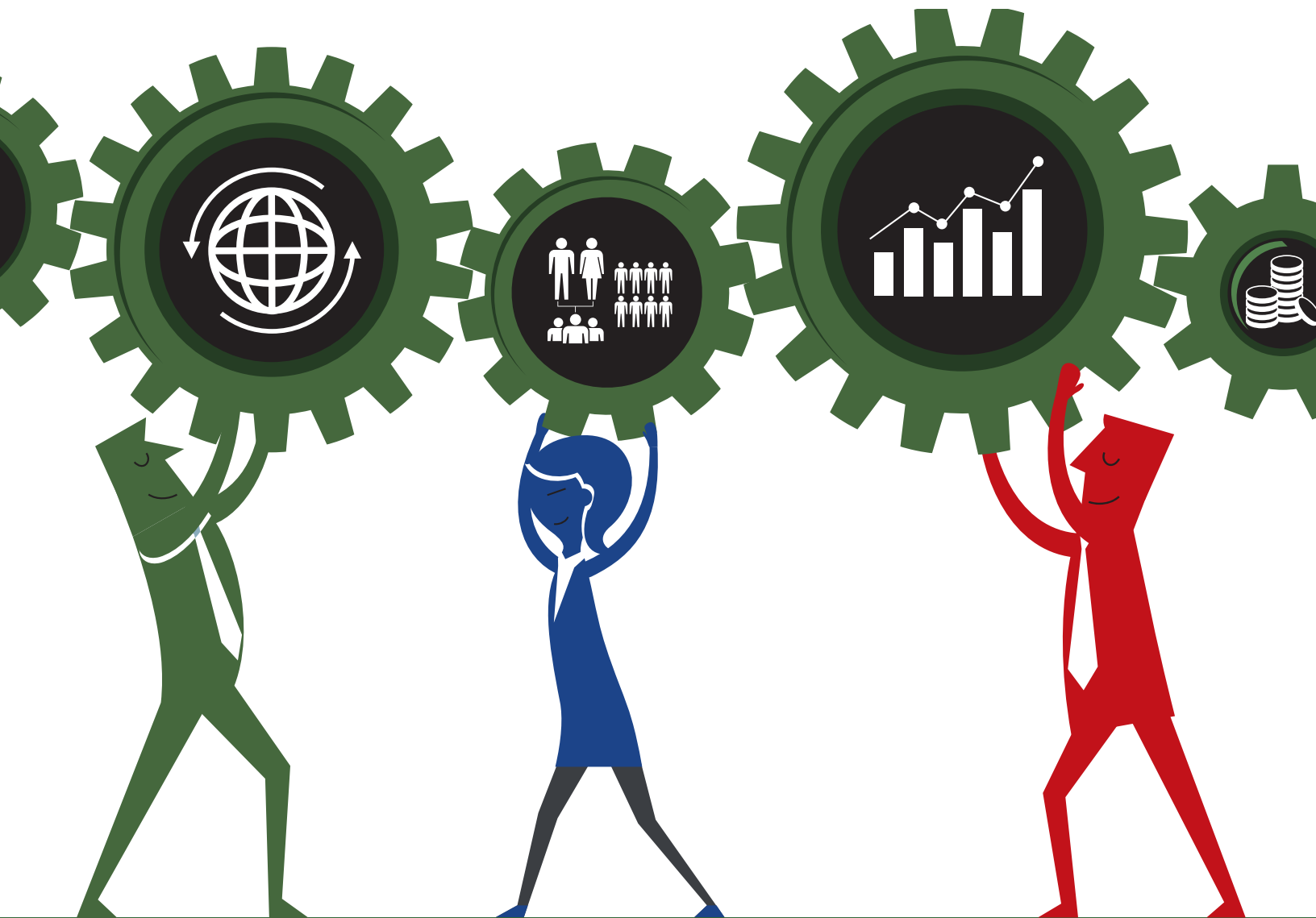


FAIRFAX COUNTY

Retirement SYSTEMS



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**
FISCAL YEAR 2021

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Three systems...
one team.



A Pension Trust Fund of Fairfax County, Virginia

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

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INTRODUCTORY



INTRODUCTORY





County of Fairfax, Virginia

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

November 15, 2021

Dear Members of the Board of Trustees:

I am pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the Fairfax County Employees' Retirement System (System) for the fiscal year ended June 30, 2021. This ACFR is provided as an aid to understanding the structure and evaluating the status of the System. The System's management is responsible for the accuracy of financial information contained herein. The Management's Discussion and Analysis provides further detail to the financial statements.

History

The Fairfax County Supplemental Retirement System was established on July 1, 1955. On February 26, 2001, the name of the System was changed to the Fairfax County Employees' Retirement System. In previous years, Fairfax County Employees' Retirement System reported the plan as a cost-sharing multiple employer defined benefit plan. The System is considered as a single employer public employee retirement system providing defined benefit pension plan coverage to full-time and certain part-time Fairfax County, and its component units, employees who are not covered by the Fairfax County Police Officers Retirement System, the Fairfax County Uniformed Retirement System, the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC) or the Virginia Retirement System (VRS). There were 14,015 active members, 753 in the Deferred Retirement Option Program (DROP), 2,394 terminated vested, and 10,247 retirees participating in the System as of June 30, 2021. For calculations surrounding the Total Pension Liability and its components, Cheiron, the System's actuary, used June 30, 2021, 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 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/

Capital Markets and Economic Conditions

In fiscal year 2021, the System's investment returns were the highest they have been since 1983. The System's portfolio investment return (time-weighted) for the year increased to 29.43 percent (26.89 percent, net of fees), exceeding the long term return target of 6.75 percent. This return placed in the 22nd percentile of the BNY Mellon Universe of public funds. Over the long term, returns compared more favorably, with investment returns for the ten-year period were 8.61 percent per year, ranking the fund in the 52nd percentile of all other public funds in the BNY Mellon Universe. 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 Policy Statement

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

The Board receives quarterly reporting from staff to ensure compliance with its stated objectives and policy. Staff also monitors the performance of the System and its investment managers and updates the Board 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 prepared internally by County staff using data from the System and its investment managers.

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

Funded Status

An actuarial valuation of the System to determine funding requirements is performed annually. The System's funding policy provides for periodic employer contributions at actuarially determined rates, which are calculated as a percentage of covered payroll, and are adjusted as necessary to accumulate sufficient assets to meet the costs of benefit payments when due. As of the latest annual valuation, performed as of June 30, 2021, the ratio of the market value of assets to total pension liabilities for benefits increased from 69.49 percent to 81.30 percent. The actuarial section contains further information on the results of the June 30, 2021, valuation.

Based on the June 30, 2019, actuarial valuation, the employer contribution rate for 2021 following the adopted corridor-based funding policy remained at 28.35 percent. Working in concert with the County's Chief Financial Officer, the System's actuary (Cheiron) and other County staff, efforts continue to improve the funded status of the Plan. As a result of this work, and as referenced above, the County has increased the employer contribution rate above what was required by the adopted corridor-based funding policy for two consecutive years.

Major Initiatives

As a result of the COVID-19 pandemic, staff continued to implement a temporary transition to teleworking. Of the 191 unique interactions and transactions handled by staff in the course of daily operations, virtually all can be and have been completed with staff working remotely. This includes:

- Retirement counseling
- Monthly retiree benefits payments
- Investment portfolio management
- Investment-related transactions
- Investment manager screening and due diligence
- Actuarial valuations and data analysis
- Processing and reconciliation of financial transactions
- Preparation of annual financial reports

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Fairfax County Employees' Retirement System for its ACFR for the fiscal year ended June 30, 2020. This was the eleventh 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, 2021, from the Public Pension Coordinating Council (PPCC), in recognition of meeting the professional standards for plan funding as set forth in the Public Pensions Standards. The PPCC is a confederation of the National Association of the State Retirement Administrators, the National Conference on Public Employee Retirement Systems and the National Council on Teacher Retirement.

Other Information

Independent Audit and Actuarial Certifications

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

Acknowledgments

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

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

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

Finally, I must express my deep appreciation, on behalf of the 27,409 members and beneficiaries of the Employees' Retirement System, for your dedicated service as trustees.

Respectfully submitted,



Jeffery K. Weiler
Executive Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Fairfax County Employees' Retirement System
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Funding
2021***

Presented to

Fairfax County Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

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

Alan H. Winkle
Program Administrator

Board of Trustees

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



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



John M. Yeatman - *Vice Chairman*
Elected Retiree Trustee
Term Expires: December 31, 2022



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



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



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



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



Jon A. Miskell, Jr.
Board of Supervisors Appointee
Term Expires: July 31, 2022



Kevin North
Board of Supervisors Appointee
Term Expires: July 31, 2021



Catherine Spage
Ex Officio Trustee
Fairfax County Director of Human Resources



David Swan - Elected Member Trustee
Fairfax County Public Schools
Term Expires: July 1, 2023

Administrative Organization

Administrative Staff

Jeffrey K. Weiler
Executive Director

Andrew J. Spellar
Chief Investment Officer

Investment Managers

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

Investment Managers

JPMorgan Investment Management, Inc
New York, NY

Landmark Partners
Simsbury, CT

Lombard Odier Asset Management, Co
New York, NY

Marathon Asset Management, LP
New York, NY

Millennium Management, LLC
New York, NY

Onyxpoint Global Management, LP
New York, NY

PIMCO
Newport Beach, CA

Prudential Global Investment Management
Newark, NJ

Sands Capital Management, LLC
Arlington, VA

Shenkman Capital Management, Inc
New York, NY

Verition
Greenwich, CT

Kirkoswald Asset Management, LLC
New York, NY

Lazard Asset Management, LLC
New York, NY

Man Asset Management, Ltd
London, United Kingdom

Marathon Asset Management, LLP
London, United Kingdom

Morgan Creek Capital Management, LLC
Chapel Hill, NC

Parametric Portfolio Associates, LLC
Minneapolis, MN

Pinnacle Associates GP, LLC
New York, NY

Roundhill Music Royalty Partners
New York, NY

Section Partners
Palo Alto, CA

Solus Alternative Asset Management
Pittsburgh, PA

WCM Investment Management
Laguna Beach, CA

Professional Services

Actuary

Cheiron
Actuaries
McLean, VA

Custodian Bank

BNY Mellon Asset Servicing
Pittsburgh, PA

Independent Auditor

Cherry Bekaert, LLP
Certified Public Accountants
Tysons Corner, VA

Legal Counsel

Morgan, Lewis & Bockius LLP
Washington, DC

Schedule of fees and schedule of commissions are located in the Investment Section, pages 65-66.

Organization Chart



Board of Supervisors

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

Board of Trustees

*(Ten Members – see page 7)
Ricky Brown, Robert C. Carlson, Anthony H. Griffin, Terry Kellogg,
Jon A. Miskell, Kevin L. North, Christopher J. Pietsch,
Catherine Spage, David T. Swan, John M. Yeatman*



Executive Director
Jeff Weiler



Investment Analyst
Anthony Vu



Chief Investment Officer
Andrew J. Spellar



**Investment Operations
Manager**
Jennifer Snyder

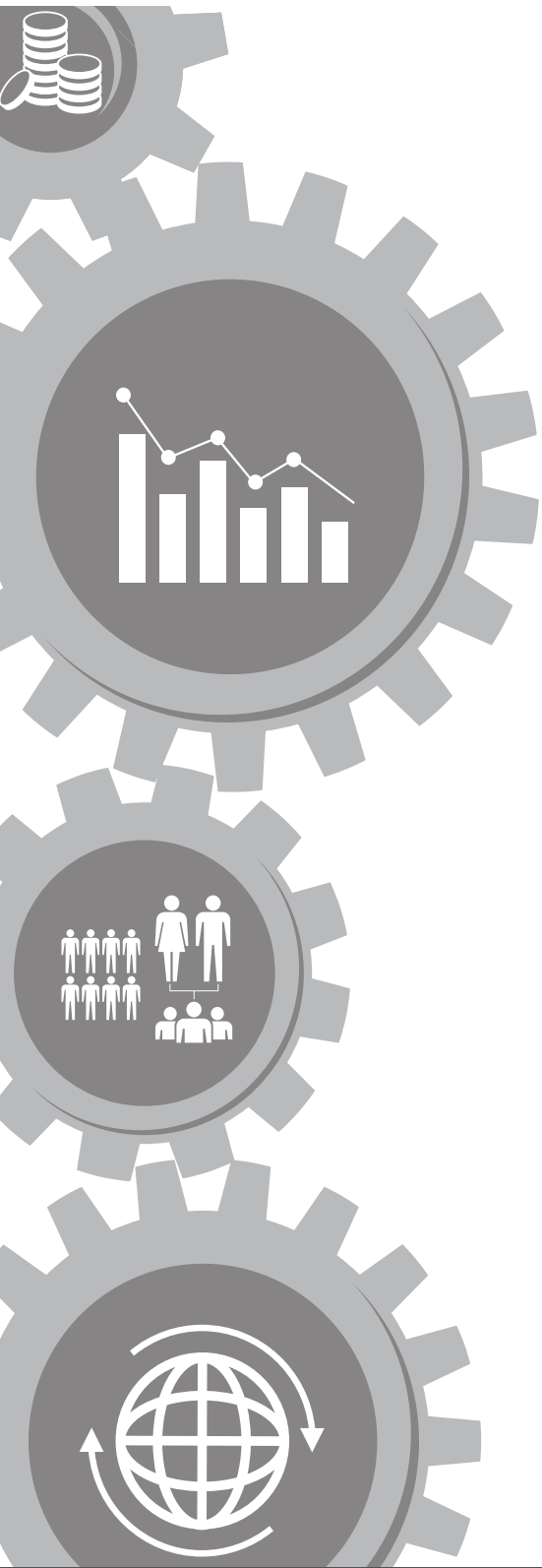
Retirement Systems Management Team

*Vicky Panlaqui - Accounting and Financial Reporting
Carol Patterson - Communications
Pamela Pettross - Technology
John Prather - Membership Services
Meir Zupovitz - Retiree Services*



FINANCIAL





FINANCIAL





Report of Independent Auditor

To the Board of Supervisors County of Fairfax, Virginia

To the Board of Trustees
Fairfax County Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Fairfax County Employees' Retirement System (the "System"), a pension trust fund of the County of Fairfax, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021, and the changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of net pension liability, schedule of money-weighted rate of return, schedule of employer contributions and summary of significant changes to the pension system be presented to supplement the basic financial statements. Such information, 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.

Other 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 introduction section, schedule of administrative expenses, schedule of investment expenses, schedule of consultant expenses, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of administrative expenses, schedule of investment expenses, and schedule of consultant expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of administrative expenses, schedule of investment expenses, and schedule of consultant expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction section, investment section, actuarial section, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2021, 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.



Tysons Corner, Virginia
November 15, 2021

Management’s Discussion and Analysis

(Unaudited)

This section presents management’s discussion and analysis of the Fairfax County Employees’ Retirement System’s (“System” or “Plan”) financial performance and provides an overview of the financial activities for the fiscal year ended June 30, 2021. 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, 2021 and Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2021. 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 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 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 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. These schedules will be presented over 10 years as information becomes available. 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)

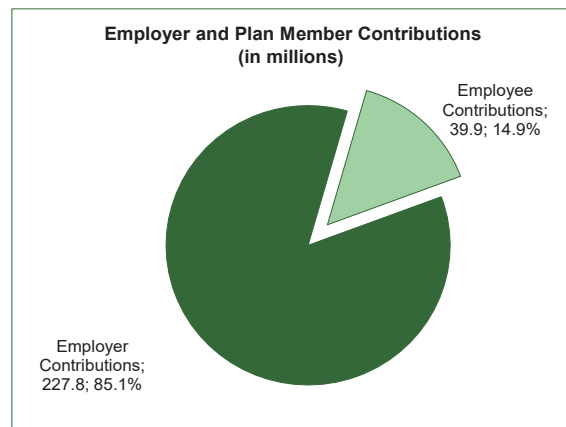
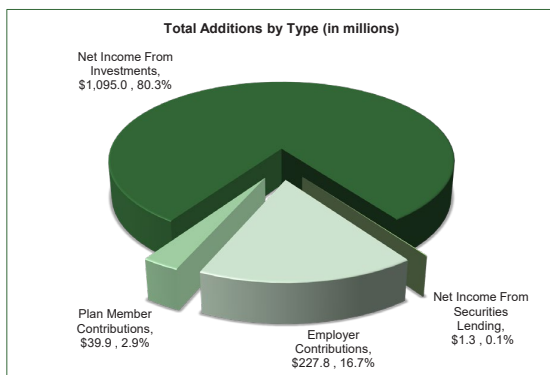
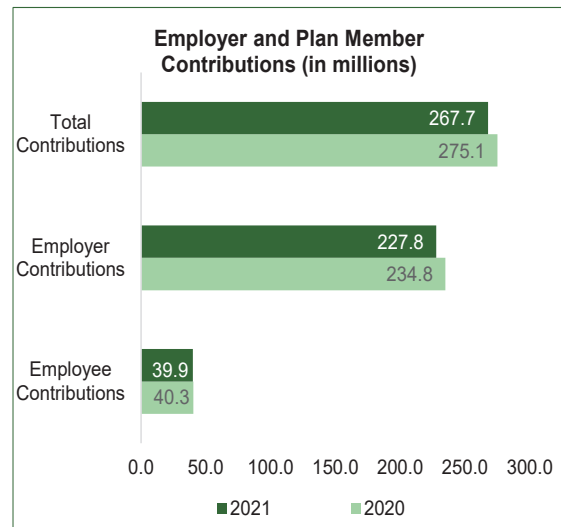
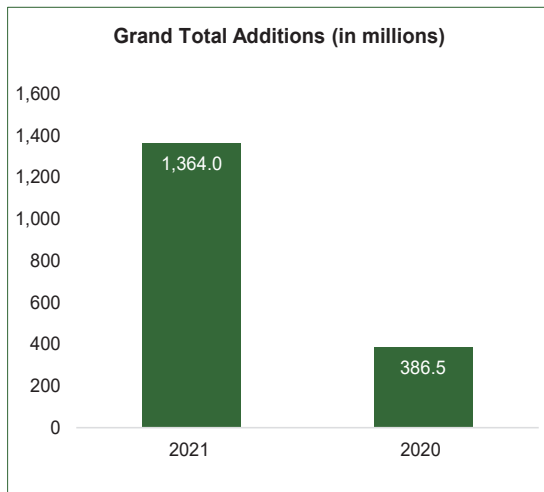
Financial Highlights

The net position restricted for pension benefits as of June 30, 2021, and June 30, 2020, was \$5,146.2 million and \$4,142.1 million, respectively. The net position restricted for pension benefits representing assets available to pay for current and future member pension benefits, increased by \$1,004.2 million or 24.2 percent.

