



METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND *4TH QUARTER REPORT*

PRESENTATION TO THE DISTRICT COMMISSIONERS
FEBRUARY 6, 2020

Presented by: Jim Mohler, Executive Director





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BENEFIT PROCESSING

98 EMPLOYEE RETIREMENTS / 28 WIDOW & CHILD ANNUITIES

51 ORDINARY DISABILITY / 37 DUTY DISABILITY CASES

67 FULL & PARTIAL REFUNDS OF CONTRIBUTIONS

CONSULTING SERVICES

FINALIZED RFP FOR AUDITING SERVICES

FINALIZED RFP FOR INVESTMENT CONSULTING SERVICES

INVESTMENT ACTIONS

ELIMINATED STAND ALONE GLOBAL FIXED INCOME MANDATE

HIRED LATINO-OWNED FIRM FOR A CORE PLUS FIXED INCOME MANDATE

MOVED UTILIZATION OF MWDBE INVESTMENT MANAGERS TO OVER 30% OF ACTIVE MANDATES

LIQUIDATED \$67 MILLION FROM THE INVESTMENT PORTFOLIO TO SUPPLEMENT OPERATING REVENUES TO PAY REQUIRED MONTHLY BENEFIT PAYMENTS

BOARD / FUND STAFF ACTIVITY

GFOA CERTIFICATE FOR EXCELLENCE IN FINANCIAL REPORTING FOR THE DECEMBER 31, 2018 SUBMISSION (26TH YEAR)

LEGISLATIVE FOCUS HAS MAINLY BEEN TECHNICAL; FINAL AVERAGE SALARY (2019), ORDINARY DISABILITY PAYMENT PERIOD (2020)

