



# Retirement Review

## ERFC Portfolio Returns -19.2 percent for FY 2009

### Fund Modestly Underperforms Peer Systems

The devastation that began its roar through the capital markets late last year and continued through February 2009, resulted in a very poor absolute performance for the ERFC portfolio in Fiscal Year 2009. ERFC's -19.2 percent return ranked slightly below the median among peer funds with at least \$1 billion in assets. ERFC's longer-term returns held stronger however, with the five, seven and ten year return rates all ranked above the median (See Performance Rankings table at right)

As a long-term investor, ERFC maintains a diversified portfolio, which contains both domestic and international equity, fixed income, global asset allocation, real estate, and absolute return strategies (hedge fund-of-funds). During FY 2009, ERFC's domestic equity portfolio returned -25.5 percent, coming in slightly above its benchmark, the Russell 3000 Index, which returned -26.6 percent. ERFC's poorest performing asset class, international equity, returned -40.3 percent versus its benchmark, the All County World Index Ex US, which returned -30.9 percent. ERFC's fixed income composite fund performance of 4.9 percent was the only asset class to produce a positive return for the year, but lagged its benchmark, the Barclays Aggregate Bond Index, by 1.2 percent. ERFC's Global Asset Allocation managers returned -17.0 percent, landing 3.6 percent below the blended benchmark. ERFC's Absolute Return Strategies returned -11.6 percent, slightly outperforming the Hedge Fund Median return of -13.5 percent. ERFC's real estate portfolio, which includes both private real estate and Real Estate

ERFC Performance/Rankings for Periods Ending June 30, 2009		
<b>1-Year</b>		
ERFC	Rank*	Median**
-19.2%	60	-18.6%
<b>3-Year</b>		
ERFC	Rank	Median
-3.1%	53	-3.0%
<b>5-Year</b>		
ERFC	Rank	Median
2.4%	43	2.3%
<b>7-Year</b>		
ERFC	Rank	Median
4.6%	29	4.3%
<b>10-Year</b>		
ERFC	Rank	Median
3.1%	43	2.9%
<p>* Rank = Percentage of Public Funds with assets in excess of \$1 Billion, that performed better than ERFC for the period indicated</p> <p>** Median Return for Public Funds with assets in excess of \$1 Billion</p>		

Investment Trusts (REITs), returned -36.0 percent, underperforming the blended real estate benchmark at -28.6 percent.

Active management, which constitutes approximately 80 percent of the ERFC portfolio, struggled mightily last year. Fiscal Year 2009 was a period in which relative performance was not a function of

*Portfolio Returns, continued on page 2*

## News to Know

### Benefits Open Enrollment Scheduled in October

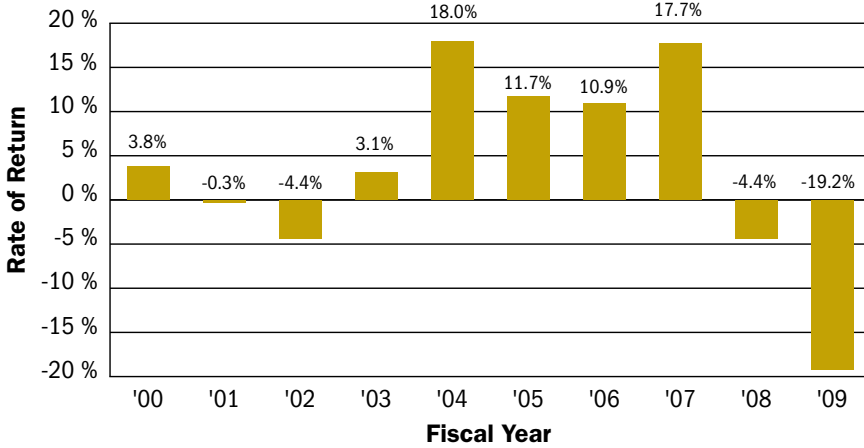
FCPS' open enrollment period for 2010 benefits is scheduled October 5-29. The Office of Benefit Services will conduct Open Houses during the month, joined by representatives from FCPS' medical, dental, vision, and prescription drug plans, as well as the 403(b) retirement savings plan providers. Seasonal flu shots will also be available during each session.