Total additions to fiduciary net position has risen from \$386.5 million in 2020 to \$1,364.0 million in 2021.

Net income from investments (excluding securities lending) increased by 892.4 percent from \$110.3 million in 2020 to a gain of \$1,095.0 million in 2021. The net money-weighted rate of return on investments on a fair value basis was 26.80 percent in fiscal year 2021, and has increased from 2.84 percent in fiscal year 2020.

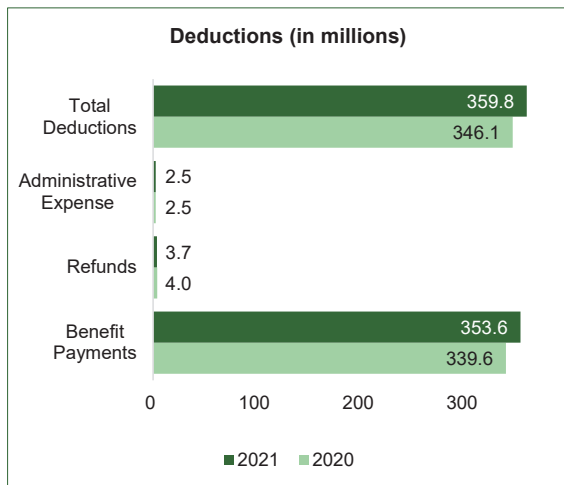
Employer and employee contributions received during the year totaled to \$267.7 million, a decrease of 2.7 percent or \$7.4 million compared to 2020 received contributions of \$275.1 million. The employer contributions decreased by 3.0 percent from \$234.8 million in fiscal year 2020 to \$227.8 million in fiscal year 2021.



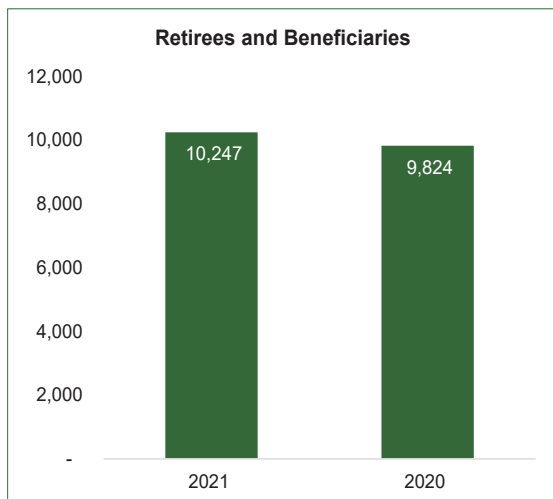
Financial Section

Total deductions from fiduciary net position increased by \$13.7 million from \$346.1 million in 2020 to \$359.8 million in 2021. Member retirement benefit payments of \$353.6 million in 2021 make up the majority of total deduction and increased by \$14.0 million or 4.1 percent from \$339.6 million in 2020. The number of retired members and beneficiaries receiving a benefit payment increased 4.3 percent from 9,824 to 10,247 payees as of June 30, 2021.

The net pension liability as calculated per Generally Accepted Accounting Principles in the United States of America (GAAP) as of June 30, 2021, and June 30, 2020, was \$1,183.6 million and \$1,819.0 million, respectively. The plan fiduciary net position as a percentage of total pension liability as of June 30, 2021, and June 30, 2020, was 81.30 percent and 69.49 percent, respectively. The net pension liability as a percentage of covered payroll has decreased from 219.68 percent in fiscal year 2020 to 147.27 percent in fiscal year 2021. The covered payroll decreased from \$828.0 million in fiscal year 2020 to \$803.7 million in fiscal year 2021.



	2021	2020
Net Pension Liability (in millions)	\$1,183.6	\$1,819.0
Net Position as Percentage of TPL	81.30%	69.49%
Covered Payroll (in millions)	\$803.7	\$828.0
Net Pension Liability as Percentage of Covered Payroll	147.27%	219.68%



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 2021, the fiduciary net position of the Employees' Retirement System increased 24.2 percent, resulting in a total fiduciary net position value of \$5,146.2 million, reflecting an increase of \$1,004.2 million over fiscal year 2020.

Total assets as of June 30, 2021, were \$5,432.5 million, representing an increase of \$1,019.4 million, or 23.1 percent over the previous fiscal year. The main component of the increase was due to the 24.6 percent or \$1,010.5 million growth of cash and investments from \$4,114.0 million in fiscal year 2020 to \$5,124.5 million in fiscal year 2021.

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

Net Position for Current and Prior Fiscal Year			
Fiscal Year	Ending Balances (millions)	Net Change in Dollars (millions)	Net Change in Percent
2021	\$5,146.2	\$1,004.2	24.2%
2020	4,142.1	40.4	1.0%

Summary of Plan Fiduciary Net Position				
	2021	2020	Difference	Percentage of Change
Assets				
Total Cash and Investments	\$5,124,469,339	\$4,114,018,596	\$1,010,450,743	24.6%
Cash Collateral, Securities Lending	130,882,230	109,323,253	21,558,977	19.7%
Capital Assets, net	40,417	44,736	(4,319)	9.7%
Total Receivables	<u>177,070,084</u>	<u>189,666,399</u>	<u>(12,596,315)</u>	6.6%
Total Assets	5,432,462,070	4,413,052,984	1,019,409,086	23.1%
Liabilities				
Purchase of Investments	(\$142,991,611)	(\$154,074,634)	\$11,083,023	7.2%
Cash Collateral, Securities Lending	(130,882,230)	(109,323,253)	(21,558,977)	19.7%
Accounts Payable and Others	<u>(12,355,803)</u>	<u>(7,591,888)</u>	<u>(4,763,915)</u>	62.8%
Total Liabilities	<u>(286,229,644)</u>	<u>(270,989,775)</u>	<u>(15,239,869)</u>	5.6%
Net Position Restricted for Pension Benefits	<u>\$5,146,232,426</u>	<u>\$4,142,063,209</u>	<u>\$1,004,169,217</u>	24.2%

Management's Discussion and Analysis

(continued)

Total liabilities as of June 30, 2021, were \$286.2 million, representing an increase of \$15.2 million, or 5.6 percent, over the previous year. There was a 20.1 percent increase in accrued expenses, including the year-end accrual for management fees. In addition, the increase in the liability is brought by the increase in the securities lending cash collateral by \$21.6 million or 19.7 percent.

The total assets of \$5,432.5 million exceeded its liabilities of \$286.2 million at the close of the Plan year ended June 30, 2021, with \$5,146.2 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.

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 \$977.5 million or 252.9 percent, attributed primarily due to the huge upturn of investment gains in fiscal year 2021 versus fiscal year 2020. The interest and dividend income also experienced an increase of 28.2 percent. This significant gain compared to the previous year's investment performance was due to the strong favorable market environment in fiscal year 2021.

	2021	2020	Difference	Percentage of Change
Accrued Expenses (in thousands)	\$6,593.9	\$5,491.3	\$1,102.6	20.1%

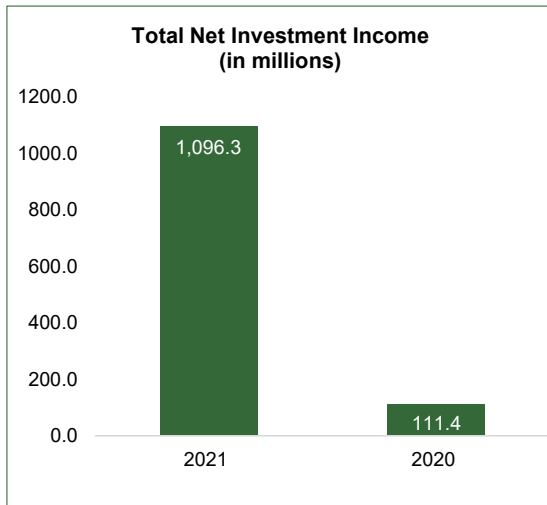
Summary of Additions and Deductions				
	2021	2020	Difference	Percentage of Change
Additions				
Employer Contributions	\$227,846,281	\$234,743,643	(\$6,897,362)	2.9%
Plan Member Contributions	39,914,839	40,327,359	(412,520)	1.0%
Net Income from Investments	1,094,981,686	110,340,094	984,641,592	892.4%
Net Income from Securities Lending	<u>1,277,997</u>	<u>1,102,067</u>	<u>175,930</u>	16.0%
Total Additions	1,364,020,803	386,513,163	977,507,640	252.9%
Deductions				
Benefit Payments	\$353,630,536	\$339,610,116	\$14,020,420	4.1%
Refunds	3,701,609	4,005,739	(304,130)	7.6%
Administrative Expense	<u>2,519,441</u>	<u>2,471,445</u>	<u>47,996</u>	1.9%
Total Deductions	<u>359,851,586</u>	<u>346,087,300</u>	<u>13,764,286</u>	4.0%
Net Increase/(Decrease)	<u>\$1,004,169,217</u>	<u>\$40,425,863</u>	<u>\$963,743,354</u>	2384.0%

Management’s Discussion and Analysis

(continued)

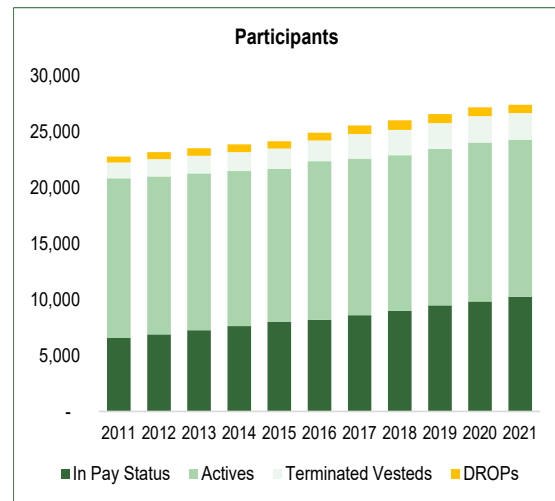
Total contributions for the fiscal year ended June 30, 2021, amounted to \$267.7 million. This was a decrease of \$7.4 million when compared with the activity of fiscal year 2020. The employer contributions for fiscal year 2021 decreased by 3.0 percent. Employee contributions decreased by 1.0 percent. The decrease in employee and employer contribution is brought by the 1.3 percent decline in active membership, from 14,204 in fiscal year 2020 to 14,015 in fiscal year 2021.

Investment returns had a huge upturn for fiscal year 2021, reflecting favorable returns in the capital markets. Total net investment income (including securities lending) increased from \$111.4 million in fiscal year 2020 to a significant gain of \$1,096.3 million in fiscal year 2021, as a result of strong investment performance.



Benefit payments also increased due to a cost-of-living increase of 0.4 percent and higher average benefits for new retirees. Refunds reflected a 7.6 percent decrease due to lesser employee turnover, separation of employees in the current fiscal year, less employees asking for refunds or lower balance of refunded amount.

Participant Count	2021	2020
Actives	14,015	14,204
DROP Members	753	785
Terminated Vesteds	2,394	2,349
Retirees in Payment Status	<u>10,247</u>	<u>9,824</u>
Total	<u>27,409</u>	<u>27,162</u>



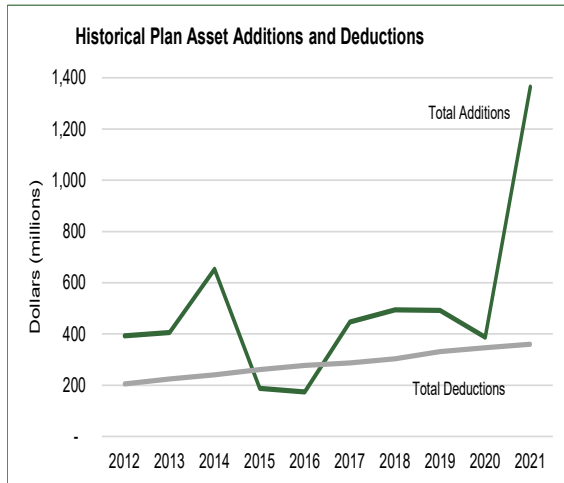
Total deductions of the System consist of the payments of benefits to retirees and beneficiaries, the refund of contributions to former members and the cost of administering the System. The total deductions for fiscal year 2021 were \$359.8 million, an increase of \$13.7 million, or 4.0 percent, over fiscal year 2020.

Regular pension benefit payments increased as the number of retirees and beneficiaries receiving benefit payments rose to 10,247 in fiscal year 2021 from 9,824 in fiscal year 2020.

Management’s Discussion and Analysis

(continued)

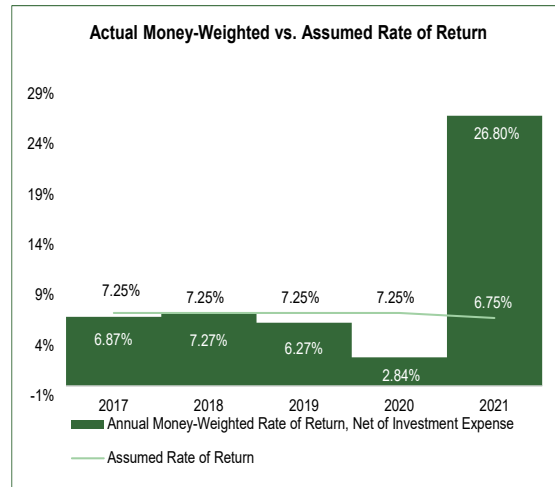
Historical additions to and deductions from fiduciary net position indicate a pattern of steadily increasing deductions as compared to fluctuating additions as a result of the unpredictable market environment.



The System utilizes two methodologies when analyzing investment returns. They may vary from each other in any given period. For GAAP accounting valuation purposes, a money-weighted return is used. A money-weighted rate of return calculates the investment performance accounting for all cash flows (contributions and withdrawals) occurring during the performance measurement period. The System’s investment returns, net of fees, on a money-weighted rate of return increased from 2.84 percent in fiscal year 2020 to 26.80 percent in fiscal year 2021.

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 2.85 percent to 26.89 percent in fiscal year 2021.

The annual money-weighted rate of return of 26.80 percent exceeded the assumed 6.75 percent rate of return, net of fees, for the year ended June 30, 2021.



An actuarial valuation is performed annually by Cheiron. The actuarial value of the assets as of the last valuation on June 30, 2021, was \$4,997.5 million, while actuarial liabilities as of the same period was \$6,329.8 million. As of June 30, 2021, the date of the most recent actuarial valuation, the funded ratio of the System was 78.95 percent. This was an increase of 5.99 percent from the June 30, 2020, valuation funded ratio of 72.96 percent.

Under GAAP calculation, using the December 31, 2020, data rolled forward to June 30, 2021, the plan fiduciary net position as a percentage of the total pension liability was 81.30 percent. It increased from 69.49 percent in fiscal year 2020, primarily as a result of the upsurge in Plan Fiduciary Net Position. The Total Pension Liability as of June 30, 2021, and June 30, 2020, was \$6,329.8 million and \$5,961.1 million, respectively.

Management's Discussion and Analysis

(Dollars in millions)	2021	2020
Actuarial Accrued Liability	\$6,329.8	\$5,961.1
Actuarial Value of Assets	<u>4,997.5</u>	<u>4,349.3</u>
Unfunded Actuarial Liability	<u>\$1,332.3</u>	<u>\$1,611.8</u>
Funding Ratio	78.95%	72.96%
Total Pension Liability	\$6,329.8	\$5,961.1
Plan Fiduciary Net Position	<u>5,146.2</u>	<u>4,142.1</u>
Net Pension Liability	<u>\$1,183.6</u>	<u>\$1,819.0</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.30%	69.49%

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 Lee Jackson Memorial Highway, 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, 2021

Assets

Cash and Short-Term Investments

Equity in County's Pooled Cash and Temporary Investments	\$7,304,747	
Cash Collateral Received for Securities on Loan	130,882,230	
Short-Term Investments	<u>205,607,282</u>	
Total Cash and Short-Term Investments		\$343,794,259

Capital Assets

Building Improvements, net	18,430	
Equipment, net	<u>21,987</u>	
Total Capital Assets		40,417

Receivables

Accounts Receivable	13,805,422	
Accrued Interest and Dividends	10,374,834	
Investment Proceeds and Other Receivables	<u>152,889,828</u>	
Total Receivables		177,070,084

Investments, at Fair Value

Common Stock	1,126,477,724	
Preferred Securities	4,375,582	
Fixed Income		
Asset-Backed Securities	117,362,797	
Corporate Bonds	378,254,879	
International Bonds	29,724,867	
U.S. Government Obligations	214,000,466	
Pooled and Mutual Funds	<u>3,041,360,995</u>	
Total Investments		<u>4,911,557,310</u>
Total Assets		5,432,462,070

Current Liabilities

Investment Purchases and Other Liabilities	142,991,611	
Cash Collateral Received for Securities on Loan	130,882,230	
Accounts Payable and Accrued Expenses	11,984,068	
Compensated Absences, Short-Term	89,052	

Noncurrent Liabilities

Compensated Absences, Long-Term	<u>282,683</u>	
Total Liabilities		<u>286,229,644</u>

Net Position Restricted for Pension Benefits**\$5,146,232,426**

See accompanying notes to financial statements.

