

Table of Contents

I. OVERVIEW.....	1
II. FINANCIAL HIGHLIGHTS	1
III. FUNDED STATUS.....	2
IV. INVESTMENTS	2
V. APPENDIX.....	4
A. BACKGROUND.....	4

I. OVERVIEW

Arlington's County Employees Retirement System ("ACERS" or "System") was established as a defined benefit plan under the authority of an act of the General Assembly of Virginia.

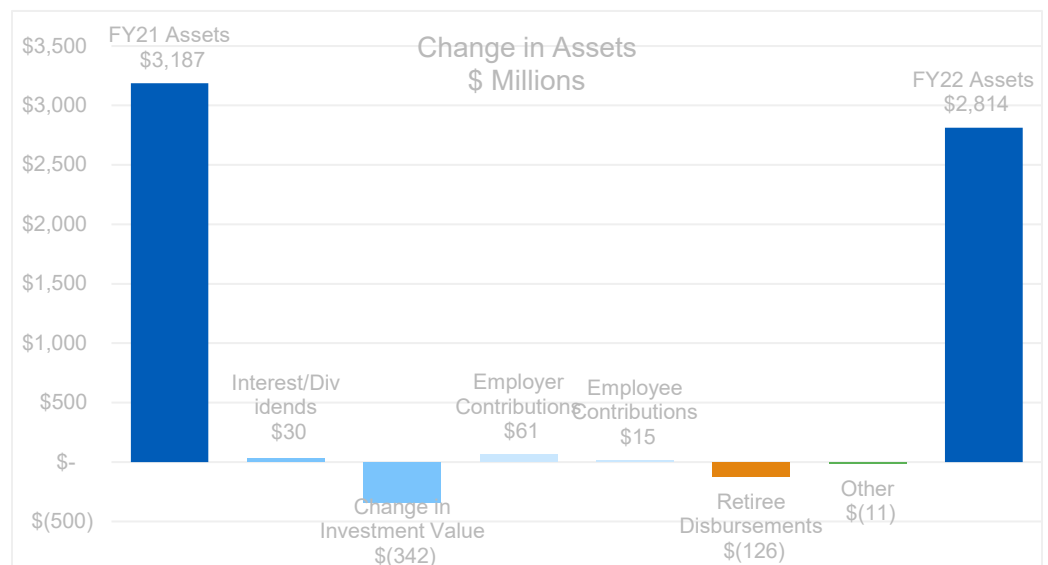
Arlington's County Employees Retirement System ("ACERS" or "System") remains financially and actuarially sound. The System's position results from regular contributions from members and Arlington County combined with better-than-average investment returns over the long term. With \$2,814 million in net assets on June 30, 2022, and funded status of 108.5%, the System remains well-positioned to meet its obligations.

This summary presents the financial and investment highlights of the System for the fiscal year ending June 30, 2022.

II. FINANCIAL HIGHLIGHTS

For the year ended June 30, 2022:

- System net position totaled \$2.814 billion, decreasing \$373.9 million from the past fiscal year. The net position includes county and member contributions, interest and dividends on the System investments, and benefit payments.

