

The background of the slide is a composite image. On the left, there is a blurred view of a stock market ticker board with various numbers in green and red. On the right, there is a close-up of several coins (pennies and nickels) scattered on a surface, with vertical yellow and orange lines of varying heights overlaid on them, resembling a bar chart or candlestick chart. The overall color palette is dominated by blues, oranges, and yellows.

# **METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND**

**2020 Annual Financial Report  
(AFR) - Summary**

# AFR 2020 – FINANCIAL

- Actuarial and Market Value of Assets achieve record highs, \$1.56B and \$1.58B, respectively.
- Actuarial funding ratio jumps to 57.3% from 55.9% last year and 50.4% 10 years ago.
- District BoC approves \$20M in additional employer contributions during the year. The contributions grew by 17.3% in 2020 and are up over 27.3% thru June 30, 2021.
- Net Pension Liability has dropped by \$123M over the last two years.
- Fund Net Rate of Return exceeded Actuarial Assumed Rate of Return of 7.25% in 2020 and 2019, 9.2% and 18.3%, respectively.
- Investment Management Fees reduced by over 10% - \$483k

# AFR 2020 – DEMOGRAPHICS

- Highest number of new employee annuitants since 2011 (104).
- Average age and service of new employee annuitants, 61 years old and 24 years of service.
- Highest number of annuitants (employee & spouse) removed from annuity rolls over the last ten years (119).
- Lowest level of active members over the last ten years, 1,769 from 1,888.
- Average Tier 1 member is 53 years of age with 18 years of service.
- Average Tier 2 member is 43 years of age with 4.5 years of service.
- 36% of active members are Tier 2.

# AFR 2020 – FUTURE CHALLENGES

- Growing annual operating cash flow deficits, projected to be \$81M in 2021.
- 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.

# AFR 2020 - 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.
- Fund's portfolio positioned to outperform in 2021; up 9.7% YTD and up 30.7% one year ending May 31, 2021.

# AFR 2020 – QUESTIONS

Answer any questions you may have.

2020 Annual Financial Report can be located on our website at [mwrdrf.org](http://mwrdrf.org).