



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.

Table of Contents

Introductory Section (Unaudited)

Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting	5
Public Pension Standards Award for Funding and Administration	6
Board of Trustees	7
Administrative Organization	8
Organization Chart	10

Financial Section

Report of Independent Auditor	13
Management's Discussion and Analysis (Unaudited)	16
Summary of Plan Fiduciary Net Position	19
Summary of Additions and Deductions	20
Basic Financial Statements	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26
Required Supplementary Information (Unaudited)	
Schedule of Changes in Collective Net Pension Liability and Related Ratios	52
Schedule of Net Pension Liability	54
Schedule of Money-Weighted Rate of Return	54
Schedule of Collective Employer Contributions	55
Notes to the Required Supplementary Information	55
Summary of Significant Changes to the Pension System	56
Other Supplementary Information	
Schedule of Investment and Consultant Expenses	57
Schedule of Administrative Expenses	57
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 <i>Government Auditing Standards</i>	59

Investment Section (Unaudited)

Chief Investment Officer's Letter	63
Investments by Category and Investment Manager	66
Schedule of Ten Largest Equity and Fixed Income Holdings	73
Schedule of Brokerage Commissions	74
Schedule of Management Fees by Asset Class	75
Investment Summary	75
Liquidity Snapshot	76

Actuarial Section (Unaudited)

Actuary's Certification Letter	79
Summary of Valuation Results	81
Summary of Actuarial Assumptions and Methods	81
Long Term Assumptions Used to Determine System Cost and Liabilities	82
Analysis of Financial Experience	85
Schedule of Retirees and Beneficiaries Added To and Removed From Rolls	85
Schedule of Funded Liabilities by Type	86
Schedule of Funding Progress	86
Schedule of Active Member Valuation Data	87

Statistical Section (Unaudited)

Fiduciary Net Position	91
Changes in Fiduciary Net Position	92
Schedule of Benefit Payments by Type	94
Schedule of Retired Members by Benefit Type	94
Schedule of Average Monthly Benefit Amounts	94
Schedule of Average Monthly Benefit Payment by Years of Credited Service	95
Active Participants Count by Age/Service	96
Active Participants Total Salary by Age/Service	96
Retirees by Location	97
Retirees by State	98

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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 Uniformed 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 Uniformed Retirement System was established on July 1, 1974, as a public employee retirement system providing defined benefit pension plan coverage for uniformed or sworn employees of the Fire and Rescue Department, helicopter pilots, the Sheriff's Department, the animal control division, and certain park police officers. In 2005, membership was extended to employees in non-administrative positions of the Department of Public Safety Communications, formerly included in the Fairfax County Employees' Retirement System. There were 1,851 active members, 161 in the Deferred Retirement Option Program (DROP), 131 terminated vested, and 1,633 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 +9.11%, gross of fees (+8.07%, net of fees), ranking in the 33rd percentile of all public funds in the BNY Mellon Total Public Fund Universe. For the three- and five-year periods (annualized), the System returned gross of fees, +8.38%, (+7.23%, net of fees), ranking in the 57th percentile, and +5.92%, (+4.94%, net of fees), ranking in the 77th percentile. For the longer ten-year period, the System had a gross of fees return of +6.67%, (+5.94%, net of fees), ranking in the 76th percentile. 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 a Statement of Investment Objectives and Policy. 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 their external consulting firm 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 on a monthly basis 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 will remain relatively level over time as a percentage of covered payroll and will 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 increased from 72.26 percent to 74.16 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 39.31 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.

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 Uniformed 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 and administration 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 a reasonable assurance about whether the financial statements are free from material misstatements, whether due from 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 Uniformed 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 3,776 members and beneficiaries of the Uniformed Retirement System, for your dedicated service as trustees.

Respectfully submitted,



Jeffrey K. Weiler
Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Fairfax County Uniformed Retirement System
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

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

Presented to

Fairfax County Uniformed 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 black ink that reads "Alan H. Winkle". The signature is written in a cursive style.

Alan H. Winkle
Program Administrator

Board of Trustees

Ten members serve on the Fairfax County Uniformed Retirement System Board of Trustees. Four of the members are citizens appointed by the Fairfax County Board of Supervisors. Two of the members are elected by Fairfax County Fire and Rescue Department; one is elected by the Fairfax County Sheriff's Office; and one is elected by retirees. The Director of Human Resources and the Director of Finance serve as Ex-Officio members.



Frank H. Grace, III - *Chairman*
Board of Supervisors Appointee
Term Expires: July 31, 2026



Hank H. Kim - *Vice Chairman*
Board of Supervisors Appointee
Term Expires: August 31, 2024



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



Brian C. Edmonston
Elected Member Trustee
Term Expires: June 30, 2024



Shawn K. Carney
Elected Member Trustee
Term Expires: June 20, 2026



Robert A. Konczal
Elected Member Trustee
Term Expires: December 31, 2025



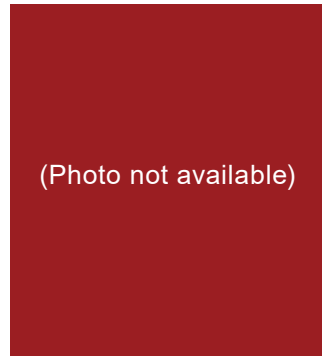
David O'Neil
Elected Member Trustee
Term Expires: October 31, 2024



Shaughnessy G. Pierce
Board of Supervisors Appointee
Term Expires: July 30, 2026



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



(Photo not available)

Martha Frueh
Board of Supervisors Appointee
Term Expires: TBD

Administrative Organization

Administrative Staff

Jeffrey K. Weiler
Executive Director

Brad D. Baker
Deputy Director

Brian Morales, CAIA
Chief Investment Officer

Investment Managers

Acadian Asset Management, LLC	Boston, MA
Activum SG Capital Management Ltd	St. Helier, United Kingdom
Alcentra Ltd	London, United Kingdom
Apollo Financial Credit Investment, LLC	New York, NY
Arcmont Asset Management Ltd	London, United Kingdom
Aspect Capital Ltd	London, United Kingdom
BlackRock Enhanced STIF	San Francisco, CA
BlueBay Asset Management	London, United Kingdom
BNY Fallen Angels	Pittsburgh, PA
BNY US TIPS	Pittsburgh, PA
Carlyle Property Investors, LP	Washington, DC
Cohen & Steers Capital Management, Inc	New York, NY
Czech Asset Management, LP	Old Greenwich, CT
Davidson Kempner Institutional Partners, LP	New York, NY
DoubleLine Capital, LP	Los Angeles, CA
EQT Group	Stockholm, Sweden
Garcia Hamilton & Associates	Houston, TX
GoldenTree Asset Management, LP	New York, NY
Granahan Investment Management	Waltham, MA
Harbourvest Partners, LLC	Boston, MA
HG Vora Capital Management, LLC	New York, NY
I Squared Capital	Miami, FL
JPMorgan Investment Management, Inc	New York, NY
Kayne Anderson Capital Advisors, LP	Los Angeles, CA
Kennedy Lewis Investment Management LLC	New York, NY
Kirkoswald Asset Management LLC	New York, NY
Landmark Partners	Simsbury, CT

Investment Managers

Levine Leichtman Capital Partners, Inc	Beverly Hills, CA
Manulife Asset Management, LLC	Boston, MA
Marathon Asset Management, LLP	London, United Kingdom
Millennium Management, LLC	New York, NY
Monroe Capital, LLC	New York, NY
OrbiMed Capital, LLC	New York, NY
Pantheon Ventures, Inc	New York, NY
Parametric Portfolio Associates, LLC	Minneapolis, MN
Partners for Growth LLC	Tiburon, CA
PIMCO	Newport Beach, CA
Pontifax AgTech	Los Angeles, CA
Sands Capital Management, LLC	Arlington, VA
Siguler Guff & Company, LP	New York, NY
SoMa Equity Partners	San Francisco, CA
Starboard Value, LP	New York, NY
Taurus Funds Management	Grand Cayman, Cayman Islands
Thoma Bravo, LLC	Chicago, IL
Two Sigma	New York, NY
UBS Realty Investors, LLC	New York, NY
Varde Partners, Inc	Hartford, CT
Voya Investment Management	New York, NY
Walter Scott	Edinburgh, Scotland
Wasatch Global Investors	Salt Lake City, UT
WCM Investment Management	Laguna Beach, CA
Wellington Management Company, LLP	Boston, MA

Professional Services

Actuary
Cheiron
Actuaries
McLean, VA

Independent Auditor
Cherry Bekaert LLP
Certified Public Accountants
Orlando, FL

Investment Consultant
NEPC
Boston, MA

Custodian Bank
BNY Mellon Asset Servicing
Pittsburgh, PA

Legal Counsel
Morgan, Lewis & Bockius LLP
Washington, DC

Schedule of fees and schedule of commissions is located in the Investment Section, pages 74-75.

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)

*Shawn K. Carney, Brian C. Edmonston, Martha Frueh, Frank H. Grace, III,
Hank H. Kim, Robert A. Konczal, David O'Neil, Shaughnessy G. Pierce,
Christopher J. Pietsch, Catherine M. Schafrik*



Executive Director
Jeffrey K. Weiler



Deputy Director
Brad D. Baker



Chief Investment Officer
Brian Morales, CAIA

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 Uniformed Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Fairfax County Uniformed 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 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.

Responsibility 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 Uniformed 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)

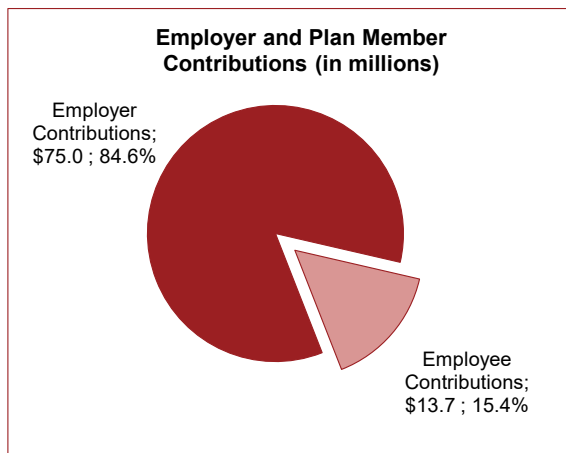
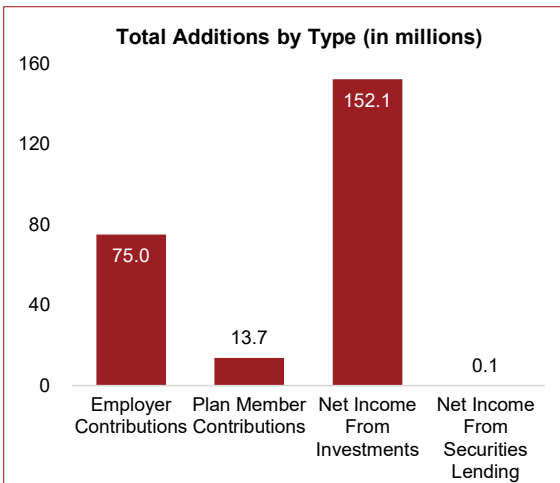
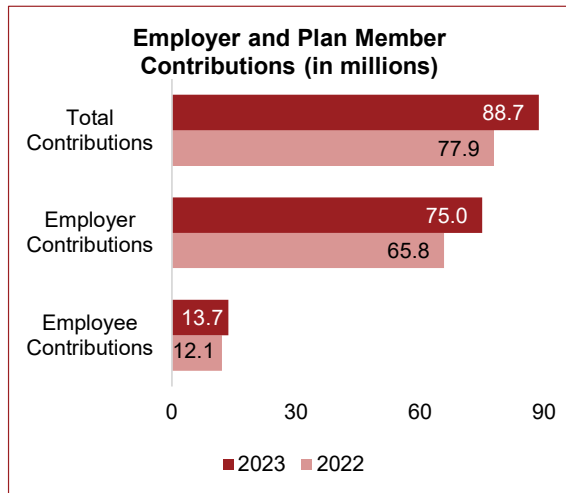
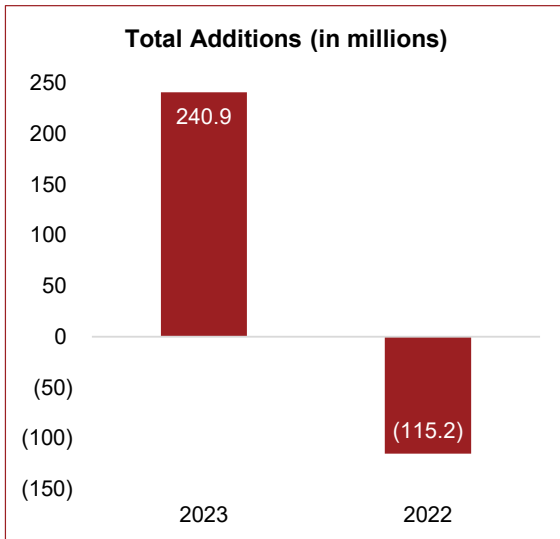
Financial Highlights

The net position restricted for pension benefits as of June 30, 2023, and June 30, 2022, was \$2,029.5 million and \$1,924.5 million, respectively. The net position restricted for pension benefits representing assets available to pay for current and future member pension benefits, increased by \$104.9 million or 5.5 percent.

Total additions to fiduciary net position has increased by 309.1 percent or \$356.1 million from -\$115.2 million in 2022 to \$240.9 million in 2023.

Net income (loss) from investments (excluding securities lending) increased 178.7 percent from net loss of \$193.2 million in 2022 to net income of \$152.1 million in 2023. The net money-weighted rate of return on investments on a fair value basis was 8.30 percent in fiscal year 2023, which was an increase from -8.93 percent in fiscal year 2022.

Employer and employee contributions received during the fiscal year totaled to \$88.7 million, an increase of 13.9 percent or \$10.8 million compared to 2022 received contributions of \$77.9 million. The employer contributions increased by 14.0 percent from \$65.8 million in fiscal year 2022 to \$75.0 million in fiscal year 2023. The employee contributions increased by 13.4 percent from 12.1 million in fiscal year 2022 to \$13.7 million in fiscal year 2023.

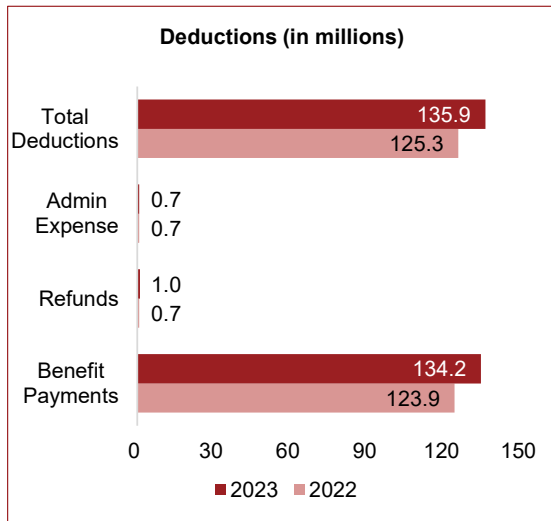


Management’s Discussion and Analysis

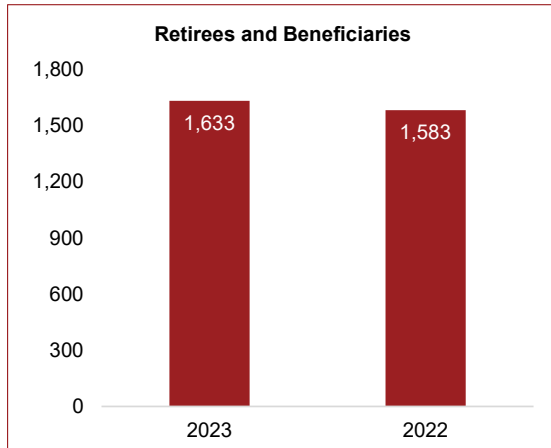
(continued)

Total deductions from fiduciary net position increased by \$10.7 million from \$125.3 million in 2022 to \$136.0 million in 2023. Member retirement benefit payments of \$134.2 million in 2023 make up the majority of total deductions and increased by \$10.3 million or 8.3 percent from \$123.9 million in 2022. The number of retired members and beneficiaries receiving a benefit payment increased 3.2 percent from 1,583 to 1,633 payees as of June 30, 2023.

The net pension liability as calculated per Generally Accepted Accounting Principles of the United States of America (GAAP) as of June 30, 2023, and June 30, 2022, was \$707.2 million and \$738.7 million, respectively. The plan fiduciary net position as a percentage of total pension liability as of June 30, 2023 and June 30, 2022, was 74.16 percent and 72.26 percent, respectively. The net pension liability as a percentage of covered payroll has decreased from 441.36 percent in fiscal year 2022 to 370.72 percent in fiscal year 2023. The covered payroll increased from \$167.4 million in 2022 to \$190.8 million in 2023.



	2023	2022
Net Pension Liability (in millions)	\$707.2	\$738.7
Net Position as Percentage of TPL	74.16%	72.26%
Covered Payroll (in millions)	\$190.8	\$167.4
Net Pension Liability as Percentage of Covered Payroll	370.72%	441.36%



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 Uniformed Retirement System increased 5.5 percent, resulting in a total net position value of \$2,029.5 million, reflecting an increase of \$104.9 million over fiscal year 2022.

Total assets as of June 30, 2023, were \$2,046.3 million, representing an increase of \$97.0 million, or 5.0 percent over the previous fiscal year. The main component of the increase was due to the 5.2 percent, or \$100.2 million increase in cash and investments from \$1,931.2 million in fiscal year 2022 to \$2,031.4 million in fiscal year 2023.

The table below details the Uniformed 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	\$2,029.5	\$104.9	5.5%
2022	1,924.5	(240.5)	-11.1%

Summary of Plan Fiduciary Net Position				
Assets	2023	2022	Difference	Percentage of Change
Total Cash and Investments	\$2,031,351,919	\$1,931,158,026	\$100,193,893	5.2%
Cash Collateral, Securities Lending	3,981,217	11,217,906	(7,236,689)	-64.5%
Capital Assets, net	157,026	9,280	147,746	1592.1%
Total Receivables	<u>10,767,443</u>	<u>6,879,280</u>	<u>3,888,163</u>	56.5%
Total Assets	2,046,257,605	1,949,264,492	96,993,113	5.0%
Liabilities				
Purchase of Investments	\$7,579,055	\$7,813,484	(\$234,429)	-3.0%
Cash Collateral, Securities Lending	3,981,217	11,217,906	(7,236,689)	-64.5%
Accounts Payable and Others	<u>5,241,118</u>	<u>5,696,417</u>	<u>(455,299)</u>	-8.0%
Total Liabilities	<u>16,801,390</u>	<u>24,727,807</u>	<u>(7,926,417)</u>	-32.1%
Net Position Restricted for Pension Benefits	<u>\$2,029,456,215</u>	<u>\$1,924,536,685</u>	<u>\$104,919,530</u>	5.5%

Management's Discussion and Analysis
(continued)

Total liabilities as of June 30, 2023, were \$16.8 million, representing a decrease of \$7.9 million, or 32.1 percent, over the previous year. There was a decrease of 21.7 percent in accrued expenses, including the year end accrual for management fees. In addition, there was a downturn in the liability in the securities lending cash collateral by \$7.2 million or 64.5 percent.