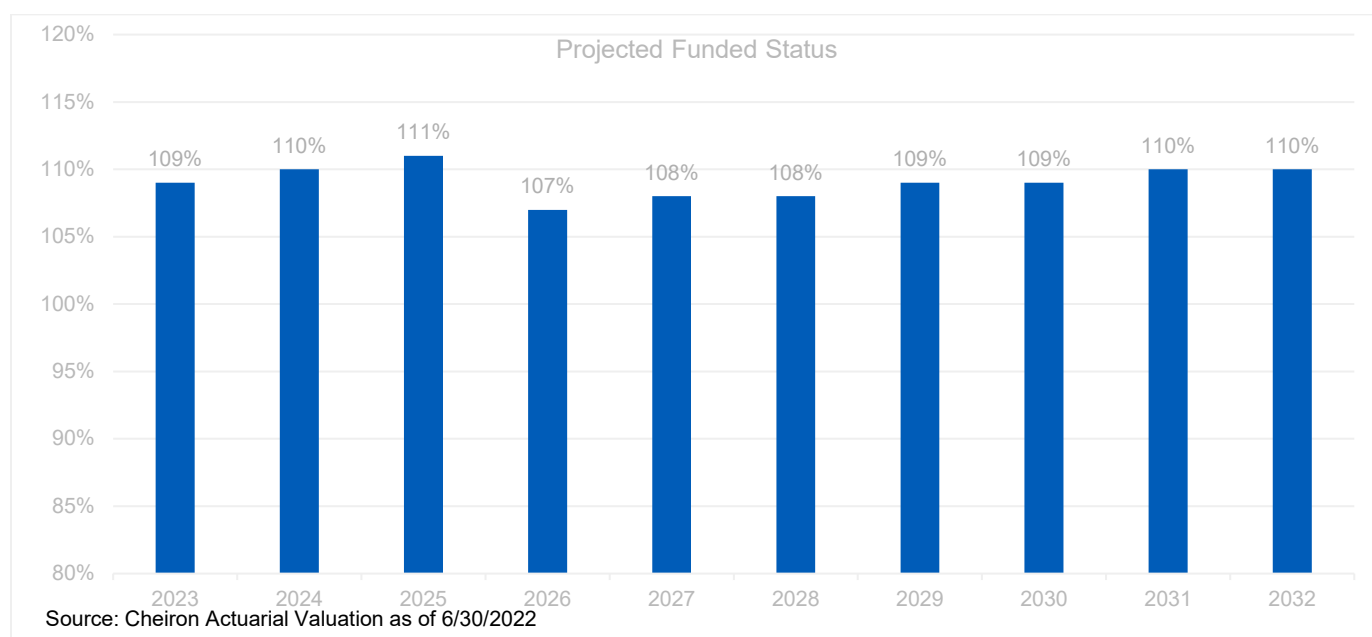


- Employer contributions totaled \$61.2 million, and employee contributions totaled \$14.8 million. Dividend and interest income totaled \$29.9 million.

- The System's investment portfolio is well-diversified and strives to balance capital preservation in down markets with an adequate risk-adjusted return over the long term. The investment returns, including dividends and interest, of -10.1% for the year outperformed the -13.6% benchmark. Investment losses, which include realized and unrealized changes in investment portfolio fair value, were (\$342.0) million in the fiscal year 2022.
- Retirement benefit payments, including refunds paid to former members, totaled \$126.4 million.

III. FUNDED STATUS

The Retirement Board conducts an actuarial valuation each year to determine funding requirements. A retirement system is fully funded from an actuarial perspective when there are enough assets to meet all accrued obligations to participants. The funded ratio varies each year, driven primarily by investment returns. The fiscal year 2022's funded ratio of 108.5%, which compares favorably to other public plans, was calculated using June 30, 2022, data. The -10.1% investment return for the year did not meet the 6.75% actuarial rate of return assumption. Assuming all actuarial assumptions are met in the future, the funded ratio is projected to be at 109% in 2023 and gradually increase to 110% in ten years.

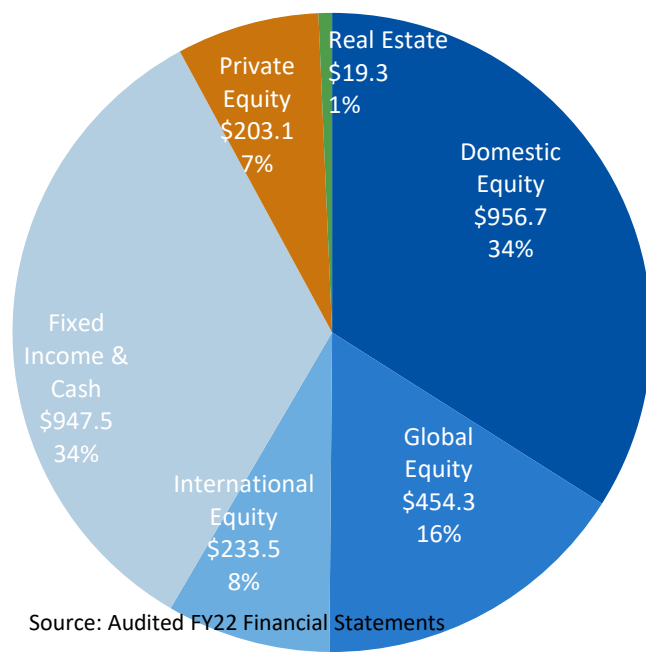


IV. INVESTMENTS

The Retirement Board has adopted a written investment policy under the authority provided by the Arlington County Code. The Board operates with the standard of care required in making investments as stated in the Code of Virginia §51.1-803, which says that "funds shall be invested 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 2021-22 fiscal year was volatile; from economics to geopolitics, there were continued variants of COVID, the Taliban takeover of Afghanistan, and China, rising inflation, Russia-Ukraine, and tightening of Monetary Policy (globally) which led to losses across all global financial assets (excluding commodities).