For more information, visit the website at: [www.fcps.edu/DHR/retirees/index.htm](http://www.fcps.edu/DHR/retirees/index.htm)

### ERFC Direct Deposit Payment Schedule

- October 30, 2009
- November 30, 2009
- December 31, 2009
- January 29, 2010
- February 26, 2010
- March 31, 2010
- April 30, 2010
- May 31, 2010
- June 30, 2010

**Fiscal Year Returns** for the Periods Ending June 30th



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*Portfolio Returns, continued from page 1*

fundamental asset management and high quality securities selections, but rather a very uncharacteristic time frame in which extraneous factors ruled. As a result, and counter to ERFC’s long-term results, active managers were the main driver of the Fund’s sub-median performance. Yet, as the markets began to stabilize and rebound beginning in March 2009, quality asset management proved its value. Most active managers outperformed their respective benchmarks in the final quarter, and ERFC’s 13.2 percent quarterly performance for the period ending June 30, 2009, ranked in the top 20 percent of public funds greater than \$1 billion.

FY 2009 will be remembered as a rocky year among fund managers worldwide, but the ERFC trustees remain confident that the Plan’s reliance on top tier investment managers, as well as a highly diversified portfolio, will serve it well in the coming years.

ERFC implemented several minor changes to the portfolio lineup in FY 2009. Early in the fiscal year, ERFC hired the Permal Group to manage \$25 million of its absolute return strategy allocation. Last winter, ERFC hired Epoch

Investment Partners, Ltd. to manage a small capitalization domestic equity portfolio, transitioning funds held previously in a Russell 2000 Index portfolio managed by Mellon Capital. In a move to consolidate its domestic large capitalization holdings, ERFC hired Turner Investment Partners (Turner) in June 2009, to manage a growth portfolio. Upon hiring Turner, the Board of Trustees terminated ERFC’s relationships with AllianceBernstein (large cap growth), Dodge and Cox (large cap value), and a growth index portfolio managed by Mellon Capital.

While still licking last year’s wounds, ERFC has seen FY 2010 start off with a bang, with the portfolio up 13.5 percent as of September 30th. For the calendar year-to-date, ERFC rose slightly above 20 percent, comparing favorably to similar pension funds nationwide. However, even with these extraordinary returns, ERFC remains down \$400 million from its previously reported high point, as Plan assets totaled slightly over \$1.6 billion in late September. As such, the ERFC trustees recognize that the School Board may find it necessary to address contribution rates or benefit adjustments going forward – potential measures consistent with similar actions undertaken by public pension plans throughout the United States. Therefore, during the September 17th ERFC Board meeting, the trustees agreed unanimously to draft a policy that will consider prudent alternatives for managing deficits as a key component of the 2009 Strategic Plan:

***Develop a policy that considers employer contribution rates, employee contribution rates, actuarial methods, and benefit reductions when addressing corrective action steps that may become necessary in order to eliminate deficits resulting from unrecovered investment losses.***

The Board of Trustees expects to develop and adopt such a policy no later than July 1, 2010.

## ERFC Investment Managers

As of June 30, 2009 (Dollars in millions)