The total assets of \$2,046.3 million exceeded its liabilities of \$16.8 million at the close of the Plan year ended June 30, 2023, with \$2,029.5 million in fiduciary net position restricted for pension benefits.

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.

	2023	2022	Difference	Percentage of Change
Accrued Expenses (in thousands)	\$2,759.6	\$3,525.9	(\$766.3)	-21.7%

Summary of Additions and Deductions				
Additions	2023	2022	Difference	Percentage of Change
Employer Contributions	\$74,989,155	\$65,793,238	\$9,195,917	14.0%
Plan Member Contributions	13,690,276	12,071,388	1,618,888	13.4%
Net Income/(Loss) from Investments	152,103,045	(193,228,387)	345,331,432	178.7%
Net Income from Securities Lending	<u>113,425</u>	<u>157,140</u>	<u>(43,715)</u>	-27.8%
Total Additions, Net of Losses	240,895,901	(115,206,621)	356,102,522	309.1%
Deductions				
Benefit Payments	\$134,228,025	\$123,914,717	\$10,313,308	8.3%
Refunds	1,044,587	702,593	341,994	48.7%
Administrative Expense	<u>703,759</u>	<u>664,939</u>	<u>38,820</u>	5.8%
Total Deductions	<u>135,976,371</u>	<u>125,282,249</u>	<u>10,694,122</u>	8.5%
Net Increase/(Decrease)	<u>\$104,919,530</u>	<u>(\$240,488,870)</u>	<u>\$345,408,400</u>	143.6%

	2023	2022	Difference	Percentage of Change
Dollars (in thousands)				
Interest	\$13,995.7	\$10,437.8	\$3,557.9	34.1%
Dividends	<u>14,829.4</u>	<u>16,626.4</u>	<u>(1,797.0)</u>	-10.8%
Total	<u>\$28,825.1</u>	<u>\$27,064.2</u>	<u>\$1,760.9</u>	6.5%

Management’s Discussion and Analysis

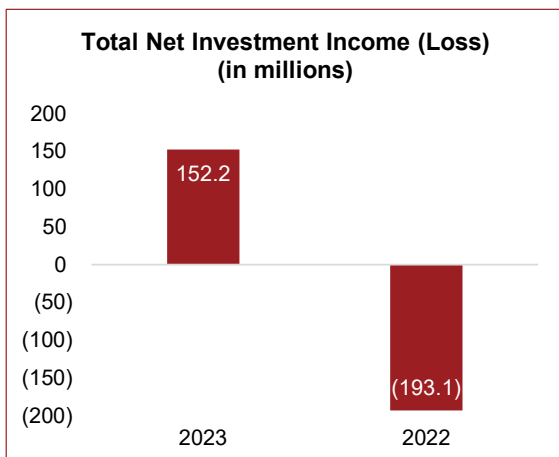
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Additions and Deductions

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 \$356.1 million or 309.1 percent, attributed primarily due to a significant income from investments in fiscal year 2023 versus the significant loss from investments in fiscal year 2022. The interest and dividend income experienced an increase of 6.5 percent. The significant gain in total additions was due to the favorable market environment in fiscal year 2023.

Total contributions for the fiscal year ended June 30, 2023, amounted to \$88.7 million. This was an increase of \$10.8 million when compared with the activity of fiscal year 2022. The employer and plan member contributions for fiscal year 2023 increased by 13.9 percent. The increases in employer and employee contributions are primarily due to overall salary increases for contributing membership and 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.

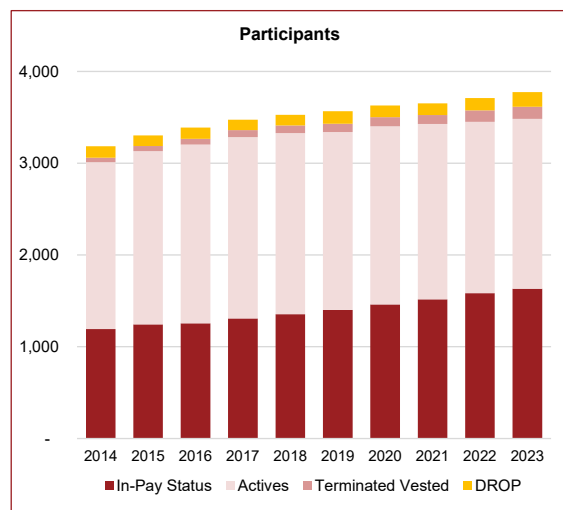
Investment returns had an upturn for fiscal year 2023, reflecting favorable returns in the capital markets. Total net investment income (loss) (including securities lending) increased from a significant loss of \$193.1 million in fiscal year 2022 to a gain of \$152.2 million in fiscal year 2023 as a result of favorable investment performance.



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 \$136.0 million, an increase of \$10.7 million, or 8.5 percent, over fiscal year 2022.

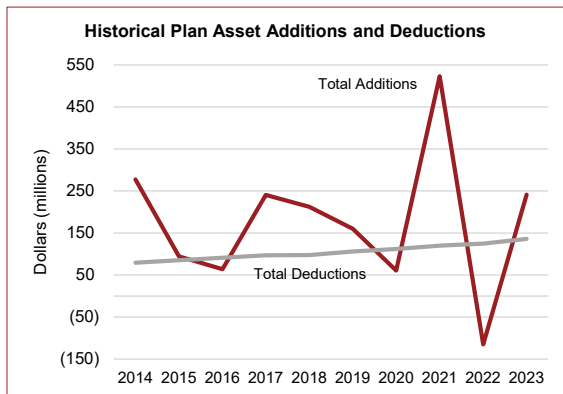
Regular pension benefit payments increased as the number of retirees and beneficiaries receiving benefit payments rose to 1,633 in fiscal year 2023 from 1,583 in fiscal year 2022. Benefit payments also increased due to a cost-of-living adjustment increase of 4.0 percent and higher average benefits for new retirees. Refunds reflected a 48.7 percent increase due to more employees asking for refunds or higher balance of refunded amount.

Participant Count	2023	2022
Actives	1,851	1,868
DROP Members	161	136
Terminated Vesteds	131	124
Retirees and Beneficiaries in Payment Status	<u>1,633</u>	<u>1,583</u>
Total	<u>3,776</u>	<u>3,711</u>



Management’s Discussion and Analysis
(continued)

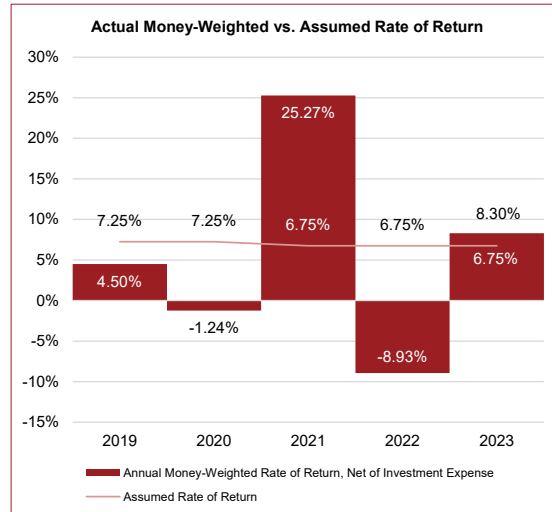
Historical additions to and deductions from fiduciary net position indicate a pattern of steadily increasing deductions as compared to fluctuating additions as a result of unpredictable market environment.



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 rose from -8.93 percent in fiscal year 2022 to 8.30 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 -9.04 percent in fiscal year 2022 to 8.07 percent in fiscal year 2023.

The annual net money-weighted rate of return of 8.30 percent met 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 \$2,125.2 million, while actuarial liabilities as of the same period was \$2,736.7 million. As of June 30, 2023, the date of the most recent actuarial valuation, the funded ratio of the System was 77.66 percent. This was a decrease of 0.50 percent from the June 30, 2022, valuation funded ratio of 78.16 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 74.16 percent. It increased from 72.26 percent in fiscal year 2022, primarily as a result of the increase in the Total Pension Liability. The Total Pension Liability as of June 30, 2023, and June 30, 2022, was \$2,736.7 million and \$2,663.2 million, respectively.

Management's Discussion and Analysis

(Dollars in millions)	2023	2022
Actuarial Accrued Liability	\$2,736.7	\$2,663.2
Actuarial Value of Assets	<u>2,125.2</u>	<u>2,081.5</u>
Unfunded Actuarial Liability	<u>\$611.4</u>	<u>\$581.8</u>
Funding Ratio	77.66%	78.16%
Total Pension Liability	\$2,736.7	\$2,663.2
Plan Fiduciary Net Position	<u>2,029.5</u>	<u>1,924.5</u>
Net Pension Liability	<u>\$707.2</u>	<u>\$738.7</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.16%	72.26%

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	\$5,907,514
Cash Collateral Received for Securities on Loan	3,981,217

Short-Term Investments 155,309,331

Total Cash and Short-Term Investments \$165,198,062

Capital Assets

Building Improvements, net	4,935
Equipment, net	3,341
Right-to-Use Subscription, net	<u>148,750</u>

Total Capital Assets 157,026

Receivables

Accounts Receivable	3,214,215
Accrued Interest and Dividends	2,935,093
Investment Proceeds and Other Receivables	<u>4,618,135</u>

Total Receivables 10,767,443

Investments

Common Stock	514,644,424
Preferred Securities	1,133,836
Fixed Income	
Asset-Backed Securities	90,711,166
Corporate Bonds	85,007,486
International Bonds	185,999
U.S. Government Obligations	47,806,965
Pooled and Mutual Funds	<u>1,130,645,198</u>

Total Investments 1,870,135,074

Total Assets 2,046,257,605

Current Liabilities

Investment Purchases and Other Liabilities	7,579,055
Cash Collateral Received for Securities on Loan	3,981,217
Accounts Payable and Accrued Expenses	5,018,306
Compensated Absences, Short-Term	18,903
Subscription Liability, Short-Term	56,890

Noncurrent Liabilities

Compensated Absences, Long-Term	61,726
Subscription Liability, Long-Term	<u>85,293</u>

Total Liabilities 16,801,390**Net Position Restricted for Pension Benefits** **\$2,029,456,215**

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	\$74,989,155	
Plan Members	<u>13,690,276</u>	
Total Contributions		\$88,679,431
Investment Income from Investment Activities		
Net Appreciation in Fair Value of Investments	140,223,342	
Interest	13,995,650	
Dividends	<u>14,829,378</u>	
Total Investment Income	169,048,370	
Investment Activity Expense		
Management Fees	(15,487,386)	
Custodial Fees	(144,615)	
Consulting Fees	(373,981)	
Allocated Administration Expense, Including Legal Fees	<u>(939,343)</u>	
Total Investment Expense	<u>(16,945,325)</u>	
Net Income from Investment Activities		152,103,045
Securities Lending Activities		
Securities Lending Income	164,602	
Securities Lending Expense	<u>(51,177)</u>	
Net Income from Securities Lending Activities		<u>113,425</u>
Total Net Investment Income		<u>152,216,470</u>
Total Additions		240,895,901
Deductions		
Annuity Benefits	123,621,718	
Disability Benefits	8,023,875	
Survivor Benefits	2,582,432	
Refunds of Employee Contributions	1,044,587	
Administrative Expenses	<u>703,759</u>	
Total Deductions		<u>135,976,371</u>
Net Increase		104,919,530
Net Position Restricted for Pension Benefits		
Beginning of Fiscal Year		<u>1,924,536,685</u>
End of Fiscal Year		<u>\$2,029,456,215</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

The Fairfax County Uniformed 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 risk, 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.

Notes to the Financial Statements

(continued)

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.

Compensated Absences	
FY 2023 Beginning Balance	\$83,353
Leave Earned	17,778
Leave Used	<u>20,502</u>
FY 2023 Ending Balance	<u>\$80,629</u>
Due Within One Year	\$18,903

Plan B Benefit is 2.0 percent of average final compensation multiplied by creditable service, plus 50 percent of the Pre-62 supplement, until age 55 and 100 percent of the supplement after age 55, and then increased by 3 percent.

The Pre-62 supplemental benefit provides members of Plan B with income during the period between retirement and the member's eligibility for early social security benefit at age 62. The amount of pre-62 supplement is determined by the date of hire and age at time of retirement.

Pre-Social Security Supplement (Plan B): Calculated at 0.2 percent of average final compensation multiplied by creditable service and increased by 3 percent.

Plans D and E Benefit is 2.5 percent of average final compensation multiplied by creditable services, and then increased by 3 percent.

Note 2. Summary of Plan Provision

A. Plan Description and Provision

The Uniformed Retirement System is a single-employer defined benefit pension plan. Benefit provisions are established and may be amended by County ordinance. All benefits vest at five years of service. The general provisions of the Uniformed Retirement System are as follows:

Membership.

The plan includes most uniformed or sworn employees of the Fire and Rescue Department, the Sheriff's Department, the Animal Control Division, the Department of Public Safety Communications, helicopter pilots, and former park police officers who elected to remain in the System rather than transfer to the Police Officers Retirement System.

Normal Retirement.

To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 55 with six years of service, or (b) complete 25 years of service.

Pre-Social Security Supplement for Plans D and E is 0.3 percent of average final compensation multiplied by creditable service and increased by 3 percent.

Plan F is 2.5 percent of average final compensation multiplied by creditable services.

Early Retirement.

A member is eligible for early retirement upon attaining 20 years of service. Reduction factors are applied to the basic formula.

Deferred Retirement Option Program (DROP).

Those eligible for normal retirement may enter DROP for up to three years. Members can only participate in DROP once, and their election is irrevocable.

Notes to the Financial Statements
(continued)

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 employment. At age 55, these members are entitled to their normal retirement benefit based on County service.

Service-Connected Disability Retirement.

Service-connected disability retirement is available for members, regardless of length of service, who become disabled as a result of a job-related illness or injury. The benefit is 40.0 percent of final compensation less average monthly workers' compensation.

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. Normal retirement benefits are paid.

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 percent of the normal retirement benefit earned as of the date of the member's death. If the 50 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:

Refunds of any of the member's contributions and interest not already paid out in benefits will be paid to the named beneficiary(ies) unless the member 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 is service-connected:

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. COLAs are not applied to the Pre-Social Security Supplements, or other Supplemental Benefits.

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 B	7.08% of base salary up to the maximum Social Security wage base plus 8.83% of creditable compensation in excess of the Social Security wage base.
	Plan D, E, and F	7.08% of creditable compensation.
Employer	Plan B, D, E, and F	The rate for Fiscal Year 2023 was 39.31% of covered payroll for all plans.

Notes to the Financial Statements

(continued)

B. Board of Trustees

Ten members serve on the Fairfax County Uniformed Retirement System Board of Trustees (Board). Four of the members are citizens appointed by the Fairfax County Board of Supervisors. Two of the members are elected by Fairfax County Fire and Rescue Department; one is elected by the Fairfax County Sheriff’s Office and one is elected by the retirees. The Director of Human Resources and the Director of Finance 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	1,633
Terminated Vesteds	131
Deferred Retirement Option Program (DROP) Participants	161
Active Plan Members	<u>1,851</u>
Total	<u>3,776</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 Plan 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 \$24.2 million.

E. Contributions

The contribution requirements of the System’s members are established and may be amended by County ordinances. Plan A members were given the opportunity to join Plan B as of July 1, 1981, and to enroll in Plan C as of April 1, 1997. From July 1, 1981, until March 31, 1997, all new hires were enrolled in Plan B. Plan B members were given the opportunity to enroll in Plan D as of April 1, 1997. From April 1, 1997, through December 31, 2012, all new hires were enrolled in Plan D. All eligible employees whose County employment commenced by reporting to work on or after January 1, 2013, are automatically enrolled in Plan E. Employees who joined on or after July 1, 2019 are automatically enrolled in Plan F membership. Plan B requires member contributions of 7.08 percent of compensation up to the Social Security wage base and 8.83 percent of compensation in excess of the wage base. Plan D, E and F require contributions of 7.08 percent of compensation. The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2023, was 39.31 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 39.31 percent was adopted for fiscal year 2023. The County has a policy of not paying any less than the existing rate until such time as the UAL has been exhausted. The total contributions for the fiscal year ended June 30, 2023, amounted to \$88.7 million.

F. Deductions

The deductions from the System include 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 \$136.0 million.

Notes to the Financial Statements
(continued)

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 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 Uniformed Retirement System Statement of Investment Objectives and Policies whose general investment philosophy is to maintain a well-diversified, high- quality investment program that can meet the long-term needs of the members of the System. The Board of Trustees believes that the retention of experienced money management professionals with proven investment disciplines is the best means of attaining the System’s investment goals and that the investment program should be sufficiently flexible to adapt to changes in the financial markets. Investment decisions for these assets are made by the Board of Trustees or investment managers selected by the Board. The Board of Trustees has the authority to amend the investment policy. The overall investment policies do not address specific levels of credit risk, interest rate risk or foreign currency risk. Each individual investment portfolio is managed by an investment management firm selected by the Board. Each investment portfolio has a specific benchmark and investment guidelines. While the overall investment guidelines do not specifically address concentration of credit risk, managers have specific quality and concentration limits 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	12.0%
Global Equity	54.0%
Global Fixed Income	23.0%
Global Multi-Asset	0.0%
Global Real Assets	16.0%

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 security 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 8.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Notes to the Financial Statements
(continued)**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 give 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).

- 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 below 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
(continued)

Fair Value Hierarchy				
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by Fair Value Level	6/30/2023	Level 1	Level 2	Level 3
Asset-Backed Securities	\$90,711,166	\$ -	\$19,248,732	\$71,462,434
Convertible Securities	87,900	87,900	-	-
Corporate Bonds	72,836,918	-	30,722,738	42,114,180
International Bonds	185,999	-	184,121	1,878
Equity	514,644,424	449,426,975	-	65,217,449
Futures Contracts	12,082,668	12,082,668	-	-
Preferred Securities	1,133,836	481,919	651,917	-
U.S. Government Obligations	47,806,965	-	47,806,965	-
Total Investments by Fair Value Level	<u>\$739,489,876</u>	<u>\$462,079,462</u>	<u>\$98,614,473</u>	<u>\$178,795,941</u>
Investments Measured at Net Asset Value (NAV)				
Absolute Return*	\$290,444,225			
Global Equity*	310,994,349			
Global Fixed Income*	308,309,157			
Global Real Assets*	<u>220,897,467</u>			
	<u>\$1,130,645,198</u>			
Investment Measured at Amortized Cost				
Short Term	<u>155,309,331</u>			
Total Investments	<u>\$2,025,444,405</u>			

*Pooled funds

Investments Measured at NAV				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Absolute Return	\$290,444,225	\$ -	Daily, Monthly, Quarterly	2 - 90 days
Global Equity	310,994,349	140,303,349	None, Daily, Monthly	0 - 30 days and N/A
Global Fixed Income	308,309,157	119,015,462	None, Daily, Monthly, Quarterly	0 - 90 days and N/A
Global Real Assets	<u>220,897,467</u>	<u>157,182,697</u>	None, Daily, Quarterly	0 - 60 days and N/A
Total Investments Measured at NAV	<u>\$1,130,645,198</u>	<u>\$416,501,508</u>		

Notes to the Financial Statements

(continued)

Absolute Return.