As of June 30, 2022, the System's assets were allocated:



For the fiscal year ended June 30, 2022, the System net return of -10.1% compared to a benchmark return of -13.6%. This performance is below the -8.4% median return of the TUCS Public Plan Universe, placing the System in the 66th percentile of public plans for the year. Over the long term, the System outperformed its benchmarks.

Dragging down returns was fixed income, and public equity as these portfolios and underlying strategies posted losses, while cash and non-traditional contributed to

overall results. The table below provides the System's investment performance, portfolios, and benchmarks.

				Fiscal Year Ended June 30				
	10 Years	5 Years	3 Years	2018	2019	2020	2021	2022
<u>Investment Performance (net of fees)</u>								
Total Fund⁽¹⁾ (Benchmark)	8.1%	7.2%	7.1%	7.8%	6.8%	6.6%	28.3%	-10.1%
Domestic Equities (Russell 3000)	10.8%	10.2%	10.0%	10.2%	11.0%	0.7%	37.1%	-3.7%
Global Equities (MSCI AC World)	11.6%	9.1%	8.2%	18.3%	3.1%	22.7%	55.0%	-33.3%
International Equities (MSCI AC World ex-US)	4.8%	2.3%	4.0%	5.9%	-5.8%	-7.3%	44.3%	-16.0%
Fixed Income (Fixed Income)	2.5%	1.4%	0.1%	0.3%	6.9%	6.0%	1.6%	-6.8%
<u>Benchmark Performance</u>								
Total Fund⁽²⁾	6.7%	5.3%	3.9%	7.1%	7.5%	5.5%	23.2%	-13.6%
Russell 3000	12.6%	10.6%	9.8%	14.8%	9.0%	6.5%	44.2%	-13.9%
MSCI AC World	8.8%	7.0%	6.2%	10.7%	5.7%	2.1%	39.3%	-15.8%
MSCI AC World ex-US	4.8%	2.5%	1.4%	7.3%	1.3%	-4.8%	35.7%	-19.4%
Fixed Income ⁽³⁾	1.8%	1.0%	-0.7%	-0.3%	8.0%	7.9%	1.3%	-10.1%
CPI + 3.75% Annualized ⁽⁴⁾	6.3%	7.6%	8.7%	6.6%	5.4%	4.4%	9.1%	12.8%
Actuarial Assumed Rate of Return				6.75%	6.75%	6.75%	6.75%	6.75%

⁽¹⁾ Includes cash and alternative investment performance though returns for these asset classes are not listed separately

⁽²⁾ 40% RU 3000, 17.5% MSCI AC World ex-US, 39% BC Universal, 1.5% BC TIPS & 2% 90-Day T-Bill

Before 10/1/07, 43% RU 3000, 14% EAFE, 38% BC Aggregate & 5% 90-Day T-Bill

⁽³⁾ Weights fixed income benchmark components to 100%

⁽⁴⁾ 3.75% as of 7/1/16, 3.5% prior

Other Post-Employment Benefits (OPEB)

In February 2009, the Retirement Board became the Trustee with investment oversight for Other Postemployment Benefits (OPEB) trusts, one for County funds and one for School funds. These trusts are separate from Retirement System assets and managed by an Investment Policy Statement tailored to their needs. Authority for a local retirement board to act as Trustee for OPEB assets is provided in Virginia Code §15.2-1547. Additional funding of \$6.5 million and \$2.6 million for the County and School trusts, respectively, was made in 2022. As of June 30, 2022, the County and School trusts had \$201.8 million and \$83.7 million, respectively.

V. APPENDIX

A. Background

Arlington's County Employees Retirement System ("ACERS" or "System") was established as a defined benefit plan under the authority of an act of the General Assembly of Virginia in Chapter 21 of the Code of the County (for Uniform and General Employees) as of December 21, 1953, and in Chapter 35 (for School Board Employees) as of January 1, 1969. System provisions were modified, and all County employees hired on or after February 8, 1981, are covered by Chapter 46 of the Code of the County. While different County employees have other benefits depending on their hire date or type of employment, the System utilizes a single Fund for all participants. There is no segregation of assets for individual classes of employees.

