

RETIREMENT REVIEW

A BIENNIAL NEWSLETTER
FOR RETIRED MEMBERS OF
ERFC AND ERFC 2001
FALL 2016



ERFC Portfolio Returns Are Once Again Impacted by Global Turmoil 2016 Calendar Year-to-Date Performance Improving

ERFC's portfolio declined .3 percent in fiscal year 2016, the second year of disappointing returns. The Fund ended the fiscal year at \$2.1 billion. For the year, ERFC underperformed its policy index by 1.7 percent due primarily to underperformance by its domestic equity managers; in contrast, last year ERFC outperformed its policy index due to strong returns by its domestic equity managers. The one-year return ranked the Fund in the

bottom quartile of its peer universe. This unfavorable peer system performance occurred due to less domestic equity exposure in ERFC's portfolio than its peer group; the Fund's 20.3 percent U.S. equity allocation was lower than the median fund's 32.1 percent allocation and domestic equity returned 2.1 percent for the fiscal year. International markets declined sharply and ERFC's higher than peer allocation to developed international equity and global asset allocations contributed to ERFC's lower than peer rankings. The Fund's longer-term returns remained strong with the 9.5 percent seven-year return exceeding the policy index return of 8.8 percent. (See Performance Rankings table above.)

Volatility continued in the markets during fiscal year 2016 as reflected in ERFC's quarterly returns – down 5.4 percent, up 2.0 percent, up 0.9 percent and up 2.2 in the first quarter through fourth quarters,

respectively. The first quarter of the fiscal year was the most damaging as equity markets across the globe posted negative returns due to uncertainty regarding the timing of the U.S. Federal Reserve's potential action to raise rates and the economic slowdown in China. Last year, the grand finale for the fiscal year was the showdown in Greece during the last week as Greek officials had to accept the Eurozone's bailout terms or face the

collapse of the country and its banking system. This year, the grand finale for the year was the surprise vote by the United Kingdom to leave the European Union. Although risk assets sold off sharply on the news, they quickly reversed as concerns abated. ERFC's domestic equity portfolio declined 3.5 percent for the fiscal year, underperforming its benchmark, the Russell 3000 index, which returned 2.1 percent. ERFC's international developed equity portfolio declined 8.6 percent versus its benchmark, the All Country World Index Ex US, which decreased 10.2 percent. Its emerging market equity portfolio decreased 11.6 percent versus its MSCI Emerging Markets index which decreased 9.2 percent.

ERFC's domestic fixed income portfolio returned 5.5 percent in FY 2016 – slightly below its benchmark, the Barclays Capital Aggregate Bond Index, which increased 6.0 percent. High yield, which has added to

Portfolio Returns, continued on page 3

ERFC Performance/Rankings for Periods Ending June 30, 2016		
1-Year		
ERFC	Rank*	Median**
-0.3%	75	0.9%
3-Year		
ERFC	Rank	Median
5.7%	75	6.5%
5-Year		
ERFC	Rank	Median
5.7%	81	6.5%
10-Year		
ERFC	Rank	Median
5.5%	64	5.7%

* Rank = Percentage of Public Funds that performed better than ERFC for the period indicated

** Investor Force Public Defined Benefit Plan Median

ERFC Bids Farewell to Michael Hairston



Mr. Hairston and ERFC Executive Director Jeanne Carr

After 24 years with FCPS and 12 years serving on the ERFC Board of Trustees, Michael Hairston has retired from FCPS to join the National Education Association in Washington, D.C. Mr. Hairston joined FCPS in 1992 and most recently served as the band director at Luther Jackson Middle School. Mr. Hairston completed four three-year ERFC board terms serving as a trustee and chairperson, and is a past president of the Fairfax Education Association. His outstanding leadership and peer advocacy will be missed by all of his FCPS colleagues. Michael, we wish you all the best!

FCPS Office of Benefit Services Schedules Open Enrollment/ Open Houses for 2017 Health Care Oct. 11–Nov. 11

The FCPS Office of Benefit Services will be conducting its annual Open Enrollment period, which allows retirees who are currently enrolled in FCPS-sponsored health care coverage to request changes to their insurance plans for the 2017 calendar year.

