

The background of the slide is a composite image. The upper left portion features a blurred view of a stock market ticker board with various numbers in green and red. The lower right portion shows a close-up of several coins, likely US quarters, with some vertical yellow and orange lines overlaid, suggesting a bar chart or financial data. The overall color palette is dominated by blues, oranges, and yellows.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

**2021 Annual Comprehensive
Financial Report (ACFR) - Summary**

ACFR 2021 – FINANCIAL

- Actuarial and Market Value of Assets achieve record highs, \$1.62B and \$1.72B, respectively.
- Actuarial funding ratio continues a positive trajectory, moving to 58.7% from 57.3% last year and 50.4% 10 years ago.
- Net Pension Liability has dropped by \$224M over the last three years.
- Fund Annual Net Rate of Return exceeded Actuarial Assumed Rate of Return of 7.25% in 2021, 2020, and 2019, 15.2%, 9.2% and 18.3%, respectively.
- Fund 3 Year cumulative return is 14.2% annually.
- Investment Expense Ratio drops 10 basis points to 31 basis points, saving approximately \$1.6M in annual investment expense.

ACFR 2021 – DEMOGRAPHICS

- 92 new employee annuitants.
- Average age and service of new employee annuitants, 63 years old and 25 years of service.
- Highest number of annuitants (employee & spouse) removed from annuity rolls over the last ten years (140).
- Lowest level of active members over the last ten years, 1,737 from 1,888.
- Average Tier 1 member is 54 years of age with 18 years of service.
- Average Tier 2 member is 44 years of age with 5 years of service.
- 40% of active members are Tier 2.

ACFR 2021 – FUTURE CHALLENGES

- Growing annual operating cash flow deficits, projected to be close to 7% of Fund reserves in five years.
- Actuarial assumed rate of return of 7.25%, leads to a higher equity allocation than Retirement Funds with a lower assumed rate of return.
- Historically low interest rates have led to low return “anchor” assets.
- Continued elevated retirements.
- Continued decreased active membership.
- Future market corrections mixed with elevated operating cash flow deficits can magnify downturns and reduce rebound recapture opportunities.

ACFR 2021 - TAKEAWAYS

- Invested Assets at historical highs.
- Funding ratio growth in Actuarial and Market Value Ratios.
- Plan Sponsor contributing higher than the Actuarially Determined Contribution (ADC).
- Supplemental Plan Sponsor contributions to the Fund have proven to be rewarding.
- Board's focus on reducing investment fees has helped overall performance.

MWDBE UTILIZATION

| | <u>Actual</u> | <u>Target</u> |
|-------------------------|---------------|---------------|
| Active Asset Management | 26% | 25% - 35% |
| Brokerage Utilization: | | |
| Domestic Equity | 60% | 40% |
| International Equity | 69% | 20% |
| Global Equity | 33% | 30% |
| Fixed Income | 41% | 25% |

As of 3/31/22

ACFR 2021 – QUESTIONS

Answer any questions you may have.

2021 Annual Comprehensive Financial Report can be located on our website at mwrdrf.org.