennessee	0.45%
Arizona	0.34%
Alabama	0.26%
Massachusetts	0.22%
Ohio	0.22%
Colorado	0.18%
New Mexico	0.18%
Washington	0.18%
Michigan	0.16%
New York	0.15%
Oregon	0.14%
Indiana	0.11%
Kentucky	0.11%
Minnesota	0.11%
Missouri	0.11%
Illinois	0.10%
Mississippi	0.10%
Utah	0.10%
Maine	0.09%
Nevada	0.09%
New Hampshire	0.09%
Wisconsin	0.06%
Louisiana	0.05%
New Jersey	0.05%
Connecticut	0.04%
Hawaii	0.04%
Oklahoma	0.04%
Idaho	0.03%
Kansas	0.03%
Nebraska	0.03%
South Dakota	0.02%
Alaska	0.01%
Arkansas	0.01%
Iowa	0.01%
Montana	0.01%
Wyoming	0.01%

Retirees in Virginia	
County	% of Total
Other Counties	88.16%
Fairfax County	<u>11.84%</u>
Total	100.00%

Retirees by Fairfax County/City	
City	% of Total
Alexandria	1.51%
Fairfax	1.48%
Springfield	1.34%
Centreville	1.09%
Herndon	0.83%
Reston	0.79%
Falls Church	0.78%
Annandale	0.77%
Vienna	0.63%
Burke	0.60%
Lorton	0.48%
Chantilly	0.45%
Mc Lean	0.34%
Clifton	0.25%
Oakton	0.15%
Fairfax Station	0.14%
Great Falls	0.11%
Fort Belvoir	0.04%
Dunn Loring	0.03%
Merrifield	0.03%

Retirees Outside of the United States	
Country	Number of Retirees
Australia	1
Costa Rica	1
Cyprus	1
Ghana	1
Japan	2
Mexico	2
Peru	2
South Korea	1
Thailand	2
UK	<u>1</u>
Total	14



Check out Fairfax County Retirement Systems Video Library at:
www.fairfaxcounty.gov/retirement/retirement-videos

- ◆ **New Employee** – “Understanding Your Retirement System” for those hired after July 1, 2019.
- ◆ **New Public Safety Employees** – “Understanding Your Retirement System” for Police Officers and Uniformed employees hired after July 1, 2019.
- ◆ **How to Use the Online Retirement Benefit Estimator** – This video helps members walk through the process of creating their own Retirement Benefit Estimates.
- ◆ **Eligibility Service vs. Benefit Service** – What’s the difference between Eligibility Service and Benefit Service?
- ◆ **Unused Sick Leave and Retirement** – How does unused sick leave benefit my retirement? Review the Unused Sick Leave video to find out the three ways sick leave can increase your retirement benefit.
- ◆ **Part Time School Employee** – A large portion of our school employees work part time. Review the Part Time Employee video to find out more about how part time employment impacts your retirement.
- ◆ **Joint & Last Survivor Option** – (Joint & Contingent Spouse and Handicapped Child Option)
Can I leave my spouse my benefit if I die before them in retirement?
- ◆ **What is DROP?** – This brief video helps members understand what DROP means and how it works.
- ◆ **DROP Counseling** – Group counseling session, covering the Deferred Retirement Option Program (DROP), including information about how DROP works, eligibility, and benefits.
- ◆ **Retirement Plan Basics** – “Your Retirement System” for those hired PRIOR to July 1, 2019.

For our member’s convenience:

- All of our online forms are fillable
- “How To” videos are included in our video library
- You can meet with your Retirement Analyst virtually or in person. Just email your Analyst for more details.
- We offer 10 different virtual Retirement Preparation classes



To request this information in an alternate format, call Fairfax County Retirement Systems, 703-279-8200 (TTY 711).

HOW TO VIDEOS

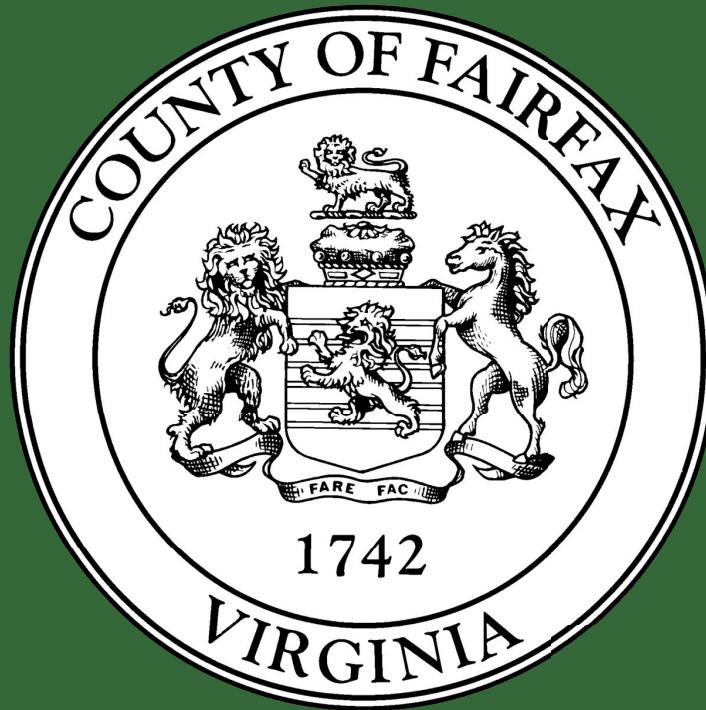
- How to Use the Online Retirement Benefit Estimator

HOW TO FILL OUT FORMS

- Employee Normal/Early Service Retirement Application
- Direct Deposit Form
- Employee DROP Application

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