

The background of the slide is a composite image. The upper portion features a blurred view of a stock market ticker board with various numbers in green and red. The lower portion shows a close-up of several coins, likely US quarters, with vertical yellow and orange lines superimposed over them, suggesting a financial or investment theme.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

**2024 Annual Comprehensive Financial
Report (ACFR) Summary**

ACFR 2024 – FINANCIAL

- Actuarial Value of Assets saw an increase to \$1.69B while Market Value of Assets saw an increase in value to \$1.64B from \$1.55B in 2023 and \$1.44B in 2022.
- Actuarial funding ratio increased in 2024 to 56.0% from 55.5% in 2023 primarily due to double digit rates of return in 2024 and 2023 and the continued smoothing of losses from 2023.
- Net Pension Liability decreased by \$65M for the year.
- Fund Annual Net Rate of Return was a positive 10.2% in 2024, 13% in 2023; after the substantial down market in 2022, (-14.4%).
- Since 2019, Fund net annual returns have exceeded the actuarial assumed rate of return of 7% five of the six years and has provided double digit returns four out of the six years.
- Investment Expense Ratio continues to stay low (33 basis points), saving over \$2M last year in investment expense compared to industry medians.

ACFR 2024 – DEMOGRAPHICS

- 55 new employee annuitants, down from 66 in 2023, 80 in 2022, and 92 in 2021.
- 39 Survivor annuitants and 5 child annuitants added in 2024.
- Average age and service of new employee annuitants, 63 years old and 23 years of service.
- 131 annuitants (employee & beneficiary) removed from annuity rolls compared to 98 in 2023, and 120 in 2022.
- Level of active members increased to 1,799. Pre COVID, 2019, you were at 1,817 and your low during COVID was 2021, at 1,737.
- Average Tier 1 member is 55 years of age with 19 years of service.
- Average Tier 2 member is 44 years of age with 6 years of service.
- 52% of active members are Tier 2.

ACFR 2024 – FUTURE CHALLENGES

- Annual operating cash flow deficits, could rise to over the Actuarial Assumed Rate of Return in the near future.
- The lowering of expected rates of return going forward. Will the S&P 500 return 13% over the next ten years?
- Continued low membership ratio, active members vs. annuitant members, approximately 0.73x as of year-end 2024.
- Funding statute use of a multiple of employee contributions is outdated and will lead to possible future contributions lower than the Actuarial Determined Contribution (ADC).
- Future market corrections mixed with elevated operating cash flow deficits can magnify downturns and reduce rebound recapture opportunities.

ACFR 2024 - TAKEAWAYS

- Markets gained back more of the losses from 2022, returning 10.2%. YTD 2025 Fund estimated return is over 6%.
- Funding ratio growth utilizing Actuarial Value of Assets will be challenged over the next few years as 2022 losses are spread over five years.
- Supplemental Plan Sponsor contributions to the Fund have proven to be rewarding. Strongly recommended.
- Board will remain focused on diversifying the portfolio to reduce concentration risk while managing overall investment expense.

MWDBE UTILIZATION 2024

	<u>Actual</u>	<u>Goals*</u>
Active Asset Management	31%	25% - 35%
Brokerage Utilization:		
Domestic Equity	55%	40%
International Equity	30%	20%
Global Equity	50%	30%
Fixed Income	29%	25%

**Calendar Year Goals*

ACFR 2024 – QUESTIONS

Answer any questions you may have.

2024 Annual Comprehensive Financial Report can be located on our website at mwrdrf.org.