Basic Financial Statements

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2021

Additions

Contributions		
Employer	\$227,846,281	
Plan Members	<u>39,914,839</u>	
Total Contributions		\$267,761,120
Investment Income		
Net Appreciation in Fair Value of Investments	1,088,170,955	
Interest and Other Investment Income	41,753,907	
Dividends	<u>18,436,766</u>	
Total Investment Income	1,148,361,628	
Investment Activity Expense		
Management Fees	(51,435,671)	
Custodial Fees	(95,173)	
Consulting Fees	(116,498)	
Allocated Administration Expense	<u>(1,732,600)</u>	
Total Investment Expense	<u>(53,379,942)</u>	
Net Income from Investment Activities		1,094,981,686
Securities Lending Activities		
Securities Lending Income	1,811,472	
Securities Lending Expenses	<u>(533,475)</u>	
Net Income from Securities Lending Activities		<u>1,277,997</u>
Total Net Investment Income		<u>1,096,259,683</u>
Total Additions		1,364,020,803

Deductions

Annuity Benefits	337,623,320	
Disability Benefits	7,557,010	
Survivor Benefits	8,450,206	
Refunds of Employee Contributions	3,701,609	
Administrative Expense	<u>2,519,441</u>	
Total Deductions		<u>359,851,586</u>
Net Increase		1,004,169,217
Net Position Restricted for Pension Benefits		
Beginning of Fiscal Year		<u>4,142,063,209</u>
End of Fiscal Year		<u>\$5,146,232,426</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

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

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

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

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

B. Method Used to Value Investments

Short-term investments are reported at fair value when published market prices and quotations are available, or at a cost plus accrued interest, which approximates market or fair value. All other investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Asset-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Because of the inherent uncertainty in valuing these securities, the fair value may differ from the values that would have been used had a ready market for such securities existed. Accordingly, the realized value received upon the sale of the assets may differ from the fair value. The System records investment purchases and sales as of the trade

date. These transactions are not finalized until the settlement date, which occurs approximately three business days after the trade date. The amounts of trade receivables and payables are shown as receivables and payables on the Statement of Fiduciary Net Position. Cash received as collateral on securities lending transactions and investments made with such cash are reported as assets along with a related liability for collateral received. The fair values of private investments and private real estate are generally lagged by at least one quarter due to the timing of receipt of private market valuations and information.

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

The System maintains cash with the County, which invests cash and allocates interest earned, net of a management fee, on a daily basis to the System based on the System's average daily balance of equity in pooled cash. As of June 30, 2021, the bank balance of the County's public deposits was either insured by the Federal Deposit Insurance Corporation or through the State Treasury Board pursuant to the provisions of the Security for Public Deposit Act. The County's investments are exposed to various risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

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 2021 Beginning Balance	\$335,108
Leave Earned	110,704
Leave Used	<u>74,077</u>
FY 2021 Ending Balance	<u>\$371,735</u>
Due Within One Year	\$89,052

Note 2. Summary of Plan Provision**A. Plan Description and Provision**

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

Membership.

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

Normal Retirement.

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

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

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

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

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

Early Retirement.

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

Notes to the Financial Statements
(continued)

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

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

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

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

Death Benefits.

Contribution Rates		
Member	Plan A & C	The contribution rate for Plan A and C is 4.0% of creditable compensation up to the Social Security taxable wage base, plus 5.33% of creditable compensation in excess of the Social Security taxable wage base.
	Plan B, D, and E	The contribution rate for Plan B, D, and E is 5.33% of creditable compensation.
Employer	Plan A, B, C, D, and E	The contribution rate for all five plans for Fiscal Year 2021 was 28.35%.

If death occurs prior to retirement:

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

If death occurs after retirement:

A refund of any of the member's contributions and interest not already paid in benefits will be payable to the named beneficiary(ies) unless the member has

elected the irrevocable Joint and Last Survivor Option which provides a benefit to the member's spouse for life. At retirement, the member may choose to have his or her spouse receive 50.0 percent, 66.67 percent, 75.0 percent or 100.0 percent of the member's reduced annuity upon the member's death. The member's annuity is reduced by a percentage based on the difference in age between the member and his or her spouse. If the spouse predeceases the member, the annuity is restored to what it would have been if this option had not been elected.

Notes to the Financial Statements
(continued)

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

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

Cost of Living Benefit.

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

Benefit Limits.

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

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

B. Board of Trustees

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

C. Membership

At June 30, 2021, the date of the latest actuarial valuation, membership in the System consisted of:

Retirees and Beneficiaries	
Receiving Benefits	10,247
Terminated Vesteds	2,394
Deferred Retirement Option Program (DROP) Participants	753
Active Plan Members	<u>14,015</u>
Total	<u>27,409</u>

D. Deferred Retirement Option Program

Members eligible for normal retirement may elect to enter the DROP. As a DROP member, he or she will continue to work and receive a salary for a maximum period of three years while an amount equal to what could have been received as a retirement benefit is credited to his or her DROP account. (No pre-Social Security Supplements are paid into DROP accounts for Plans C, D, and E). The monthly benefit that will be credited to the DROP account is determined by the years of service and Average Final Compensation at the DROP entry date. During the DROP period, the retirement plan accumulates his or her accrued monthly benefit which is payable at the end of the DROP period. The DROP account balance is credited at an annual interest rate of 5 percent, compounded monthly. At the end of the DROP period, the DROP member must terminate employment with the Fairfax County Government and will begin receiving his or her monthly retirement benefit. Upon DROP exit, the retiree can elect to receive the balance of the DROP account in the form of a lump sum distribution, a rollover to another qualified plan (or IRA), or as an addition to the monthly retirement annuity. The DROP balance as of June 30, 2021, was \$54.6 million.

Notes to the Financial Statements
(continued)

E. Contributions

The contribution requirements of the System members are established and may be amended by County ordinances. Employees hired prior to January 1, 2013 are members of Plan A or Plan B. All eligible employees whose County or School Board employment commenced by reporting to work on or after January 1, 2013, were enrolled in Plan C or Plan D. As of July 1, 2019, new hires are automatically enrolled in Plan E. Plan A and C require member contributions of 4 percent of compensation up to the social security wage base and 5.33 percent of compensation in excess of the wage base. Plan B, D and E require member contributions of 5.33 percent of compensation. The County is required to contribute at an actuarially determined rate; the rates for the year ended June 30, 2021, was 28.35 percent of annual covered payroll. Total contributions for the fiscal year ended June 30, 2021, amounted to \$267.7 million.

F. Deductions

The deductions from the System included the payment of retiree and beneficiary payments, the refund of employee contributions to former members and administrative expenses. The total deductions for the fiscal year ended June 30, 2021, amounted to \$359.8 million.

Note 3. Investments

A. Investment Policy

The authority to establish the System is set forth in Section 51.1-800 Code of Virginia (Code). Section 51.1- 803 of the Code authorizes fiduciaries of the System *to purchase investments with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. The Board shall also diversify such investments as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.*

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

The following was the System's adopted asset allocation policy as of June 30, 2021. The asset allocation policy commonly exceeds 100 percent because of target exposures to both direct investments in asset classes plus notional exposure to asset classes through derivative positions such as Futures held at the portfolio level. Also, the System commonly includes notional exposures for select Investment Managers that have a mandate from the Board to provide the System with additional asset class exposure using leverage or derivatives.

Asset Class	Target Exposure
Absolute Return	20.0%
Global Equity	27.5%
Global Fixed Income	52.5%
Global Multi-Asset	20.0%
Global Real Assets*	15.0%

* Includes 2.5% gold futures

Notes to the Financial Statements
(continued)

B. Concentrations

At June 30, 2021, the System does not hold investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one issuer that represents 5.0 percent or more of net position available for benefits. All investments, except for the pooled and mutual funds, short-term investment fund and a short-term collateral investment pool are held by an unaffiliated custodian. There is no custodial credit risk since the custodian's records establish the System's interest in the securities and the custodian provides insurance for all custody assets.

C. Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 26.80 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Fair Value Hierarchy

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

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Observable inputs other than quoted market prices.
- Level 3 Valuation derived from valuation techniques in which significant inputs are unobservable.

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The table on the following page shows the fair value levels of the investments.

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

Financial Section

Notes to the Financial Statements
(continued)

Fair Value Hierarchy

Investments by Fair Value Level	6/30/2021	Quoted Prices in	Significant Other	Significant
		Active Markets for	Observable	Unobservable
		Identical Assets	Inputs	Inputs
		Level 1	Level 2	Level 3
Asset-Backed Securities	\$117,362,797	\$-	\$35,304,333	\$82,058,464
Equity	1,126,477,724	1,086,973,454	(495,730)	40,000,000
Futures Contracts	8,818,041	8,818,041	-	-
Convertible or Exchangeable Securities	9,227,810	-	9,227,810	-
Corporate Bonds	328,104,462	22,350,383	243,291,095	62,462,984
International Bonds	29,724,867	-	29,724,867	-
Preferred Securities	4,375,582	1,975,103	2,372,833	27,646
Real Estate	32,104,566	32,104,566	-	-
U.S. Government Obligations	<u>214,000,466</u>	<u>-</u>	<u>214,000,466</u>	<u>-</u>
	\$1,870,196,315	\$1,152,221,547	\$533,425,674	\$184,549,094
Investments Measured at Net Asset Value (NAV)				
Absolute Return	\$583,164,562			
Global Equity	685,999,398			
Global Fixed Income	987,826,946			
Global Multi-Asset	481,709,986			
Global Real Assets	<u>302,660,103</u>			
	\$3,041,360,995			
Investments Measured at Amortized Cost				
Short Term	<u>\$205,607,282</u>			
Total Investments	<u>\$5,117,164,592</u>			

Investments Measured at NAV

	Unfunded		Redemption Frequency	Redemption Notice Period
	Fair Value	Commitments		
Absolute Return	\$583,164,562	\$-	Monthly, Quarterly	3 - 90 days
Global Equity	685,999,398	236,355,684	Daily, Monthly, None	3 - 15 days
Global Fixed Income	987,826,946	196,250,623	Daily, Semi-Annually, None	5 - 90 days
Global Multi-Asset	481,709,986	-	Daily, Monthly, Quarterly	1 - 30 days
Global Real Assets	<u>302,660,103</u>	<u>30,023,705</u>	Daily, None	5 - 20 days
Total Investments Measured at NAV	<u>\$3,041,360,995</u>	<u>\$462,630,012</u>		

Notes to the Financial Statements
(continued)

Absolute Return.**Relative Value:**

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

Global Macro:

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

Global Equity.**Domestic Equity:**

This type includes a fund that uses derivative instruments to replace long equity exposure.

International Equity:

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

Private Equity:

This type includes eleven private funds. This first and second fund purchases private equity stakes in investment management firms and thus a share of the firm's revenues and capital appreciation. The third and fourth private fund invests in blockchain technology, its many other industry uses, and the infrastructure for crypto currency markets (index rights, wallet, settlement, and custody platforms, etc.). The fifth fund targets highly innovative life sciences

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

Global Fixed Income.**Fixed Income:**

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

Notes to the Financial Statements
(continued)

values of the investments in this type have been determined monthly using NAV per share (or its equivalent) of the investments.

Direct Lending:

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

Opportunistic Credit:

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

Global Multi-Asset.

This type includes four funds that invest in a relatively passive manner across multiple asset classes using a risk balanced approach in their asset allocation and one fund that is active in its approach. The main goal is to construct a portfolio that achieves the best risk adjusted return at a given expected level of volatility which varies by fund. This is achieved through the use of derivatives and liquid long positions

across multiple asset classes. The fair values of the investments in this type have been determined monthly using NAV per share (or its equivalent) of the investments.

Global Real Assets.

This type includes seven funds. The first fund owns and operates a fleet of commercial bulk container and tanker vessels. A second fund purchases interests in other private real estate funds on the secondary market. The third fund owns and operates the real estate, infrastructure and inventory of a cattle feeding operation. The fourth fund seeks to capture value in the commodity supply chain through hedged physical trading/arbitrage as well as merchandising activities. The fifth fund owns two bands of wireless spectrum. The valuations of scarce spectrum assets have risen substantially in the face of exploding demand for data and increased connectivity, and they expect that this trend will continue. The sixth fund invests in royalty-producing intellectual property related to music by acquiring rights from songwriters and other third-party rights holders. They target blue chip songs that have gained significant popularity and earn a steady level of royalties across various media streams. These investments cannot be redeemed. Instead, the nature of the investments in these private debt funds are that distributions are received through the liquidation of underlying assets of the funds over a period of years as per the terms of the fund. The fair values of the investments in this type have been determined quarterly using NAV per share (or its equivalent) of the investments. The seventh fund focuses on publicly traded REITs, listed infrastructure, commodities, MLPs, natural resource equities (including timber and agriculture), precious metals, TIPS, and floating rate/bank loans. The strategy will set long term strategic allocations to those asset classes with broad ranges and the portfolio will be tactically reviewed on a quarterly basis.

Notes to the Financial Statements
(continued)

E. Quality Ratings

The System's investment quality ratings at June 30, 2021, for the separately managed fixed income accounts, were as follows:

Type of Investment	Fair Value	Ratings	Percentage of Fixed
U.S. Government Obligations	\$214,000,466		28.9%
Asset-Backed Securities	17,461,172	AA	2.4%
	1,148,133	A	0.2%
	1,282,828	BBB	0.2%
	11,585,812	BB	1.6%
	6,279,389	B	0.8%
	180,777	CCC	0.0%
	1,335,456	CC	0.2%
	5,547,226	D	0.8%
	72,542,004	Unrated	9.7%
Corporate Bonds	7,498,030	AA	1.0%
	9,167,058	A	1.2%
	23,400,035	BBB	3.2%
	81,391,788	BB	11.0%
	75,093,080	B	10.2%
	33,222,719	CCC	4.5%
	1,280,416	D	0.2%
	147,201,753	Unrated	19.9%
International Bonds	3,442,107	AA	0.5%
	1,322,203	A	0.2%
	15,900,229	BBB	2.2%
	11,703,701	BB	1.6%
	(2,643,373)	Unrated	-0.5%
Total Fixed Income	<u>\$739,343,009</u>		<u>100.0%</u>
Short-Term Investments			
Cash and Cash Equivalents	\$82,792,226	Unrated	
Employees' STIF*	122,815,056	Unrated	
Total Short-Term Investments	<u>\$205,607,282</u>		
*Short-Term Investment Funds			

As of June 30, 2021, the fixed income portfolio, excluding pooled funds, consisted of 41.6 percent invested in investment grade securities, 29.3 percent invested in below-investment-grade securities and 29.1 percent invested in unrated securities.

The Barclays Capital Aggregate Bond Index (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)

F. Sensitivity to Interest Rate Risk

The System's investments' sensitivity to interest rates at June 30, 2021, were as follows:

Investment Type	Fair Value	Option Adjusted Duration (yrs)	Percentage of Fixed
Asset-Backed Securities	\$117,362,797	4.7	15.9%
Corporate Bonds	378,254,879	2.7	51.2%
International Bonds	29,724,867	4.9	4.0%
U.S. Government Obligations	<u>214,000,466</u>	15.5	<u>28.9%</u>
Total Fixed Income	<u>\$739,343,009</u>	6.8	<u>100.0%</u>
Short-Term Investments			
Cash and Cash Equivalents	\$82,792,226	0.0	
Employees' STIF*	<u>122,815,056</u>	0.1	
Total Short-Term Investments	<u>\$205,607,282</u>		
*Short-Term Investment Funds			

The duration of the System's overall fixed income portfolio excluding the pooled funds was 6.8 years for the separately managed accounts. BCAG's years of duration is 6.65 years.

G. Short-term Investment

The Short-Term Investments of \$205.6 million includes a position of \$122.8 million of commingled cash held by our investment managers and cash held by the System in an enhanced short term investment fund managed by our custodian.

Notes to the Financial Statements
(continued)

H. Foreign Currency Risk

The Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of the international investments. The System's investments at June 30, 2021, held in currencies other than U.S. dollars, were as follows:

International Securities	Short-Term Investments & Other	Convertible & Fixed Income	Equity	Total
Australian Dollar	(\$156,151)	\$308,659	\$70,524,982	\$70,677,490
Brazil Real	994	-	63,938,157	63,939,151
Canadian Dollar	15,012	-	31,740,696	31,755,708
Chilean Peso	-	-	31,159,581	31,159,581
Colombian Peso	-	-	24,986,269	24,986,269
Czech Koruna	-	-	21,744,546	21,744,546
Danish Krone	587	6,296,550	10,842,000	17,139,137
Euro Currency Unit	338,199	-	9,917,791	10,255,990
Hong Kong Dollar	79,854	8,995,911	-	9,075,765
Hungarian Forint	-	-	8,215,461	8,215,461
Indian Rupee	2,042	2,290,997	5,454,428	7,747,467
Indonesian Rupiah	-	6,176,876	-	6,176,876
Japanese Yen	242,760	-	5,619,752	5,862,512
Malaysian Ringgit	-	415,395	5,154,615	5,570,010
Mexican Peso	-	5,282,426	-	5,282,426
New Taiwan Dollar	-	-	5,159,139	5,159,139
New Zealand Dollar	-	4,933,312	-	4,933,312
Norwegian Krone	-	(249,421)	3,378,196	3,128,775
Philippines Peso	8,274	-	2,543,471	2,551,745
Polish Zloty	-	2,191,013	-	2,191,013
Pound Sterling	50,634	-	1,496,100	1,546,734
Russian Ruble (New)	-	1,322,203	-	1,322,203
Singapore Dollar	19,685	640,975	-	660,660
South African Rand	6	563,358	-	563,364
South Korean Won	27	-	-	27
Swedish Krona	1,180	(1,682,248)	-	(1,681,068)
Swiss Franc	-	(2,755,842)	-	(2,755,842)
Thailand Baht	(5)	(6,695,031)	-	(6,695,036)
	\$603,098	\$28,035,133	\$301,875,184	\$330,513,415

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

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

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

exposure monitoring procedures conducted by investment managers and staff.

