

Richmond Retirement System (RRS)
Presentation to
Organizational Development Committee
November 4, 2019

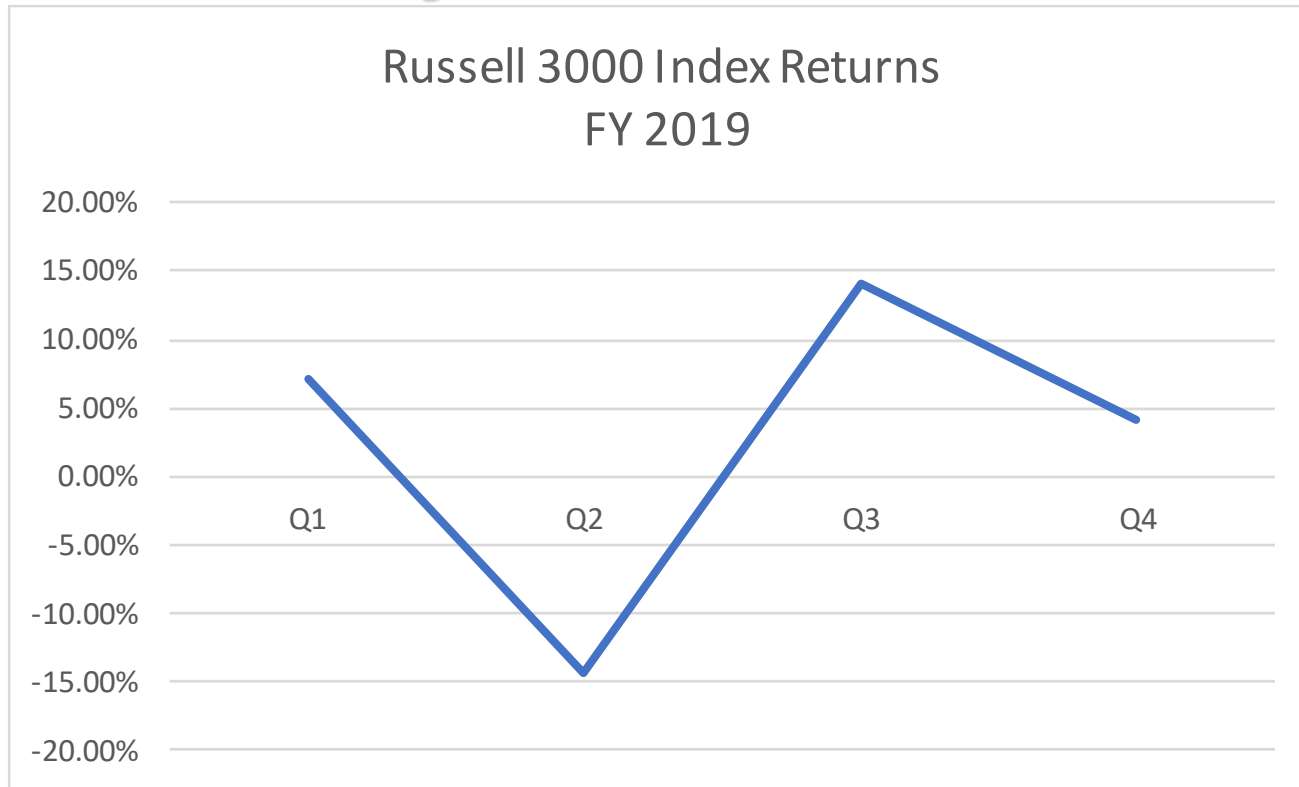


Today's Agenda

- ▶ Financial Summary
- ▶ Recent Initiatives
- ▶ Membership composition
- ▶ Investment rate of return
- ▶ VRIP Impact
- ▶ Funded status
- ▶ Contributions

