METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

2025 Annual Comprehensive Financial Report (ACFR) Summary

ACFR 2025 – FINANCIAL

- Actuarial Value of Assets increased to $1.73B while Market Value of Assets increased to $1.79B, up over $240M over the last two years.
- Actuarial funding ratio increased to 56.5% from 56.0% in 2024 primarily due to double digit net rates of return over the last three years outweighing continued smoothing of losses from 2022 and changes to actuarial assumptions in 2023.
- Market Value funding ratio went from 51.1% in 2022 to 58.5% for 2025.
- Net Pension Liability decreased for a second year in a row, by $108M for the year and $173M over the last two years.
- Fund Annual Net Rates of Return were 13.4% in 2025, 10.2% in 2024, and 13.1% in 2023.
- Over the last seven years, the Fund’s cumulative net annual return, 8.8%, exceeded the actuarial assumed rate of return of 7%. Six of the seven annual returns exceeded the assumption, with five of the seven years providing double digit returns.
- Investment Expense Ratio continues to stay low (32 basis points), saving approximately $2M annually in investment expense compared to industry medians (43 basis points).

ACFR 2025 – DEMOGRAPHICS

- 81 retirements, up from 55 in 2024, 66 in 2023, and 80 in 2022.
- 23 Survivor annuitants and 4 child annuitants added.
- Average age and service of new employee annuitants, 63 years old and 22 years of service.
- 101 annuitants (employee & beneficiary) removed from annuity rolls compared to 124 in 2024.
- Active members increased to 1,861. Pre COVID 2019, was 1,817 and low point during COVID was 2021, at 1,737.
- Average Tier 1 member is 55 years of age with 20 years of service.
- Average Tier 2 member is 44 years of age with 6 years of service.
- 57% of active members are Tier 2 up from 52% in 2024.

ACFR 2025 – 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 approximately 15% annually over the next ten years?
- Continued low membership ratio, active members vs. annuitant members, approximately 0.74x as of year-end 2025.
- State Statute funding formula uses a multiple of employee contributions which has no correlation to the Actuarial Determined Contribution (ADC). Statutory contributions lower than the ADC could lead to future insolvency.
- Future market fluctuations mixed with elevated operating cash flow deficits and funding formulas with no correlation to the ADC, will magnify downturns and reduce rebound recapture opportunities.

ACFR 2025 - TAKEAWAYS

- Market value of the Fund reached a record year-end high, $1.789B.
- Funding ratio growth utilizing Actuarial Value of Assets will be challenged through 2026 based on the impact of the reduction in value in 2022.
- Supplemental Plan Sponsor contributions to the Fund have proven to be rewarding. Pull backs on supplemental contributions will increase the Fund’s operating cash flow deficit, which reduces invested assets.
- Board will remain focused on diversifying the portfolio to reduce concentration risk (addition of alternatives such as private credit and infrastructure while reducing higher beta equities) without overlooking overall investment expense.

MWDBE UTILIZATION 2025

	Actual	Goals*
Active Asset Management	32%	25% - 35%
Brokerage Utilization:		
Domestic Equity	56%	40%
International Equity	54%	20%
Global Equity	45%	30%
Fixed Income	33%	25%

**Calendar Year Separate Account Goals*

ACFR 2025 – QUESTIONS

Answer any questions you may have.

2025 Annual Comprehensive Financial Report can be located on our website at mwrdrf.org.