At June 30, 2021, the System held the following four types of derivative financial instruments: futures, currency forwards, options and swaps. These four types of derivatives provide the System with the opportunity to build passive benchmark positions, enhance returns, and gain market exposure to various indices in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

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

Futures.

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

Notes to the Financial Statements
(continued)

The notional value of the System's investment in futures contracts at June 30, 2021, were as follows:

Types of Futures	Base Exposure	Notional Cost
Cash and Cash Equivalents		
Short	(\$242,723,305)	(\$248,781,700)
Commodity		
Long	373,008,916	376,394,986
Equity		
Long	207,849,180	206,819,003
Short	(143,891,045)	(147,674,400)
Fixed Income Securities		
Long	290,995,142	290,954,115
Short	(7,900,188)	(7,618,362)
Total	<u>\$477,338,700</u>	<u>\$470,093,642</u>

Swaps.

The System enters into several types of swap contracts, in which two counterparties agree to exchange one stream of payments for another over some agreed to period of time. Swaps are used to manage risk and enhance returns.

All counterparties are rated A or better. The following is the information on the System's swap contracts outstanding at June 30, 2021:

Fixed Income Securities Swaps	Fair Value	Base Exposure
Cleared Interest Rate Swaps	(\$19,110,235)	(\$16,901,775)
Cleared Credit Default Swaps	1,969,081	2,000,165
Cleared Zero Coupon Swaps	(1,137,497)	(1,137,497)
Total	<u>(\$18,278,651)</u>	<u>(\$16,039,107)</u>

Currency Forwards.

Currency forwards represent foreign exchange contracts. They are used to affect settlements and to protect the base currency value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies, or to gain exposure to the change in fair value of a specific currency. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date and at a negotiated price. The credit risk of currency

contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. All counterparties are rated A or better. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. The following is the summary information on the System's currency forward contracts at June 30, 2021:

Financial Section

Notes to the Financial Statements
(continued)

Foreign Currency Contracts Purchased	Notional (Local Currency)	Cost	Fair Value Payable in U.S. Dollars	Unrealized Gain/(Loss)
Australian Dollar	(17,670,000)	(\$13,636,681)	(\$13,268,922)	\$367,759
Brazil Real	(730,000)	(139,154)	(145,301)	(6,147)
Colombian Peso	(570,000,000)	(152,610)	(152,452)	158
Euro Currency Unit	(5,870,000)	(6,983,591)	(6,964,701)	18,890
Indonesian Rupiah	(69,000,000,000)	(4,777,563)	(4,732,503)	45,060
Mexican Peso	(16,400,000)	(803,502)	(819,496)	(15,994)
New Zealand Dollar	(3,910,000)	(2,798,003)	(2,732,086)	65,917
Polish Zloty	(920,000)	(250,443)	(241,673)	8,770
Russian Ruble (New)	(11,000,000)	(148,608)	(149,738)	(1,130)
South African Rand	(96,700,000)	(6,699,506)	(6,733,610)	(34,104)
South Korean Won	(8,730,000,000)	(7,690,708)	(7,724,942)	(34,234)
Swiss Franc	(6,400,000)	<u>(7,092,102)</u>	<u>(6,937,190)</u>	<u>154,912</u>
		(\$51,172,471)	(\$50,602,614)	\$569,857
Foreign Currency Contracts Sold	Notional (Local Currency)	Cost	Fair Value Receivable in U.S. Dollars	Unrealized Gain/(Loss)
Brazil Real	11,120,000	\$1,980,551	\$2,213,349	\$232,798
Chilean Peso	9,625,000,000	13,454,304	13,195,293	(259,011)
Colombian Peso	2,820,000,000	778,371	754,237	(24,134)
Euro Currency Unit	15,120,000	18,264,141	17,939,741	(324,400)
Hungarian Forint	1,550,000,000	5,152,093	5,234,469	82,376
New Zealand Dollar	3,910,000	2,797,585	2,732,086	(65,499)
Polish Zloty	47,570,000	12,469,174	12,496,442	27,268
Pound Sterling	5,440,000	7,711,934	7,515,950	(195,984)
Russian Ruble (new)	396,000,000	5,280,833	5,384,684	103,851
South Korean Won	8,730,000,000	7,802,902	7,724,942	(77,960)
Thailand Baht	44,300,000	<u>1,420,226</u>	<u>1,382,070</u>	<u>(38,156)</u>
		\$77,112,114	\$76,573,263	<u>(\$538,851)</u>
Net Unrealized Gain/(Loss) on Foreign Currency Spot and Forward Contracts				<u>\$31,006</u>

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

Exchange traded options rely on the exchange for performance and the risk to non-performance of counterparties is minimal. All counterparties for over the counter options are rated A or better. The following table provides information on the System's option contracts at June 30, 2021:

Notes to the Financial Statements
(continued)

Option Types	Position	Call/Put	Cost	Fair Value	Total Unrealized Gain/(Loss)
Equity	Written	Call	(\$353,345)	(\$495,730)	(\$142,385)

J. Securities Lending

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

The System did not impose any restrictions during fiscal year 2021 on the amounts of loans the lending agent made on its behalf. At June 30, 2021, 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, 2021, 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, 2021:

Securities Lent	Underlying Securities	Cash Collateral Investment Value	Securities Collateral Investment Value
Lent for Cash Collateral			
Corporate and Other Bonds	\$25,726,146	\$26,348,722	
Common and Preferred Stock	102,155,995	104,533,508	
Lent for Securities Collateral			
U.S. Government Securities	65,977,230	-	\$71,211,486
Corporate and other bonds	9,473,206	-	\$10,802,496
Common and Preferred Stock	<u>196,683,669</u>	<u>-</u>	<u>218,054,999</u>
Total Securities Lent	\$400,016,246	\$130,882,230	\$300,068,981

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, 2021, were as follows:

Total Pension Liability	\$6,329,809,523
Plan Fiduciary Net Position	5,146,232,426
Net Pension Liability	<u>\$1,183,577,097</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.30%

B. Actuarial Methods and Assumptions

The Total Pension Liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

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

The County is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2021, was 28.10 percent of annual covered payroll. The decision was made to commit additional funding and a rate of 28.35% was adopted for fiscal year 2021.

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

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

C. Long Term Expected Rate of Return

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

Notes to the Financial Statements
(continued)

Best estimates of arithmetic excess rates of return (over cash) for each major asset class included in the System's target asset allocation as of June 30, 2021, are summarized below:

Asset Class	Long Term Expected Real Rate of Return
Absolute Return	7.0%
Core Fixed Income	1.8%
High Yield	4.3%
International Developed Mkt. Equities	4.4%
International Emerging Mkt. Equities	7.1%
Real Assets	4.7%
Risk Parity	6.0%
U.S. Equity	4.7%
Gold	0.0%

In making this determination, we assumed the outflows would equal the anticipated benefit payments from the 2021 actuarial valuation. The administrative expenses attributable to current actives were assumed to equal 0.30 percent of covered payroll. The inflows to the plan were assumed to reflect the average aggregate member rate for the 2021 active population of 4.86 percent of payroll and County contributions were projected at 28.88 percent for fiscal year 2022 to be contributed until 2030. After that time the County contribution is assumed to decrease to the normal cost plus expenses (8.70 percent) and amortization of any remaining experience gains and losses.

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.

Notes to the Financial Statements

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	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Total Pension Liability	\$7,092,902,138	\$6,329,809,523	\$5,691,167,608
Plan Fiduciary Net Position	<u>5,146,232,426</u>	<u>5,146,232,426</u>	<u>5,146,232,426</u>
Net Pension Liability	<u>\$1,946,669,712</u>	<u>\$1,183,577,097</u>	<u>\$544,935,182</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.55%	81.30%	90.42%

Note 5. Adoption of New Accounting Standards

GASB Statement No. 98, The Annual Comprehensive Financial Report

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. Although this Statement is effective for financial reporting periods ending after December 15, 2021 (fiscal year ending June 30, 2022), the System is immediately implementing this Statement.

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.

Required Supplementary Information
(Unaudited)

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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Money-Weighted Rate of Return	
Fiscal Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2021	26.80%
2020	2.84%
2019	6.27%
2018	7.27%
2017	6.87%
2016	-0.44%
2015	0.46%
2014	14.85%
2013	7.60%
2012	8.53%

Required Supplementary Information
(continued)

Schedule of Changes in the Net Pension Liability and Related Ratios				
Year Ended June 30				
	2021	2020	2019	2018
Total Pension Liability				
Service Cost (MOY)	\$108,644,084	\$103,313,271	\$99,758,925	\$96,662,966
Interest (includes interest on service cost)	427,327,332	415,148,914	400,860,241	385,504,765
Changes in Benefit Terms	-	-	-	603,265
Differences Between Expected and Actual Experience	(43,615,538)	(5,460,817)	29,354,840	41,362,698
Changes in Assumptions	233,719,707	-	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(357,332,145)</u>	<u>(343,615,855)</u>	<u>(329,517,227)</u>	<u>(300,641,424)</u>
Net Change in Total Pension Liability	\$368,743,440	\$169,385,513	\$200,456,779	\$223,492,270
Total Pension Liability - Beginning	<u>5,961,066,083</u>	<u>5,791,680,570</u>	<u>5,591,223,791</u>	<u>5,367,731,521</u>
Total Pension Liability - Ending (a)	<u>\$6,329,809,523</u>	<u>\$5,961,066,083</u>	<u>\$5,791,680,570</u>	<u>\$5,591,223,791</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$227,846,281	\$234,743,643	\$210,964,436	\$188,578,414
Contributions - Member	39,914,839	40,327,359	37,915,769	36,357,591
Net Investment Income	1,096,259,683	111,442,161	243,545,545	269,418,157
Benefit Payments, Including Refunds of Member Contributions	(357,332,145)	(343,615,855)	(329,517,227)	(300,641,424)
Administrative Expenses	<u>(2,519,441)</u>	<u>(2,471,445)</u>	<u>(2,197,893)</u>	<u>(2,170,638)</u>
Net Change in Plan Fiduciary Net Position	\$1,004,169,217	\$40,425,863	\$160,710,630	\$191,542,100
Plan Fiduciary Net Position - Beginning	<u>4,142,063,209</u>	<u>4,101,637,346</u>	<u>3,940,926,716</u>	<u>3,749,384,616</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$5,146,232,426</u>	<u>\$4,142,063,209</u>	<u>\$4,101,637,346</u>	<u>\$3,940,926,716</u>
Net Pension Liability - Ending (a)-(b)	<u>\$1,183,577,097</u>	<u>\$1,819,002,874</u>	<u>\$1,690,043,224</u>	<u>\$1,650,297,075</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.30%	69.49%	70.82%	70.48%
Covered Payroll	<u>\$803,690,586</u>	<u>\$828,019,905</u>	<u>\$777,319,219</u>	<u>\$745,663,954</u>
Net Pension Liability as a Percentage of Covered Payroll	147.27%	219.68%	217.42%	221.32%

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

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Required Supplementary Information
(continued)

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

Continued from previous page.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Required Supplementary Information
(continued)

Schedule of Employer Contributions

Fiscal Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$227,846,281	\$227,846,281	\$-	\$803,690,586	28.35%
2020	234,743,643	234,743,643	-	828,019,905	28.35%
2019	210,964,436	210,964,436	-	777,319,219	27.14%
2018	188,578,414	188,578,414	-	745,663,954	25.29%
2017	167,311,608	167,311,608	-	730,618,376	22.90%
2016	155,780,373	155,780,373	-	708,414,611	21.99%
2015	138,493,099	138,493,099	-	686,288,895	20.18%
2014	129,618,309	129,618,309	-	671,597,456	19.30%
2013	127,448,018	127,448,018	-	669,018,467	19.05%
2012	114,682,538	114,682,538	-	666,758,942	17.20%

Notes to Schedule

Valuation Date	June 30, 2019
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year
Key Methods and Assumptions Used to Determine Contribution Rates:	
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	7.25%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service
Mortality	110% and 100% of the RP-2014 Healthy Annuitant Mortality Table for males and females respectively projected using the RPEC-2015 model, with an ultimate rate of 0.75% for ages 20-85 grading down to an ultimate rate of 0% for ages 115-120 and convergence to the ultimate rate in the year 2015

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2021 can be found in the June 30, 2019 actuarial valuation report.

Required Supplementary Information

Summary of Significant Changes to the Pension System

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

Contribution Rates		
Fiscal Year	Employer	Employee
2021	28.35%	4%, 5.33%
2020	28.35%	4%, 5.33%
2019	27.14%	4%, 5.33%
2018	25.29%	4%, 5.33%
2017	22.90%	4%, 5.33%

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

Other Supplementary Information

Schedule of Investment & Consultant Expenses

For the Year Ended June 30, 2021

Investment Manager Fees		
Absolute Return		\$15,214,475
Global Equity		10,380,907
Global Fixed Income		14,938,948
Global Multi-Asset		3,530,943
Global Real Assets		6,323,587
Short Term and Others		1,046,811
Fees Related to Securities Lending		533,475
Custodial Fees		95,173
Consultant Expenses		116,498
Investment Related Legal Fees		394,230
Allocated Administration Expense		<u>1,338,370</u>
Total Investment and Consultant Expenses		<u>\$53,913,417</u>

Schedule of Administrative Expenses

For the Year Ended June 30, 2021

Personnel services		
Salaries and Wages	\$1,301,047	
Fringe Benefits	<u>537,160</u>	
Total Personnel Services		\$1,838,207
Professional services		
Actuarial	86,280	
Audit	31,488	
Legal	<u>14,937</u>	
Total Professional Services		132,705
Communications		
Phone Charges	15,918	
Printing, Binding and Copying	5,500	
Postage	<u>16,480</u>	
Total Communications		37,898
Supplies		
Office Supplies	<u>7,158</u>	
Total Supplies		7,158
Other Services and Charges		
Staff Travel and Development	388	
Professional Membership	6,464	
Professional Subscriptions	5,110	
Insurance	52,349	
Building rent	162,248	
Depreciation Expense	2,880	
Computer System	228,484	
Other Operating	<u>45,550</u>	
Total Other Services and Charges		<u>503,473</u>
Total Administrative Expenses		<u>\$2,519,441</u>



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

To the Board of Supervisors
County of Fairfax, Virginia

To the Board of Trustees
Fairfax County Employees' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fairfax County Employees' Retirement System (the "System"), a pension trust fund of the County of Fairfax, Virginia, as of and for the year ended June 30, 2021 and the related notes to the financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

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

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

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

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.



Tysons Corner, Virginia
November 15, 2021



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 4, 2021

Dear Members of the Board of Trustees:

Major global equity indexes rallied for the fiscal year ended June 2021, posting positive returns in domestic, international, and emerging markets. U.S. equity markets (as measured by the S&P 500 Index) ended each of the four quarters during FY2021 with positive returns, with the S&P 500 Index ending the fiscal year with a one-year return of 40.8%. Within the U.S. stock market, small cap stocks (as measured by the Russell 2000 Index) posted the strongest results with a one-year return of 62.0%. Developed international equity markets (as measured by the MSCI EAFE Index) ended FY2021 with a 12-month return of 32.4%. Emerging markets stocks ended the fiscal year with a one-year return of 40.9%. The U.S. Federal Reserve held its benchmark rate to a range of 0.00% - 0.25% throughout the fiscal year and continued its monthly asset purchase program of buying \$120 billion in Treasury and mortgage-backed securities that it had implemented in 2020. Despite contracting credit spreads, which supported gains in U.S. investment grade credit and high yield markets, rising U.S. Treasury rates during the fiscal year were a headwind for certain bond markets. The Bloomberg Barclays U.S. Aggregate Index ended the fiscal year down -0.3%, with the Bloomberg Barclays U.S. Treasury Index down -3.2% for the trailing 12-month period ending June 30, 2021. The U.S. high yield bond market (as measured by the Bloomberg Barclays U.S. High Yield Index) posted a twelve month return of 15.4%. In real assets, commodities rebounded off calendar year 2020 lows with the Bloomberg Commodities Index posting one-year gains of 45.6% and WTI crude oil prices rising 87.1% since June 30, 2020.

Despite a pullback in September, equities ended the third quarter 2020 in the black. Returns in the first two months of the quarter were bolstered by better-than-expected corporate earnings, optimism surrounding a potential vaccine and the possibility for additional fiscal stimulus. Stocks snapped their winning streak in September as the much-anticipated stimulus became less of a given and investors contemplated a wide range of electoral outcomes. Emerging markets equities—boosted by China and India—led performance for the three months ended 9/30/2020, with the MSCI Emerging Markets Index returning 9.6%. Domestic stocks followed with gains of 8.9%, according to the S&P 500 Index; outside of North America, international developed equities were up 4.8%, according to the MSCI EAFE Index. In the U.S., growth stocks maintained their lead over value despite coming under pressure in September; the Russell 1000 Growth Index returned 13.2% in the third quarter compared to 5.6% for the Russell 1000 Value Index. While U.S. large-cap equities bested small-caps as of 9/30/2020, international small-caps outperformed in emerging and developed markets. Led by consumer discretionary, all sectors in the U.S. posted positive returns except for energy.



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After months of steady gains since March 2020, segments of the fixed income market saw their first month of negative returns in September 2020. Investment-grade and high-yield spreads tightened during the quarter but widened towards the end; the widening was most noticeable in lower-quality securities. U.S. high-yield mutual funds have seen record net inflows this year, while bank-loan mutual funds reported outflows for 24 straight months. The Bloomberg Barclays U.S. Aggregate Index was up 0.6% in the third quarter and the Bloomberg Barclays U.S. Corporate High Yield Index gained 4.6% for the three months ended September 30; during this period, the S&P/LSTA Leveraged Loan Index increased 3.5% but is in the red for the year.