Equity long/short hedge funds:

This type includes investments in three hedge funds that invest both long and short primarily in the U.S. common stock market. Each of the three funds has different strategies. The first one is a long/short healthcare fund that focuses on event driven investments such as clinical trial outcomes, new product launches, and M&A activity. The Fund is diversified across all areas of healthcare, company stages, geographies, and strategies (equities, debt, royalties, option overlay) to mitigate risk. The second one is a U.S. small cap deep value long/short equity fund. The team looks for companies with management or capital structure issues. They identify undervalued companies and then perform a fundamental value analysis to find catalysts that may spark change in the company. The fund will then, on its own or together with other members of a group, acquire a controlling interest in the company and then force management to enact the changes they feel are necessary for a turnaround. The fair values of each of these hedge funds have been determined using the NAV per share of the investments. The nature of each of the hedge fund strategies requires a longer hold period to realize value so each fund has quarterly liquidity and 45-day notice period for redemptions. The third hedge fund in this group is a long-biased equity long/short hedge fund focused on the technology, media, and telecommunications ("TMT") sectors. The manager primarily invests in out of favor high quality growth companies, although it expects to hold a mix of growth and value. They will also evaluate event/catalyst driven opportunities. The Fund invests primarily in US-based companies with up to 30% gross exposure outside the US. It invests across market capitalization but has historically had most of its exposure in mid- and large-cap stocks. At its core, the strategy seeks to

be contrarian, buying high quality growth companies when they have fallen out of favor.

The fair values of each of these hedge funds have been determined using the NAV per share of the investments. The nature of each of the hedge fund strategies requires a longer hold period to realize value so each fund has quarterly liquidity and 45-day notice period for redemptions.

Multi-Strategy:

This type of hedge fund manager includes investments in three managers. The first manager is a multi-strategy event driven hedge fund. Underlying strategies include distressed debt, relative value, event driven equity, value equity and leveraged loans. The Fund invests opportunistically throughout the capital structures and targets catalysts in a variety of event equity and event credit strategies. The Fund will invest across several sectors but has historically held a bias and preference towards companies in the gaming, lodging, leisure, and real estate sectors. Investments are predominantly made with small and mid-cap US-based companies. Historically the Fund's exposure has been 85-90% US-based. Structured credit, municipal debt, and sovereign debt are generally avoided. The second hedge fund manager is also an event-driven multi-strategy fund that invests in distressed debt, risk arbitrage, event equities, convertible arbitrage, and volatility trades. The distressed portfolio seeks opportunities arising from distressed and stressed financial markets as well as bankruptcy, liquidations, and restructuring. Risk arbitrage strategy typically invests in large publicly announced merger deals and other arbitrage opportunities. The Fund tries to capture event equities opportunities across a range of soft events such as corporate restructuring, spin-offs, tender

Notes to the Financial Statements
(continued)

offers, and others. The majority of the assets are invested in U.S. and Western Europe. The third one uses a bottom-up, multi-manager trading platform structured across four core strategies, (Strat Arb., Relative Value Equity, Merger Arb/Event Driven, Fixed Income) with an aim to deliver repeatable alpha-driven returns with minimal volatility and market correlation. They have risk management infrastructure with proprietary systems for monitoring the team limits and exposures to mitigate risk. They have proprietary trading technology designed to attract and support industry expertise. They emphasize reporting frequency, investor transparency, and compliance infrastructure.

Global Macro:

This type includes investment in two hedge funds. The first hedge fund in this group is a managed futures specialist that takes directional positions across a variety of markets (80 to 90 markets) such as interest rate, currencies, commodities, and equity indices. They employ a systematic momentum-based investment process using proprietary core trend following models. The second hedge fund in this group uses a bottom up, multi-manager trading platform structured across four core strategies, (Strat Arb., Relative Value Equity, Merger Arb/Event Driven, Fixed Income) with an aim to deliver repeatable alpha driven returns with minimal volatility and market correlation. They have risk management infrastructure with proprietary systems for monitoring the team limits and exposures to mitigate risks. They have proprietary trading technology designed to attract and support industry expertise. They emphasis reporting frequency, investor transparency, and compliance infrastructure. The fair values of each of these hedge funds have been determined using the NAV per share (or its equivalent) of the investments.

Global Equity.

U.S. Equity:

This asset type includes investment in an internally managed account and two U.S. equity funds. This manager manages a portfolio of futures contracts in major asset classes such as equities, fixed income, and commodities to passively target levels of asset class exposures for the overall Fairfax portfolio. Changes to futures exposures are made at the client's direction to assist in rebalancing and to cheaply gain exposure to efficiently price asset classes. Currently this account is used to cheaply purchase S&P 500 exposure for the Uniformed plan. The two U.S. equity funds are managed with the belief that small and mid-cap stocks of higher-quality companies trading at a discount have the potential to generate above-average returns with below-average risk over a longer-term investment horizon. They also believe that markets are generally efficient over the long run but are often inefficient in the short run. Mispricing's often exist where the market is overly focused on short-term data points or events, in situations driven by change and uncertainty, and in structural areas that receive less investor attention such as small and mid- cap companies. The team uses a bottom-up stock selection process, measured at NAV (or its equivalent), to find resilient businesses. They have an extended time horizon focus, more than most other managers. Their process is applied through an absolute risk and return framework to control risks. Part of the risk controls are a disciplined sell process with price targets, market capitalization limits, and fundamental disappointments. This manager invests in three styles of growth: 1) pioneering growth; 2) core growth; and 3) special situations. This is a strategy that has five portfolio managers each covering a sleeve of the investment portfolio. Each follow the three-tiered investment

Notes to the Financial Statements

(continued)

philosophy of the firm, but each portfolio manager uniquely implements to match his/her own personal strengths. Three of the portfolio managers incorporate a more generalist sleeve while one portfolio manager focuses on a technology sleeve and other focuses on a Health Care sleeve. One of the generalist portfolio managers focused on momentum and cyclical growth stocks while another focuses on "less-traditional" growth sectors. The third generalist portfolio manager looks for secular growth companies that he likes to call "desert-island" companies. The technology focused portfolio manager manages the technology sleeve with the belief that patience is rewarded in the technology sector (also known as time arbitrage). The healthcare portfolio manager manages the healthcare sleeve with a focus on innovative growth with a contrarian view. This multi-manager approach enables each portfolio manager to best leverage his/her research expertise, to have direct responsibility for the stock selection in his/her portion of the portfolio, and to run a portfolio (within a portfolio). Each portfolio manager maintains up to 40 names in his/her portion of the overall portfolio, totaling 90-160 names for each client account.

International Equity:

This type includes investment in six international equity managers. The first fund in this group is an emerging markets equity fund. The Fund is a long only emerging markets equity fund that uses both quantitative and qualitative analysis to build a diversified portfolio of around 300 stocks. They use a bottom-up multi-factor quantitative relative value analysis to find companies with value characteristics and with improving growth prospects. A top-down qualitative approach is used to do a peer group forecast relative to the world equity markets to determine country and industry allocations. The second

manager has long-term strategies based on a blend of fundamental and qualitative disciplines which are applied to construct well-diversified portfolios with a mid-cap value market bias. The approach is differentiated by its competition/capital base analysis especially as applied to industry selection. Over time capital flows within an economy will cause sector returns to tend toward mean market rates of return. Research focus is placed on industries in a state of disequilibrium, offering below average rates of return, where barriers to capital movement suggest that returns will improve. The third fund is concentrated and conviction-weighted; it typically consists of what they believe are the 30-50 highest-quality, longest-duration growth companies they can find within global emerging markets. They believe this range is the optimal number of companies for the portfolio. Portfolio companies are either domiciled in or generate greater than 50 percent of revenues from emerging markets. There are no constraints with regard to benchmarks. Individual position sizes are capped at eight percent active weight relative to the benchmark. The fourth manager uses a fundamental, bottom-up investment approach combining detailed financial research with business and industry analysis. The primary focus is upon stock selection, finding companies capable of generating wealth internally at 20% per annum, and compounding at this rate into the future. Frequent meetings with company management are central to the process. The fifth manager seeks to invest in smaller, lesser-known names with quality and growth attributes. They use a team-based, bottom-up approach to systematically screen the developed and emerging markets universe. They patiently deploy capital and maintain a long-term investment horizon. Attributes of typical investments include high returns on capital, exceptional management teams, sustainable

Notes to the Financial Statements

(continued)

competitive advantages, and reasonable valuations. The sixth fund seeks non-US domiciled quality growth businesses with superior growth prospects, high returns on invested capital and low or no debt. Each company should maintain a durable competitive advantage, what management terms an "economic moat." The team strongly considers qualitative elements such as corporate culture and the strength, quality, and trustworthiness of management. The fair values of each of these funds have been determined using the NAV per share (or its equivalent) of the investments.

Private Equity:

This investment type includes investment commitments to nine private equity firms in twenty-two funds. Thirteen are private equity fund-of-funds and nine are direct funds. The fund-of-funds invest as limited partners with private equity managers that then invest directly in underlying companies. The thirteen fund-of-funds are diversified by vintage year and investment type. They are invested in management buy-in, management buy-out, leveraged buy-out, venture capital, growth and expansion capital, mezzanine, distressed and venture debt, special situation, recapitalization, and other types of private equity funds. The intent is to build a diversified portfolio of top tier private equity funds. Top tier private equity funds are extremely hard to access because of high demand so relationships and connections play a key role in gaining access to the best managers. The first and second direct fund's objective is to capitalize on the manager's experience in building insurance-backed portfolios in both life settlements and insurance linked credit to generate low correlation, attractive risk-adjusted returns typically unavailable in the market. They use an opportunistic, value-driven investment approach backed by fundamental analysis and multi-area

expertise in this niche asset class. The insurance contracts are held at book value unless a payment has occurred. The third direct fund makes structured equity investments in middle market companies in a diverse set of industries. It targets investments in companies with enterprise values between \$50 million and \$500 million with EBITDA margins in excess of 25% and conversion to free cash flow in excess of 70%. Target companies will have a history of growth uncorrelated to U.S. Gross Domestic Product. The Fund provides capital primarily for growth and expansion, mergers and acquisitions, management led corporate divestitures and equity recapitalizations. The fund avoids companies whose principal business activity focuses on high technology or biotechnology. The fair values of these funds are determined via a mark-to-market basis using assessments of similar companies that are traded in the liquid markets. The fourth direct fund makes growth equity investments in food and agriculture technology ("AgTech") companies, investing in businesses with verified technologies that exhibit the potential to grow revenues and expand distribution channels. The Fund may invest on a global basis but will focus primarily on North America. There are four major themes that will shape the portfolio: life sciences; production; supply chain; and food and nutrition. The fair values of these funds are determined via a mark-to-market basis using assessments of similar companies that are traded in the liquid markets. The fifth, sixth, and seventh funds are with a manager that has a software and tech-enabled services buyout strategy. Their consolidation or "buy-and-build" strategy is intended to increase the value of profitable or cash flowing companies through rapid operating improvements that reduce costs and provide opportunities to reinvest these cost savings to increase

Notes to the Financial Statements

(continued)

revenue. The Firm pursues add on acquisitions to add new product offerings and/or new customers to accelerate growth. They seek to identify operating improvements and develop a plan with the portfolio companies' management teams well before the close so that such growth and cost saving initiatives can be implemented from the start. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the investments. These investments cannot be redeemed. Instead, the nature of the investments in this type are that distributions are received through the liquidation of underlying assets of the funds over five to ten years. The fair values of these funds are determined via a mark-to-market basis using assessments of similar companies that are traded in the liquid markets. The eighth fund is focused on leading approximately 30% to companies in Series A plus some Seed, and some Series B financing rounds focused on investing in companies, across industries, that harness data science and computing advances. Approximately 40% of the fund will be reserved for follow-ons. The ninth fund invests in select growth-stage opportunities in which the manager has an access and/or information advantage (predominantly, but not exclusively, growth rounds in their portfolio companies from their other funds).

Global Fixed Income.

U.S. Fixed Income:

This type includes seven funds. The first fund is an index fund that invests in inflation linked bonds i.e., TIPS (Treasury Inflation-Protected Securities). The second fund employs a top-down approach using fundamental analysis of duration, yield curve, and sectors in its fixed income portfolio construction. The portfolios are dominated by treasuries, agencies and agency guaranteed

mortgage passthroughs. All corporate bonds must be rated a minimum of single "A" or better. They do not invest in any spread product with a maturity greater than ten years to contain risk. The high-quality bias of the issues utilized reduces credit risk while ensuring ample liquidity. The third fund uses a top-down macroeconomic analysis to position the portfolio using a relative approach for sector allocation and issue selection. They use fundamental credit research designed to find hidden value across the fixed income universe. They will also move up and down the yield curve to capture value. The fourth fund invests in undervalued mortgage-backed securities (MBS) in a strategic total return strategy. The portfolio mainly consists of a combination of agency and non-agency residential mortgages. Financial analysis allows them to understand the fixed income characteristics of the mortgages that make up the underlying collateral. The fifth fund invests in Mortgage Backed, Asset Backed, and other distressed securities believed to be priced below the fundamental credit risk inherent in those securities. The fair values of the investments in these funds have been determined using NAV per share (or its equivalent) of the investments. The sixth fund is a high yield bond fund that invests in "Fallen Angel" bonds. These are publicly traded bonds that were formerly investment grade companies that have been downgraded to high yield. This index fund is "enhanced" by BNY Mellon's approach to security selection, efficient allocation, and cost-effective implementation. The Fund uses factor models to develop a bond rating of their own. They don't just use the rating agency's analysis. They use a unique trading method to reduce the high cost of trading high yield bonds. The fund only holds bonds in the index have a duration of less than 10 years. This gives the Fund exposure to

Notes to the Financial Statements

(continued)

most of the securities. They don't hold perpetual fallen angel companies. The Fund is designed with a target 50-100 bps of alpha net of costs and a tracking error range of 1-2%. The seventh fund is a multi-sector fund focused on total return, with a portfolio constructed of primarily long only investments in an array of credit instruments such as high yield bonds, leveraged loans, and structured products. This offering is not constrained by a benchmark and as such will invest in securities that are substantially undervalued irrespective of rating or where they reside in the capital structure. They use fundamental analysis to determine enterprise value and the capital structure to ensure a high margin of safety. They look for catalysts to drive change and subsequently total return. To control risk, they employ a rigorous real-time relative value analysis with current portfolio holdings. This forces constant re-underwriting of the portfolio.

International Fixed Income:

This asset type includes one fund that invests in non-U.S. fixed income securities. The fund is an opportunistic emerging market debut fund is a "best ideas" investment approach that seeks to generate attractive returns relative to an emerging markets debt blended benchmark. The strategy will seek to take advantage of investment opportunities across the emerging markets fixed income spectrum, including hard and local currency denominated sovereign, quasi-sovereign, and corporate debt, and their derivatives. Currencies will be used to both manage risk and enhance return.

Private Debt:

This type includes twelve private debt funds. Seven focused on middle market direct lending funds that negotiate senior secured loans to borrowers that are too small to attract the attention of conventional banks and lenders. The

eighth fund is a private debt fund created to take advantage of the opportunities generated by market dislocations. The Fund has a 3 to 4-year term with no investment or harvest periods and a much broader mandate. It will focus on dislocated markets and senior structured credit and will also be able to invest across sectors, all public credit markets, TALF-eligible ABS and other government programs, CMBS, RMBS, CLO, CMBS, RMBS, etc.. The broad mandate will seek to capitalize on liquidity-driven dislocations across public credit sectors. The manager believes that flexibility to take advantage of attractive opportunities across different credit sectors is key for success in the current market dynamics. The ninth fund is focused on investing in credit and value-oriented opportunities across a broad range of markets, including corporate and trade credit, specialty finance, real estate, and real assets/infrastructure. The Fund will invest in temporary and structural opportunities that arise from cycles in pricing and supply of credit and credit-dependent assets. Opportunities may include Non-Performing Loans ("NPLs"), cyclical distressed including energy and commodities, gap investing focused on small balance lending platforms and special situations lending. The tenth fund is an open-ended private debt fund. The Fund will originate and manage primarily senior debt investments secured by institutional-quality real estate. The objective is to create an open-ended private debt fund that will generate consistent current income while preserving principal. They are targeting a 6% to 7% annual distribution over a full market cycle. Voya intends to build a diversified portfolio of high-quality real estate backed credit that is diversified across borrowers, tenants, geographic location, and property type that will deliver an attractive long-term risk-adjusted return. They are targeting

Notes to the Financial Statements

(continued)

2 to 7 years floating rate loans for the portfolio. The eleventh fund is a private credit manager focused on providing senior secured and subordinated loans with equity upside to expanding and later stage technology/life sciences companies globally. The fund will make 150 to 200 investments in growth and late-stage companies. Like their previous funds, the deals will be structured as both senior secured and subordinated debt, with equity upside participation rights (in the form of warrants, convertibles, and stock). The twelfth fund's primary focus is providing bespoke financing solutions to companies with enterprise values between \$300 million and \$3 billion. Fund III has the flexibility to invest in both public and private, distressed and performing credit. The broader mandate is meant to allow the team to be dynamic and nimble with its capital.

Global Real Assets.

Inflation Hedges:

This asset class includes six funds of two types. Two of the funds invest in inflation sensitive asset classes to help hedge against inflation risks in the broader portfolio and four funds that invests in assets that will generate reoccurring cash flow. The first of these funds is focused on credit investments in the metals and mining sector. The Fund may invest up to 25% of its capital in equity positions. The fund provides credit for asset-specific mining projects as well as bridge financing for corporate mining acquisitions. The manager seeks to be the most senior debt in a company's capital structure and will only lend against fully permitted projects, which means that the Fund will not take exploration risk. In most deals, the fund will seek to participate in a company's/asset's upside through royalties, offtakes, or warrants. It will only invest in projects producing commodities with relatively stable demand such as copper, lead, zinc, gold,

and silver. The second fund's goal is to provide strong relative performance vs. broad equity and fixed income markets during rising inflation. The portfolio is invested in inflation sensitive assets and inflation linked assets. Exposure to the inflation-sensitive assets are achieved through global equity and derivative positions in precious metals, metals and mining, agriculture, energy, and other commodities and commodity-dependent equities. Global inflation linked bonds such as TIPS and emerging market inflation linked bonds provide exposure to the assets directly linked to inflation. The fair values of the investments in this type have been determined using NAV per share (or its equivalent) of the investments. The third fund is a closed-end infrastructure/real assets secondary fund. They will create a diversified portfolio of infrastructure and real asset secondary transactions, co-investments, and 30% to 45% in custom solutions. The manager expects the Fund to be diversified by vintage year, sponsor, geography, property type, and strategy. Although the Manager will allocate across strategies based on market opportunities. The fourth fund will invest across infrastructure sectors and will utilize Their views on current economic conditions to develop themes through which it will invest. To date, they have invested in sectors such as power generation, telecommunication, and wastewater treatment, among others. While the Fund will be sector agnostic, it will focus on assets with the following attributes with respect to its investment themes: Providing an essential service to society; Long-term stable underlying demand drivers; Predictable cash flows; Asset-based or long-term contracted business model (preference for concession-based model or oligopolistic market structures). The Manager places an emphasis on driving operational efficiencies at its portfolio companies.

