

Richmond Retirement System (RRS)
Presentation to
Organizational Development Committee
November 7, 2022



Today's Agenda

- ▶ Recent Portfolio Initiatives
- ▶ Financial Summary
- ▶ Membership composition
- ▶ Net Investment rate of return
- ▶ Funded status
- ▶ Contributions
- ▶ Conclusion

Recent Portfolio Initiatives

- ▶ Domestic equities & fixed income restructured in FY 2020
- ▶ International equities restructured in FY 2021
- ▶ Other alternative assets restructured in FY 2022
- ▶ Private markets – in process and ongoing

Financial Summary – Investment Performance

- ▶ Investment returns, net-of-fees, at June 30, 2022:
 - 1 year, (6.4%)
 - 3 years, 5.8%
 - 10 years, 7.0%
- ▶ In fiscal year 2022, RRS performance ranked in the 5th percentile of the Callan peer universe
- ▶ RRS portfolio outperformed its benchmark by 1% in fiscal year 2022 and outperformed over 3 and 10 years
- ▶ Since restructure, the portfolio has outperformed it's benchmark by 1.9% annualized

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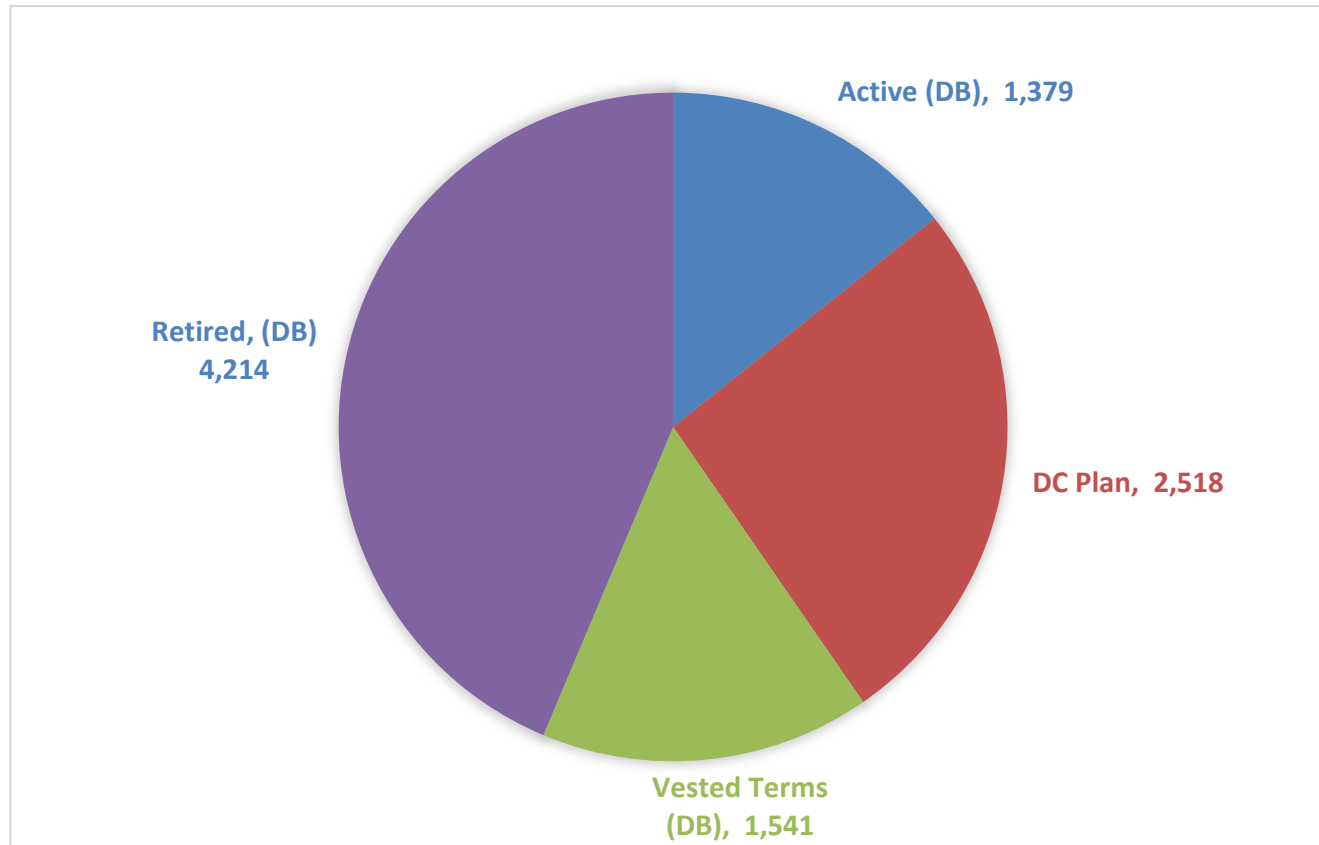
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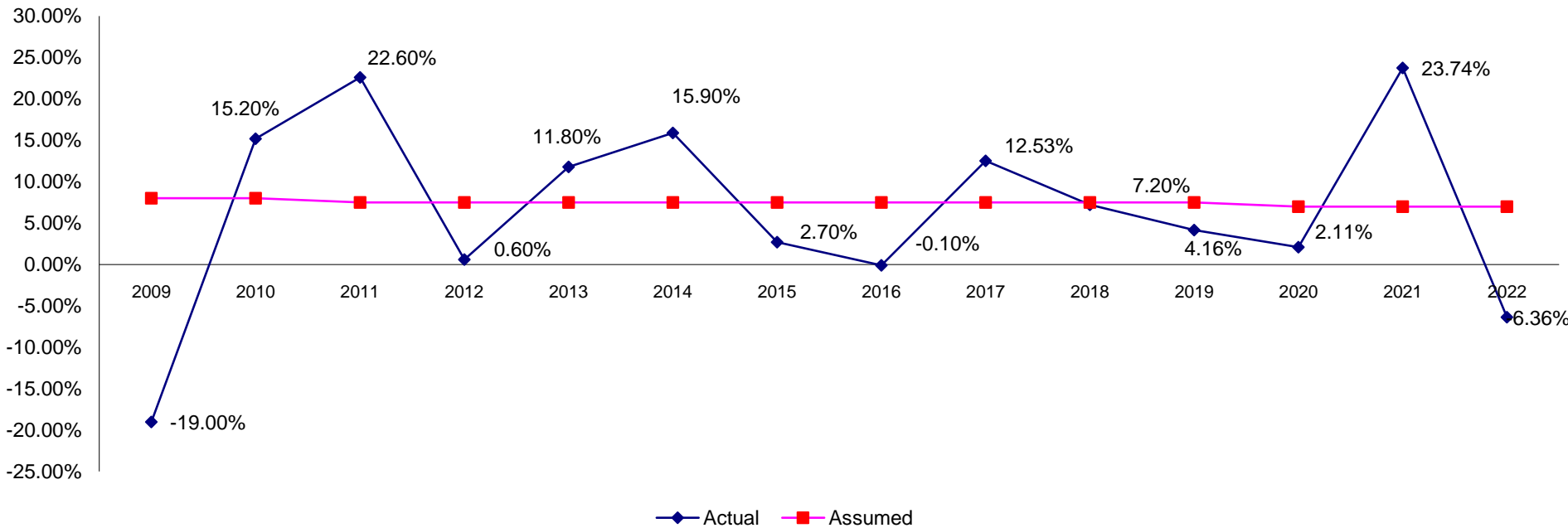
Financial Summary – Actuarial

- ▶ Funded status is 64.5% as of June 30, 2022 compared to 59.2% in 2020 and 71.8% in 2021
- ▶ At 64.5%, the funded status is 15% higher than it was in 2009
- ▶ According to the Milliman Public Plan Funding Index (PPFI), the aggregate funded status is 74% as of June 30, 2022, down from 85% as of June 30, 2021
 - PPFI aggregate funded status index **fell 11% in one year**
 - RRS funded status declined **only 7.3% in same time period**
- ▶ Net Pension Liability is \$340 million as of June 30, 2022