Global equities started the fourth quarter 2020 slow but then finished the calendar year on a strong note, buoyed by news of successful trials of multiple COVID-19 vaccines. Emerging markets led performance for the second straight quarter, with gains of 19.7%; they were followed by international developed equities that returned 16.0% while U.S. stocks were up 12.1%. During this period, small-cap equities surged, gaining 31.4%; value stocks, bucking trend, outperformed growth equities, with the Russell 1000 Value up 16.3% compared to the Russell 1000 Growth returning 11.4%.

Credit spreads of investment-grade and high-yield debt tightened in the fourth quarter 2020 with some segments of the market reaching pre-pandemic levels; lower-quality investment-grade and high-yield securities saw the most tightening. While new issuance of U.S. corporate credit slowed down in the fourth quarter, 2020 volume surpassed issuance in 2019. Meanwhile, volume of newly issued bank loans fell in 2020 from a year earlier. For calendar year 2020, the Bloomberg Barclays U.S. Aggregate Index returned 7.5%, the Bloomberg Barclays U.S. Corporate High Yield Index was up 7.1%, and S&P/LSTA Leveraged Loan Index gained 3.1%.

Global equities continued their march upward in first quarter of calendar year 2021 bolstered by widespread vaccination efforts, a fresh round of fiscal stimulus, and renewed confidence in an economic recovery. U.S. stocks led the charge with gains of 6.2%, followed by international developed equities which returned 3.5%; emerging market equities were up 2.3%. Small-cap stocks outperformed large-cap equities. Catalyzed by rising interest rates, value bested growth for the second straight quarter, with the Russell 1000 Value Index up 11.3% compared to the paltry 0.9% gain by the Russell 1000 Growth Index. In a reversal from last year, energy led all sectors, followed by financials, while technology and consumer discretionary stocks lagged.

U.S. interest rates rose significantly during the first quarter of calendar year 2021, reaching pre-pandemic levels. Losses were felt across interest-rate sensitive indexes as a 0.8% increase in 10-year Treasury yields negatively impacted the fixed-income market. Investment-grade and high-yield spreads continued to compress in the first quarter with significant spread tightening occurring in lower quality credit. However, returns for U.S. corporate credit were largely negative due to interest rates moving higher. The Bloomberg Barclays U.S. Aggregate Index was down -3.4%, while the Bloomberg Barclays U.S. Corporate High Yield Index was up a modest 0.8%.

Global equities posted strong returns in the second quarter of calendar year 2021, propelled by continuing vaccine adoption, ongoing monetary and fiscal support, and a robust economic outlook. U.S. stocks led the way for a second straight quarter, with the S&P 500 up 8.5%; meanwhile, international developed-market equities gained 5.2% and emerging markets returned 5.0%. In the U.S. and international developed markets, small caps underperformed, while emerging market small caps bested emerging large caps. In a reversal from the first quarter, growth indexes outperformed value measures, with the Russell 1000 Growth returning 11.9% compared to gains of 5.2% for the Russell 1000 Value Index. Within sectors, real estate, information technology, energy and communication services led performance, while utilities, consumer staples, industrials and materials lagged the market.

U.S. Treasury yields reversed course in the second quarter of calendar year 2021, with yields falling on the 10-year Treasury note. The Federal Open Market Committee announced on the heels of its meeting in June that it would keep rates unchanged at 0.00%-0.25%. Credit spreads tightened in the three months ended June 30, reflecting a broader appetite for risk-taking; the spread tightening was more pronounced in lower-quality credit with the Bloomberg Barclays U.S. High Yield Index Option-Adjusted Spread decreasing nearly 40 basis points since March. Corporate credit gained in the second quarter with the Bloomberg Barclays U.S. Aggregate Index up 1.8%, while the Bloomberg Barclays U.S. Corporate High Yield Index returned 2.7% in the second quarter.

Employees' Retirement System

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

As of June 30, 2021, the Fairfax County Employees' Retirement System stood at \$5.117 billion, up from \$4.142 billion at the end of fiscal year 2020. Calculating performance using a time-weighted rate of return for the year ending June 30, 2021, the system returned +29.43%, gross of fees (+26.89% net of fees), ranking in the 22nd percentile of all public funds in the BNY Mellon Total Public Fund Universe. For the three, five, and ten-year periods (annualized), the system returned gross of fees, +12.86% (+11.54% net of fees), ranking in the 15th percentile, +10.79.22% gross of fees (+9.74% net of fees) ranking in the 54th percentile, and +8.61% gross of fees (+7.89% net of fees) ranking in the 52nd percentile respectively.

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. Florin Court and Verition were added to the Absolute Return lineup, while AQR SPF, Maverick, and QMS Global Macro were terminated at the portfolio level; Roundhill Music III and TerreStar Direct were added to the Global Real Assets lineup; Blockchain Capital V, Morgan Creek Digital III, Sands Global Innovation II, and Section Ventures were added to the Global Equity lineup; Onyxpoint Distressed, Marathon European Credit IV, and Section Partners IV were added to the Global Fixed Income lineup.

Sincerely,



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

Investment Section

Investments by Category and Investment Manager**			
For the Year Ended June 30, 2021			
Asset Class	Investment Style	Fair Value	% of Total Portfolio
Manager			
Absolute Return			
Alpha Simplic Trend	Global Macro	\$67,960,311	1.3%
Aspect Systematic Gm	Global Macro	55,338,809	1.1%
Blackrock Figa	Relative Value	82,395,570	1.6%
Bridgewater Pa II	Global Macro	79,815,624	1.6%
Bridgewater Pamm II	Global Macro	2,041,350	0.0%
Crabel Multi-Prod	Global Macro	55,792,045	1.1%
Florin Court	Global Macro	40,000,000	0.8%
Kirkoswald Gm	Global Macro	59,261,697	1.2%
Millennium Usa	Relative Value	93,070,531	1.8%
Pimco Commodity Alph	Relative Value	36,675,497	0.7%
Pimco GCOF	Relative Value	87,488,624	1.7%
Verition Multi Strat	Relative Value	60,699,244	1.2%
Global Equity			
Aberdeen Em Equity	Int'l Emg. Equity	72,761,771	1.3%
Axiom Intl Small Cap*	Int'l Dev. Equity	159,513,269	3.1%
Blockchain V	Private Markets Equity	5,000,000	0.1%
Capstone Eq Replace	US Equity	90,312,256	1.8%
Deprince Lc Value*	US Equity	135,926,125	2.7%
Dyal Capital II	Private Markets Equity	38,898,457	0.8%
Dyal Capital IV	Private Markets Equity	26,147,157	0.5%
FCERS Em Equity*	Int'l Emg. Equity	64,020,866	1.3%
FCERS Intl Equity Et*	Int'l Dev. Equity	74,753,515	1.5%
FCERS US Equity Etf*	US Equity	93,288,571	1.8%
Investcorp Strat Cap	Private Markets Equity	8,814,124	0.2%
LSV Intl Value	Int'l Dev. Equity	587	0.0%
Marathon Intl Eq	Int'l Dev. Equity	187,128,603	3.7%
Morgan Creek Bco I	Private Markets Equity	42,374,872	0.8%
Morgan Creek Bco II	Private Markets Equity	109,301,751	2.1%
Morgan Creek Digital	Private Markets Equity	12,500,000	0.2%
Sands Global Inov	Private Markets Equity	37,071,014	0.7%
Sands Global Inov II	Private Markets Equity	10,406,288	0.2%
Sands Lc Growth*	US Equity	92,608,196	1.8%
Sands Life Sci Pulse	Private Markets Equity	17,984,038	0.4%
Section Ventures	Private Markets Equity	6,410,289	0.1%
WCM Intl Growth*	Int'l Dev. Equity	144,815,817	2.8%
Global Fixed Income			
Blackrock MAOF	Private Markets Credit	29,811,807	0.6%
Brandywine Global*	Global Bonds	137,195,644	2.7%
Bridgewater Tips	Inflation-Linked	211,555,693	4.1%
Credit Suisse IIs II	Private Markets Credit	2,405,957	0.0%
Crestline Opp Iii Eu	Private Markets Credit	45,068,871	0.9%
Crestline Opp Iii Eu	Private Markets Credit	6,643,818	0.1%
Crestline Opp IV	Private Markets Credit	25,339,439	0.5%
Czech Sjc III	Private Markets Credit	43,575,589	0.9%
Doubleline Mtg Opp	Private Markets Credit	43,435,064	0.8%
Doubleline Opp Cmbs	Private Markets Credit	16,876,167	0.3%
Doubleline Strat Mbs*	US Mortgage	148,512,782	2.9%
EJF Debt Opp	Private Markets Credit	128,035,695	2.5%
EJF Tact Opp*	Private Markets Credit	42,497,355	0.8%
Hoisington Us Treas*	Core Fixed	96,801,003	1.9%
Lazard Em Debt Tr	Emg. Mkt. Debt	91,163,347	1.8%
Marathon Dist Cr	Private Markets Credit	27,597,767	0.5%
Marathon Eco III	Private Markets Credit	63,530,124	1.2%
Marathon Eco VI	Private Markets Credit	31,652,912	0.6%
Onyxpoint*	High Yield Bonds	57,066,105	1.1%
Pgim Em Debt Plus	Private Markets Credit	54,465,993	1.1%
Pimco Bravo II	Private Markets Credit	16,158,907	0.3%
Pimco Bravo III	Private Markets Credit	57,638,354	1.1%
Pimco Disco III	Private Markets Credit	15,498,354	0.3%
Pimco Tac Opps	Private Markets Credit	77,373,190	1.5%
Post High Yield	High Yield Bonds	113,970	0.0%
Section IV	Private Markets Equity	20,888,777	0.4%
Shenkman High Yield*	High Yield Bonds	158,823,397	3.1%
Global Multi-Asset			
AQR Global Risk Premiui	Core Risk Parity	82,747,299	1.6%
BlackRock Market Advan	Core Risk Parity	129,703,903	2.5%
FCERS Risk Balance*	Active Risk Parity	152,014,226	3.0%
Lombard Odier	Active Risk Parity	131,562,499	2.6%
Man AHL TargetRisk	Active Risk Parity	137,696,285	2.7%
Global Real Assets			
C&S Intl Real Est*	U.S. Real Estate Securities	70,390,874	1.2%
C&S Us Real Est*	Int'l Real Estate Securities	143,304,152	2.8%
DWS Real Assets	Multi-Real Asset	107,219,965	2.1%
JPM Gbl Maritime	Private Markets Real Assets	14,101,394	0.3%
Landmark Re Sec VIII	Private Markets Real Estate	18,009,513	0.4%
Pinnacle Cattle	Private Markets Real Assets	59,846,918	1.2%
Pinnacle Physicals	Private Markets Real Assets	53,946,270	1.1%
Roundhill Music III	Private Markets Real Assets	35,272,281	0.7%
Solus L Band	Private Markets Real Assets	10,198,882	0.2%
Terrestar Direct	Private Markets Real Assets	4,064,881	0.1%
Short Term and Others			
Blackrock Stif A/L	Plan Level Cash Account	8,747,987	0.2%
Cash Management	Plan Level Cash Account	16,794,124	0.3%
Orphan Securities*	Operating Cash Account	248,145	0.0%
Parametric Plios*	Operating Cash Account	140,992,045	2.8%
Total Investments		\$5,117,164,592	100.0%

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

Employees' Retirement System – Allocation of Market Exposures

Target Market Exposures

The asset structure shown below represents the Trustees' assessment of their optimal asset allocation as of June 30, 2021. 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.

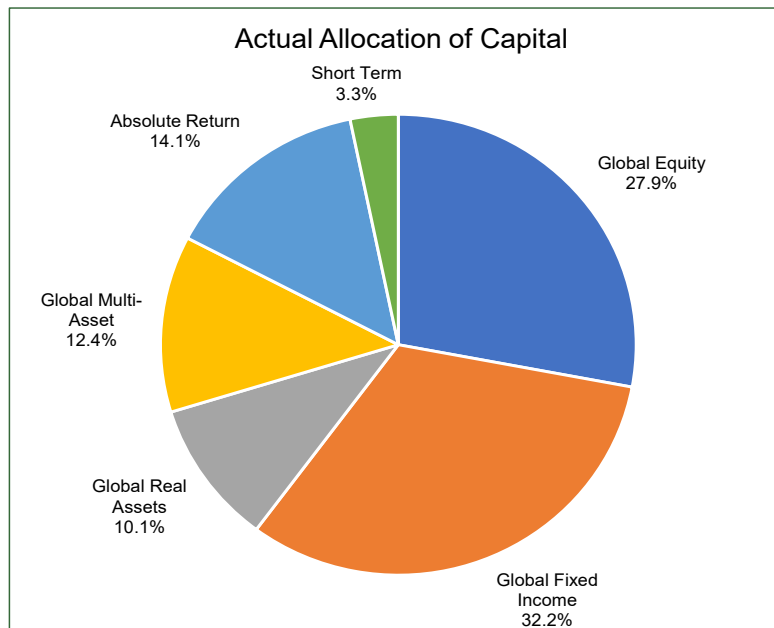
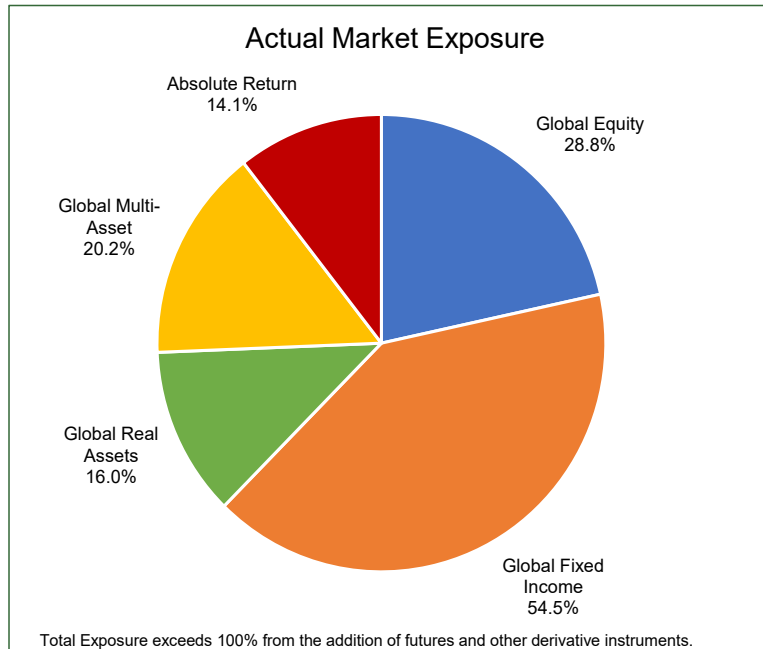
The pie chart below details the target asset mix, consistent with the achievement of the long-term objectives of the System, as of June 30, 2021.



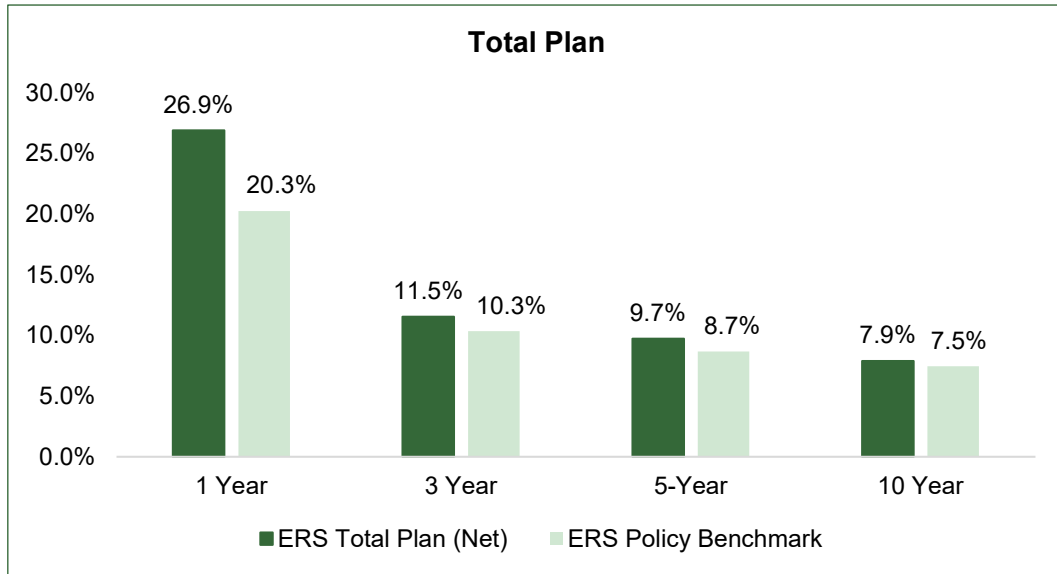
Actual Allocations as of June 30, 2021

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

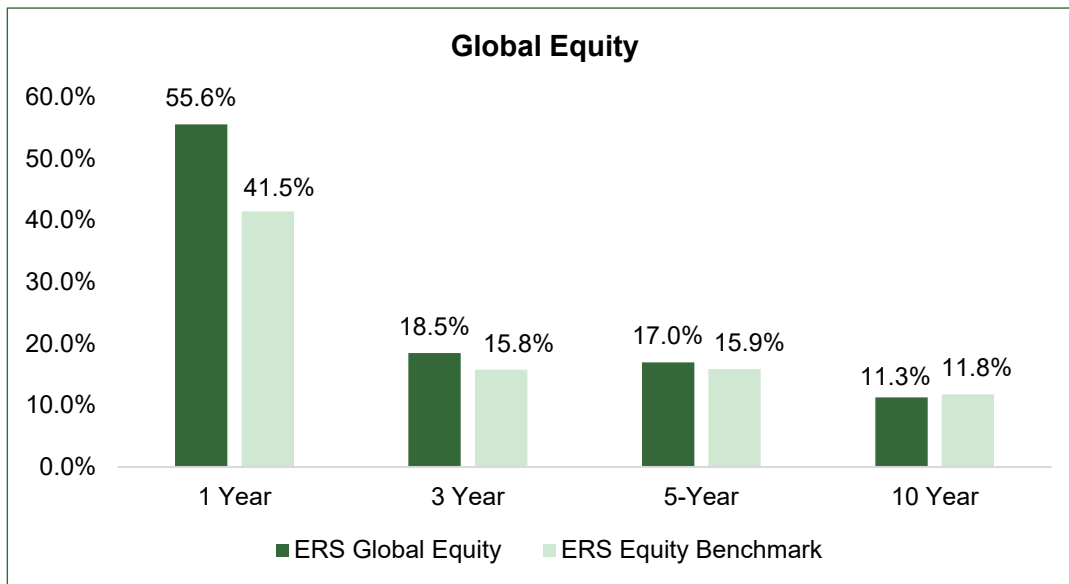
The pie chart below details the actual asset allocations as of June 30, 2021.