RETIREES:

Download a Retiree Medical & Dental Enrollment and Change Form at:
<https://www.fcps.edu/sites/default/files/media/forms/hr461.pdf>

At Benefits Open Houses, Benefit Services staff members will be available, along with representatives from FCPS plan providers, to answer questions. Free flu shots are also available at Open Houses and other locations for eligible FCPS employees (registration required on MyPLT search “flu”). **Family members and retirees** can receive flu shots for \$28, cash or check to INOVA (register by emailing flushots@fcps.edu).

For more information and a listing of open house dates and locations, visit www.fcps.edu/benefits-open-enrollment

The ERFC Call Center
How May We Help You?



Whether you are a retired, inactive or active FCPS employee, your first point of contact for retirement telephone inquiries is a friendly voice from the ERFC Call Center. ERFC’s five Retirement Assistants are available Monday through Friday from 8 a.m. to 4:30 p.m. to direct you to ERFC resources, answer questions regarding your retirement benefits, schedule counseling appointments and help you access ERFC’s online service, *ERFCDirect*. The Call Center Retirement Assistants handle over 1000 calls per month, and are specially trained to answer incoming calls with minimum wait time and provide concise answers to retirement questions ranging from “Which plan am I in?” to “How does the retirement process work?”

What you may not know about our Call Center Retirement Assistants is that they wear many hats within the ERFC system. When they are not answering member calls, you’ll find our Retirement

Assistants scanning and uploading incoming paperwork into members’ electronic files, greeting office visitors, distributing in-house mail, initiating workflows that estimate members’ retirement benefits, collecting member work history files from FCPS Human Resources, running reports and sending required paperwork to members who are retiring or leaving FCPS employment. Peak season for the Call Center runs from January through July, and on any given day a single retirement assistant may receive up to 80 calls that are either answered or transferred to the ERFC department that can most efficiently assist the member.

Call Center Retirement Assistants strive to deliver excellent customer service every day. ERFC’s Deputy Director, Jim Roehner, says “Whether over the phone or in-person, our Retirement Assistants cheerfully and compassionately go the extra mile, give that little extra, to offer an outstanding individualized customer experience time and time again.”

The Call Center is open during winter, spring and summer breaks so that your questions can be conveniently managed during your time away from work. The next time you have a question concerning your current or future retirement benefits, contact the ERFC Call Center at 703-426-3900 and one of our very able retirement assistants will be happy to help you.

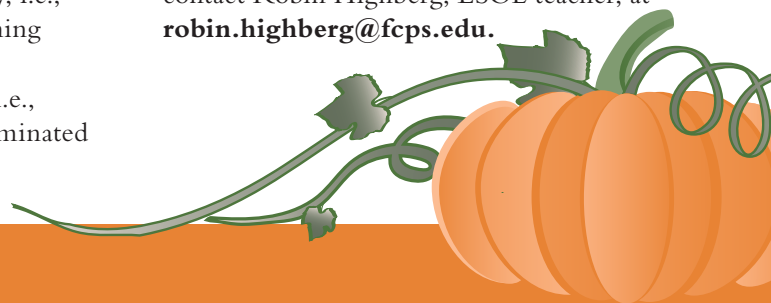
Become an ESOL Volunteer

Annandale High School is seeking adult volunteers to assist with the English for Speakers of Other Languages (ESOL) Program. There are many ways your time can assist students, including:

- Listening to students read.
- Helping students with technology, i.e., logging in to laptops and researching information.
- Preparing materials for teachers, i.e., making copies and cutting out laminated projects.

- Organizing books in the ESOL book room.

Annandale HS welcomes your skills in providing additional resources for students who are learning the English language. Feel rewarded for your efforts and become a part of “Atom Pride.” For more information, contact Robin Highberg, ESOL teacher, at robin.highberg@fcps.edu.



Portfolio Returns, from page 1

ERFC's performance previously, hurt performance in the fiscal year with the Barclays Capital High Yield index increasing only 1.6 percent. ERFC's fixed income managers' results were mixed; Loomis Sayles underperformed the broad fixed income market, its credit focus hurting results. The Fund's emerging market debt portfolio gained ground with a 2.5 percent increase during the year, outperforming its index by .7 percent.