INVESTMENT MANAGER	INVESTMENT TYPE	AMOUNT
<b>Equities</b>		
<b>LARGE CAPITALIZATION</b>		
Aronson + Johnson + Ortiz	Value	\$ 88.1
Mellon Capital Management Corp.	Core Index (Russell 1000)	191.9
*Turner Investment Partners	Growth	89.0
<b>SMALL/MID CAPITALIZATION</b>		
*Epoch Investment Partners, Inc.	Small Cap Value	32.4
Lazard Asset Management	Mid Cap Core	35.3
Westfield Capital Management	Small Cap Growth	37.5
<b>INTERNATIONAL</b>		
Acadian Asset Management	Core	66.6
AllianceBernstein	Value	69.9
William Blair & Company	Growth	71.6
<b>Fixed Income</b>		
Loomis-Sayles & Company	Core Plus	131.5
Mellon Capital Management Corp.	Core Index (Barclays Aggregate)	82.8
Pacific Investment Management Co.	Core Plus	184.6
<b>Global Asset Allocation</b>		
Bridgewater Associates, Inc.	Better Beta	74.7
Mellon Capital Management Corp.	Global Asset Allocation	57.3
Pacific Investment Management Co.	Global Asset Allocation	89.0
<b>Absolute Return</b>		
Grosvenor Institutional Partners, L.P.	Hedge Fund of Funds	21.3
*Permal Group	Hedge Fund of Funds	22.4
<b>Real Estate</b>		
J P Morgan Asset Management	Private	12.6
Prudential Financial	Private	17.3
UBS Realty Investors	Private	20.0
Urdang Investment Management	Public	44.9
<b>Cash</b>		1.3
<b>TOTAL</b>		<b>\$ 1,442.0</b>

\*New managers in fiscal year 2009

## Board Events

Meetings of the ERFC Board of Trustees and the System's Investment Committee are held in the ERFC board room at 8001 Forbes Place, Suite 300, in Springfield, Virginia. The Investment Committee meets quarterly, and the Board meets monthly throughout the year (excluding August). The trustees also conduct a comprehensive annual planning session and offsite retreat. For notices of schedule changes and other information, visit the system website: [www.fcps.edu/ERFC](http://www.fcps.edu/ERFC).

### FY 2010 Board of Trustees' Meeting Schedule

All meetings begin at 3:00 p.m.

- September 17, 2009
- October 29, 2009
- November 19, 2009
- December 17, 2009
- January 28, 2010
- February 25, 2010
- March 25, 2010
- Annual Board Retreat (offsite) – Dates TBD
- May 27, 2010
- June 17, 2010

### Investment Committee Meetings

All meetings begin at 12:00 noon.

- September 17, 2009
- November 19, 2009
- February 25, 2010
- May 27, 2010

## ERFC Reduces Costs with Limited Statement Mailings

### Where Have You Retired?

ERFC currently counts over 8,700 retired members. At least one ERFC retiree now lives in every state in the nation. Virginia tops the list, but even North Dakota and Hawaii have added ERFC retiree residents in recent years. A dozen members have also retired to other countries. Can you guess where? (*See answers on this page, lower right.*)

On this note, ERFC reminds everyone to keep in touch and make certain to update your personal data as necessary. This includes any changes to your address, beneficiary designations, or even your name if you should marry or divorce after retirement. To notify ERFC of any changes to your personal data, you will need to complete the appropriate change form, which you can download directly from the website at: [www.fcps.edu/ERFC](http://www.fcps.edu/ERFC). If you prefer, you can also visit the office or call to request a form by mail at: 703-426-3900, or toll-free at: 1-800-426-4208. Please note that, to protect all members' privacy, ERFC requires a signed, original request form to authorize any changes to your personal data—therefore such changes cannot be submitted by phone, fax or email. Questions? Just call. The ERFC staff will be glad to assist you.

As ERFC prepares to launch its new, fully-integrated computer operations system over the coming months, the retirement office will also implement key cost-saving measures among its business practices. As first announced in this newsletter last spring, ERFC will limit the production and distribution of *printed* monthly benefit payroll statements to retirees and beneficiaries, effective with the January 2010 benefit payment cycle. In the new year, ERFC will print and mail benefit pay statements to members only upon direct written request—or to provide notification when any changes occur in a member's net benefit payment, such as the implementation of a COLA increase, or a benefit offset at Social Security age, or when tax withholdings are adjusted.