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

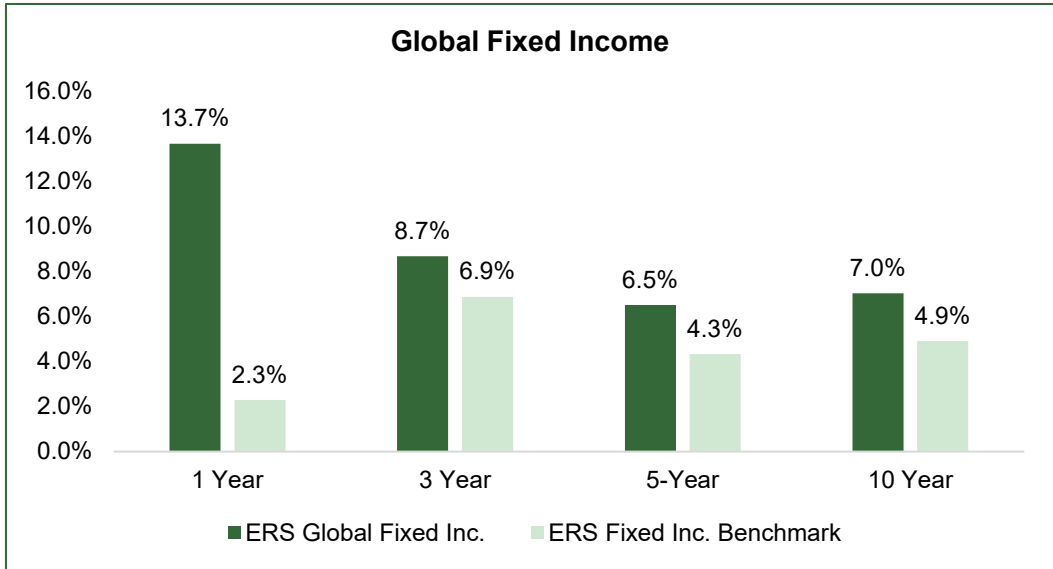


*Current Benchmark: Russell 3000 – 16.5%; MSCI World ex-US – 8.25%; MSCI EM – 2.75%; U.S. Agg Bond. x1.33 minus ICE 3-Mo. LIBOR x0.33 – 27.5%; High Yield– 12.5%; Real Asset Blended Benchmark – 12.5%; Risk Parity 10% Vol. Benchmark – 20.0% (Benchmark has been revised through time)

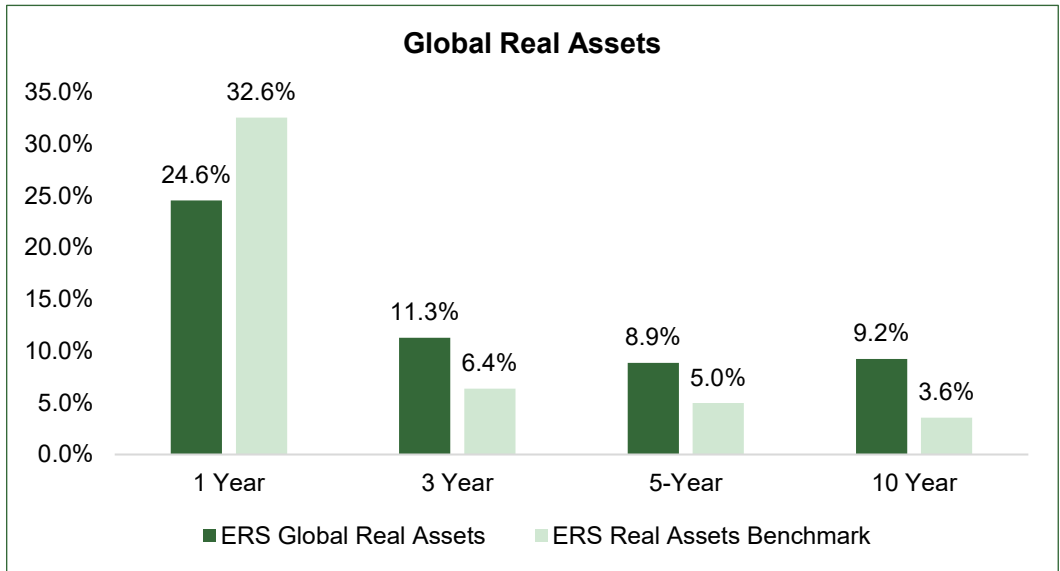


*Current Benchmark: Russell 3000 – 60.0%; MSCI World ex-US – 30.0%; MSCI EM – 10.0; (\$Gross) (Benchmark has been revised through time)

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

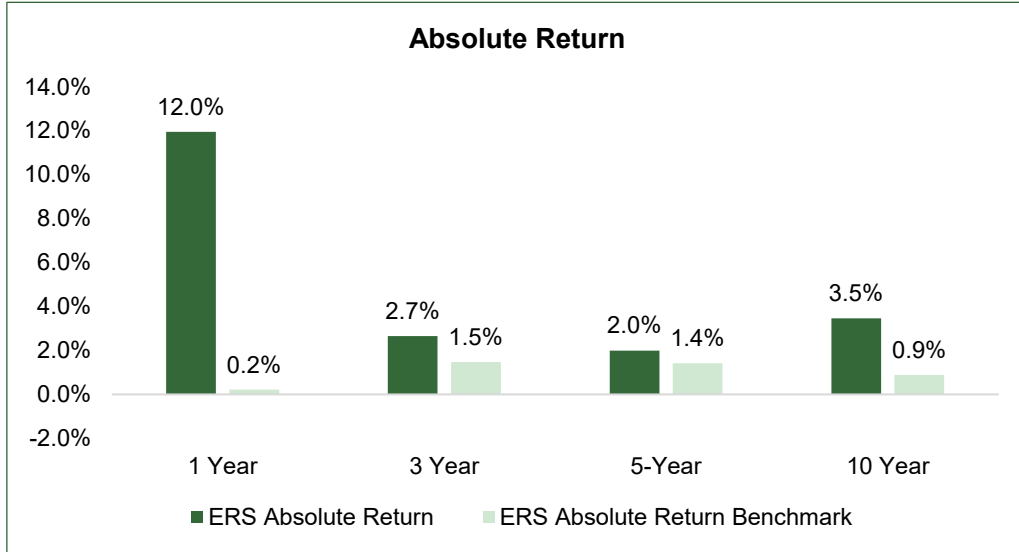


*Current Benchmark: U.S. Agg Bond. x1.33 minus ICE 3-Mo. LIBOR x0.33 – 68.75%; High Yield – 31.25% (Benchmark has been revised through time)

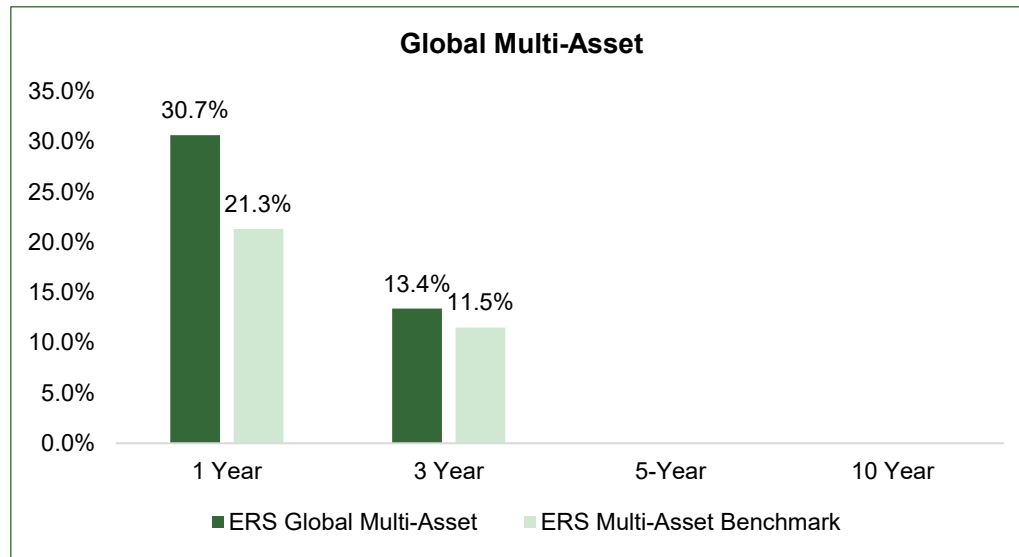


*Current Benchmark: FTSE/NAREIT Developed – 33.3%; DJ Brookfield Infrastructure – 33.3%; Commodity 33.3% (Benchmark has been revised through time)

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



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



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

Schedule of Ten Largest Equity & Fixed Income Holdings

Ten Largest Equity Holdings*				
No. Shares	Description	Cost	Fair Value	% of Total Portfolio
54,651	American Tower Corp	\$11,853,530	\$14,763,421	0.29%
36,698	Public Storage	7,905,406	11,034,722	0.22%
35,519	Sea Ltd	1,738,565	9,753,517	0.19%
64,438	Simon Property Group Inc	6,465,533	8,407,870	0.16%
159,556	Duke Realty Corp	5,604,410	7,554,977	0.15%
212,689	Healthpeak Properties Inc	6,302,005	7,080,417	0.14%
8,471	Equinix Inc	4,024,761	6,798,825	0.13%
8,279	LVMH Moet Hennessy Louis Vuitt	1,341,215	6,492,687	0.13%
11,842	Netflix Inc	2,865,126	6,255,063	0.12%
50,394	Taiwan Semiconductor Manufactu	<u>820,889</u>	<u>6,055,343</u>	<u>0.12%</u>
Total		<u>\$48,921,440</u>	<u>\$84,196,842</u>	<u>1.65%</u>

*full disclosure of holdings is available upon request.

Ten Largest Fixed Income Holdings*				
No. Shares	Description	Cost	Fair Value	% of Total Portfolio
31,990,000	U S Treasury Bond2.500% 05/15/2046 dd 05/15/16	\$31,138,222	\$34,677,800	0.68%
23,400,000	U S Treasury Bond2.500% 02/15/2046 dd 02/15/16	21,729,314	25,364,430	0.50%
38,900,000	U S Treasury BD Prin Strip0.000% 11/15/2045 dd 11/16/15	18,747,514	23,207,351	0.45%
13,856,011	US Treas-CPI Inflat1.000% 02/15/2048 dd 02/15/18	18,128,883	18,503,871	0.36%
17,425,000	U S Treasury Notevar RT 01/31/2023 dd 01/31/21	17,429,116	17,431,099	0.34%
11,467,245	US Treas-CPI Inflat0.625% 02/15/2043 dd 02/15/13	13,641,407	13,716,316	0.27%
12,865,000	U S Treasury Notevar RT 07/31/2022 dd 07/31/20	12,866,606	12,872,204	0.25%
7,476,847	US Treas-CPI Inflat2.125% 02/15/2040 dd 02/15/10	11,162,445	11,157,923	0.22%
12,300,000	U S Treasury Bond1.625% 11/15/2050 dd 11/15/20	11,669,424	11,052,657	0.22%
8,065,000	U S Treasury Notevar RT 10/31/2022 dd 10/31/20	<u>8,065,824</u>	<u>8,069,436</u>	<u>0.16%</u>
Total		<u>\$164,578,755</u>	<u>\$176,053,087</u>	<u>3.45%</u>

*full disclosure of holdings is available upon request.

Schedule of Brokerage Commissions
For the Year Ended June 30, 2021

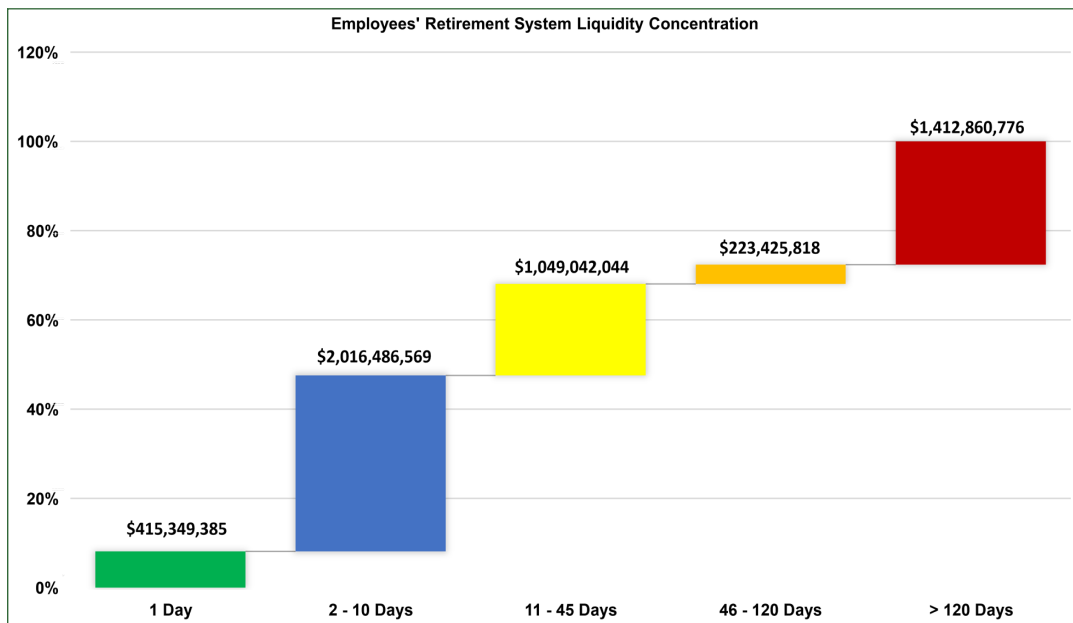
Broker Name	Base Volume	Total Shares	Base Commission	Commission Percentage
BARCLAYS CAPITAL INC./LE, NEW JERSEY	\$3,720	364	\$15	0.39%
NOMURA SECS INTL INC, NEW YORK	4,632	451	14	0.29%
BANCO ITAU, SAO PAULO	3,050,254	518,700	6,164	0.20%
KIM ENG SECS PT, JAKARTA	267,608	3,155,000	535	0.20%
MERRILL LYNCH CAPITAL MARKETS, NEW YORK	151,160	16,762	302	0.20%
AMBIT CAPITAL PRIVATE LTD, MUMBAI	38,612	1,758	77	0.20%
BOFA SECURITIES, INC, NEW YORK	1,515,673	450,107	2,576	0.17%
CITIGROUP GBL MKTS INC, NEW YORK	37,587	15,776	60	0.16%
BARCLAYS CAPITAL, NEW YORK	45,966	675	73	0.16%
PAREL, PARIS	704,556	1,208	1,125	0.16%
MIRAE ASSET SECURITIES, SEOUL	267,387	6,372	403	0.15%
DAIWA SEC, SEOUL	1,108,464	7,804	1,667	0.15%
SANTANDER INVESTMENT SEC INC, NEW YORK	691,562	146,800	1,039	0.15%
SCOTIA CAPITAL INC, NEW YORK	729,924	41,700	1,097	0.15%
JEFFERIES AUSTRALIA PTY LIMITED, SYDNEY	122,403	48,511	184	0.15%
GOLDMAN SACHS DO BRASIL, SAO PAULO	864,879	173,000	1,298	0.15%
J P MORGAN SEC, SYDNEY	714,649	164,753	1,072	0.15%
CITIGROUP GBL MKTS INDIA, MUMBAI	958,402	198,927	1,437	0.15%
CREDIT SUISSE AUSTRALIA EQ, MELBOURNE	234,758	38,878	352	0.15%
HYUNDAI SECURITIES, SEOUL	921,936	22,290	1,381	0.15%
GOLDMAN SACHS AUSTRALIA PTY LTD, MELBOURNE	101,727	42,601	152	0.15%
DAIWA SECS SMBC CATHAY CO, TAIPEI	289,752	21,000	434	0.15%
JEFFERIES HONG KONG LIMITED, HONG KONG	445,598	64,527	663	0.15%
JP MORGAN SECS, SINGAPORE	210,070	104,808	310	0.15%
J P MORGAN SECS LTD, LONDON	7,202,275	1,294,525	10,448	0.15%
CITIBANK LTD, MELBOURNE	810,701	193,860	1,139	0.14%
CREDIT SUISSE (EUROPE), LONDON	2,315,447	33,143	3,237	0.14%
MACQUARIES SECURITIES AUSTRALIA, SYDNEY	3,604,775	741,430	4,936	0.14%
CREDIT LYONNAIS SECS (ASIA), HONG KONG	2,890,510	2,870,627	3,832	0.13%
KEPLER EQUITIES, PARIS	1,287,153	34,462	1,695	0.13%
J.P. MORGAN SECURITIES, HONG KONG	3,169,906	490,035	4,028	0.13%
BERENBERG GOSSLER & CIE, HAMBURG	6,805,766	127,980	8,639	0.13%
BARCLAYS CAPITAL, LONDON (BARCGB33)	2,196,355	93,626	2,779	0.13%
INSTINET PACIFIC LTD, HONG KONG	6,644,542	10,778,471	8,167	0.12%
DAIWA SECS AMER INC, NEW YORK	13,066,321	416,589	15,883	0.12%
SHENYIN WANGUO SECS LTD, HONG KONG	1,691,271	461,000	2,032	0.12%
SKANDINAVISKA ENSKILDA BANKEN, COPENHAGE	57,236	357	69	0.12%
BANQUE PARIBAS, PARIS	323,536	3,880	389	0.12%
SVENSKA HANDELSBANKEN, STOCKHOLM	408,384	2,313	491	0.12%
PEEL HUNT LLP, LONDON	154,349	9,527	185	0.12%
DNB NOR MARKETS CUSTODY, OSLO	216,901	1,495	261	0.12%
CITIGROUP GLOBAL MARKETS LTD, LONDON	1,578,639	73,917	1,895	0.12%
OKASAN INTERNATIONAL (ASIA), HONG KONG	11,150,622	215,790	13,379	0.12%
CREDIT INDUSTRIEL ET COMMERCIAL, PARIS	3,429,010	112,942	4,114	0.12%
DAVY STOCKBROKERS, DUBLIN	368,023	43,068	441	0.12%
STIFEL NICOLAUS EUROPE LIMITED, LONDON	2,422,232	68,503	2,904	0.12%
CARNEGIE SECS LTD, HELSINKI (CASFFIH1)	303,940	47,431	364	0.12%
CARNEGIE ASA, OSLO	911,954	54,149	1,093	0.12%
DEN NORSKE CREDITBANK, OSLO	262,274	14,682	314	0.12%
HAITONG INTL SEC CO LTD, HONG KONG	450,435	18,200	540	0.12%
Other Brokers	1,765,534,691	99,684,241	1,017,961	0.06%
Total	\$1,852,738,528	123,129,015	\$1,133,646	0.06%