Notes to the Financial Statements
(continued)

This “industrial approach” centers around the Firm’s relationship with approximately 230 industrial advisors, who are closely aligned with them, due to their sizable personal investments in each portfolio company. This network of skilled operators provides key market insights, proprietary sourcing, and the ability for them to replace board members or senior management, when appropriate. The fifth fund is a continuation of the investment strategy of their Infrastructure Fund I and Fund II focusing on middle-market infrastructure assets and businesses globally, with a particular focus on North America, Europe, and select high-growth economies in Asia and Latin America, such as South Korea, Colombia, Chile, and Mexico. They intend to build a diversified portfolio of infrastructure investments; targeting the transport, telecommunications, energy, utilities, and social infrastructure sectors. The Manager looks to create value through platform building, revenue optimization/cost savings initiatives, capital structure improvements, management enhancements, and environmental, social and governance (“ESG”) incorporation. The Manager defines the middle market as deals ranging from \$400 million to \$800 million and looks to utilize its global network and relationships to source attractive off-market deals. The sixth fund will employ an opportunistic investment strategy, targeting renewable and sustainable energy investments in development platforms, operating assets, and operating companies. The Fund will make 10-12 portfolio company investments diversified by geography across Organization for Economic Co-operation and Development (“OECD”) markets, with a primary focus on the US and Europe. Their opportunistic approach allows for flexibility in the deployment of capital and portfolio construction, which is advantageous given the growth in private capital investment in the sector in

recent years. The Fund aims to acquire development platforms with management teams that have proven track records and a verifiable pipeline of projects. The Manager generally targets projects in the mid-to-late development stage, enabling them to avoid binary permitting risks associated with development, while still taking construction and contracting risk that can provide higher returns than investing in a portfolio of operating assets. The GP will target operating assets where operational or financial improvements can be achieved to enhance the returns, such as repowering, capacity expansion, and/or integration of storage. They will also invest in operating businesses focused on utility-scale solar, smart metering, clean-tech, and/or operating and maintenance services business. A material element of value-add is required, as the strategy does not take a “buy-and-hold” yield-oriented approach and is higher return seeking.

Real Estate Funds:

This type includes nine real estate funds. The first fund is a public REIT fund that utilizes a top-down approach; evaluating property sectors based on national and regional economic trends, capital market conditions, and property type fundamentals. Having established target sector weightings, within each sector they select the best-positioned companies subject to relative valuation. Their process is differentiated by using both equity evaluation and real estate skills in portfolio construction. The second and third funds are focused on investing in opportunistic real estate, targeting diversified investments primarily Germany and Spain, and to a lesser extent, Portugal. The Funds are diversified by investment type with the ability to concentrate capital depending on opportunities. The Manager will allocate across strategies based on market opportunities, including ground-up development, value-add/

Notes to the Financial Statements

(continued)

redevelopment, corporate restructuring, and mezzanine lending. The fourth fund is an open-end core-plus real estate fund that seeks to acquire midmarket assets within demographically driven sectors, including multifamily, manufactured housing, medical office, active adult, and student housing, and to a lesser extent single-family rental, industrial, life science, and self-storage. The Fund targets income-producing properties that have the potential to become “core” assets through minor repositioning or lease-up. The Fund will generally avoid ground-up development as the manager does not believe that type of risk would be appropriate for a core-plus strategy. The fifth fund targets opportunistic real estate investments in senior housing, medical office, and student housing. The Fund will make 40 to 50 investments diversified by geography across the US. The Fund will invest primarily in specialized real estate sectors exhibiting favorable demographic patterns, supply demand imbalances, fragmented ownership, and stable historical growth. Among such sectors, the manager expects to be primarily focused on healthcare-related real estate, particularly senior housing and medical office facilities, which have experienced strong growth over the past several years. Due to demographic shifts and changes in the delivery of healthcare, the Manager believes that such sectors will continue experiencing strong growth. The Fund will also focus on student housing, particularly in public university markets. The sixth and seventh funds are secondary fund-of-funds that seek to deliver attractive returns by identifying and capitalizing on inefficiencies in the real estate secondary market, including capital supply and demand imbalances, inconsistent information quality and sources, and various non-economic seller motivations. They use proactive sourcing outreach, in-house analytical research, and active fund pricing library, and

leveraging their relationship networks to identify and capture these inefficiencies. They acquire interests in existing funds, partnerships and other structured entities invested in underlying real estate. The acquisitions typically occur well into a fund’s investment period, at which point underlying investments are identified and the harvesting period has begun. The fair values of these funds are determined on an appraisal basis using assessments of similar real estate that has recently sold. The eighth fund is a distressed real estate fund-of-funds that invests in local real estate managers that purchase distressed properties and renovate them. They employ an aggressive multi-manager strategy that is locally focused. They partner with/invest with firms that have local expertise at finding distressed properties and are experienced operators. The Fund uses a holistic approach with structural innovativeness, investing in debt and equity, both public and private on a globally basis. These investments cannot be redeemed. Instead, the nature of the investment in this fund is that distributions are received through the liquidation of the underlying properties in the funds over five to ten years. Rental income is received as a current yield from the underlying funds. The fair values of these funds are determined on an appraisal basis using assessments of similar real estate that has recently sold. The ninth fund is an open-ended core portfolio of U.S. equity real estate with a goal to provide good returns while limiting downside risk through property type, geographic, and economic diversification with moderate leverage. The Fund is focused on owning and managing high quality, well leased properties, or properties with expansion and/or rehabilitation potential, and, to a limited extent, make forward commitments on to be built properties. The Fund is structured as a U.S. dollar denominated open-ended fund with quarterly liquidity, subject to availability of capital.

Notes to the Financial Statements
(continued)

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	\$90,711,166	4.6	40.5%
Corporate Bonds	85,007,486	1.8	38.0%
International Bonds	185,999	4.5	0.1%
U.S. Government Obligations	<u>47,806,965</u>	10.9	<u>21.4%</u>
Total Fixed Income	<u>\$223,711,616</u>	4.9	<u>100.0%</u>
Short-Term Investments			
Cash and Cash Equivalents	\$16,794,574	0.0	
Uniformed STIF*	<u>138,514,757</u>	0.1	
Total Short-Term Investments	<u>\$155,309,331</u>		

*Short-Term Investment Funds

The duration of the System's overall fixed income portfolio excluding pooled funds was 6.36 years for the separately managed accounts. The Barclays Capital Aggregate Bond Index (BCAG) established option-adjusted duration was 6.38 years. Commingled funds would alter the duration number above.

F. Short-term Investments

The Short-term investments of \$155.3 million includes a position of \$138.5 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.

Notes to the Financial Statements

(continued)

G. Quality Ratings

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

Type of Investment	Fair Value	Ratings	Percentage of Fixed
U.S. Government Obligations	\$47,806,965		21.4%
Asset-Backed Securities	691,103	AAA	0.3%
	50,904,745	AA	22.8%
	927,288	A	0.4%
	2,194,460	BBB	1.0%
	2,878,096	BB	1.3%
	951,509	B	0.4%
	1,263,315	D	0.5%
	30,900,650	Unrated	13.8%
Corporate and Other Bonds	176,047	AA	0.1%
	7,346,212	A	3.3%
	16,019,427	BBB	7.2%
	3,492,060	BB	1.5%
	1,756,279	B	0.8%
	63,194	CCC	0.0%
	21,600	D	0.0%
	56,132,667	Unrated	25.1%
International Bonds	157,525	BB	0.1%
	1,878	B	0.0%
	<u>26,596</u>	CCC	<u>0.0%</u>
Total Fixed Income	<u>\$223,711,616</u>		<u>100.0%</u>
Short-Term Investments			
Cash and Cash Equivalents	\$16,794,574	Unrated	
Uniformed STIF*	<u>138,514,757</u>	Unrated	
Total Short-Term Investments	<u>\$155,309,331</u>		
*Short-Term Investment Funds			

As of June 30, 2023, the fixed income portfolio, excluding pooled funds, consisted of 56.5 percent invested in investment grade securities, 4.6 percent invested in below-investment-grade securities and 38.9 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.

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 hedges away 50 percent of the currency risk for the whole portfolio using currency derivatives. 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	Equity	Total
Australian Dollar	\$ -	\$12,004,710	\$12,004,710
Brazil Real	11,244	371,672	382,916
Canadian Dollar	5,248	11,554,711	11,559,959
Chinese Yuan Renminbi	6,576	228,202	234,778
Danish Krone	36	16,500,841	16,500,877
Euro Currency Unit	2,904	73,203,147	73,206,051
Hong Kong Dollar	646	9,313,469	9,314,115
Indonesian Rupiah	-	255,535	255,535
Japanese Yen	732,424	59,128,791	59,861,215
Mexican Peso	1	1,272,018	1,272,019
New Taiwan Dollar	-	2,010,963	2,010,963
New Zealand Dollar	-	104,618	104,618
Norwegian Krone	-	1,699,934	1,699,934
Pound Sterling	10,212	53,122,328	53,132,540
Singapore Dollar	17,316	4,061,025	4,078,341
South African Rand	120	652,061	652,181
South Korean Won	16,611	1,212,611	1,229,222
Swedish Krona	1,156	7,461,153	7,462,309
Swiss Franc	1,612	19,624,373	19,625,985
Other	<u>1,737</u>	<u>37,400</u>	<u>39,137</u>
Grand Total	<u>\$807,843</u>	<u>\$273,819,562</u>	<u>\$274,627,405</u>

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, 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 collateralized mortgage obligations (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 one type of derivative financial instrument: futures. This type of derivative provides the System with the opportunity to build passive benchmark positions, enhances returns and gains market exposure to various indices in a more efficient way with lower transaction costs. It is exchange traded and so, counterparty risk is very low. 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 value 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
(continued)

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	(\$86,102,381)	(\$86,249,807)
Equity		
Long	375,217,700	363,297,457
Fixed Income Securities		
Long	<u>5,294,438</u>	<u>5,279,437</u>
Total	<u>\$294,409,757</u>	<u>\$282,327,087</u>

J. Securities Lending

The Board of Trustees' 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			
Corporate and Other Bonds	\$985,976	\$1,016,085	
Common and Preferred Stock	2,748,881	2,965,132	
Lent for Securities Collateral			
U.S. Government Securities	18,094,307	-	\$19,916,925
Common and Preferred Stock	<u>20,203,722</u>	<u>-</u>	<u>22,130,577</u>
Total Securities Lent	<u>\$42,032,886</u>	<u>\$3,981,217</u>	<u>\$42,047,502</u>

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	\$2,736,655,230
Plan Fiduciary Net Position	<u>2,029,456,215</u>
Net Pension Liability	<u>\$707,199,015</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.16%

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 22, 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 39.31 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 PubS-2010 Healthy Annuitant Head-Count Weighted Mortality Table for males and females for participants (non beneficiary / survivor) and 100% of the PubG-2010 Healthy Annuitant Head-Count Weighted Mortality table for beneficiaries 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

Notes to the Financial Statements
(continued)

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 below:

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. Equities	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 0.35 percent of covered payroll. The inflows to the plan were assumed to reflect the average aggregate member rate for the 2023 active population of 6.98 percent of payroll and County contributions were projected at 46.79 percent for fiscal year 2024 and increasing to 56.93 percent in 2036. After that time the County contribution is assumed to decrease to the normal cost plus expenses (16.09 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	\$3,088,939,244	\$2,736,655,230	\$2,445,240,300
Plan Fiduciary Net Position	<u>2,029,456,215</u>	<u>2,029,456,215</u>	<u>2,029,456,215</u>
Net Pension Liability	<u>\$1,059,483,029</u>	<u>\$707,199,015</u>	<u>\$415,784,085</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.70%	74.16%	83.00%

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 \$73,184. As of June 30, 2023, the value of the subscription liability is \$49,752. The Authority is required to make annual fixed payments of \$24,173. The subscription has an interest rate of 2.0377%. The value of the right to use asset as of June 30, 2023, of \$73,184 with accumulated amortization of \$20,926 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 \$113,988. As of June 30, 2023, the value of the subscription liability is \$87,242. The Authority is required to make annual fixed payments of \$28,622. The subscription has an interest rate of 2.1860%. The value of the right to use asset as of June 30, 2023, of \$113,988 with accumulated amortization of \$23,984 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 \$10,323. As of June 30, 2023, the value of the subscription liability is \$5,189. The Authority is required to make annual fixed payments of \$5,134. The subscription has an interest rate of 1.8940%. The value of the right to use asset as of June 30, 2023, of \$11,043 with accumulated amortization of \$4,555 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>\$198,215</u>	<u>\$49,465</u>
Total Subscriptions	<u>\$198,215</u>	<u>\$49,465</u>

Principal and Interest Requirements to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$56,890	\$3,019	\$59,909
2025	54,686	1,826	56,512
2026	<u>30,607</u>	<u>669</u>	<u>31,276</u>
Total	<u>\$142,183</u>	<u>\$5,514</u>	<u>\$147,697</u>

Financial Section**Notes to the Financial Statements**
(continued)**Trust Fund Activities**

Fund (Rollforward Schedule)	Balance as of July 1, 2022	Additions	Reductions	Balance as of June 30, 2023
Subscription Liability				
Software				
Backstop Portfolio Management	\$73,184	\$ -	\$23,432	\$49,752
Diligent Board Portal Subscription	-	10,323	5,134	5,189
Pension Gold Subscription	<u>113,988</u>	<u>-</u>	<u>26,746</u>	<u>87,242</u>
Total Software Subscription Liability	<u>187,172</u>	<u>10,323</u>	<u>55,312</u>	<u>142,183</u>
Subscription Assets				
Software				
Backstop Portfolio Management	73,184	-	-	73,184
Diligent Board Portal Subscription	-	11,043	-	11,043
Pension Gold Subscription	<u>113,988</u>	<u>-</u>	<u>-</u>	<u>113,988</u>
Total Software Subscription Assets	<u>187,172</u>	<u>11,043</u>	<u>-</u>	<u>198,215</u>
Subscription Accumulated Amortization				
Software				
Backstop Portfolio Management	-	20,926	-	20,926
Diligent Board Portal Subscription	-	4,555	-	4,555
Pension Gold Subscription	<u>-</u>	<u>23,984</u>	<u>-</u>	<u>23,984</u>
Total Software Subscription Accumulated Amortization	<u>-</u>	<u>49,465</u>	<u>-</u>	<u>49,465</u>
Total Trust Fund Subscription Assets, Net	<u>\$187,172</u>	<u>(\$38,422)</u>	<u>\$ -</u>	<u>\$148,750</u>

Notes to the Financial Statements

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.

Financial Section

Required Supplementary Information
(Unaudited)

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)	\$49,401,511	\$44,931,961	\$45,462,649	\$43,435,580	\$43,537,010
Interest	178,612,734	163,743,470	165,370,104	159,360,043	153,521,546
Changes in Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(19,331,389)	136,998,391	(4,252,566)	(6,625,376)	(7,935,310)
Changes in Assumptions	-	-	60,741,861	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(135,272,612)</u>	<u>(124,617,310)</u>	<u>(119,190,374)</u>	<u>(111,543,243)</u>	<u>(105,543,380)</u>
Net Change in Total Pension Liability	73,410,244	221,056,512	148,131,674	84,627,004	83,579,866
Total Pension Liability - Beginning	<u>2,663,244,986</u>	<u>2,442,188,474</u>	<u>2,294,056,800</u>	<u>2,209,429,796</u>	<u>2,125,849,930</u>
Total Pension Liability - Ending (a)	<u>\$2,736,655,230</u>	<u>\$2,663,244,986</u>	<u>\$2,442,188,474</u>	<u>\$2,294,056,800</u>	<u>\$2,209,429,796</u>
Plan Fiduciary Net Position					
Contributions - Employer	74,989,155	65,793,238	69,464,042	69,930,974	69,246,070
Contributions - Member	13,690,276	12,071,388	12,980,620	12,810,112	12,605,683
Net Investment Income (Loss)	152,216,471	(193,071,247)	440,347,233	(22,161,566)	78,141,805
Benefit Payments, Including Refunds of Member Contributions	(135,272,613)	(124,617,310)	(119,190,374)	(111,543,243)	(105,543,380)
Administrative Expenses	<u>(703,759)</u>	<u>(664,939)</u>	<u>(678,336)</u>	<u>(666,683)</u>	<u>(620,136)</u>
Net Change in Plan Fiduciary Net Position	\$104,919,530	(\$240,488,870)	\$402,923,185	(\$51,630,406)	\$53,830,042
Plan Fiduciary Net Position - Beginning	<u>1,924,536,685</u>	<u>2,165,025,555</u>	<u>1,762,102,370</u>	<u>1,813,732,776</u>	<u>1,759,902,734</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$2,029,456,215</u>	<u>\$1,924,536,685</u>	<u>\$2,165,025,555</u>	<u>\$1,762,102,370</u>	<u>\$1,813,732,776</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>\$707,199,015</u>	<u>\$738,708,301</u>	<u>\$277,162,919</u>	<u>\$531,954,430</u>	<u>\$395,697,020</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.16%	72.26%	88.65%	76.81%	82.09%
Covered Payroll	<u>\$190,763,559</u>	<u>\$167,370,231</u>	<u>\$178,846,658</u>	<u>\$180,048,852</u>	<u>\$178,285,453</u>
Net Pension Liability as a Percentage of Covered Payroll	370.72%	441.36%	154.97%	295.45%	221.95%

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 Uniformed 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)	\$42,113,858	\$39,667,968	\$43,407,620	\$41,720,784	\$39,647,527
Interest	147,114,045	140,285,987	136,679,066	132,950,836	125,659,578
Changes in Benefit Terms	956,369	839,465	806,226	1,702,105	-
Differences Between Expected and Actual Experience	(1,127,589)	6,047,673	(54,053,500)	11,019,203	-
Changes in Assumptions	-	-	20,479,405	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(96,896,205)</u>	<u>(93,608,871)</u>	<u>(90,536,075)</u>	<u>(84,849,425)</u>	<u>(78,916,881)</u>
Net Change in Total Pension Liability	92,160,478	93,232,222	56,782,742	102,543,503	86,390,224
Total Pension Liability - Beginning	<u>2,033,689,452</u>	<u>1,940,457,230</u>	<u>1,883,674,488</u>	<u>1,781,130,985</u>	<u>1,694,740,761</u>
Total Pension Liability - Ending (a)	<u>\$2,125,849,930</u>	<u>\$2,033,689,452</u>	<u>\$1,940,457,230</u>	<u>\$1,883,674,488</u>	<u>\$1,781,130,985</u>
Plan Fiduciary Net Position					
Contributions - Employer	67,895,377	67,410,252	65,548,338	60,928,766	56,094,690
Contributions - Member	12,262,288	12,223,468	12,020,447	11,473,273	10,905,744
Net Investment Income (Loss)	131,997,257	161,013,714	(13,447,090)	21,800,261	210,256,032
Benefit Payments, Including Refunds of Member Contributions	<u>(96,896,205)</u>	<u>(93,608,871)</u>	<u>(90,536,075)</u>	<u>(84,849,425)</u>	<u>(78,916,881)</u>
Administrative Expenses	<u>(619,827)</u>	<u>(477,564)</u>	<u>(500,255)</u>	<u>(455,440)</u>	<u>(433,541)</u>
Net Change in Plan Fiduciary Net Position	\$114,638,890	\$146,560,999	(\$26,914,635)	\$8,897,435	\$197,906,044
Plan Fiduciary Net Position - Beginning	<u>1,645,263,844</u>	<u>1,498,702,845</u>	<u>1,525,617,480</u>	<u>1,516,720,045</u>	<u>1,318,814,001</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$1,759,902,734</u>	<u>\$1,645,263,844</u>	<u>\$1,498,702,845</u>	<u>\$1,525,617,480</u>	<u>\$1,516,720,045</u>
Net Pension Liability (Asset) - Ending (a)-(b)	<u>\$365,947,196</u>	<u>\$388,425,608</u>	<u>\$441,754,385</u>	<u>\$358,057,008</u>	<u>\$264,410,940</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.79%	80.90%	77.23%	80.99%	85.15%
Covered Payroll	<u>\$174,807,871</u>	<u>\$173,558,836</u>	<u>\$168,808,493</u>	<u>\$160,761,916</u>	<u>\$153,979,385</u>
Net Pension Liability as a Percentage of Covered Payroll	209.34%	223.80%	261.69%	222.73%	171.72%

Continued from previous page.