RETIREMENT BOARD MEMBERS MET AND EXCEEDED ANNUAL TRAINING REQUIREMENTS

2019 INVESTMENT PERFORMANCE RESULTS

ESTIMATED FAIR MARKET VALUE OF ASSETS

FUND INVESTMENT PORTFOLIO \$1.421 B

(\$) NET GROWTH OF INVESTED ASSETS (2019) \$ 163 M

FUND STATEMENT OF FIDUCIARY NET POSITION \$1.507 B

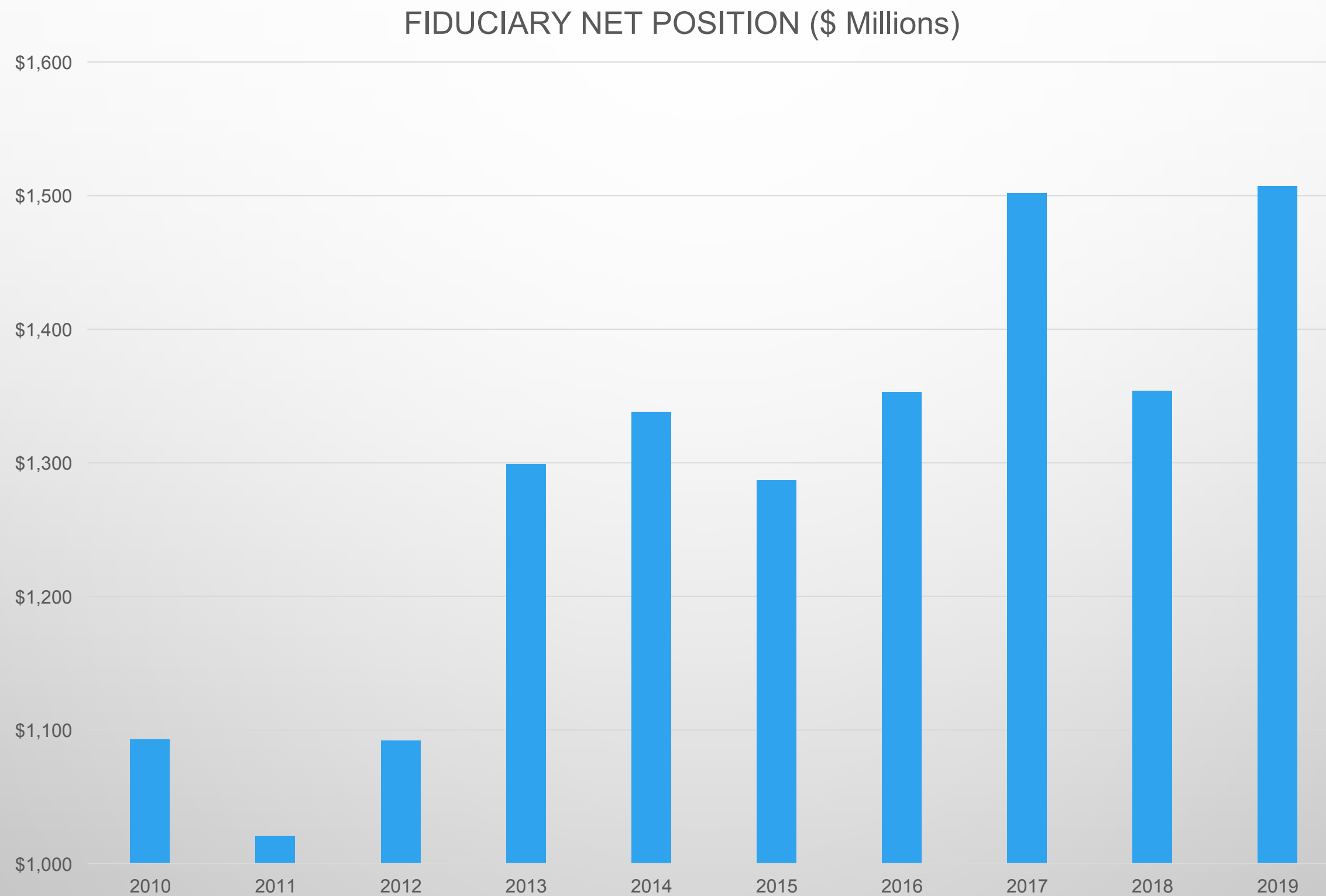
INVESTMENT PORTFOLIO PROJECTED RETURNS

1 YEAR	18.4%	2019	18.4%
3 YEAR	8.2%	2018	-7.5%
5 YEAR	6.7%	2017	15.6%
10 YEAR	8.8%	2016	9.5%

ASSET ALLOCATION (ACTUAL VS TARGET)

	<u>ACTUAL</u>	<u>TARGET</u>
DOMESTIC EQUITY	41.4%	41%
INTERNATIONAL EQUITY	22.6%	22%
FIXED INCOME	26.6%	27%
OPEN END REAL ESTATE	8.4%	10%

GROWTH OF FUND FIDUCIARY NET POSITION



FUNDING RATIO HAS GONE FROM 56.5% IN 2010 TO 50.4% IN 2012 AND WAS 56.5% IN 2018. PROJECTED 2019 FUNDING RATIO WILL BE AVAILABLE IN MARCH 2020.

CHANGES IN FUND FIDUCIARY NET POSITION (1YEAR &10 YEAR)

FUND CHANGES OF FIDUCIARY NET POSITION – 1 YEAR

BEGINNING BALANCE (1/1/19)	\$1,344	
EMPLOYEE CONTRIBUTIONS	\$ 21	
EMPLOYER CONTRIBUTIONS	87	
BENEFITS & OTHER DEDUCTIONS	<u>(171)</u>	
NET OPERATING DEFICIT		(63)
NET INVESTMENT ACTIVITY		<u>226</u>
ESTIMATED ENDING BALANCE (12/31/19)		<u><u>\$1,507</u></u>

FUND CHANGES OF FIDUCIARY NET POSITION – 10 YEAR

BEGINNING BALANCE (1/1/10)	\$1,015	
EMPLOYEE CONTRIBUTIONS	\$ 187	
EMPLOYER CONTRIBUTIONS	715	
BENEFITS & OTHER DEDUCTIONS	<u>(1,404)</u>	
NET OPERATING DEFICIT		(502)
NET INVESTMENT ACTIVITY		<u>994</u>
ESTIMATED ENDING BALANCE (12/31/19)		<u><u>\$1,507</u></u>

\$ MILLIONS

2020 GOALS & OBJECTIVES

INVESTMENT PORTFOLIO

THOROUGH ANALYSIS OF THE INVESTMENT PORTFOLIO

RISK / RETURN FACTORS

ASSET ALLOCATION

ACTIVE MANAGEMENT UTILIZATION

CONTRACT & COST ANALYSIS

BENEFITS ADMINISTRATION

ANALYTICAL ASSESSMENT OF CURRENT PENSION
ADMINISTRATION SYSTEM (PAS)

IDENTIFYING FUNCTIONALITY REQUIREMENTS

CREATION OF SCOPE OF SERVICES

IDENTIFY QUALIFIED DEVELOPER(S)

SUSTAINABILITY INVESTING POLICY

APPROVED BY THE RETIREMENT BOARD OF TRUSTEES ON 12/18/19

INCORPORATED IN THE FUND'S INVESTMENT POLICY ON 01/01/20

POLICY CAN BE LOCATED ON THE FUND'S WEBSITE AT

[HTTP://MWRDRF.ORG/MEDIA/2265/INVESTMENT-POLICY-CLEAN-010820.PDF](http://mwrdrf.org/media/2265/investment-policy-clean-010820.pdf)

SUMMARY OF FACTORS & MANAGER ANALYSIS

FACTORS INCLUDE CORPORATE GOVERNANCE, ENVIRONMENTAL, SOCIAL CAPITAL, HUMAN CAPITAL, BUSINESS MODEL & INNOVATION

INVESTMENT MANAGERS WILL REPORT ON THEIR UTILIZATION OF SUSTAINABILITY FACTORS

INVESTMENT MANAGERS WILL PREPARE AN ANNUAL REPORT TO THE RETIREMENT BOARD OUTLINING:

PROCEDURES IN PLACE

CHANGES TO PROCEDURES

ENGAGEMENT W/ MGMT.

PROXY VOTING RECORD

RETIREMENT BOARD WILL UTILIZE A SUSTAINABILITY INVESTING QUESTIONNAIRE FOR FUTURE REQUESTS FOR PROPOSALS

THE POLICY DOES NOT SUPPORT DIVESTMENT OF HOLDINGS FOR NON-INVESTMENT GOALS