Financial Summary

Market Volatility



- ▶ Fiscal Year (FY) 2019 was a challenging year for managing asset volatility

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Financial Summary

DB Plan

- ▶ Funded status is 61.0% at June 30, 2019 compared to 65.1% at June 30, 2018
 - The decrease in funded status is mostly attributable to assumption changes as a result of the Experience Study
 - NCPERS 2018 average funded status is 72.6%
 - Unfunded liability is \$365 million, up from \$306 million
- ▶ Investment returns at June 30, 2019, net-of-fees (assumed rate of return is 7.0%):
 - 1 year, 4.2%
 - 3 years, 7.9%
 - 5 years, 5.2%
 - 10 years, 9.1%
- ▶ RRS administrative expenses were \$326k, or 18%, under budget last fiscal year.
- ▶ Employer contributions are projected to exceed \$50 million per year beginning in fiscal year 2021

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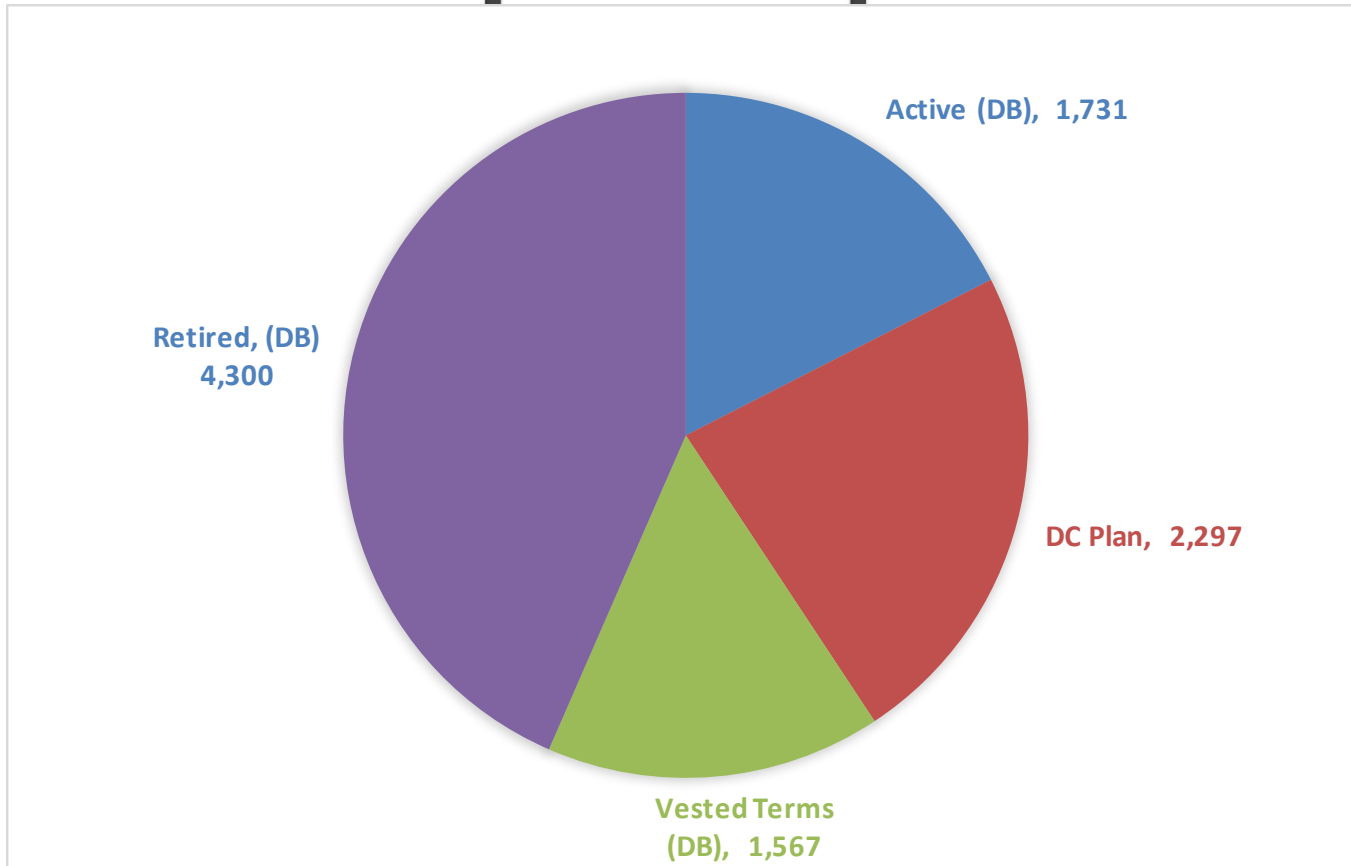
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Recent Initiatives