Required Supplementary Information
(continued)

Schedule of Net Pension Liability						
Year Ended June 30	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
2023	\$2,736,655,230	\$2,029,456,215	\$707,199,015	74.16%	\$190,763,559	370.72%
2022	2,663,244,986	1,924,536,685	738,708,301	72.26%	167,370,231	441.36%
2021	2,442,188,474	2,165,025,555	277,162,919	88.65%	178,846,658	154.97%
2020	2,294,056,800	1,762,102,370	531,954,430	76.81%	180,048,852	295.45%
2019	2,209,429,796	1,813,732,776	395,697,020	82.09%	178,285,453	221.95%
2018	2,125,849,930	1,759,902,734	365,947,196	82.79%	174,807,871	209.34%
2017	2,033,689,452	1,645,263,844	388,425,608	80.90%	173,558,836	223.80%
2016	1,940,457,230	1,498,702,845	441,754,385	77.23%	168,808,493	261.69%
2015	1,883,674,488	1,525,617,480	358,057,008	80.99%	160,761,916	222.73%
2014	1,781,130,985	1,516,720,045	264,410,940	85.15%	153,979,385	171.72%

Schedule of Money-Weighted Rate of Return	
Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2023	8.30%
2022	-8.93%
2021	25.27%
2020	-1.24%
2019	4.50%
2018	8.09%
2017	10.90%
2016	-0.87%
2015	1.47%
2014	16.06%

Required Supplementary Information

(continued)

Schedule of Collective Employer Contributions

Fiscal Year	Contributions in Relation to			Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	the Actuarially Determined Contribution	Contribution Deficiency (Excess)	
2023	\$74,989,155	\$74,989,155	- \$190,763,559	39.31%
2022	65,793,238	65,793,238	- 167,370,231	39.31%
2021	69,464,042	69,464,042	- 178,846,658	38.84%
2020	69,930,974	69,930,974	- 180,048,852	38.84%
2019	69,246,070	69,246,070	- 178,285,453	38.84%
2018	67,895,377	67,895,377	- 174,807,871	38.84%
2017	67,410,252	67,410,252	- 173,558,836	38.84%
2016	65,548,338	65,548,338	- 168,808,493	38.83%
2015	60,928,766	60,928,766	- 160,761,916	37.90%
2014	56,094,690	56,094,690	- 153,979,385	36.43%

Notes to Schedule

Valuation Date	6/30/2021
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): PubS-2010 Employee Head-Count Weighted Mortality Table for males and females; Mortality (Healthy Retirees): PubS-2010 Healthy Annuitant Head-Count Weighted Mortality Table for males and females; Mortality (Beneficiaries): PubG-2010 Healthy Annuitant Head-Count Weighted Mortality Table for males and females; Mortality (Disabled): PubS-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 were as follows:

Contribution Rates		
Fiscal Year	Employer	Employee
2023	39.31%	7.08%, Plan B 8.83% in excess of Social Security taxable wage base.
2022	39.31%	7.08%, Plan B 8.83% in excess of Social Security taxable wage base.
2021	38.84%	7.08%, Plan B 8.83% in excess of Social Security taxable wage base.
2020	38.84%	7.08%, Plan B 8.83% in excess of Social Security taxable wage base.
2019	38.84%	7.08%, Plan B 8.83% in excess of Social Security taxable wage base.

- July 1, 2019 New hires on or after July 1, 2019 are enrolled in Plan F.
- December 2018 Retirement Board of Trustees approved a new plan for all employees hired on or after July 1, 2019.
- July 2017 Service-Connected Disability Social Security offset reduced from 10 percent to 5 percent.
- July 2016 Service-Connected Disability 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. The Board of Trustees increased from 8 to 10 members, one is appointed and one is elected by the retirees of the System.

Other Supplementary Information

Schedule of Investment & Consultant Expenses

For the Year Ended June 30, 2023

Investment Manager Fees		
Absolute Return		\$4,538,523
Global Equity		4,917,408
Global Fixed Income		2,852,735
Global Real Assets		3,127,550
Short Term and Others		51,170
Fees Related to Securities Lending		51,177
Custodial Fees		144,615
Consultant Expenses		373,981
Investment Related Legal Fees		301,136
Allocated Administration Expense		<u>638,207</u>
Total Investment and Consultant Expenses		<u>\$16,996,502</u>

Schedule of Administrative Expenses

For the Year Ended June 30, 2023

Personnel Services		
Salaries and Wages	\$377,725	
Fringe Benefits	<u>160,161</u>	
Total Personnel Services		\$537,886
Professional Services		
Actuarial	24,474	
Audit	10,648	
Legal	<u>2,539</u>	
Total Professional Services		37,661
Communications		
Phone Charges	4,075	
Printing, Binding and Copying	2,549	
Postage	<u>5,321</u>	
Total Communications		11,945
Supplies		
Office Supplies	<u>740</u>	
Total Supplies		740
Other Services and Charges		
Staff Travel and Development	2,183	
Professional Membership	1,776	
Professional Subscriptions	1,698	
Insurance	7,333	
Building Rent	19,897	
Depreciation Expense	29,208	
Computer System	32,308	
Interest Expense	2,423	
Other Operating	<u>18,701</u>	
Total Other Services and Charges		<u>115,527</u>
Total Administrative Expenses		<u>\$703,759</u>

Financial Section

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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 Uniformed 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 Uniformed 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 opinions 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

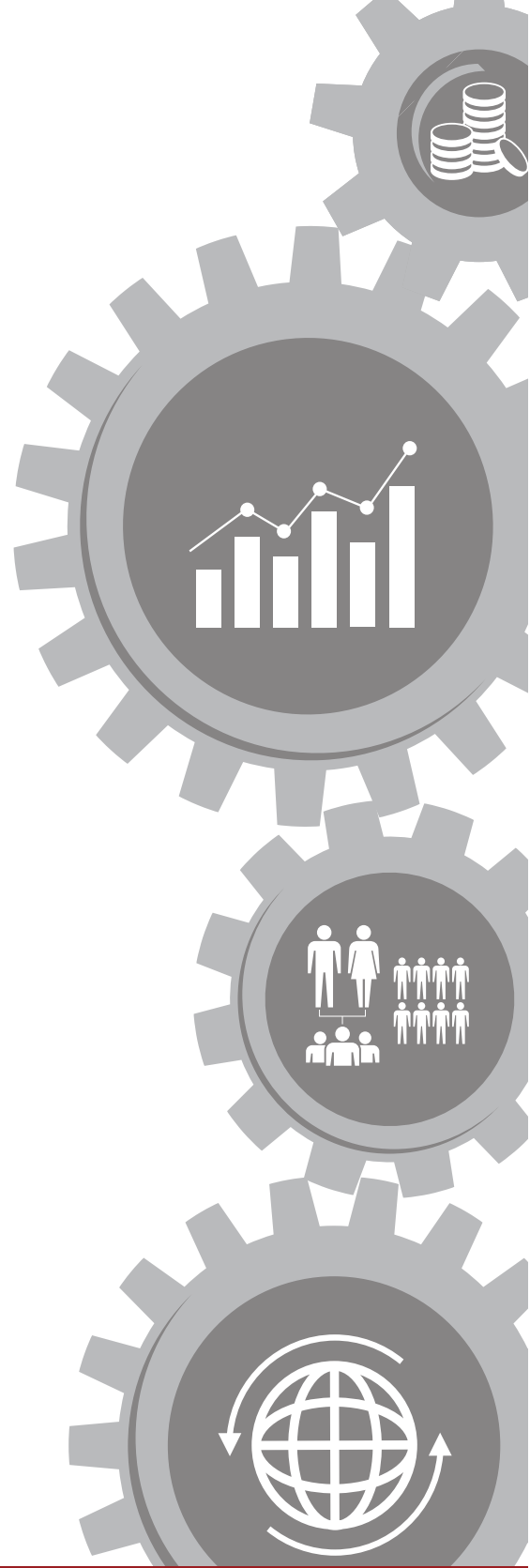
As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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%. 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.

Uniformed Retirement System

The Uniformed Retirement System continued to focus on optimizing the diversification of the portfolio by expanding the private markets piece of the 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 with lower volatility than most of its peers.

The time weighted method of calculating performance is used if there is a greater than 10% cashflow in the account, otherwise the Modified Dietz method is used to calculate the rate of return. As of June 30, 2023, the Fairfax Uniformed Retirement System stood at \$2.025 billion, up from \$1.929 billion at the end of fiscal year 2022. For the year ending June 30, 2023, the System returned +9.11%, gross of fees (+8.07%, net of fees), ranking in the 33rd percentile of all public funds in the BNY Mellon Total Public Fund Universe. For the three- and five-year periods (annualized), the System returned gross of fees, +8.38%, (+7.23%, net of fees), ranking in the 57th percentile, and +5.92%, (+4.94%, net of fees), ranking in the 77th percentile. For the longer



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/

ten-year period, the System had a gross of fees return of +6.67%, (+5.94%, net of fees), ranking in the 76th percentile. The Uniformed Retirement System's portfolio is constructed with a lower targeted risk (volatility) level than most of its peers. The System's standard deviation (volatility) is much lower than its peers, ranking in the top quartile of the peer universe, over the past ten years. The lower volatility is achieved with a well-diversified portfolio and lower equity allocation, which lowers the expected target return but gives more stability to the portfolio.

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. The following public market manager changes were implemented: Ashmore Emerging market Debt was terminated at the portfolio level and WCM International was added to the International Equity lineup. The following private market funds were added to the System's portfolio; Kennedy Lewis III and PFG VII were added to Private Debt lineup and Harborvest Dover XI was added to Private Equity lineup.

Sincerely,



Brian Morales, CAIA
Chief Investment Officer
Fairfax County Uniformed 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				
	Aspect Core Trend	Global Macro	\$45,820,190	2.3%
	Davidson Kempner Capital Management	Multi-Strategy	21,942,861	1.1%
	HG Vora Special Opps	Multi-Strategy	41,159,297	2.0%
	Kirkoswald GM	Global Macro	43,433,992	2.1%
	Millennium Management	Relative Value	44,460,538	2.2%
	Orbimed Advisors	Equity Long/Short	28,809,731	1.4%
	SoMa Partners, LP	Equity Long/Short	27,340,127	1.3%
	Starboard Value and Opportunity	Equity Long/Short	37,477,489	1.9%
Global Equity				
	Acadian Asset Management	Int'l Emerging Markets	98,697,604	4.9%
	Granahan Small Cap*	U.S. Small Cap Growth	44,154,670	2.2%
	HarbourVest Dover XI	Private Markets Equity	1,943,776	0.1%
	HarbourVest International Partners VI	Private Markets Equity	2,295,395	0.1%
	HarbourVest PE CO VI	Private Markets Equity	10,278,687	0.5%
	HarbourVest VII	Private Markets Equity	141,809	0.0%
	HarbourVest IX	Private Markets Equity	7,957,276	0.4%
	HarbourVest X	Private Markets Equity	35,385,320	1.8%
	HarbourVest XI	Private Markets Equity	18,936,723	0.9%
	J.P. Morgan Private Equity	Private Markets Equity	1,248,515	0.1%
	Levine Leichtman Capital Partners, Inc	Private Markets Equity	19,901,314	1.0%
	Marathon Asset Management - London*	Int'l Developed Markets	120,819,746	6.0%
	Pantheon GBL SEC V	Private Markets Equity	12,903,883	0.6%
	Pantheon Secondary	Private Markets Equity	670,043	0.0%
	Pantheon USA Fund	Private Markets Equity	178,762	0.0%
	Pontifax Agtech PE	Private Markets Equity	7,581,700	0.4%
	Sands Em Growth	Int'l Emerging Markets	65,217,449	3.2%
	Siguler Guff BO IV	Private Markets Equity	19,083,007	1.0%
	Siguler Guff BO V	Private Markets Equity	6,468,967	0.3%
	Thoma Bravo, LLC	Private Markets Equity	22,566,012	1.1%
	Thoma Bravo Pe XIV	Private Markets Equity	14,711,230	0.7%
	Thoma Bravo PE XV	Private Markets Equity	13,518,667	0.7%
	Two Sigma Ventur IV	Private Markets Equity	1,499,831	0.1%
	Two Sigma Ventur Opp	Private Markets Equity	839,536	0.0%
	Walter Scott EAFE*	Int'l Developed Markets	66,084,088	3.3%
	Wasatch Global Small Cap*	Int'l Developed Markets	42,635,584	2.1%
	WCM Intl Growth*	Int'l Developed Markets	55,179,023	2.7%
	Wellington Smid Cap*	U.S. SMid Cap Value	69,427,685	3.4%
Global Fixed Income				
	Alcentra Eur Dir Len	Private Debt	11,929,629	0.6%
	Apollo FCI IV	Private Markets Life Insurance	1,252,295	0.1%
	Apollo Life Settle I	Private Markets Life Insurance	10,649,152	0.5%

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			
	Arcmont Dir Lend IV	Private Debt	8,986,935 0.4%
	Bluebay Dir Lend III	Private Debt	15,630,155 0.8%
	BNY Fallen Angels	High Yield Bonds	42,100,996 2.1%
	BNY US Tips	TIPS	15,964,222 0.8%
	Czech SJC III	Private Debt	11,254,376 0.5%
	Doubleline Strat Mbs*	Mortgage-Backed Securities	46,723,780 2.3%
	Garcia Hamilton Core*	Core Bonds	70,950,661 3.5%
	Goldentree Opp Cred	High Yield Bonds	41,748,916 2.1%
	Kennedy Lewis III	Private Debt	8,024,411 0.4%
	Manulife Core Plus*	Core Bonds	59,799,466 3.0%
	Monroe Dir Lend III	Private Debt	17,343,087 0.9%
	Monroe Dir Lend IV	Private Debt	16,754,357 0.8%
	PFG VII	Private Debt	3,687,327 0.2%
	Pimco Disco II	Opportunistic Credit	29,360,710 1.4%
	Pimco Disco III	Private Debt	530,360 0.0%
	Varde Dis PE XIII	Private Debt	19,493,496 1.0%
	Voya Com Mtg Lending	Private Debt	27,031,316 1.3%
	Wellington EMD	Emerging Markets Debt	66,462,414 3.3%
Global Real Assets			
	Activum Real Est VI	Private Markets Real Estate	25,085,619 1.3%
	Activum Real Est VII	Private Markets Real Estate	4,669,934 0.2%
	C&S Global Real Est*	Global REITs	61,452,662 3.0%
	Carlyle Property	Private Markets Real Estate	19,905,575 1.0%
	Carlyle RS Energy	Private Markets Real Estate	14,970,998 0.7%
	EQT Infrastructure V	Private Markets Real Estate	14,808,068 0.7%
	ISQ Global Infra III	Private Markets Real Estate	5,795,438 0.3%
	Kayne Real Est VI	Private Markets Real Estate	7,341,829 0.4%
	Landmark Infra Sec I	Private Markets Real Assets	5,515,799 0.3%
	Landmark RE Sec VIII	Private Markets Real Estate	10,671,883 0.5%
	Siguler Guff DIS II	Private Markets Equity	14,196,341 0.7%
	Taurus Mining PE II	Private Markets Real Assets	12,441,227 0.6%
	UBS Realty Trust	Private Markets Real Estate	52,726,988 2.6%
	Wellington Inflation	Multi-Real Asset	46,964,110 2.3%
Short Term and Others			
	BlackRock Stif A/L*	Plan Level Cash Account	1,664,338 0.1%
	BlackRock Cash Management	Plan Level Cash Account	12,288,196 0.6%
	Parametric Crncy HG*	Overlay	14,587,308 0.7%
	Parametric LC US*	Overlay	123,909,492 6.1%
	Parametric Overlay*	Overlay	8 0.0%
	Parametric Pios*	Operating Cash Account	4 0.0%
Total Investments			\$2,025,444,405 100.0%
* Separately Managed Accounts		** See pages 8-9 for complete listing of investment professionals	

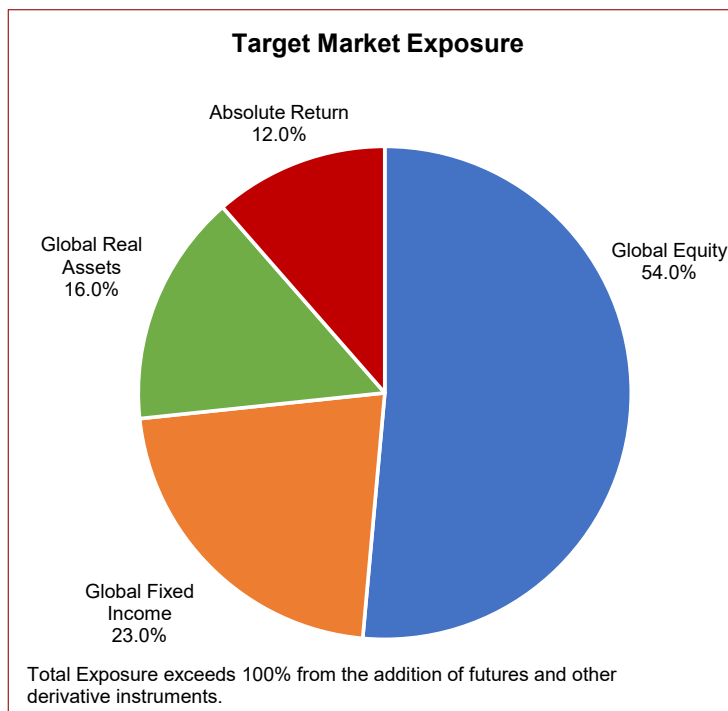
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Uniformed Retirement System – Allocation of Market Exposures

Target Asset Allocation

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.