A formal Trust was adopted for the System as of December 2001, and all assets are now held under the Trust. In 2004, amendments to Arlington County Code Chapters 21, 35, and 46 were made to transfer the administrative responsibilities of these Chapters to the County Manager, with investment management responsibility remaining with the Retirement Board.

The System provides regular and early service retirement benefits for members who attain age and service requirements specified in the County Code. Coverage for service-connected disability benefits is immediate upon membership in the System. Ordinary, non-service-related disability benefits are provided after two years of service. Members are vested in the System after five years of service and eligible for benefits at their normal retirement date.

Arlington's Human Resources department provides an annual benefit statement to each member. They provide counseling to all benefit applicants and others requesting counseling throughout the year and make presentations at new employee orientations and various employee group meetings and training sessions. All retirement handbooks and forms are available in the Human Resources office and on the [Retiree Resources Website](#). The [Retirement Office website](#) contains information such as Retirement Board meeting agendas, meeting minutes, System history, and contact information.

B. Financial Tables

The tables that follow provide additional detailed information: 1) Plan Net Assets, 2) Contribution Analysis, and 3) Participant Data

Table 1

Plan Net Assets for Year Ended June 30

	2018	2019	2020	2021	2022
Beginning	\$2,173.9	\$2,303.1	\$2,413.3	\$2,527.2	\$3,187.9
Additions	236.1	222.9	231.4	782.5	(245.3)
Deductions	106.9	112.7	117.5	121.9	128.6
Net Change	129.2	110.2	113.9	660.6	(373.9)
Year End	\$2,303.1	\$2,413.3	\$2,527.2	\$3,187.9	\$2,814.0

Table 2
Contribution Analysis for Year Ended June 30
(\$ amounts in millions)

<i>(Dollars in millions)</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimated Covered Payroll	\$231.1	\$252.4	\$243.5	\$248.9	\$236.5	\$261.4	\$270.0	\$285.2	\$285.6	\$292.2
Total Employer Contribution	\$48.0	\$53.7	\$58.2	\$54.5	\$51.8	\$54.9	\$56.7	\$59.9	\$59.7	\$61.3
Total Employee Contribution	\$11.4	\$11.9	\$12.2	\$12.3	\$12.7	\$12.9	\$13.0	\$14.7	\$14.8	\$14.8
Employer/Employee Contribution	4.2	4.5	4.8	4.4	4.1	4.2	4.3	4.1	4.0	4.1
Unfunded Actuarial Liability	\$151.2	\$106.1	\$20.2	\$9.1	(\$58.0)	(\$96.4)	\$3.5	(\$29.7)	(\$213.5)	(\$226.0)

Table 3
Participant Data and Ratios for Year Ended June 30

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Participant Data										
Active Employees	3,550	3,554	3,533	3,566	3,576	3,531	3,521	3,539	3,516	3,827
Deferred Vested Members	358	500	548	559	584	631	665	693	706	703
Retirees	3,833	3,882	3,945	3,909	4,004	4,085	4,113	4,271	4,218	4,363
Retirees as a % of Active Employees	108.0%	109.2%	111.7%	109.6%	112.0%	115.7%	116.8%	120.7%	120.0%	114.0%
Retirement Benefits Paid (millions)	\$81.4	\$85.3	\$88.9	\$94.0	\$98.7	\$104.2	\$109.6	\$114.4	\$119.7	\$124.9
Average Benefit Payment (\$/month)										
Chapter 21	\$2,671	\$2,756	\$2,831	\$2,898	\$2,967	\$3,049	\$3,135	\$3,239	\$3,346	\$3,422
Chapter 35 (Supplement)	\$793	\$813	\$832	\$846	\$854	\$869	\$885	\$896	\$911	\$924
Chapter 46 ⁽¹⁾	\$1,659	\$1,741	\$1,842	\$1,952	\$2,033	\$2,132	\$2,210	\$2,286	\$2,392	\$2,487
Investment Data										
Net Assets, Market Value (millions)	\$1,696.8	\$1,979.6	\$1,995.0	\$1,963.5	\$2,173.8	\$2,303.1	\$2,413.3	\$2,527.2	\$3,187.9	\$2,813.9
Ratio: Net Assets/ Benefits Paid	20.8	23.2	22.4	20.9	22.0	22.1	22.0	22.1	26.6	22.5

(1)The averages for Chapter 46 retirees is impacted by several factors: This Chapter is relatively new; disability retirees significantly affect the average and there is blending of VRS and non-VRS members' benefits.