- ▶ Recently hired a new independent investment consultant, Callan
- ▶ Recently completed an asset liability study
- ▶ Recently approved a new asset allocation
- ▶ Restructuring of the portfolio is in process

Membership Composition



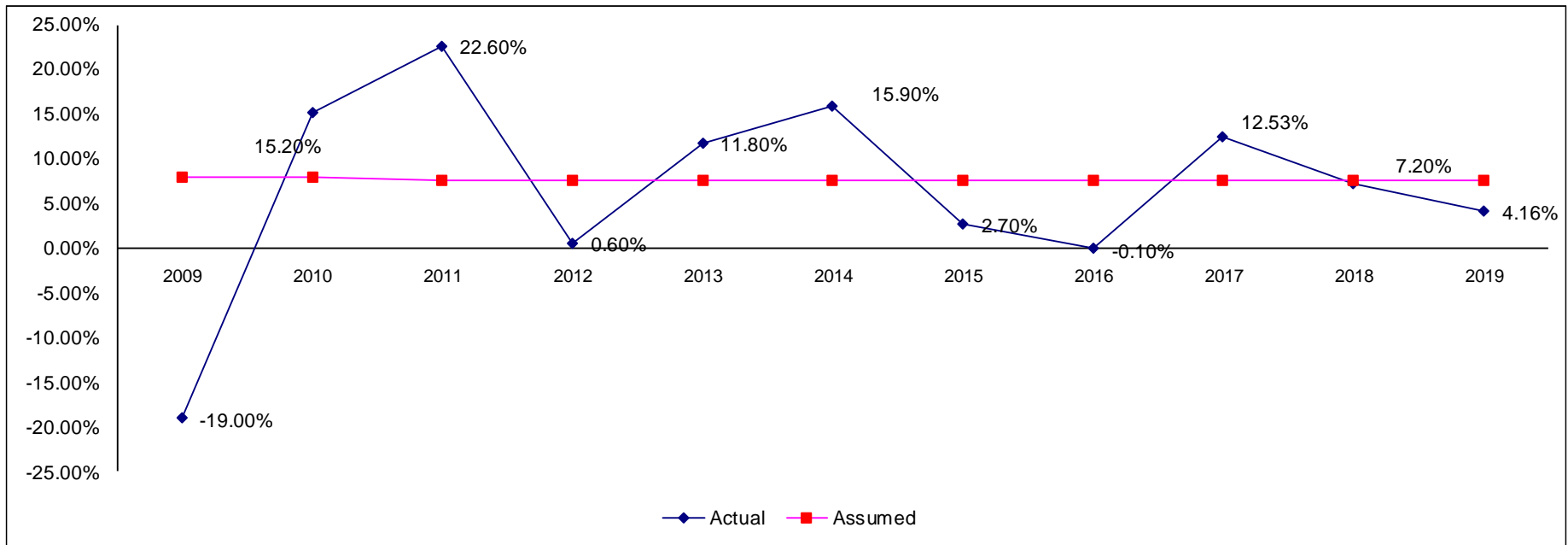
Retirees outnumber active members by more than 2-1 and active DC plan members outnumber active DB plan members.

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Net Investment Rate of Return



The long term assumed rate of return for purposes of valuing liabilities was lowered from 8.0% to 7.5% on June 30, 2011 and was lowered again to 7.0% effective June 30, 2019.