Membership Composition

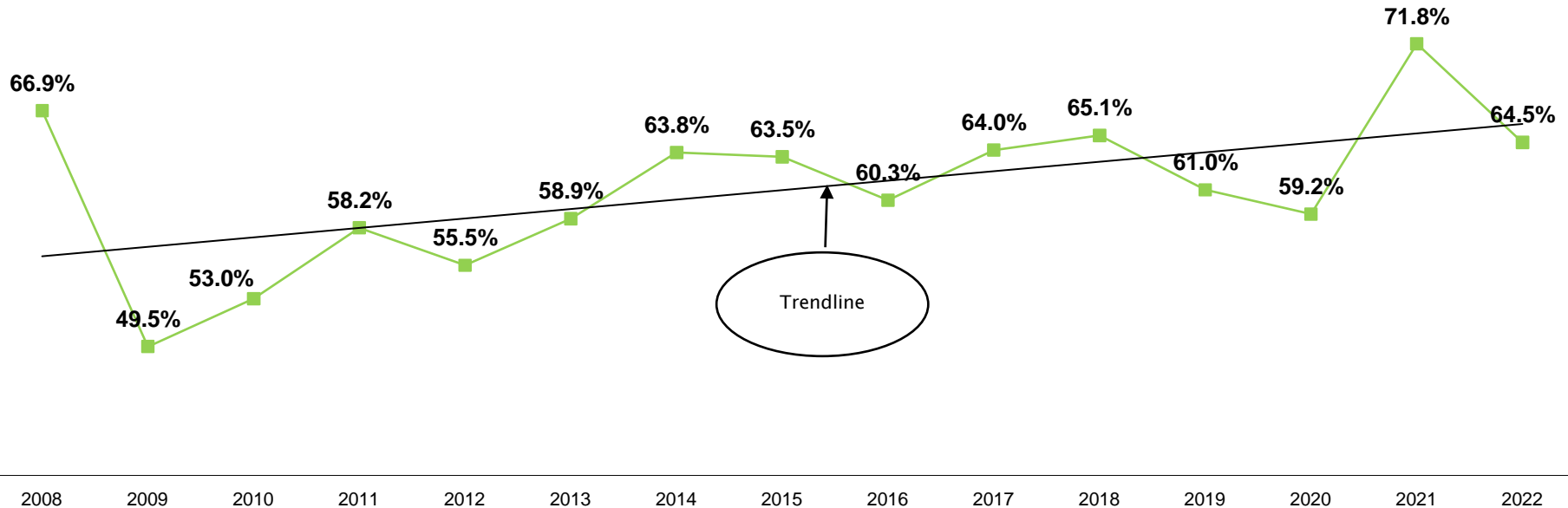


Net Investment Rate of Return



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

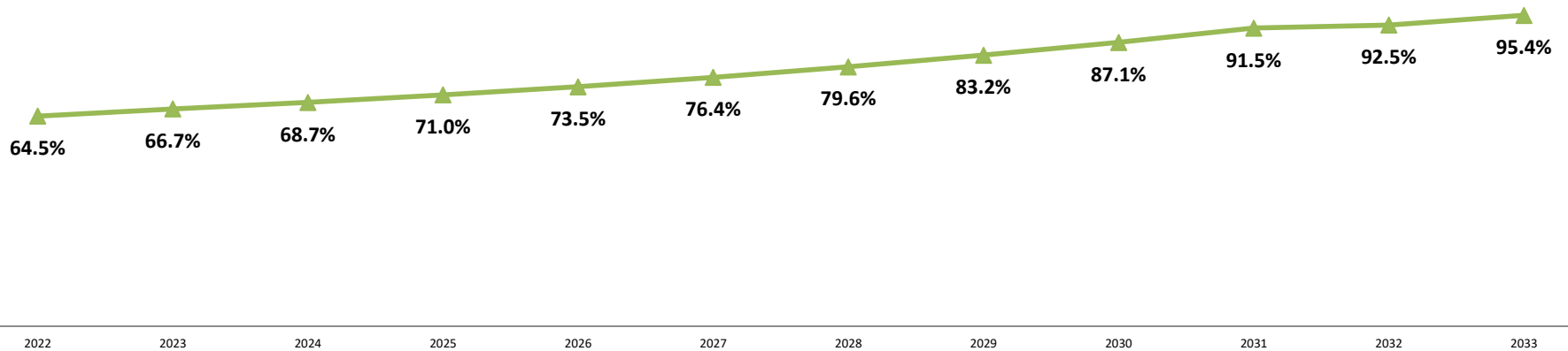
Funded Status



The funded status has improved by 15% since 2009 and continues to trend upward over time. The assumed rate of return has been reduced by 1%, and new mortality tables have been adopted, over this time period.