Schedule of Management Fees by Asset Class		
For the Year Ended June 30, 2021		
Asset Class	Fair Value	Management Fees
Absolute Return	\$720,539,302	\$15,214,475
Global Equity	1,430,037,566	9,504,099
Global Fixed Income	1,649,726,081	15,815,756
Global Multi-Asset	633,724,212	3,530,943
Global Real Assets	516,355,130	6,323,587
Short Term and Others	<u>166,782,301</u>	<u>1,046,811</u>
Total	<u>\$5,117,164,592</u>	<u>\$51,435,671</u>

Investment Summary				
(Based on Capital Allocation)				
	As of June 30, 2021		As of June 30, 2020	
	Fair Value	% Fair Value	Fair Value	% Fair Value
Absolute Return	\$720,539,302	14.1%	\$724,010,148	17.5%
Global Equity	1,430,037,566	27.9%	977,684,767	23.7%
Global Fixed Income	1,649,726,081	32.2%	1,349,367,234	32.7%
Global Multi-Asset	633,724,212	12.4%	495,466,779	11.9%
Global Real Assets	516,355,130	10.1%	370,850,142	8.9%
Short Term and Others	<u>166,782,301</u>	<u>3.3%</u>	<u>219,175,642</u>	<u>5.3%</u>
Total	<u>\$5,117,164,592</u>	<u>100.0%</u>	<u>\$4,136,554,712</u>	<u>100.0%</u>

Liquidity Snap Shot on June 30, 2021

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



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ACTUARIAL





ACTUARIAL





October 14, 2021

Fairfax County Employees'
Retirement System
12015 Lee Jackson Memorial Hwy, Suite 350
Fairfax, Virginia 22033

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the Fairfax County Employees' Retirement System as of June 30, 2021. The full results and analysis of that annual valuation will be presented in a full actuarial valuation report. The purpose of this actuarial section is to provide key information from that report and support the disclosure of Total Pension Liability that is presented in the Financial Section of this ACFR. For a more complete analysis, please see the full report.

Funding Objective

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

Assumptions

The actuarial assumptions used in performing the June 30, 2021 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 2021 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, 2021.

Compliance with Code of Virginia §51.1-800

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

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

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

Certification

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

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

Sincerely,
Cheiron



Fiona E. Liston, FSA
Principal Consulting Actuary



Coralie A. Taylor, FSA
Consulting Actuary



Summary of Valuation Results

The Actuarially Determined Contribution rate for Fiscal Year (FY) 2021 was developed in the 2019 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 2021 valuation.

Summary of Actuarial Assumptions and Methods

Funding Method

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

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

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

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

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

Actuarial Value of Assets

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

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

In 2021, there was an additional recognition of \$236 million of the remaining balance of past investment gains.

Changes Since Last Valuation

In addition to the standard recognition from the System's actuarial valuation method, there was an additional recognition of \$236 million of the past investment gains.

Rationale for Change in Asset Smoothing Method

This one-time adjustment to the asset smoothing method was made to recognize both the fact that market returns on investments were extraordinarily high this year and the desire to make changes to the actuarial assumptions while maintaining a level contribution rate. The County has established a policy of not allowing the contribution rate to go down until the System has paid off its unfunded actuarial liability. Absent recognizing these additional gains that rate would have increased with this valuation report and not recognizes the anticipated reductions that would occur in future valuations as the remaining investment gains flow through the asset smoothing method.

Long Term Assumptions Used to Determine System Costs and Liabilities

**Demographic Assumptions
Healthy Mortality**

Annual Deaths Per 10,000 Members		
Mortality Projected to 2021		
Age	Male	Female
50	47	37
55	62	41
60	84	49
65	114	66
70	170	104
75	281	182
80	493	333
85	876	621
90	1497	1,172
95	2,288	1,913
100	3,217	2,853

*Post-retirement mortality shown

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

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

Disabled Mortality

Annual Deaths Per 10,000 Disabled Members
Mortality Projected to 2021

Age	Male	Female
45	114	96
50	160	140
55	217	180
60	284	216
65	344	236
70	405	282
75	518	394
80	738	602

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

Active Separation From Service Due to Death

Annual Deaths Per 10,000 Members
Mortality Projected to 2021

Age	Male	Female
20	4	2
25	4	2
30	6	3
35	9	4
40	10	5
45	12	6

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

Termination of Employment
(Prior to Normal Retirement Eligibility)

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

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

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

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

Disability

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

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

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

Retirement/DROP

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

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

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

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

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

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

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

Family Composition

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

Sick Leave Credit

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

Economic Assumptions

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

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

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

Rationale for Assumptions

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

Changes since Last Valuation

All of the assumptions were reviewed as part of the experience study performed in early 2021. The assumptions that were changed since the last valuation include healthy and disabled mortality rates, termination, disability, retirement and DROP rates, salary increases, sick leave credit, investment return (decreased by 0.50%), general wage increase (decreased by 0.50%), cost-of-living adjustments, total payroll increase, and administrative expenses as a percentage of payroll.

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
2012	\$59,620,255	(\$74,547,089)	(\$14,926,834)	\$-	(\$14,926,834)
2013	46,004,262	(39,401,877)	6,602,385	(727,193)	5,875,192
2014	113,443,149	3,445,687	116,888,836	(1,462,698)	115,426,138
2015	(33,127,096)	73,129,057	40,001,961	-	40,001,961
2016	(120,548,533)	34,314,735	(86,233,798)	(69,346,439)	(155,580,237)
2017	(90,769,788)	(74,947,986)	(165,717,774)	(582,418)	(166,300,192)
2018	(64,779,936)	(41,362,698)	(106,142,634)	(603,265)	(106,745,899)
2019	(59,391,458)	(29,354,840)	(88,746,298)	-	(88,746,298)
2020	(103,597,308)	5,460,818	(98,136,490)	-	(98,136,490)
2021	192,341,249	43,615,539	235,956,788	2,280,293	238,237,081

¹ Schedule comes from the Actuarial Valuation as of June 30, 2021.

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		
2012	472	\$17,441,822	152	\$2,971,259	6,888	\$186,797,469	8.40%	\$27,119
2013	559	17,469,060	184	3,336,404	7,263	200,930,125	7.57%	27,665
2014	547	17,306,458	184	3,482,147	7,626	214,754,436	6.88%	28,161
2015	625	18,026,882	230	4,321,038	8,021	228,460,280	6.38%	28,483
2016	307	9,011,712	139	3,011,824	8,189	234,460,168	2.63%	28,631
2017	639	21,100,152	225	3,847,450	8,603	251,712,870	7.36%	29,259
2018	628	18,659,672	242	5,140,831	8,989	265,231,711	5.37%	29,506
2019	730	25,375,866	251	5,074,323	9,468	285,533,254	7.65%	30,158
2020	620	20,682,685	264	5,576,316	9,824	300,639,623	5.29%	30,603
2021	695	20,335,083	272	6,400,357	10,247	314,574,349	4.64%	30,699

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	(1)	(2)	(3)
					Portion of Accrued Liabilities by Reported Assets		
2012	\$332,723,684	\$2,411,862,623	\$1,519,589,131	\$3,053,412,085	100%	100%	20%
2013	355,254,873	2,587,007,980	1,531,567,801	3,261,923,577	100%	100%	21%
2014	363,335,228	2,769,188,984	1,668,195,558	3,614,067,515	100%	100%	29%
2015	372,037,954	2,884,906,681	1,649,587,057	3,759,611,811	100%	100%	30%
2016	396,434,811	2,987,100,852	1,732,881,508	3,831,179,295	100%	100%	26%
2017	380,179,076	3,216,480,052	1,771,072,393	3,930,924,191	100%	100%	26%
2018	397,692,499	3,444,004,357	1,749,526,935	4,070,486,587	100%	100%	13%
2019	404,341,900	3,624,784,344	1,762,554,326	4,220,420,263	100%	100%	11%
2020	419,154,588	3,719,369,617	1,822,541,878	4,349,257,826	100%	100%	12%
2021	409,477,095	3,995,179,306	1,925,153,122	4,997,549,929	100%	100%	31%

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

Schedule of Funding Progress

Valuation Date June 30,	Actuarial Value of Assets (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)
2012	\$3,053,412,085	\$4,264,175,438	\$1,210,763,353	72%	\$642,638,926	188%
2013	3,261,923,577	4,473,830,654	1,211,907,077	73%	655,612,800	185%
2014	3,614,067,515	4,800,719,770	1,186,652,255	75%	659,360,128	180%
2015	3,759,611,811	4,906,531,692	1,146,919,881	77%	663,896,916	173%
2016	3,831,179,295	5,116,417,171	1,285,237,876	75%	702,787,358	183%
2017	3,930,924,191	5,367,731,521	1,436,807,330	73%	728,022,176	197%
2018	4,070,486,587	5,591,223,791	1,520,737,204	73%	754,080,802	202%
2019	4,220,420,263	5,791,680,570	1,571,260,307	73%	789,790,124	199%
2020	4,349,257,826	5,961,066,083	1,611,808,257	73%	822,970,711	196%
2021	4,997,549,929	6,329,809,523	1,332,259,594	79%	805,120,408	165%

Schedule of Active Member Valuation Data

	Valuation Date June 30,	Number of Active Members ¹	Covered Payroll	Average Annual Salary	Percentage Increase in Average Pay
School	2012	5,855	\$169,890,909	\$29,016	
	2013	5,901	181,728,377	30,796	6.13%
	2014	5,869	181,560,970	30,936	0.45%
	2015	5,692	179,763,202	31,582	2.09%
	2016	5,927	189,237,256	31,928	1.10%
	2017	5,836	194,881,548	33,393	4.59%
	2018	5,665	196,161,116	34,627	3.70%
	2019	5,731	213,750,342	37,297	7.71%
	2020	5,783	214,899,962	37,160	-0.37%
	2021	5,514	192,348,196	34,884	-6.13%
County	2012	8,252	\$472,748,020	\$57,289	
	2013	8,110	473,884,424	58,432	2.00%
	2014	7,993	477,799,159	59,777	2.30%
	2015	7,977	484,133,722	60,691	1.53%
	2016	8,244	513,551,736	62,294	2.64%
	2017	8,150	533,140,400	65,416	5.01%
	2018	8,239	557,919,686	67,717	3.52%
	2019	8,269	576,039,782	69,663	2.87%
	2020	8,421	608,070,749	72,209	3.66%
	2021	8,501	612,586,452	72,061	-0.21%

¹ Excludes DROP participants.



STATISTICAL

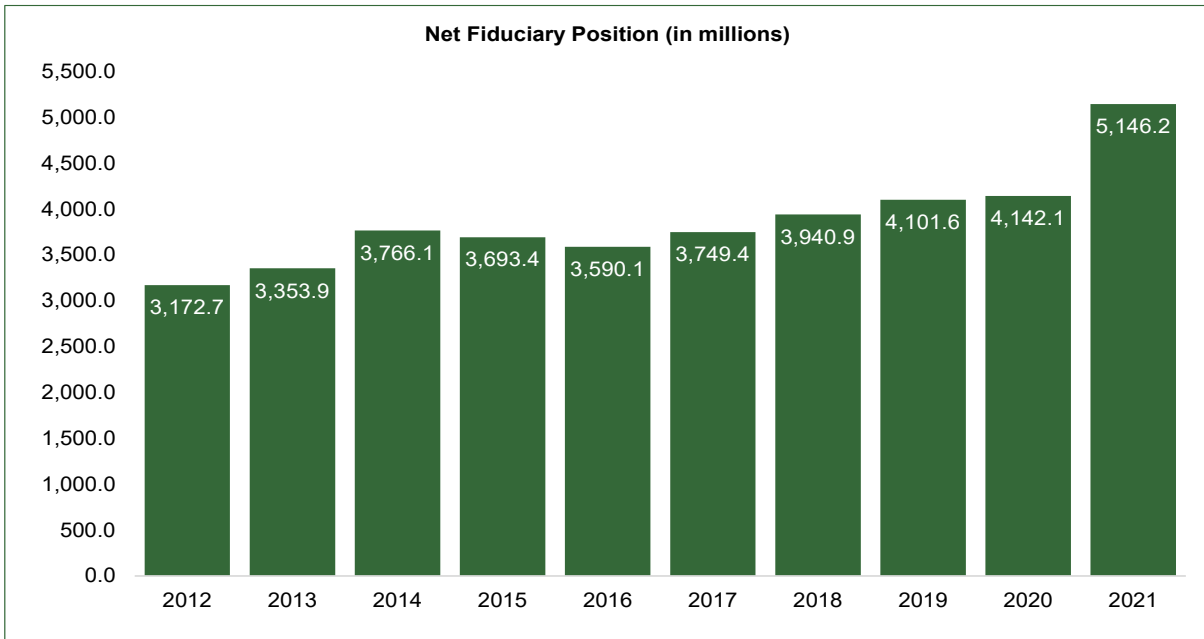




STATISTICAL



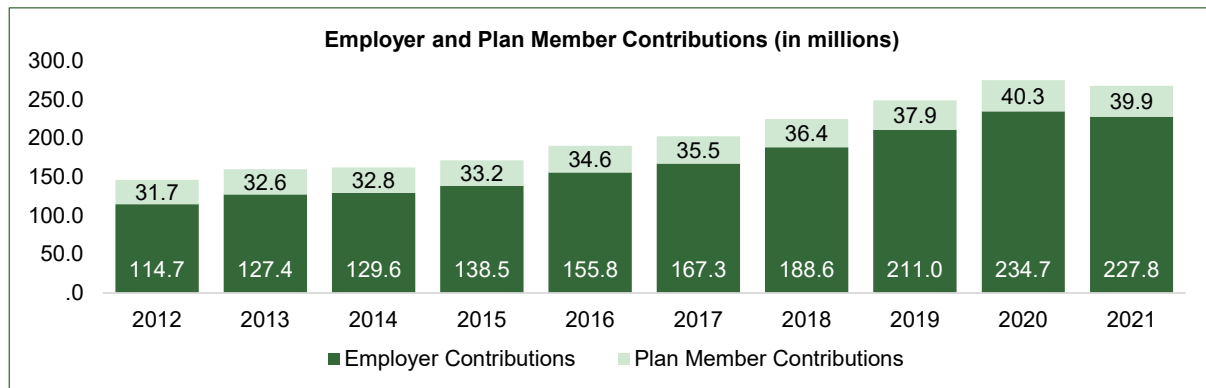
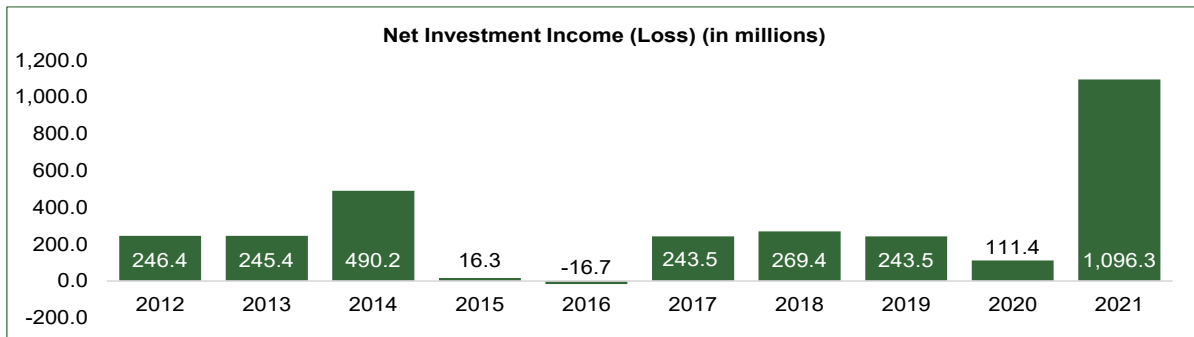
The Statistical Section presents historical information regarding the retirement plan. This information includes a ten-year analysis of the sources of change in fiduciary net position, benefit payments, the number of retired members and average monthly benefits. Sources of additions include employer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



Fiscal Year	Fiduciary Net Position
2012	\$3,172,652,596
2013	3,353,932,103
2014	3,766,059,665
2015	3,693,357,619
2016	3,590,082,229
2017	3,749,384,616
2018	3,940,926,716
2019	4,101,637,346
2020	4,142,063,209
2021	5,146,232,426