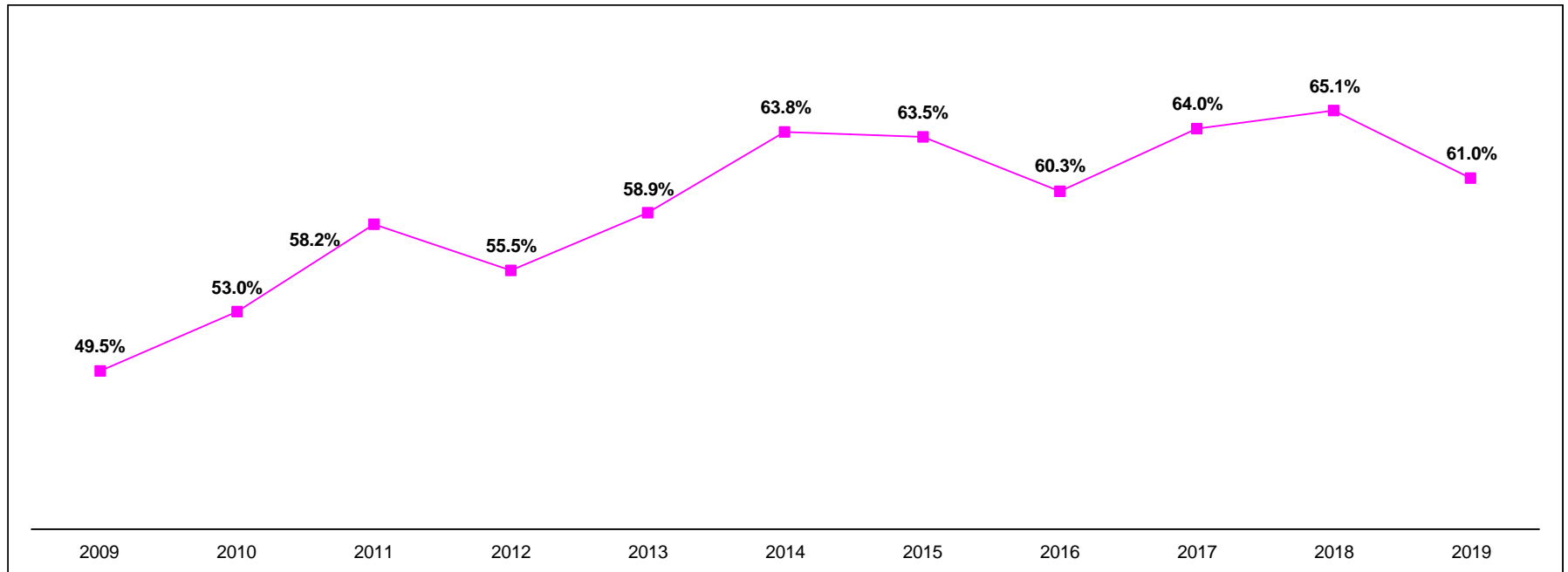
Voluntary Retirement Incentive Program (VRIP) Statistics

- ▶ 112 of 255 (44%) eligible employees accepted the offer
- ▶ Median years of service are 31
- ▶ Median age of 64
- ▶ 38% had 35 or more years of creditable service

Actuarial impact of the VRIP

- ▶ Unfunded liability increases approximately \$10.9 million
- ▶ Funded status decreases approximately 0.7%
- ▶ Contributions increase approximately \$2.4 million beginning in 2020-2021

Funded Status



The funded status has significantly improved over the past decade but is below the NCPERS 2018 average funded status of 72.6%