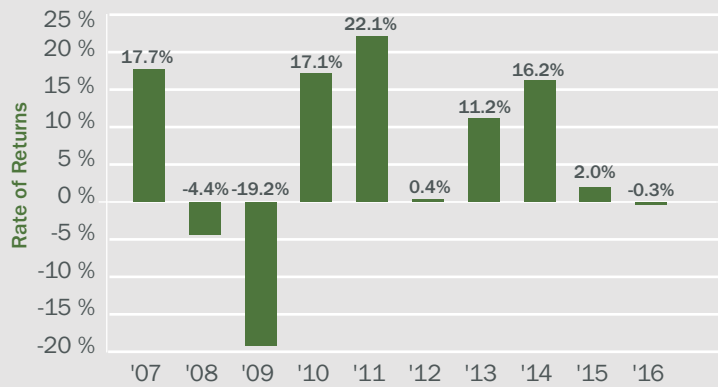
The Global Asset Allocation (GAA) portfolio increased .5 percent during the 2016 fiscal year; its blended benchmark increased 4.3 percent. This dynamic portion of the portfolio is designed to help lessen economic risk factors while also seeking excess returns; however, allocations to international developed and emerging market equities hurt performance during the fiscal year.

ERFC's Absolute Return Strategies portfolio decreased 5.0 percent, outperforming the Hedge Fund Median return which was down 5.5 percent. The real estate portfolio returned 12.7 percent, outperforming the blended real estate benchmark at 11.3 percent. ERFC's value-add and opportunistic manager, J.P. Morgan, led the ERFC real estate managers with a 14.2 percent return.

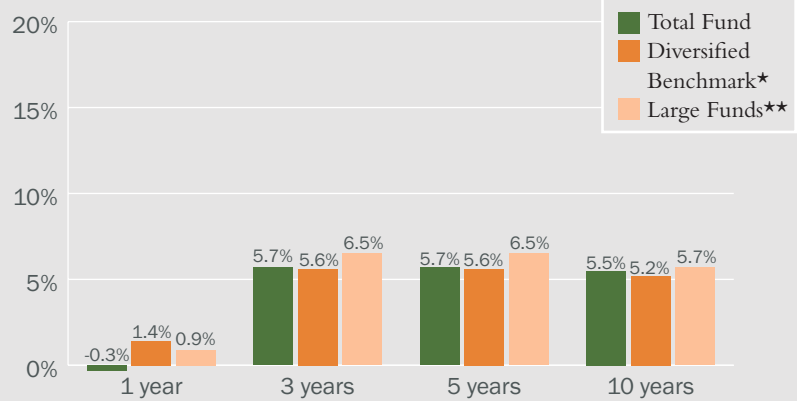
The Private Equity portfolio increased to 2.9 percent of the total Fund at fiscal year-end, up from 2.1 percent last year. This program is scheduled to reach 5 percent of the total Fund when fully committed. Although early in the program, the IRR performance for the quarter ending March 31, 2016, was attractive at 13.0 percent.

Effective July 1, 2016, the School Board maintained its employer contribution rate at 5.6 percent of covered payroll in accordance with the actuary's recommendation. The employee contribution rate also remained unchanged at 3.0 percent. The trustees engaged its actuary to

Fiscal Year Returns for Periods Ending June 30



Performance for Periods Ending June 30, 2015



*Diversified Benchmark is 14.5% Russell 1000, 6.0% Russell 2000, 14% MSCI ACWI Ex-US, 3% MSCI Emerging Markets, 3.75% FTSE EPRA NAREIT, 3.75% NCREIF, 18.0% Barclays Capital (BC) Aggregate, 4.0% BC Credit, 4.0% BC Long Credit, 7.5% MS World Net, 7.5% Citi World Gov't Bond, 8.0% Hedge Fund Research, Inc. Fund of Funds, 3% GBI EM Debt, 3% Cambridge Private Equity
 **Investor Force Public Defined Benefit Fund Median

perform a five-year experience study to determine if the current actuarial assumptions were adequate. Due to the study results, the trustees lowered the actuarial earnings assumption from 7.5 to 7.25 percent and updated ERFC's mortality table.

Subsequent to the fiscal year-end, the months of July and August saw an increase in ERFC's return and the Fund is up 6.3 percent year-to-date. Global equities bounced back, positive yielding assets such as high yield and

emerging market bonds rallied, and U.S. economic activity was positive. However, the trustees recognize the potential for further political interruption prior to year-end. Over the long term, the trustees believe that its diversified risk-balanced portfolio best serves the ERFC members in withstanding a variety of economic environments.