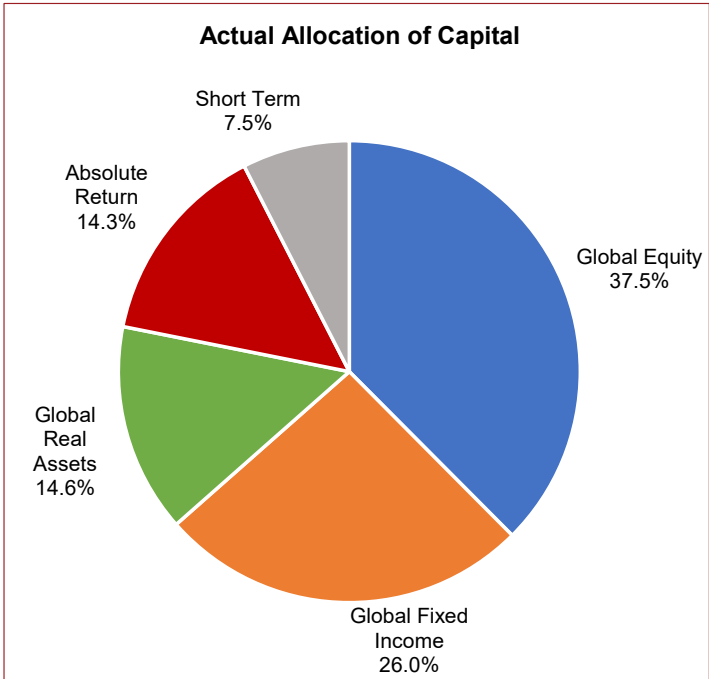
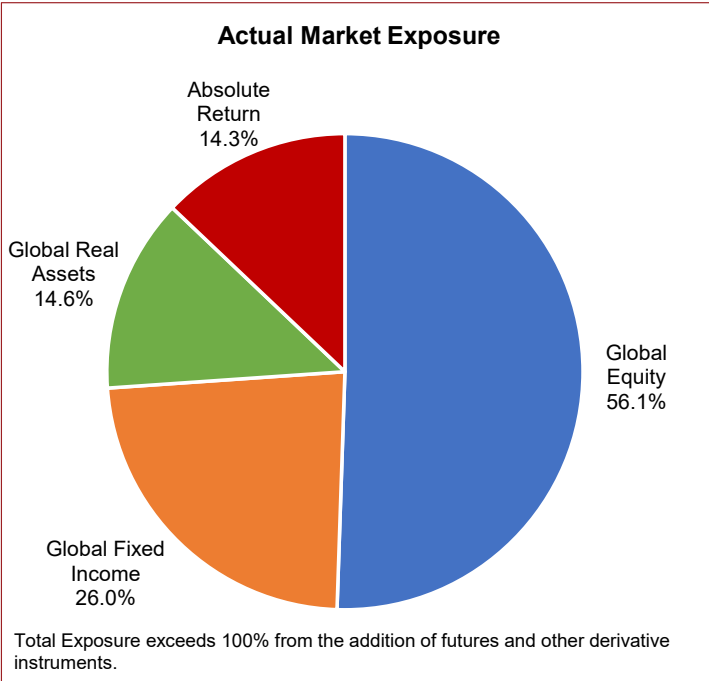
The pie chart below details the target asset mix, consistent with the achievement of the long-term objectives of the System, as of June 30, 2023.



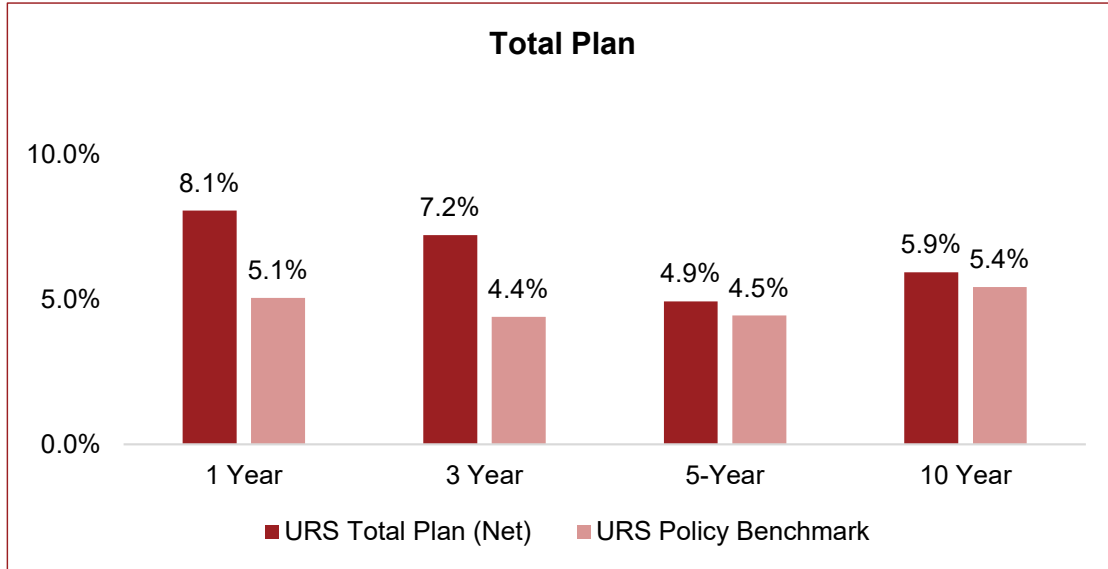
Actual Asset Allocation as of June 30, 2023

The asset structure of Uniformed 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.

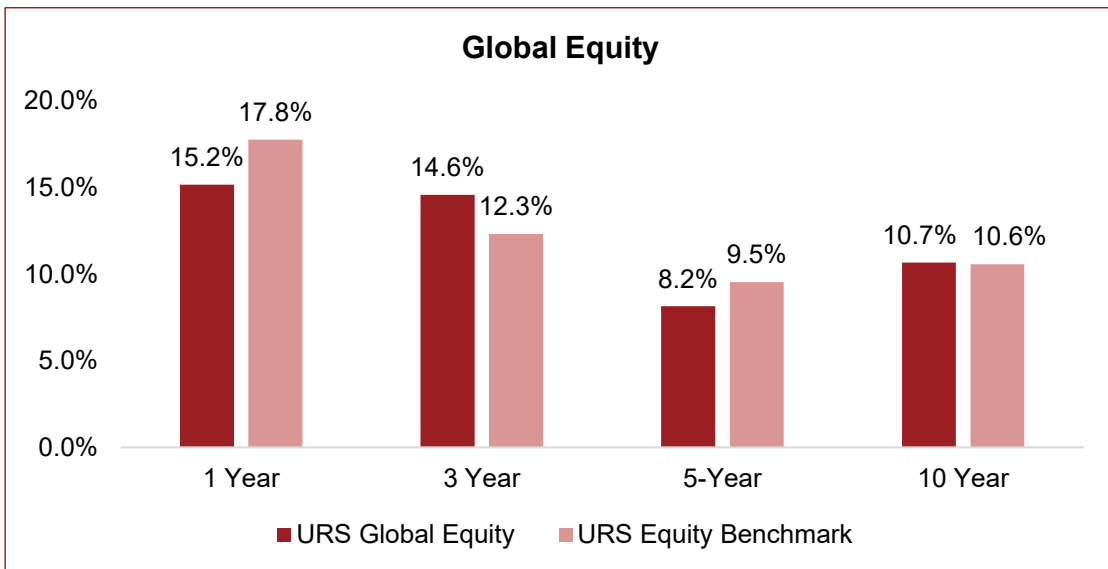
The pie chart below details the actual asset allocation as of June 30, 2023.



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

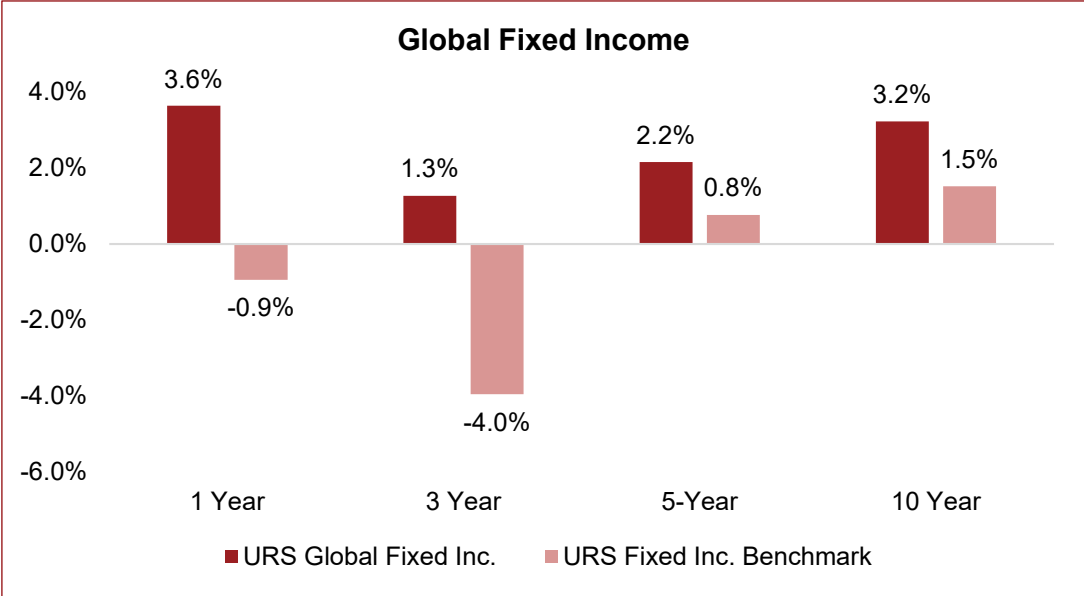


*URS Policy Benchmark is a blending of asset class indices weighted by the target allocations for each asset class.

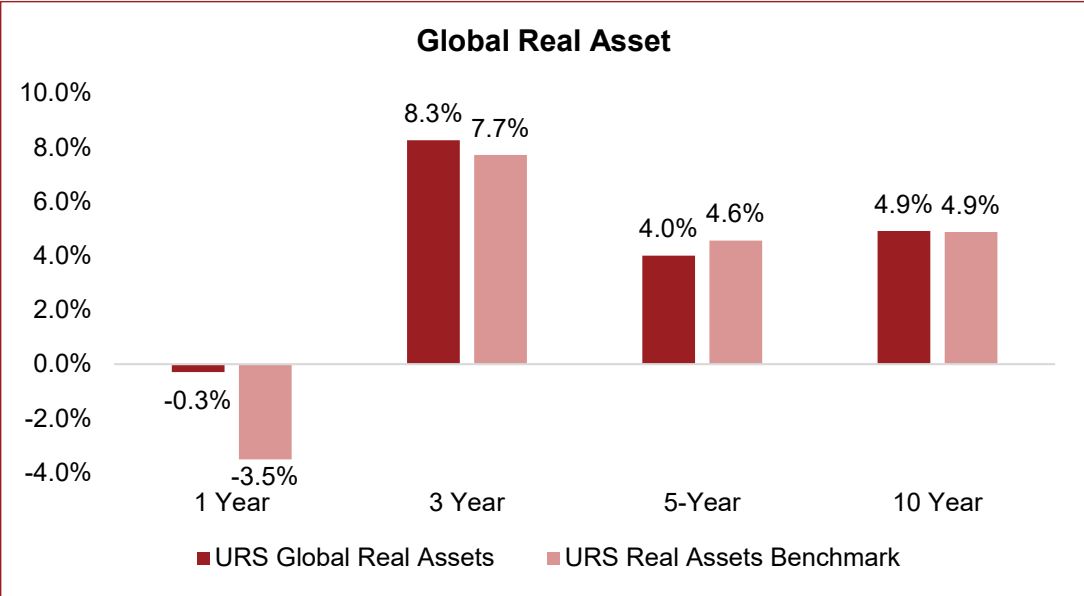


*URS Global Equity Benchmark is a blending of sub-asset class indices weighted by the target allocations for each sub-asset class.

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

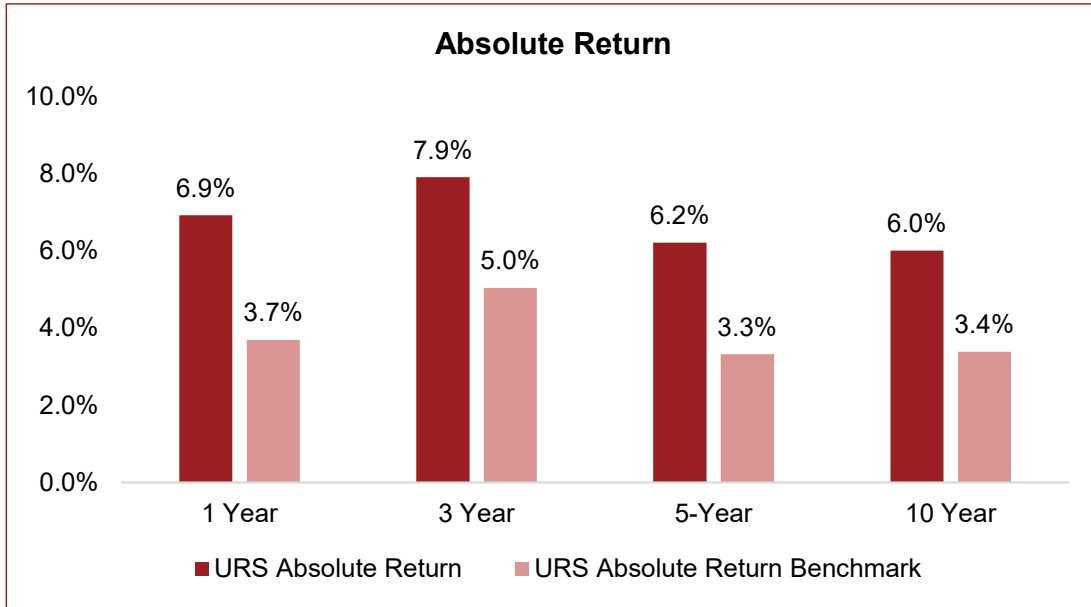


*URS Global Fixed Inc. Benchmark is a blending of sub-asset class indices weighted by the target allocations for each sub-asset class.



*URS Real Assets Benchmark is a blending of sub-asset class indices weighted by the target allocations for each sub-asset class.

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



*URS Absolute Return Benchmark is the HFRI Fund of Funds Composite.

Schedule of Ten Largest Equity & Fixed Income Holdings

Ten Largest Equity Holdings*				
No. Shares	Description	Cost	Fair Value	% of Total Portfolio
52,457	Novo Nordisk A/S	\$3,624,289	\$8,450,182	0.42%
38,378	Prologis Inc	3,139,622	4,706,294	0.23%
28,348	Digital Realty Trust Inc	3,720,187	3,227,987	0.16%
39,353	Welltower Inc	3,027,070	3,183,264	0.16%
89,576	Invitation Homes Inc	3,146,373	3,081,414	0.15%
47,509	Realty Income Corp	2,650,031	2,840,563	0.14%
22,914	Simon Property Group Inc	2,234,451	2,646,109	0.13%
454,056	Bp Plc	2,339,802	2,645,890	0.13%
7,670	Ferrari Nv	1,555,301	2,506,207	0.12%
30,800	Canadian Pacific Kansas City L	<u>2,516,489</u>	<u>2,487,716</u>	<u>0.12%</u>
Total		\$27,953,615	\$35,775,626	1.76%

*Full disclosure of holdings is available upon request.