By limiting the distribution of printed retiree payroll statements, ERFC will significantly reduce the expenses incurred for production and postage—and even save a few trees for a greener environment. This new practice will closely mirror the VRS' statement distribution policy, and can be implemented by ERFC with minimal impact to payment recipients. The vast majority of ERFC retirees receive their benefits

electronically via direct deposit; therefore, most members already confirm receipt of their monthly benefit payments online with their personal financial institutions. In addition, ERFC retirees will soon gain secure and more immediate access to their individual benefit details as the System introduces new online resources for all members throughout 2010.

If you will be satisfied in receiving printed ERFC benefit pay statements only when a change occurs in your net payment amount, no action is necessary. The ERFC office will automatically mail you a printed statement whenever your net benefit amount changes. However, if you have a special need or interest that will require you to continue receiving printed ERFC benefit statements by mail every month after January 2010, you must complete a request form and return it to the ERFC office **no later than January 10, 2010**. The *Request for Mailed Delivery of Printed Pay Statements* form (ERFC-37) may be downloaded from the Retirees' Information page on the System website at: [www.fcps.edu/ERFC](http://www.fcps.edu/ERFC). For other assistance, you may call 703-426-3900 or 1-800-426-4208.

### myVRS Now Available Online for Retired Members

Retired members can now access their Virginia Retirement System benefit information easily and securely online through the *myVRS* service provided on the system website.

With *myVRS*, you can review your individual benefit information to verify or confirm:

- Your monthly VRS benefit deposit
- The gross and net amounts of your VRS benefit
- Deductions for health insurance premiums and your health insurance credit (*if applicable*)

- Tax withholdings
- Your VRS benefit payment history

The *myVRS* feature also allows you to view and update personal contact information directly and securely. Not too computer savvy? There's an online help page to walk you through each step.

To register, go to the Retirees section on the VRS system website at: [www.varetire.org](http://www.varetire.org). The *myVRS* services are available Monday through Saturday from 7:00 a.m. until 11:30 p.m., and Sundays from 8:30 a.m. until 11:30 p.m.

Answers to ERFC Retirees' Global Communities: 1. Canada, 2. England, 3. Germany, 4. Greece, 5. Italy, 6. Jamaica, 7. Japan, 8. Spain, 9. Sweden, 10. United Kingdom, 11. Virgin Islands

# ERFC Leadership Transitions in FY 2010

As ERFC manages ongoing change in the markets, the Board and staff are also embracing changes among the System's "human capital" in FY 2010.

On July 1st, **Tom Bowen** retired from FCPS after serving 7 terms as an ERFC trustee, and a 20-year career with the Department of Human Resources. Bowen joined FCPS in 1988, following his "first 20-year career" with the Fairfax County Police Department. ERFC Board Chairperson, Michael Hairston spoke on behalf of the trustees and staff alike, extending their gratitude and high praise to Bowen for his years of generous service.

Upon Bowen's retirement in July, the School Board appointed FCPS' Assistant Superintendent for the Department of Human Resources, **Kevin North** to the ERFC Board. The trustees opened their first meeting of the fiscal year with a unanimous vote to re-seat **Michael Hairston** and **Jeannine Maynard** as Board Chairperson and Vice Chairperson, respectively. The trustees also elected FCPS Chief Investment Officer, **Susan Quinn** as Treasurer. The ERFC Board for FY 2010 also includes trustees, **Nitin Chittal**, **Richard Moniuszko**, and **Leonard Bumbaca**.

In September, ERFC announced the promotion of **Michael Lunter** to Finance Coordinator. Lunter, who has served six years as a Financial Analyst with ERFC, was appointed to replace Bob Lausier, who departed the System late last spring.

After 8 years' leadership as ERFC Executive Director, **Alan Belstock** announced his retirement from the System



**Kevin North**



**Michael Hairston**



**Michael Lunter**

effective December 1st. In July, Board Chairperson, Michael Hairston appointed an ad hoc search committee to interview candidates and select a replacement for Dr. Belstock, who was chosen as ERFC's first executive director in 2001. Speaking on behalf of the trustees, Hairston said, "Alan Belstock has implemented numerous systems and has developed ERFC into a program that runs with great efficiency. His focus on process and best practices has made ERFC a model plan. He will be missed and we wish him well in retirement."

