

The background of the slide is a composite image. On the left, there is a dark blue area with white and green digital numbers, resembling a stock market ticker. On the right, there is a blurred image of several coins (likely US quarters) with vertical yellow and orange lines of varying heights overlaid on them, suggesting a bar chart or financial data. The overall color palette is dominated by blue, orange, and yellow.

METROPOLITAN WATER RECLAMATION DISTRICT RETIREMENT FUND

**2022 Annual Comprehensive
Financial Report (ACFR) - Summary**

ACFR 2022 – FINANCIAL

- Actuarial Value of Assets saw a slight increase to \$1.62B while Market Value of Assets saw a reduction in value to \$1.44B, from a record high of \$1.72B in 2021.
- Actuarial funding ratio dropped slightly in 2022 to 57.8% from 58.7% in 2021.
- With down markets in 2022, Net Pension Liability increased by \$340M for the year.
- Fund Annual Net Rate of Return saw a giveback of -14.4%, compared to strong positive returns in 2021, 2020, and 2019, 15.2%, 9.2% and 18.3%, respectively.
- Fund 10 Year annualized return was 6.8% annually as of year-end 2022.
- Investment Expense Ratio continues to stay low, saving approximately \$1.M per year in investment expense over the last four years.

ACFR 2022 – DEMOGRAPHICS

- 80 new employee annuitants, down from 92 in 2021 and 104 in 2020.
- Average age and service of new employee annuitants, 63 years old and 25 years of service.
- 120 annuitants (employee & beneficiary) removed from annuity rolls compared to 140 in 2021.
- Level of active members increased slightly to 1,747 from 1,737 last year.
- 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.
- 44% of active members are Tier 2.

ACFR 2022 – FUTURE CHALLENGES

- Annual operating cash flow deficits, could rise to over the Actuarial Assumed Rate of Return in the near future.
- Actuarial assumed rate of return of 7.25%, leads to a higher equity allocation than Retirement Funds with a lower assumed rate of return.
- The lowering of expected rates of return going forward.
- Continued lowering of membership ratio, active members vs. annuitant members, 0.7x as of year-end 2022.
- Future market corrections mixed with elevated operating cash flow deficits can magnify downturns and reduce rebound recapture opportunities.

ACFR 2022 - TAKEAWAYS

- Market pull backed in 2022. Fund estimated up over 7% YTD 2023.
- Funding ratio growth utilizing Actuarial Value of Assets will be challenged over the next few years as 2022 losses are spread over five years.
- Plan Sponsor contributing higher than the Actuarially Determined Contribution (ADC). This spread will tighten as time goes by.
- 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

	<u>Actual</u>	<u>Goals*</u>
Active Asset Management	28.4%	25% - 35%
Brokerage Utilization:		
Domestic Equity	48%	40%
International Equity	34%	20%
Global Equity	12%	30%
Fixed Income	37%	25%

**Calendar Year Goals*

As of YTD 3/31/23

ACFR 2022 – QUESTIONS

Answer any questions you may have.

2022 Annual Comprehensive Financial Report can be located on our website at mwrdrf.org.