ERFC Investment Managers

As of June 30, 2016 (Dollars in millions)

INVESTMENT MANAGER	INVESTMENT TYPE	AMOUNT
Equities		
LARGE CAPITALIZATION		
Aronson Johnson Ortiz	Value	99.7
Mellon Capital Management Corp.	Core Index (Russell 1000)	105.8
T. Rowe Price	Growth	100.9
SMALL/MID CAPITALIZATION		
Epoch Investment Partners, Inc.	Small Cap Value	42.3
Lazard Asset Management	Mid Cap Core	42.7
Westfield Capital Management	Small Cap Growth	37.2
INTERNATIONAL		
Acadian Asset Management	Core	105.8
Causeway	Value	79.6
William Blair & Company	Growth	86.0
William Blair & Company	Emerging Market	57.1
Fixed Income		
Loomis-Sayles & Company	Core Plus	140.6
Mellon Capital Management Corp.	Core Index (Barclays Aggregate)	77.7
J.P. Morgan	Core Plus	213.0
Mondrian Investments	Emerging Market	61.8
GAM	Unconstrained	83.6
Loomis Strategic Alpha	Unconstrained	40.8
Global Asset Allocation		
Bridgewater Associates, Inc.	Better Beta	114.8
Wellington Management Co.	Global Asset Allocation	104.4
Pacific Investment Management Co.	Global Asset Allocation	103.0
Absolute Return		
Grosvenor Institutional Partners, L.P.	Hedge Fund of Funds	84.2
Permal Group	Hedge Fund of Funds	81.2
Real Estate		
J.P. Morgan Asset Management	Private	30.1
Prudential Financial	Private	30.8
UBS Trumbull Realty Investors	Private	32.9
Center Square Investment Management	Public	88.2
Private Equity		
Newstone	Mezzanine Debt	3.5
Lexington	Fund of Funds	8.7
Audax	Mezzanine Debt	4.2
Permal Private Equity	Fund of Funds	4.2
Private Advisors	Fund of Funds	14.1
HarbourVest	Fund of Funds	25.7
Cash & Receivable		2.3
TOTAL		\$ 2,106.9

Board Meetings

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, Va. 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 off-site retreat. For notices of schedule changes and other information, visit the system website:

www.fcps.edu/erfc

FY 2017 Board of Trustees' Meeting Schedule

All meetings begin at 3 p.m.

- October 27, 2016
- November 17, 2016
- December 15, 2016
- January 26, 2017
- February 16, 2017
- March 16, 2017
- **Annual Board Retreat (off-site) April 17-19, 2017**
- May 18, 2017
- June 15, 2017
- July 20, 2017

**Tax Preparation
Time Saver**

Conveniently Access
Your Total Annual
Insurance Deductions
Through *ERFCDirect*

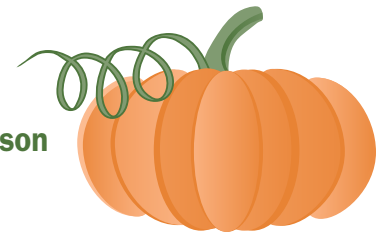
Accessing your total insurance deductions for the year is simple when you log into your *ERFCDirect* account. Sign in to your home page and look at the column headed “Year to Date Information.” Under “Benefit Information” click on “Year-to-Date” where you can select the year you would like to access. The top of the screen will display your YTD insurance deductions and the bottom half will show your YTD tax withholdings. You can select any year from 2006 to present.

If you haven’t already registered for *ERFCDirect*, go to: www.fcps.edu/erfcdirect and click on “First-time user? Register Now!” You will be able to establish your own username and password by providing certain identifying information including the last four digits of your Social Security number and your zip code.

This year, make tax preparation easier by accessing the tax information you need as a retiree through *ERFCDirect*.