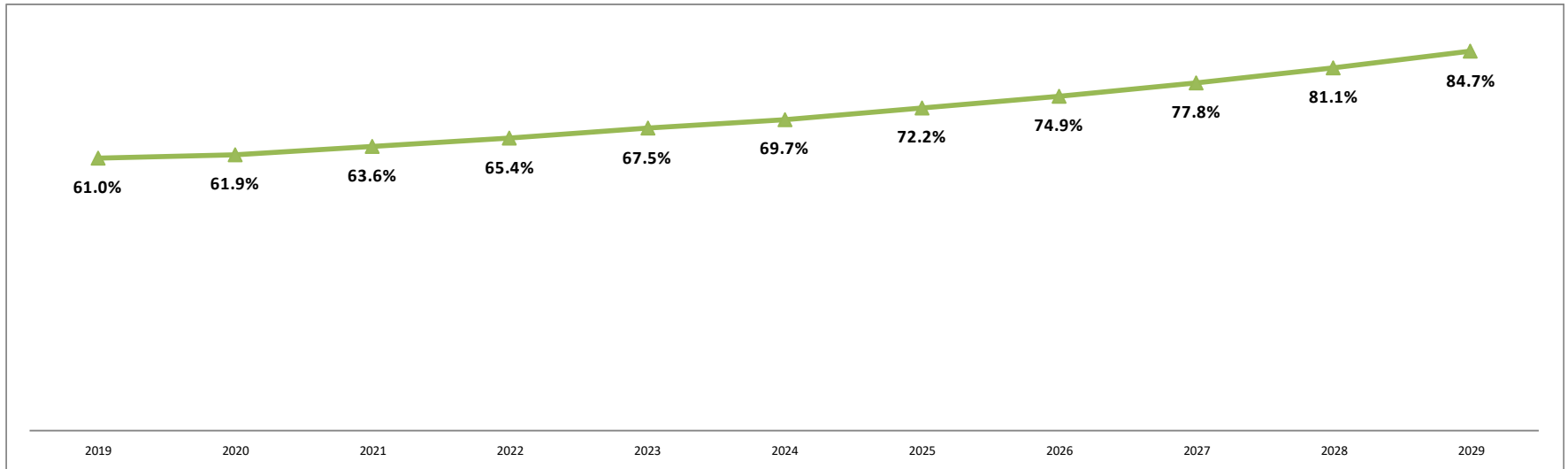
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Projected Funded Status

Fiscal Years Ended June 30



The funded status is projected to improve significantly over a decade, if all current assumptions are realized (actual results will vary)

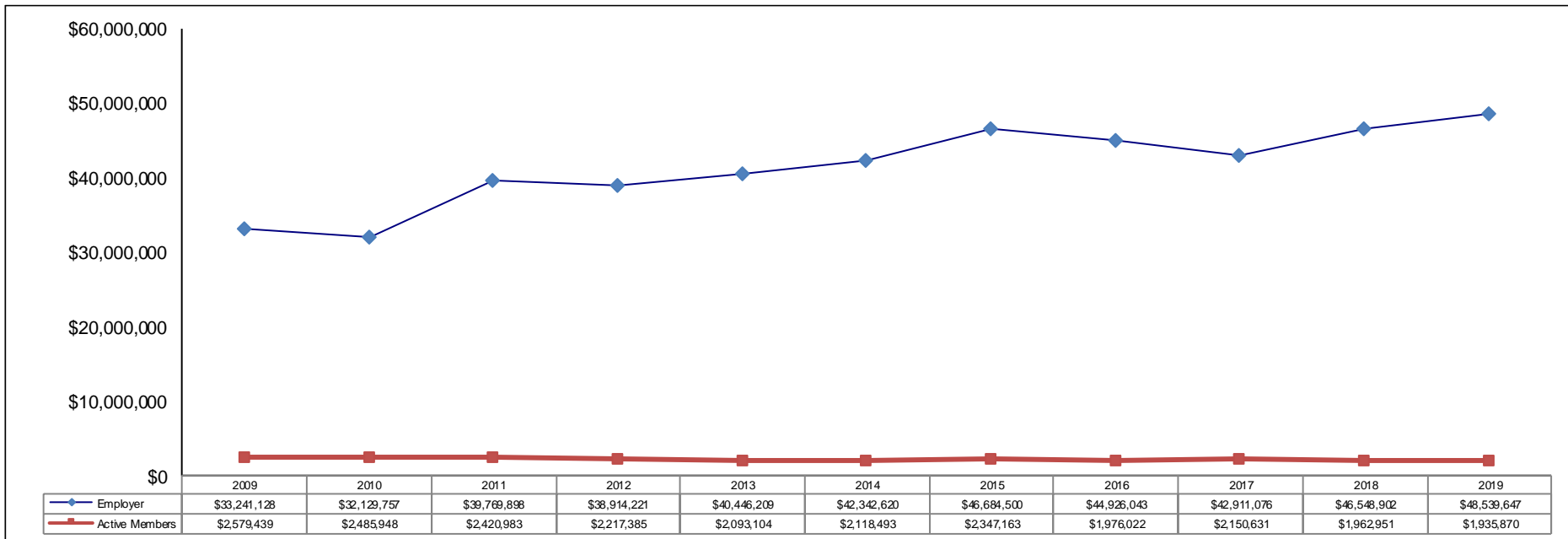
- 7.0% assumed investment return
- No future benefit enhancements or ad hoc retiree COLAs are included in the projections
- Assumes the employer(s) continues to fully fund the actuarially determined contribution

