

The background features a blurred digital display of numbers in green and white, overlaid with a bar chart of vertical yellow and orange lines. In the foreground, several coins are scattered, with some showing the number '10'.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

**2023 Annual Comprehensive
Financial Report (ACFR) - Summary**

ACFR 2023 – FINANCIAL

- Actuarial Value of Assets saw a slight increase to \$1.66B while Market Value of Assets saw an increase in value to \$1.55B from \$1.44B in 2022.
- Actuarial funding ratio dropped in 2023 to 55.5% from 57.8% in 2022 primarily due to a reduction in the assumed investment rate of return and the smoothing of losses from 2022.
- Net Pension Liability increased by \$70.8M for the year.
- Fund Annual Net Rate of Return was a positive 13.0% in 2023, after the substantial down market in 2022.
- Fund 5 Year annualized net return was 7.5% annually as of year-end 2023, exceeding your actuarial assumed rate of return of 7%.
- Investment Expense Ratio continues to stay low, saving over \$1.M per year in investment expense over the last five years.

ACFR 2023 – DEMOGRAPHICS

- 66 new employee annuitants, down from 80 in 2022 and 92 in 2021.
- 32 Survivor annuitants and 2 child annuitants added in 2023.
- Average age and service of new employee annuitants, 64 years old and 23 years of service.
- 98 annuitants (employee & beneficiary) removed from annuity rolls compared to 120 in 2022.
- Level of active members increased slightly to 1,771 from 1,747 last year.
- Average Tier 1 member is 54 years of age with 19 years of service.
- Average Tier 2 member is 45 years of age with 6 years of service.
- 48% of active members are Tier 2.

ACFR 2023 – 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 12% over the next ten years?
- Continued low membership ratio, active members vs. annuitant members, approximately 0.7x as of year-end 2023.
- Funding statute use of a multiple of employee contributions is outdated and will lead to possible future contributions lower than the Actuarial Determined Contribution (ADC).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 2023 - TAKEAWAYS

- **Market gained back some of the losses in 2022, returning 13%. Fund estimated up 5.4% YTD 2024.**
- **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 reducing investment fees while at the same time continuing to diversify the portfolio to reduce concentration risk.**

MWDBE UTILIZATION 2023

	<u>Actual</u>	<u>Goals*</u>
Active Asset Management	31%	25% - 35%
Brokerage Utilization:		
Domestic Equity	46%	40%
International Equity	30%	20%
Global Equity	37%	30%
Fixed Income	35%	25%

**Calendar Year Goals*

ACFR 2023 – QUESTIONS

Answer any questions you may have.

2023 Annual Comprehensive Financial Report can be located on our website at mwrdrf.org.