ERFC Board Changes for FY 2017

- **Nancy Hammerer** elected to serve as **Chairperson**
- **Kimberly Adams** elected to serve as **Vice Chairperson**
- **Kristen Michael** re-elected to serve as **Treasurer**
- **Welcome new Trustee: Daryl Richards**



Ms. Nancy Hammerer was elected to serve as Chairperson for the ERFC Board for FY 2017. Ms. Hammerer is serving her second three-year term as an ERFC Trustee since being re-elected by the membership in spring

2014. Ms. Hammerer has been a member of the Fairfax Education Association (FEA) since 2002, and currently serves as a member of the Communications Cadre. FEA is a local affiliate of the Virginia Education Association and the National Education Association, and represents FCPS teachers with state and county legislators, county officials, members of the school board and the superintendent and her staff. Ms. Hammerer has taught Health and Physical Education in Fairfax County Public Schools since 1997, including at Washington Irving Middle School, Poe Middle School, and her current position at Mark Twain Middle School, where she has been teaching since 2002. Prior to joining FCPS, Ms. Hammerer taught at schools in five different states including South Carolina, Florida and Colorado, and was a substitute teacher in Rhode Island and Hawaii. Ms. Hammerer earned her undergraduate and graduate degrees in health and physical education from the University of South Carolina.



Ms. Kimberly Adams was elected as Vice Chairperson for the ERFC Board for FY 2017. Ms. Adams is serving her first three-year term as an ERFC Trustee since being elected to the ERFC Board in spring 2015. Ms.

Adams is the librarian at Mantua Elementary School and the former president of the Fairfax Education Association (FEA). Prior to her election as FEA President, Ms. Adams

was an FCPS Media Specialist/Librarian for 13 years. Ms. Adams earned a Bachelor of Science degree in education with a minor in English from Central Connecticut State University in New Britain, Connecticut.



Ms. Kristen Michael was re-elected to serve as Treasurer for FY 2017. Ms. Michael, assistant superintendent, Department of Financial Services for FCPS, was appointed to the ERFC Board in 2014.

Ms. Michael joined the school district as a budget analyst in 2005 and was promoted to coordinator in 2006. She served as assistant budget director for a year before being promoted to budget director. Ms. Michael earned a master’s degree in public administration from George Mason University and a Bachelor of Science degree in psychology from Loyola University Chicago.



Mr. Daryl Richards was elected to serve as a Trustee for a three-year term in spring 2016. Mr. Richards has taught mathematics at W.T. Woodson High School since 2012. Prior to joining FCPS, Mr. Richards

worked for nine years as an actuarial pension consultant for Deloitte Consulting and Towers Watson. While at Towers Watson, Mr. Richards worked on client teams for Fortune 500 companies, reviewing actuarial work for pension plans and post-retirement medical plans. Mr. Richards earned his undergraduate degree in mathematics with a minor in economics from the University of Oklahoma and attended George Mason University.

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).



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Board of Trustees FY 2017

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Chairperson and Trustee

Kimberly Adams

Vice Chairperson and Trustee

Kristen Michael

Treasurer and Trustee

Susan Quinn

Trustee

Michael Burke

Trustee

Marty K. Smith

Trustee

Daryl Richards

Trustee

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Jeanne Carr

Executive Director and CIO

Jim Roehner

Deputy Executive Director

Patricia Church

Retirement Coordinator

Lisa Scott

Communications

Michael Lunter

Finance Coordinator

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www.fcps.edu/erfc

The Word on What You've Heard

Q. I've heard that I must apply for Medicare and Social Security at the same time. Is this true?

A. No. You are required to sign up for Medicare at age 65, regardless of the age at which you will become eligible for full Social Security benefits. Therefore, if you intend to delay Social Security benefits until you reach your full eligibility age, it is likely that you will sign up for Medicare sooner. For more information go to www.medicare.gov and www.socialsecurity.gov

Q. I've heard that once I've selected my tax withholdings for my ERFC benefit I cannot change them. Is this true?

A. No. You may change your tax withholdings at any time through your ERFCDirect account or by submitting a signed and dated Federal and State Income Tax Withholding Form (ERFC-9), which

you can download from the ERFC website at www.fcps.edu/erfc. Keep in mind that due to privacy concerns, paper requests must be a signed original. Such requests cannot be accepted via phone, fax or email.

Q. I've heard that if I change my contact information in ERFCDirect, it will be updated in all my FCPS benefit and retirement accounts. Is this true?

A. No. If you update your address, phone or other contact information either through your ERFCDirect account or by submitting a Change of Address form, your ERFC account information will be updated and the FCPS HR Benefits office will be notified. If you have health coverage through FCPS, HR will inform your provider. You must contact VRS and Social Security separately.