This past June, Dr. Belstock presented his annual ERFC status report to the School Board. To assist in the administrative transition with his retirement, Michael Hairston will join Dr. Belstock in presenting an additional mid-year report at to the School Board during their November 9th meeting.

The ERFC trustees expect to appoint a new executive director by mid-fall.



## Alan Belstock Bids Farewell

*Executive Director, Alan Belstock's 8-year career with ERFC has been marked by innovation and change. Looking ahead to his December 1st retirement, Belstock reflected on some of those changes*

Prior to my selection as ERFC's first executive director, many of the administrative responsibilities now handled by ERFC staff, were handled by the Board of Trustees or consultants. With these changes have come a myriad of operational efficiencies and cost savings for the system, and I am especially proud of the improvements in our member services. We have improved the retirement counseling services by hosting additional evening workshops for members nearing retirement.

ERFC's individual counseling sessions have also been enhanced by uniform administration with our emphasis on evaluation and improvement to best meet member needs. Additionally, my vision of a fully automated office with online member self-service will begin initial implementation early in 2010.

I'm actually somewhat ambivalent about retiring. I love my job, but it's time to spend more time with family, especially my new granddaughter. In my 42 years of public service, including 17 years as a teacher, I've never felt more valued than during my time at ERFC. The fine work done by the FCPS staff manifests itself in the tremendous support I have received throughout FCPS. Most of all, I am proud to be a part of a program that rewards these outstanding people who have dedicated their lives to children's education.

*Alan Belstock, PhD*

# ERFC Prepares Initial Launch of New Online Member Services

*Retirement Review* is a biannual newsletter published for retired members of *ERFC* and *ERFC 2001* by the Educational Employees' Supplementary Retirement System of Fairfax County (ERFC).

## Board of Trustees FY 2010

**Michael Hairston**  
Chairperson and Trustee

**Jeannine Maynard**  
Vice Chairperson and Trustee

**Susan Quinn**  
Treasurer and Trustee

**Leonard Bumbaca**  
Trustee

**Nitin Chittal**  
Trustee

**Richard Moniuszko**  
Trustee

**Kevin North**  
Trustee

## Administration

**Alan Belstock**  
Executive Director

**Jeanne Carr**  
Deputy Executive Director

**Joyce Cosby**  
Retirement Coordinator

**Janet Kohler Dueweke**  
Communications

**Michael Lunter**  
Finance Coordinator

703-426-3900  
1-800-426-4208  
erfcoffice@fcps.edu  
www.fcps.edu/ERFC

This January, ERFC will ring in the New Year by taking the first steps in the launch phase for the System's new computer operating system – a massive project that has been under studious development, from RFPs to equipment installations and testing, for more than six years. When fully implemented, the new PensionGold™ system, a product of Levi, Ray & Shoup, Inc. (LRS), will consolidate and streamline service functions currently provided for ERFC through a variety of separate software programs, into a single, fully-integrated computer system.

Upon completion, the PensionGold™ system will upgrade all aspects of ERFC's management workflow by establishing a single automated platform to maintain member records, track historical data, and compute benefits payroll. Before long, the new system will also introduce a web-enabled portal that will provide members

direct access to individual retirement benefit estimates and other self-service functions.

ERFC Deputy Executive Director, Jeanne Carr has led the project since joining the system nearly five years ago. She credits careful teamwork between ERFC-DIT and LRS, plus a very cooperative, hard-working staff for the tremendous progress already achieved. "The new system will upgrade all of ERFC's existing business applications through more integrated functionality," explains Carr. "We have set a carefully staged schedule for implementing the new system, and work still lies ahead for us at each step. However, with 'step one' of the launch phase now just around the corner, the ERFC staff is fully focused on the shared goal to enhance our member services with greater efficiency and cost-savings."



8001 Forbes Place, Suite 300  
Springfield, VA 22151-2205

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