Ten Largest Fixed Income Holdings*				
No. Shares	Description	Cost	Fair Value	% of Total Portfolio
10,260,000	US Treasury Note 1.875% 02/15/2032 DD 02/15/22	\$8,842,876	\$8,783,483	0.43%
6,965,000	US Treasury Note 1.125% 02/15/2031 DD 02/15/21	6,161,085	5,724,394	0.28%
4,335,000	US Treasury Bond 3.750% 08/15/2041 DD 08/15/11	4,396,650	4,181,064	0.21%
4,565,000	US Treasury Bond 2.500% 02/15/2045 DD 02/15/15	3,561,250	3,527,376	0.17%
3,058,000	US Treasury Note 3.750% 05/31/2030 DD 05/31/23	3,036,498	3,014,057	0.15%
3,180,000	US Treasury Note 2.625% 02/15/2029 DD 02/15/19	3,015,492	2,945,348	0.15%
2,800,000	US Treasury Bond 3.000% 08/15/2052 DD 08/15/22	2,402,313	2,376,612	0.12%
2,751,711	Fnma Pool #0Br0999 2.500% 05/01/2051 DD 05/01/21	2,276,611	2,343,769	0.12%
2,985,000	US Treasury Bond 2.500% 05/15/2046 DD 05/15/16	3,177,258	2,290,749	0.11%
2,310,000	Bank Of America Corp Var Rt 02/07/2030 DD 02/07/19	<u>2,557,019</u>	<u>2,138,021</u>	<u>0.11%</u>
Total		\$39,427,052	\$37,324,873	1.85%

*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
LOOP CAPITAL MARKETS, JERSEY CITY	\$83,257	19,641	\$447	0.54%
MORGAN J P SECS INC, NEW YORK	97,059	(30)	470	0.48%
ROTH CAPITAL PARTNERS LLC, NEW YORK	3,470	446	13	0.39%
NATIONAL FINL SVCS CORP, NEW YORK	1,319,276	108,374	3,054	0.23%
WEDBUSH SECURITIES INC./P3, LOS ANGELES	243,602	24,613	561	0.23%
LEERINK SWANN AND COMPANY, NEW YORK	863,336	76,341	1,936	0.22%
NORTHLAND SECURITIES INC., NEW YORK	91,339	8,077	203	0.22%
HSBC SECS INC, NEW YORK	7,352,668	364,515	15,640	0.21%
B RILEY AND CO LLC, NEW YORK	207,349	14,450	421	0.20%
LEGENT CLEARING CORP, OMAHA	14,055	1,076	28	0.20%
OPPENHEIMER & CO INC, NEW YORK	897,025	64,744	1,711	0.19%
NEEDHAM AND CO LLC, NEW YORK	890,890	58,794	1,658	0.19%
MACQUARIE BANK LTD, HONG KONG	1,814,764	44,312	3,354	0.18%
JMP SECURITIES, SAN FRANCISCO	545,323	38,461	971	0.18%
ACADEMY SECURITIES, INC, NEW YORK	24,725	2,200	44	0.18%
MKM PARTNERS LLC, GREENWICH	302,950	20,272	525	0.17%
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	90,451	6,528	155	0.17%
DAIWA SECS (HK) LTD, HONG KONG	14,202	8,400	24	0.17%
JEFFERIES HONG KONG LIMITED, HONG KONG	92,170	25,500	157	0.17%
PERSHING LLC, JERSEY CITY	838,819	56,983	1,354	0.16%
JONESTRADING INST SVCS LLC, NEW YORK	1,176,478	84,843	1,823	0.15%
BMO CAPITAL MARKETS CORP, NEW YORK	3,062,040	134,495	4,694	0.15%
KEYBANC CAPITAL MARKETS INC, NEW YORK	1,001,186	53,921	1,531	0.15%
WILLIAM BLAIR & CO, CHICAGO	1,214,690	79,955	1,829	0.15%
MERRILL LYNCH & CO INC ATLAS GLOBAL, NY	195,933	16,518	294	0.15%
GOLDMAN SACHS AUSTRALIA PTY LTD,MELBOURN	57,127	16,600	86	0.15%
BOFA SECURITIES, INC, NEW YORK	1,215,075	62,536	1,821	0.15%
JEFFERIES AUSTRALIA PTY LIMITED, SYDNEY	442,750	187,421	663	0.15%
SCOTIA CAPITAL INC, NEW YORK	705,394	111,400	1,057	0.15%
BANQUE PARIBAS, PARIS	1,239,187	248,751	1,805	0.15%
CITIGROUP GBL MKTS AUSTRALIA PTY, SYDNEY	76,298	27,081	111	0.14%
JANNEY MONTGOMERY SCOTT, PHILADELPHIA	525,279	27,720	761	0.14%
DAIWA SECS AMER INC, NEW YORK	3,934,118	133,574	5,593	0.14%
BERENBERG GOSSLER & CIE, HAMBURG	2,239,513	77,800	3,181	0.14%
BTIG LLC, NEW YORK	2,469,459	119,862	3,448	0.14%
COWEN AND COMPANY, LLC, JERSEY CITY	157,675	7,018	211	0.13%
BAIRD, ROBERT W & CO INC, MILWAUKEE	1,006,179	47,876	1,333	0.13%
SUNTRUST CAPITAL MARKETS INC, NEW YORK	2,003,259	115,079	2,645	0.13%
UBS WARBURG ASIA LTD, HONG KONG	802,217	134,253	1,049	0.13%
DAVIDSON(D A) & CO INC, NEW YORK	496,336	21,860	649	0.13%
HSBC BROKERAGE (USA) INC., NEW YORK	21,228	913	27	0.13%
CANTOR FITZGERALD & CO INC, NEW YORK	724,424	34,786	928	0.13%
GUGGENHEIM CAPITAL MARKETS LLC, NEW YORK	416,475	22,348	514	0.12%
INSTINET EUROPE LIMITED, LONDON	36,340,405	2,914,858	44,273	0.12%
STIFEL NICOLAUS	2,041,525	99,032	2,476	0.12%
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	134,822	1,860	162	0.12%
J P MORGAN SEC, SYDNEY	251,097	52,388	295	0.12%
DAIWA SEC SMBC SINGAPORE LTD, SINGAPORE	735,374	32,799	821	0.11%
MACQUARIE BANK LIMITED, SYDNEY	423,795	112,951	471	0.11%
CITIGROUP GBL MKTS INC, NEW YORK	1,254,404	647,261	1,385	0.11%
Other Brokers	386,136,478	18,991,391	224,321	0.06%
	\$468,286,950	25,562,847	\$342,983	0.07%

Schedule of Management Fees by Asset Class

For the Year Ended June 30, 2023

Asset Class	Fair Value	Management Fees
Absolute Return	\$290,444,225	\$4,538,523
Global Equity	760,326,302	4,598,659
Global Fixed Income	525,678,061	2,852,735
Global Real Assets	296,546,471	3,251,102
Short Term and Others	<u>152,449,346</u>	<u>246,367</u>
Total	<u>\$2,025,444,405</u>	<u>\$15,487,386</u>

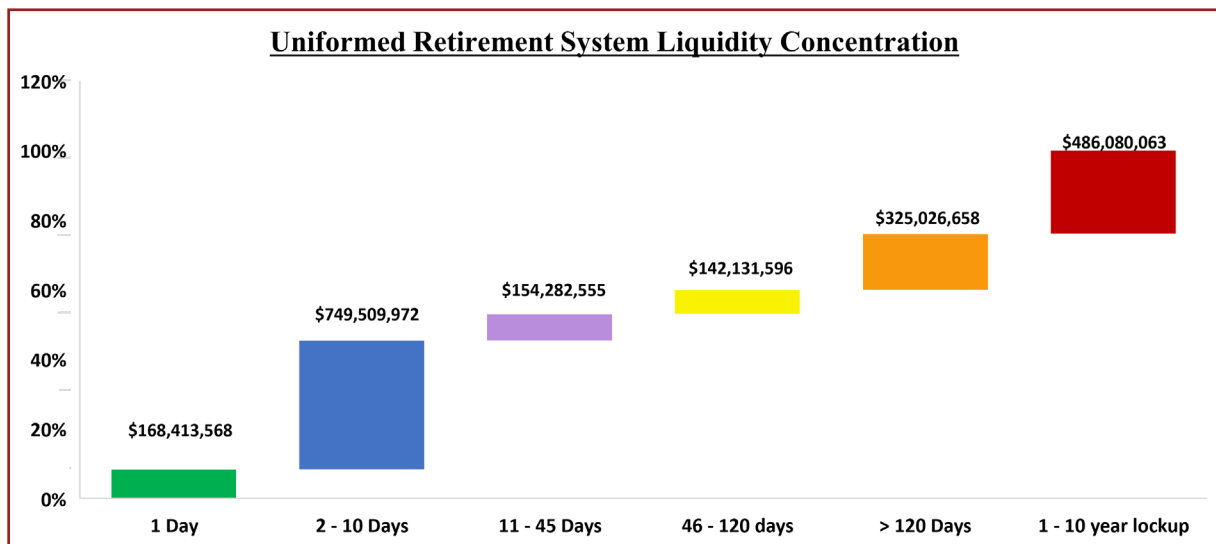
Investment Summary

(Based on Capital Allocation)

	As of June 30, 2023		As of June 30, 2022	
	Fair Value	% Fair Value	Fair Value	% Fair Value
Absolute Return	\$290,444,225	14.3%	\$310,279,653	16.1%
Global Equity	760,326,302	37.6%	780,028,896	40.2%
Global Fixed Income	525,678,061	26.0%	531,062,321	27.6%
Global Real Assets	296,546,471	14.6%	251,044,228	13.2%
Short Term and Others	<u>152,449,346</u>	7.5%	<u>56,204,515</u>	<u>2.9%</u>
Total	<u>\$2,025,444,405</u>	<u>100.0%</u>	<u>\$1,928,619,613</u>	<u>100.0%</u>

Liquidity Snapshot on June 30, 2023

The below liquidity chart for the Uniformed 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 Uniformed
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 Uniformed 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, 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 Uniformed 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. The employer-provided accrual rates in the System 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 Uniformed 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 Uniformed 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 the 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

Annual Deaths Per 10,000 Members Mortality Projected to 2023		
Age	Male	Female
50	26	17
55	36	32
60	65	55
65	104	83
70	161	128
75	281	216
80	515	375
85	954	651
90	1,596	1,138
95	2,339	1,835
100	3,207	2,847

* Post-retirement mortality shown

The PubS-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.

Beneficiary/Survivor Mortality

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
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

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 2023.

Active Separation From Service Due to Death

Annual Deaths Per 10,000 Members		
Mortality Projected to 2023		
Age	Male	Female
20	5	2
25	5	3
30	7	4
35	8	5
40	9	6
45	10	7

The PubS-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.

Disabled Mortality

Annual Deaths Per 1,000 Members		
Mortality Projected to 2023		
Age	Male	Female
45	33	22
50	43	30
55	62	56
60	98	92
65	142	119
70	205	167
75	325	287
80	545	492

The PubS-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.

Disability

Annual Disabilities Per 10,000 Members*	
Age	Male and Female
20	3
25	4
30	5
35	7
40	10
45	17
50	28
55	40
60	40

*Disabilities are assumed to be all service connected. Of these, 38% are assumed to receive Workers' Compensation benefits. 5% of all service-connected disabilities are at the 90% severe level.

Retirement/DROP

Year of Service	Retirement/DROP*
5-24	20%
25	35
26	25
27	35
28	30
29	30
30	30
31	30
32	30
33	30
34	30
35+	100

*75% of those who leave under this decrement are assumed to DROP, with the other 25% taking immediate retirement.

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

Year of Service	Merit/Seniority Increase*
0	6.50%
5	3.00%
10	2.00%
15	1.75%
20	1.50%
25	0.50%
30+	0.00%

Family Composition

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

Sick Leave Credit

The unused sick leave balance as reported for each active member is used as of the valuation date. Future sick leave accruals are assumed to accrue at 100% of each participant’s annual average, but capped at 124 hours per year.

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:	0.35% 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 this section and 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	\$34,542,175	(\$9,026,264)	\$25,515,911	(\$20,177,168)		\$5,338,743
2015	(12,354,967)	38,954,945	26,599,978	-		26,599,978
2016	(51,308,849)	15,038,096	(36,270,753)	(21,285,640)		(57,556,393)
2017	(19,058,604)	(6,047,672)	(25,106,276)	(839,465)		(25,945,741)
2018	(9,182,282)	1,127,589	(8,054,693)	(956,369)		(9,011,062)
2019	(22,760,419)	7,935,310	(14,825,109)	-		(14,825,109)
2020	(67,142,912)	6,625,377	(60,517,535)	-		(60,517,535)
2021	56,635,384	4,252,565	60,887,949	(43,241,861)		17,646,088
2022	(78,466,988)	(136,998,391)	(215,465,379)	-		(215,465,379)
2023	(47,882,189)	19,331,389	(28,550,800)	-		(28,550,800)

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		% Increase Allowance	Average Allowance
	No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance		
2014	64	\$5,865,807	25	\$1,033,836	1,194	\$72,713,625	7.12%	\$60,899
2015	61	4,908,201	12	618,655	1,243	77,003,170	5.90%	61,949
2016	25	1,745,424	12	467,322	1,256	78,281,273	1.66%	62,326
2017	72	6,284,796	19	850,639	1,309	83,715,430	6.94%	63,954
2018	61	5,510,547	16	903,747	1,354	88,322,230	5.50%	65,231
2019	67	6,410,298	19	867,159	1,402	93,865,369	6.28%	66,951
2020	81	7,315,444	21	953,547	1,462	100,227,266	6.78%	68,555
2021	86	6,453,199	30	1,639,814	1,518	105,040,651	4.80%	69,197
2022	85	8,803,449	20	941,262	1,583	112,902,838	7.48%	71,322
2023	80	10,218,008	30	1,553,564	1,633	121,567,282	7.67%	74,444

² Prior 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) Active Member Contributions	(2) Retirees, Vested Terms, Beneficiaries & DROP	(3) Active Members (County Financed Portion)	Reported Assets	Portion of Accrued Liabilities by Reported Assets		
					(1)	(2)	(3)
2014	\$137,482,080	\$1,094,584,634	\$561,785,579	\$1,466,110,756	100%	100%	42%
2015	145,293,199	1,126,142,315	573,284,029	1,550,327,414	100%	100%	49%
2016	155,579,540	978,657,862	806,219,828	1,601,320,543	100%	100%	58%
2017	154,777,842	1,046,091,139	832,820,471	1,683,381,052	100%	100%	58%
2018	168,602,734	1,097,926,481	859,320,715	1,778,267,298	100%	100%	60%
2019	169,786,637	1,156,254,071	883,389,088	1,859,253,613	100%	100%	60%
2020	175,048,915	1,211,787,816	907,220,069	1,896,388,193	100%	100%	56%
2021	170,599,835	1,327,125,571	944,463,068	2,069,254,787	100%	100%	61%
2022	177,561,366	1,436,229,037	1,049,454,583	2,081,470,660	100%	100%	45%
2023	173,442,093	1,529,695,043	1,033,518,094	2,125,220,594	100%	100%	41%

¹ Schedule 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 (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
2014	\$1,466,110,756	\$1,793,852,293	\$327,741,537	82%	\$153,456,176	214%
2015	1,550,327,414	1,844,719,543	294,392,129	84%	159,216,906	185%
2016	1,601,320,543	1,940,457,230	339,136,687	83%	167,965,582	202%
2017	1,683,381,052	2,033,689,452	350,308,400	83%	174,888,440	200%
2018	1,778,267,298	2,125,849,930	347,582,632	84%	180,446,949	193%
2019	1,859,253,613	2,209,429,796	350,176,183	84%	179,819,293	195%
2020	1,896,388,193	2,294,056,800	397,668,607	83%	187,502,364	212%
2021	2,069,254,787	2,442,188,474	372,933,687	85%	185,544,167	201%
2022	2,081,470,660	2,663,244,986	581,774,325	78%	203,534,950	286%
2023	2,125,220,594	2,736,655,230	611,434,636	78%	188,824,426	324%

Schedule of Active Member Valuation Data

Valuation Date June 30	Number of Active Members¹	Covered Payroll	Average Annual Salary	Percentage Increase in Average Pay
2014	1,817	\$153,456,176	\$84,456	
2015	1,889	159,216,907	84,286	-0.20%
2016	1,948	167,965,582	86,225	2.30%
2017	1,975	174,888,440	88,551	2.70%
2018	1,974	180,446,949	91,412	3.23%
2019	1,939	179,819,293	92,738	1.45%
2020	1,941	187,502,364	96,601	4.17%
2021	1,909	185,544,167	97,194	0.61%
2022	1,868	203,534,950	108,959	12.10%
2023	1,851	188,824,426	102,012	-6.38%

¹ Excludes DROP participants.

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STATISTICAL

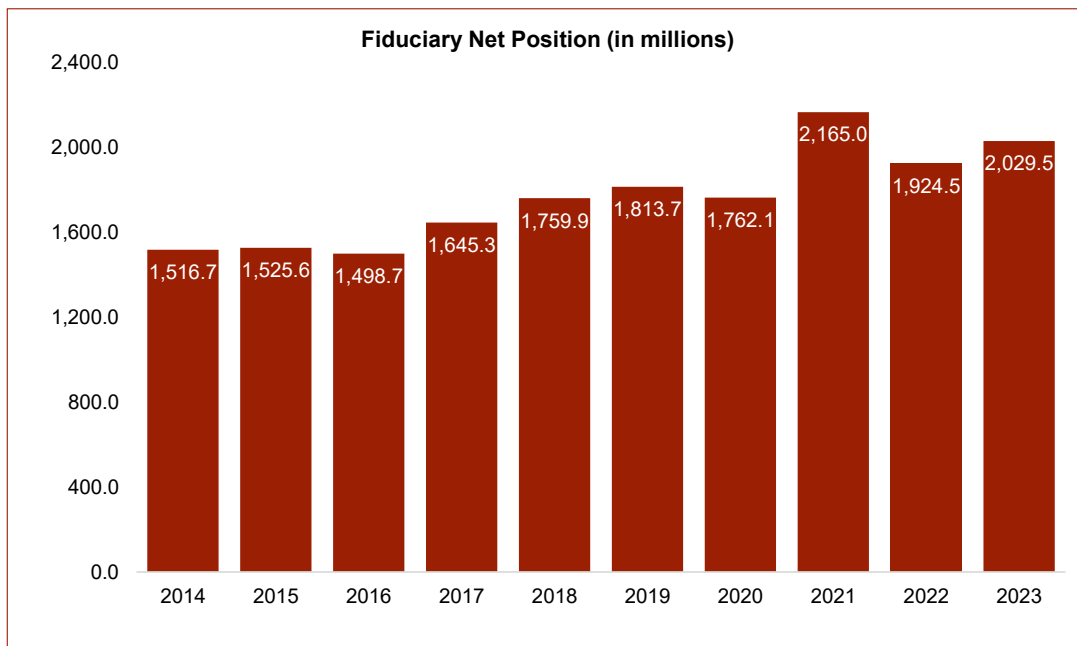




STATISTICAL



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.