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Contributions

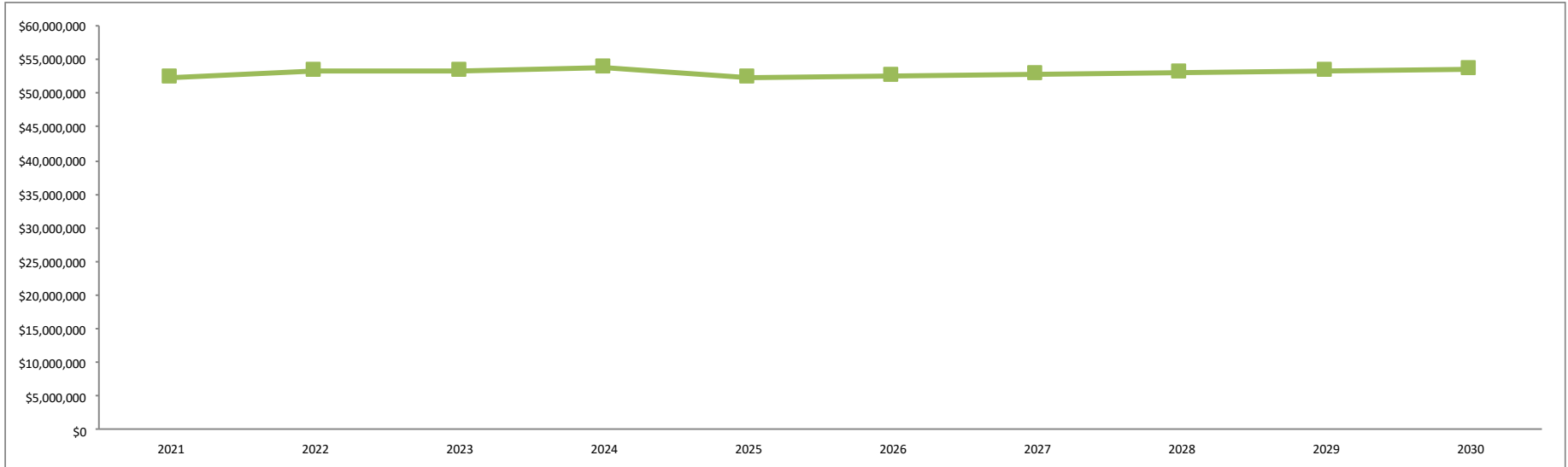


The City provides the majority of the funding for the DB Plan. In addition, the City contributed \$5.5 mil to the 401(a) DC Plan in FY 2019.

Contributions

- ▶ In 2018-2019, the city contributed an additional \$2 million above the Actuarial Determined Contribution
- ▶ A \$9.4 million contribution increases the funded status by 1%
- ▶ Most RRS participants pay 1.0% - 1.5%. The national median employee contribution rate is 6.0%
 - The employee contribution rate is low compared to other Virginia plans and the national median

Projected Employer Contributions Fiscal Years Ended June 30



Employer contributions are projected to exceed \$50 million each year if all current assumptions are realized (actual results will vary)

- 7.0% assumed investment return
- No future benefit enhancements or ad hoc retiree COLAs are included in the projections
- Assumes the employer(s) continues to fully fund the actuarially determined contribution

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