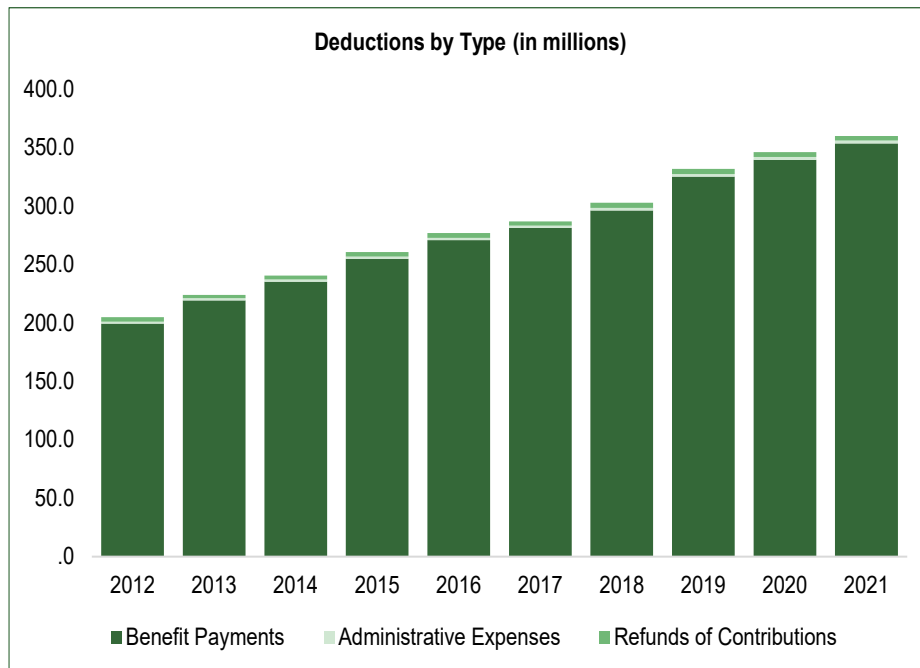
Changes in Fiduciary Position*					
Fiscal Year	2012	2013	2014	2015	2016
Additions by Source					
Plan Member Contributions	\$31,702,075	\$32,551,927	\$32,758,587	\$33,193,593	\$34,627,061
Employer Contributions	114,682,538	127,448,018	129,618,309	138,493,099	155,780,373
Net Investment Income (Loss)	<u>246,376,212</u>	<u>245,374,617</u>	<u>490,196,386</u>	<u>16,342,457</u>	<u>(16,668,287)</u>
Total Additions	392,760,825	405,374,562	652,573,282	188,029,149	173,739,147
Deductions by Type					
Benefit Payments	\$199,503,336	\$219,229,038	\$235,204,611	\$254,875,795	\$270,800,631
Refunds of Contributions	3,781,497	2,988,397	3,356,282	3,958,786	4,101,311
Administrative Expenses	<u>1,687,040</u>	<u>1,877,620</u>	<u>1,884,827</u>	<u>1,896,614</u>	<u>2,112,595</u>
Total Deductions	<u>204,971,873</u>	<u>224,095,055</u>	<u>240,445,720</u>	<u>260,731,195</u>	<u>277,014,537</u>
Change in Fiduciary Net Position	<u>\$187,788,952</u>	<u>\$181,279,507</u>	<u>\$412,127,562</u>	<u>(\$72,702,046)</u>	<u>(\$103,275,390)</u>

*This ten year report continues next page.



Changes in Fiduciary Position					
Fiscal Year	2017	2018	2019	2020	2021
Additions by Source					
Plan Member Contributions	\$35,476,023	\$36,357,591	\$37,915,769	\$40,327,359	\$39,914,839
Employer Contributions	167,311,608	188,578,414	210,964,436	234,743,643	227,846,281
Net Investment Income (Loss)	<u>243,496,177</u>	<u>269,418,157</u>	<u>243,545,545</u>	<u>111,442,161</u>	<u>1,096,259,683</u>
Total Additions	446,283,808	494,354,162	492,425,750	386,513,163	1,364,020,803
Deductions by Type					
Benefit Payments	\$281,258,687	\$296,255,029	\$325,167,739	\$339,610,116	\$353,630,536
Refunds of Contributions	3,671,886	4,386,395	4,349,488	4,005,739	3,701,609
Administrative Expenses	<u>2,050,848</u>	<u>2,170,638</u>	<u>2,197,893</u>	<u>2,471,445</u>	<u>2,519,441</u>
Total Deductions	<u>286,981,421</u>	<u>302,812,062</u>	<u>331,715,630</u>	<u>346,087,300</u>	<u>359,851,586</u>
Change in Fiduciary Net Position	<u>\$159,302,387</u>	<u>\$191,542,100</u>	<u>\$160,710,120</u>	<u>\$40,425,863</u>	<u>\$1,004,169,217</u>

Continued from previous page



Schedule of Benefit Payments by Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
2012	\$187,702,064	\$3,187,892	\$4,353,983	\$4,259,397	\$199,503,336
2013	206,701,293	3,436,007	4,490,924	4,600,814	219,229,038
2014	222,547,552	3,416,714	4,412,110	4,828,235	235,204,611
2015	241,694,202	3,498,363	4,444,633	5,238,597	254,875,795
2016	257,182,159	3,482,679	4,371,713	5,764,080	270,800,631
2017	267,245,571	3,501,643	4,323,112	6,188,361	281,258,687
2018	281,675,071	3,467,455	4,413,607	6,698,896	296,255,029
2019	310,161,066	3,520,311	4,368,567	7,117,795	325,167,739
2020	323,782,787	3,383,157	4,555,340	7,888,832	339,610,116
2021	337,623,320	3,210,483	4,346,527	8,450,206	353,630,536

Schedule of Retired Members by Benefit Type

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Total
2012	6,030	152	396	310	6,888
2013	6,392	153	390	328	7,263
2014	6,757	149	374	346	7,626
2015	7,139	149	368	365	8,021
2016	7,300	149	359	381	8,189
2017	7,691	146	358	408	8,603
2018	8,058	139	354	438	8,989
2019	8,520	145	348	455	9,468
2020	8,841	140	351	492	9,824
2021	9,259	134	339	515	10,247

Schedule of Average Monthly Benefit Amounts

Fiscal Year	Service Annuity	Service-Connected Disability	Ordinary Disability	Survivor Benefit	Average
2012	\$2,409	\$1,857	\$935	\$1,247	\$2,260
2013	2,450	1,913	941	1,274	2,305
2014	2,503	2,105	968	1,284	2,364
2015	2,506	2,148	988	1,323	2,376
2016	2,521	2,272	1,005	1,360	2,396
2017	2,568	2,103	995	1,344	2,436
2018	2,586	2,172	1,010	1,348	2,457
2019	2,630	2,200	1,034	1,383	2,505
2020	2,674	2,146	1,069	1,412	2,551
2021	2,678	2,098	1,065	1,422	2,554

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 7/1/2010 to 6/30/2011</u>							
Average Monthly Benefit **	\$243	\$564	\$972	\$1,823	\$2,504	\$2,940	\$3,633
Average of Final Monthly Salaries	\$3,317	\$3,772	\$4,278	\$5,416	\$5,796	\$5,855	\$6,164
Number of Retirees	29	57	59	75	112	67	46
<u>Period 7/1/2011 to 6/30/2012</u>							
Average Monthly Benefit **	259	525	970	1,690	2,565	3,042	3,699
Average of Final Monthly Salaries	3,712	3,764	4,147	5,145	6,145	6,060	6,252
Number of Retirees	25	52	54	65	89	80	30
<u>Period 7/1/2012 to 6/30/2013</u>							
Average Monthly Benefit **	207	581	990	1,832	2,514	3,123	4,569
Average of Final Monthly Salaries	2,847	4,114	4,278	5,430	5,860	6,300	7,428
Number of Retirees	34	66	54	69	113	77	37
<u>Period 7/1/2013 to 6/30/2014</u>							
Average Monthly Benefit **	243	538	1,012	1,746	2,512	3,173	3,918
Average of Final Monthly Salaries	3,693	3,835	4,501	5,445	5,964	6,214	6,543
Number of Retirees	30	68	69	57	88	88	39
<u>Period 7/1/2014 to 6/30/2015</u>							
Average Monthly Benefit **	243	598	1,035	1,784	2,596	3,061	4,010
Average of Final Monthly Salaries	3,146	4,053	4,450	5,328	6,108	6,071	6,532
Number of Retirees	20	79	70	68	108	110	42
<u>Period 7/1/2015 to 12/31/2015</u>							
Average Monthly Benefit **	171	532	1,132	1,708	2,423	3,316	3,540
Average of Final Monthly Salaries	2,784	3,682	4,751	5,117	5,640	6,581	5,826
Number of Retirees	7	37	42	34	55	51	19
<u>Period 1/1/2016 to 12/31/2016</u>							
Average Monthly Benefit **	285	645	1,001	1,777	2,753	3,458	4,504
Average of Final Monthly Salaries	4,220	4,481	4,332	5,276	6,520	6,773	7,267
Number of Retirees	24	89	90	85	89	128	65
<u>Period 1/1/2017 to 12/31/2017</u>							
Average Monthly Benefit **	261	549	1,055	1,670	2,662	3,443	4,544
Average of Final Monthly Salaries	3,541	3,718	4,570	5,005	6,278	6,773	7,375
Number of Retirees	33	102	99	86	81	94	52
<u>Period 1/1/2018 to 12/31/2018</u>							
Average Monthly Benefit **	245	574	1,118	1,719	2,706	3,545	4,489
Average of Final Monthly Salaries	3,664	4,258	4,606	5,311	6,216	6,816	7,346
Number of Retirees	32	81	115	104	88	123	57
<u>Period 1/1/2019 to 12/31/2019</u>							
Average Monthly Benefit **	324	563	1,192	1,786	2,574	3,531	5,055
Average of Final Monthly Salaries	3,132	3,948	4,893	5,312	6,070	6,830	8,288
Number of Retirees	21	91	86	117	91	120	54
<u>Period 1/1/2020 to 12/31/2020</u>							
Average Monthly Benefit **	337	642	1,208	1,890	2,586	3,558	4,357
Average of Final Monthly Salaries	4,302	4,547	5,101	5,596	6,084	6,842	7,209
Number of Retirees	41	111	93	99	94	105	66

*The Years of Credited Service is the service used in the determination of benefits, which may be different than service for eligibility.

**Does not include supplements.

Active Participants Count by Age/Service

Age	Service								Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	
Under 25	82	72	1	-	-	-	-	-	155
25 to 29	248	463	79	-	-	-	-	-	790
30 to 34	203	624	378	63	1	-	-	-	1,269
35 to 39	174	559	416	277	97	5	-	-	1,528
40 to 44	204	533	368	285	222	61	3	-	1,676
45 to 49	185	573	383	301	261	188	37	7	1,935
50 to 54	180	518	457	336	292	244	108	46	2,181
55 to 59	137	514	515	386	308	208	69	55	2,192
60 to 64	74	363	388	339	219	81	22	21	1,507
65 & up	40	206	211	163	81	44	22	15	782
Total	1,527	4,425	3,196	2,150	1,481	831	261	144	14,015

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	\$2,820,676	\$2,919,897	\$44,160	\$0	\$0	\$0	\$0	\$0	\$5,784,733
25 to 29	10,336,663	23,091,194	4,354,813	-	-	-	-	-	37,782,670
30 to 34	9,424,717	33,221,453	23,567,364	3,817,460	45,305	-	-	-	70,076,299
35 to 39	7,426,180	30,989,820	26,330,119	18,063,627	6,178,712	324,001	-	-	89,312,459
40 to 44	8,683,970	26,676,593	23,819,833	19,191,929	15,810,192	4,496,661	201,345	-	98,880,523
45 to 49	6,770,952	26,136,062	21,366,411	20,152,063	17,724,310	15,070,060	3,224,752	636,167	111,080,777
50 to 54	6,752,969	21,045,581	22,876,201	21,039,848	19,921,290	20,025,128	10,376,571	3,880,179	125,917,767
55 to 59	4,898,341	20,468,913	22,880,539	22,293,329	20,539,291	16,685,755	5,778,617	5,157,541	118,702,326
60 to 64	2,471,488	14,659,796	18,619,331	19,393,799	14,497,562	5,044,124	1,790,503	1,997,027	78,473,630
65 & up	1,030,565	6,042,299	8,936,493	8,290,106	4,843,566	3,379,486	1,648,685	1,395,289	35,566,489
Total	\$60,616,521	\$205,251,608	\$172,795,264	\$132,242,161	\$99,560,228	\$65,025,215	\$23,020,473	\$13,066,203	\$771,577,673

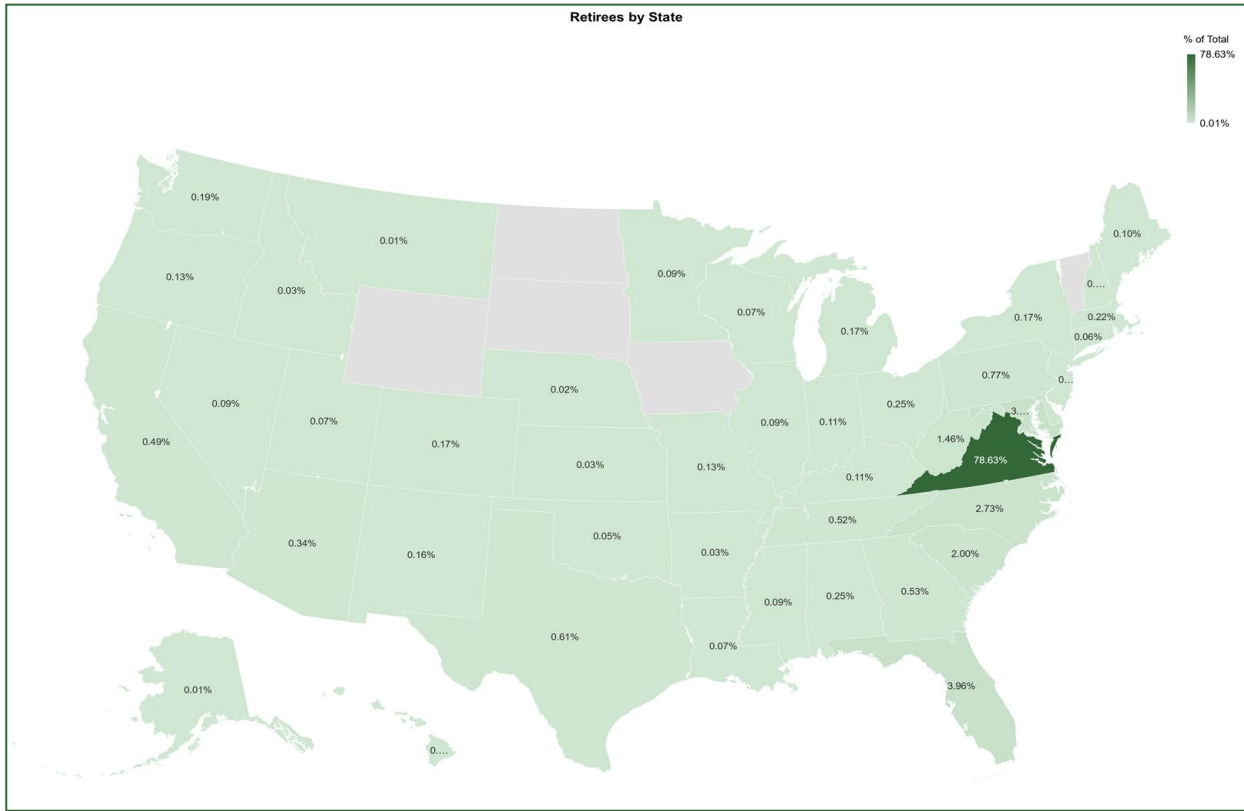
Retirees by Location

Retirees By State	
State	% of Total
Virginia	78.63%
Florida	3.96%
Maryland	3.86%
North Carolina	2.73%
South Carolina	2.00%
West Virginia	1.46%
Pennsylvania	0.77%
Texas	0.61%
Georgia	0.53%
Tennessee	0.52%
California	0.49%
District of Columbia	0.49%
Delaware	0.40%
Arizona	0.34%
Alabama	0.25%
Ohio	0.25%
Massachusetts	0.22%
Washington	0.19%
Colorado	0.17%
Michigan	0.17%
New York	0.17%
New Mexico	0.16%
Missouri	0.13%
Oregon	0.13%
Indiana	0.11%
Kentucky	0.11%
Maine	0.10%
Illinois	0.09%
Minnesota	0.09%
Mississippi	0.09%
Nevada	0.09%
New Jersey	0.09%
New Hampshire	0.08%
Louisiana	0.07%
Utah	0.07%
Wisconsin	0.07%
Connecticut	0.06%
Oklahoma	0.05%
Arkansas	0.03%
Hawaii	0.03%
Idaho	0.03%
Kansas	0.03%
Nebraska	0.02%
Alaska	0.01%
Montana	0.01%
Rhode Island	0.01%

Retirees in Virginia	
County	% of Total
Other Counties	87.24%
Fairfax County	<u>12.76%</u>
Total	100.00%

Retirees by Fairfax County/City	
City	% of Total
Fairfax	1.63%
Alexandria	1.59%
Springfield	1.50%
Centreville	1.15%
Herndon	0.92%
Falls Church	0.88%
Annandale	0.81%
Reston	0.79%
Vienna	0.69%
Burke	0.62%
Lorton	0.54%
Chantilly	0.49%
Mc Lean	0.40%
Clifton	0.26%
Fairfax Station	0.15%
Oakton	0.14%
Great Falls	0.11%
Dunn Loring	0.03%
Fort Belvoir	0.03%
Merrifield	0.03%

Retirees Outside of the United States	
Country	Number of Retirees
Australia	1
Costa Rica	1
Cyprus	1
Mexico	2
Peru	2
Thailand	2
UK	2
Total	11



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.

We have added new features for our member’s convenience:

- All our forms online are now fillable
- We have added How To videos to our video library
- Our classes are available virtually
- You can now meet with your retirement analyst virtually as well. Just email your analyst for more details.

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
- Payroll Deduction Form

A Pension Trust Fund of Fairfax County, Virginia



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