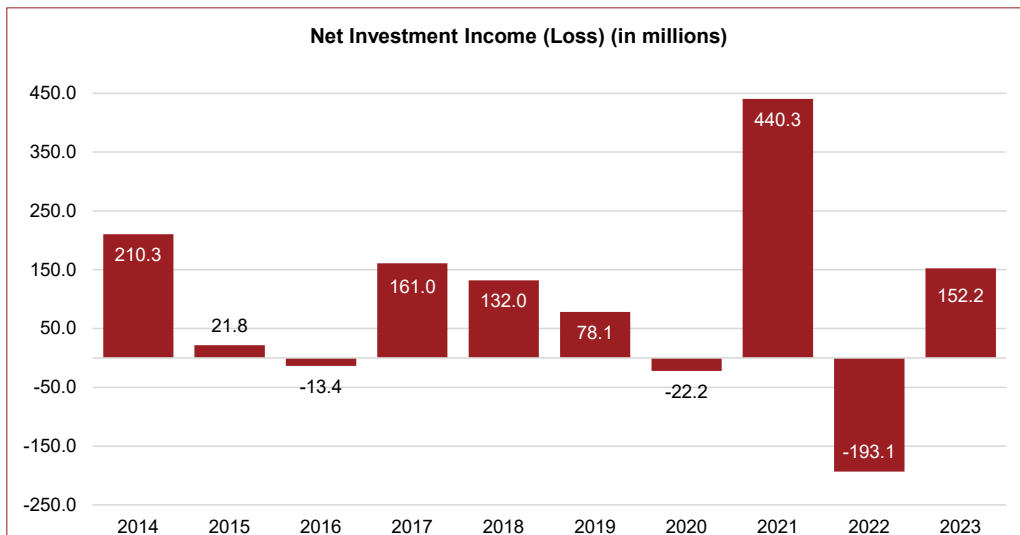
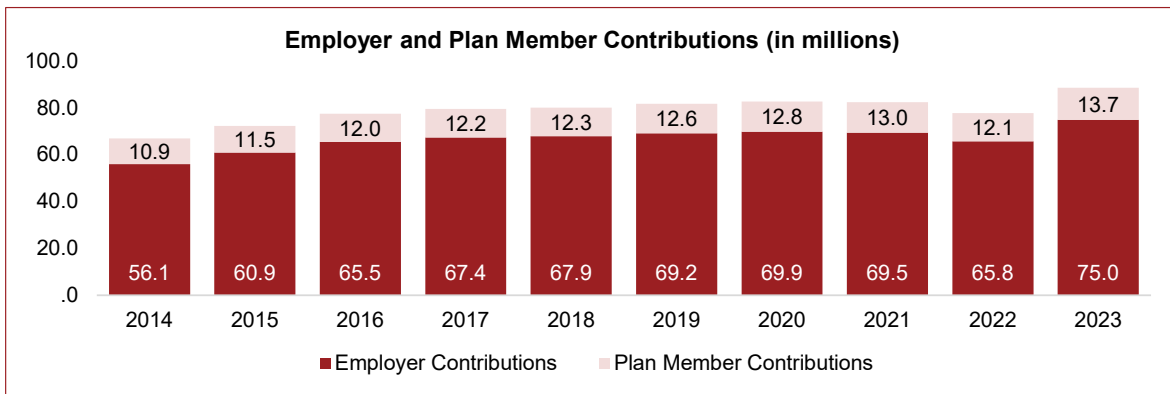


Fiscal Year	Fiduciary Net Position
2014	\$1,516,720,045
2015	1,525,617,480
2016	1,498,702,845
2017	1,645,263,844
2018	1,759,902,734
2019	1,813,732,776
2020	1,762,102,370
2021	2,165,025,555
2022	1,924,536,685
2023	2,029,456,215

Statistical Section

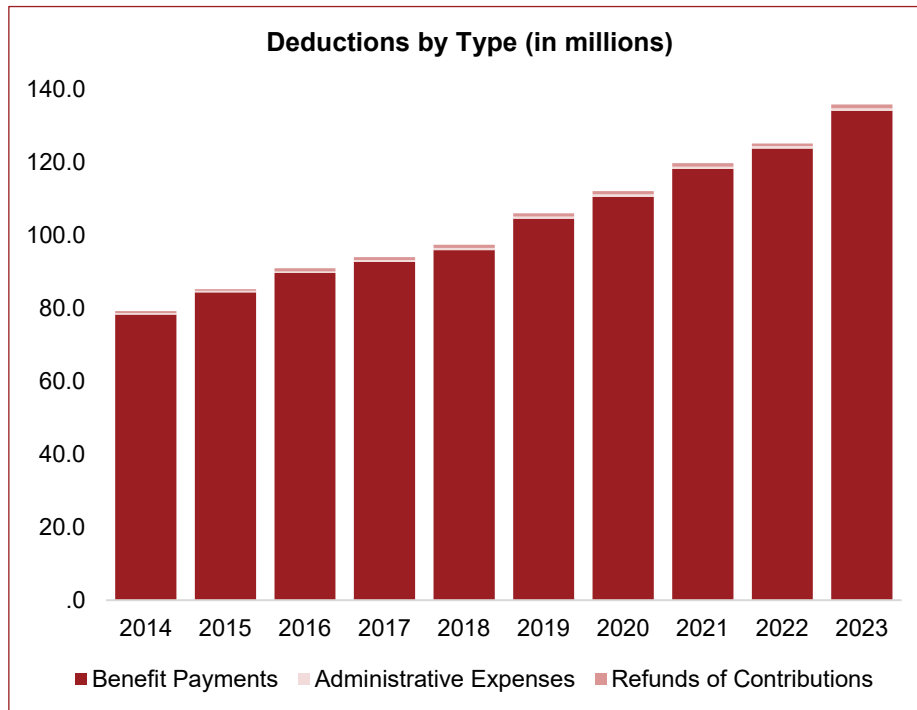
*Changes in Fiduciary Net Position					
Fiscal Year	2014	2015	2016	2017	2018
Additions by Source					
Plan Member Contributions	\$10,905,744	\$11,473,273	\$12,020,447	\$12,223,468	\$12,262,288
Employer Contributions	56,094,690	60,928,766	65,548,338	67,410,252	67,895,377
Net Investment Income (Loss)	<u>210,256,032</u>	<u>21,800,261</u>	<u>(13,447,090)</u>	<u>161,013,714</u>	<u>131,997,257</u>
Total Additions	277,256,466	94,202,300	64,121,695	240,647,434	212,154,922
Deductions by Type					
Benefit Payments	\$78,358,943	\$84,440,939	\$89,730,185	\$92,844,624	\$96,018,500
Refunds of Contributions	557,938	408,486	805,890	764,247	877,705
Administrative Expenses	<u>433,541</u>	<u>455,440</u>	<u>500,255</u>	<u>477,564</u>	<u>619,827</u>
Total Deductions	<u>79,350,422</u>	<u>85,304,865</u>	<u>91,036,330</u>	<u>94,086,435</u>	<u>97,516,032</u>
Change in Fiduciary Net Position	<u>\$197,906,044</u>	<u>\$8,897,435</u>	<u>(\$26,914,635)</u>	<u>\$146,560,999</u>	<u>\$114,638,890</u>

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



Changes in Fiduciary Net Position					
Fiscal Year	2019	2020	2021	2022	2023
Additions by Source					
Plan Member Contributions	\$12,605,683	\$12,810,112	\$12,980,620	\$12,071,388	\$13,690,276
Employer Contributions	69,246,070	69,930,974	69,464,042	65,793,238	74,989,155
Net Investment Income (Loss)	<u>78,141,806</u>	<u>(22,161,566)</u>	<u>440,347,233</u>	<u>(193,071,247)</u>	<u>152,216,470</u>
Total Additions	159,993,559	60,579,520	522,791,895	(115,206,621)	240,895,901
Deductions by Type					
Benefit Payments	\$104,632,253	\$110,652,768	\$118,290,494	\$123,914,717	\$134,228,025
Refunds of Contributions	911,127	890,475	899,880	702,593	1,044,587
Administrative Expenses	<u>620,136</u>	<u>666,683</u>	<u>678,336</u>	<u>664,939</u>	<u>703,759</u>
Total Deductions	<u>106,163,516</u>	<u>112,209,926</u>	<u>119,868,710</u>	<u>125,282,249</u>	<u>135,976,371</u>
Change in Fiduciary Net Position	<u>\$53,830,043</u>	<u>(\$51,630,406)</u>	<u>\$402,923,185</u>	<u>(\$240,488,870)</u>	<u>\$104,919,530</u>

Continued from previous page.



Schedule of Benefit Payments by Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
2014	\$69,212,758	\$7,808,253	\$356,140	\$981,792	\$78,358,943
2015	75,228,455	7,771,270	330,343	1,110,871	84,440,939
2016	80,717,696	7,515,341	332,402	1,164,746	89,730,185
2017	83,777,110	7,556,874	328,116	1,182,524	92,844,624
2018	86,794,111	7,612,571	342,450	1,269,368	96,018,500
2019	95,256,500	7,714,880	350,227	1,310,646	104,632,253
2020	101,021,750	7,795,142	355,831	1,480,045	110,652,768
2021	108,503,532	7,658,554	320,247	1,808,161	118,290,494
2022	113,718,920	7,751,045	284,752	2,160,000	123,914,717
2023	123,621,718	7,727,733	296,142	2,582,432	134,228,025

Schedule of Retired Members by Benefit Type

Fiscal Year	Service Annuity	Service-Connected Disability	Disability	Survivor Benefit	Total
2014	967	176	17	34	1,194
2015	1,021	171	17	34	1,243
2016	1,038	168	18	32	1,256
2017	1,097	163	17	32	1,309
2018	1,142	162	17	33	1,354
2019	1,194	157	18	33	1,402
2020	1,254	154	18	36	1,462
2021	1,308	151	16	43	1,518
2022	1,368	151	15	49	1,583
2023	1,421	143	15	54	1,633

Schedule of Average Monthly Benefit Amounts

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Average
2014	\$5,457	\$3,809	\$1,609	\$2,492	\$5,075
2015	5,533	3,826	1,614	2,530	5,162
2016	5,563	3,800	1,576	2,576	5,194
2017	5,674	3,933	1,608	2,604	5,329
2018	5,764	4,046	1,629	2,852	5,436
2019	5,892	4,133	1,621	2,935	5,571
2020	6,035	4,215	1,647	2,943	5,713
2021	6,085	4,219	1,548	3,084	5,766
2022	6,264	4,305	1,582	3,386	5,944
2023	6,518	4,486	1,645	3,748	6,204

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 **	\$ 458	\$ -	\$2,188	\$ 3,155	\$4,343	\$5,871	\$7,410
Average of Final Monthly Salaries	\$ 5,345	\$ -	\$5,470	\$ 7,119	\$7,631	\$9,044	\$9,875
Number of Retirees	1	-	1	1	4	37	7
<u>Period 7/1/2013 to 6/30/2014</u>							
Average Monthly Benefit **	-	940	2,094	4,189	4,895	5,419	7,983
Average of Final Monthly Salaries	-	4,640	6,514	8,674	7,872	8,363	10,169
Number of Retirees	-	2	2	1	6	33	9
<u>Period 7/1/2014 to 6/30/2015</u>							
Average Monthly Benefit **	-	2,038	1,693	3,024	4,200	5,530	8,312
Average of Final Monthly Salaries	-	5,501	6,658	7,374	7,706	8,888	10,985
Number of Retirees	-	1	1	3	6	30	9
<u>Period 7/1/2015 to 12/31/2015</u>							
Average Monthly Benefit **	-	925	-	2,853	2,923	5,501	8,072
Average of Final Monthly Salaries	-	5,975	-	7,817	7,595	8,519	9,596
Number of Retirees	-	1	-	1	1	16	6
<u>Period 1/1/2016 to 12/31/2016</u>							
Average Monthly Benefit **	-	671	1,282	2,373	3,587	5,686	7,115
Average of Final Monthly Salaries	-	4,410	4,678	6,706	7,923	8,900	9,681
Number of Retirees	-	1	2	5	8	47	7
<u>Period 1/1/2017 to 12/31/2017</u>							
Average Monthly Benefit **	-	-	1,722	3,220	3,901	5,675	7,032
Average of Final Monthly Salaries	-	-	6,064	7,404	8,040	8,929	9,365
Number of Retirees	-	-	2	2	11	32	11
<u>Period 1/1/2018 to 12/31/2018</u>							
Average Monthly Benefit **	-	1,211	1,780	3,120	3,874	6,316	9,192
Average of Final Monthly Salaries	-	7,607	6,389	7,263	7,845	9,835	11,047
Number of Retirees	-	4	3	3	10	33	9
<u>Period 1/1/2019 to 12/31/2019</u>							
Average Monthly Benefit **	-	2,368	2,202	3,203	4,482	6,085	7,981
Average of Final Monthly Salaries	-	5,920	6,991	7,753	9,062	9,397	10,444
Number of Retirees	-	1	4	8	16	37	13
<u>Period 1/1/2020 to 12/31/2020</u>							
Average Monthly Benefit **	-	1,287	1,889	3,168	4,312	6,030	8,252
Average of Final Monthly Salaries	-	6,425	5,951	7,925	8,628	9,306	10,192
Number of Retirees	-	3	2	6	21	30	14
<u>Period 1/1/2021 to 12/31/2021</u>							
Average Monthly Benefit **	-	889	3,522	3,594	4,700	6,340	8,289
Average of Final Monthly Salaries	-	5,452	7,232	7,776	9,078	10,216	10,150
Number of Retirees	-	2	3	5	22	33	14
<u>Period 1/1/2022 to 12/31/2022</u>							
Average Monthly Benefit **	-	872	2,891	3,842	5,090	6,540	8,346
Average of Final Monthly Salaries	-	4,425	8,426	7,986	8,896	10,368	10,649
Number of Retirees	-	2	2	10	17	32	10

*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 Counts 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	62	55	2	-	-	-	-	-	119
25 to 29	46	120	59	1	-	-	-	-	226
30 to 34	17	77	148	47	3	-	-	-	292
35 to 39	9	31	98	96	94	1	-	-	329
40 to 44	2	9	49	58	157	57	1	-	333
45 to 49	0	2	17	23	100	112	13	1	268
50 to 54	2	6	6	10	54	83	37	5	203
55 to 59	2	3	4	5	20	11	12	2	59
60 to 64	1	5	3	1	6	1	0	3	20
65 & up	-	-	1	-	0	-	1	-	2
Total	141	308	387	241	434	265	64	11	1,851

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	\$4,109,813	\$3,535,779	\$137,664	\$0	\$0	\$0	\$0	\$0	\$7,783,256
25 to 29	3,187,409	7,835,051	4,671,459	92,553	-	-	-	-	15,786,472
30 to 34	1,142,685	4,999,343	12,609,188	4,685,793	285,206	-	-	-	23,722,215
35 to 39	548,166	2,086,332	8,608,151	9,332,823	10,391,626	105,672	-	-	31,072,770
40 to 44	160,692	600,725	4,104,238	5,725,337	16,688,593	7,104,442	169,208	-	34,553,235
45 to 49	-	96,358	1,357,912	2,132,068	10,739,388	14,106,818	1,903,044	178,051	30,513,639
50 to 54	148,275	449,295	460,058	992,117	5,668,137	10,235,653	4,851,323	734,656	23,539,514
55 to 59	133,989	367,385	282,866	498,687	2,089,469	1,260,321	1,676,587	276,539	6,585,843
60 to 64	74,137	353,263	231,775	99,296	604,857	107,066	-	421,631	1,892,025
65 & up	-	-	84,169	-	-	-	100,150	-	184,319
Total	\$9,505,166	\$20,323,531	\$32,547,480	\$23,558,674	\$46,467,276	\$32,919,972	\$8,700,312	\$1,610,877	\$175,633,288

Retirees By Location

Retirees by State

State	% of Total
Virginia	64.34%
Florida	7.94%
Maryland	6.54%
South Carolina	4.93%
North Carolina	4.56%
West Virginia	1.99%
Pennsylvania	1.40%
Delaware	1.10%
Texas	0.81%
Georgia	0.74%
Tennessee	0.74%
District of Columbia	0.59%
Alabama	0.52%
Colorado	0.29%
Montana	0.29%
South Dakota	0.29%
Washington	0.29%
California	0.22%
New Mexico	0.22%
Wyoming	0.22%
Arizona	0.15%
Kentucky	0.15%
Maine	0.15%
Massachusetts	0.15%
Michigan	0.15%
Mississippi	0.15%
Ohio	0.15%
Utah	0.15%
Wisconsin	0.15%
Alaska	0.07%
Illinois	0.07%
Indiana	0.07%
Iowa	0.07%
Missouri	0.07%
Nebraska	0.07%
New York	0.07%
Oklahoma	0.07%
Oregon	0.07%

Retirees in Virginia

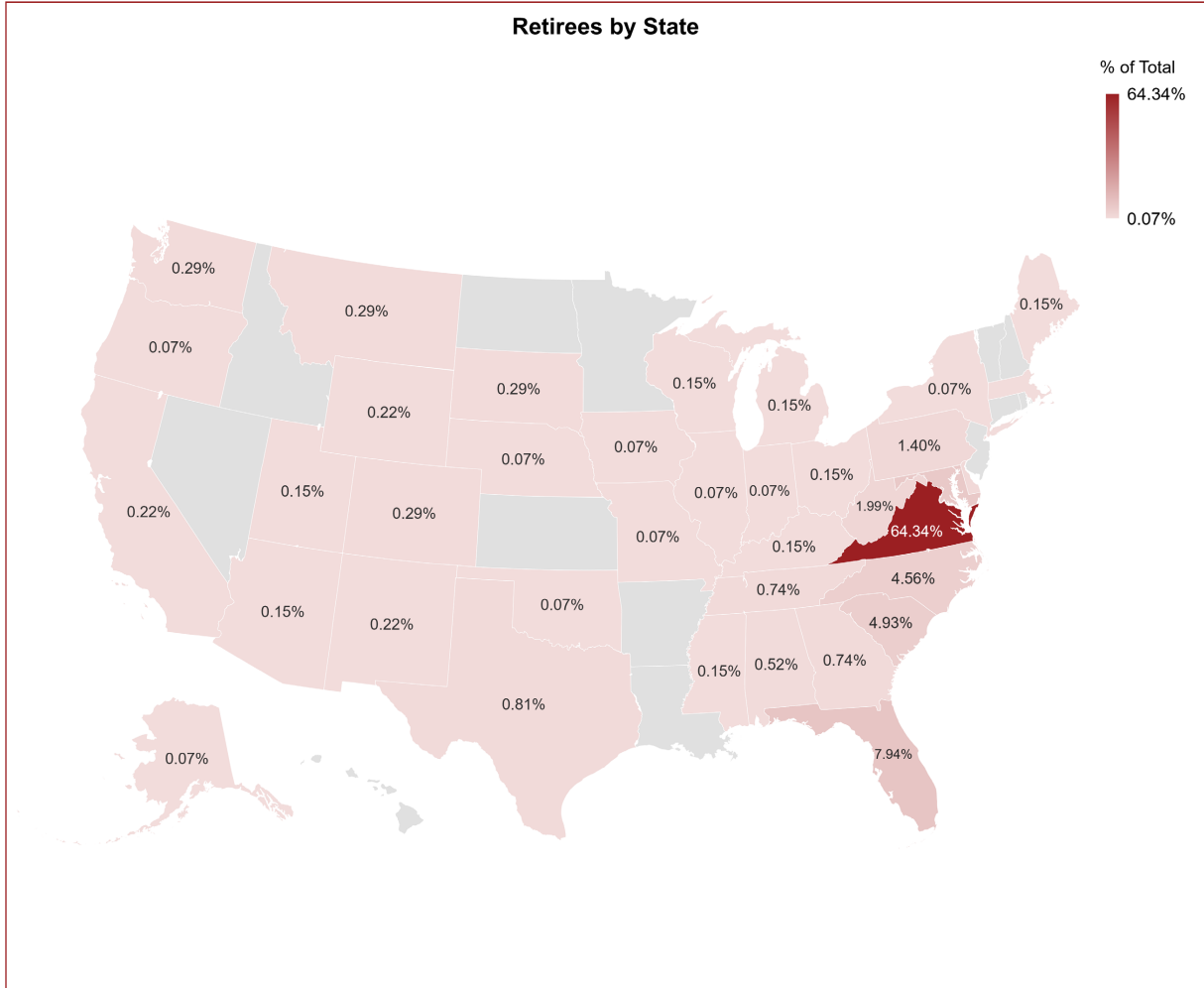
County	% of Total
Other Counties	95.01%
Fairfax County	<u>4.99%</u>
Total	100.00%

Retirees by Fairfax County/City

City	% of Total
Alexandria	0.81%
Centreville	0.81%
Herndon	0.59%
Fairfax	0.36%
Falls Church	0.36%
Lorton	0.29%
Springfield	0.29%
Annandale	0.22%
Clifton	0.22%
Vienna	0.22%
Burke	0.15%
Chantilly	0.15%
Fairfax Station	0.15%
Great Falls	0.15%
Reston	0.15%
Mc Lean	0.07%

Retirees Outside of the United States

Country	Number of Retirees
Australia	1
Canada	1
Costa Rica	<u>2</u>
Total	4



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

- ◆ **New Employee** – “Understanding Your Retirement System” for those 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.
- ◆ **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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Fairfax County Retirement Systems

12015 Route 50, Suite 350

Fairfax, VA 22033

703.279.8200

www.fairfaxcounty.gov/retirement