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)

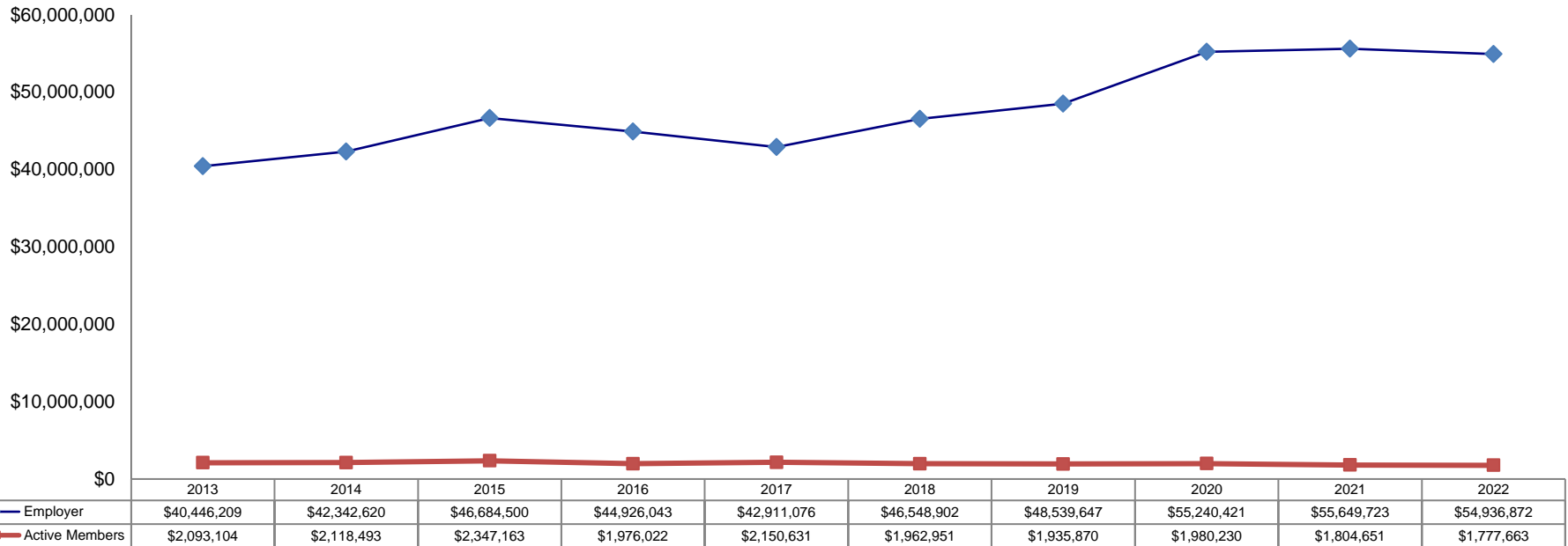
- 7.0% assumed investment return
- No future benefit enhancements or ad hoc retiree COLAs are included in the projections
- Assumes the employer(s) continues to fully fund the actuarially determined contribution

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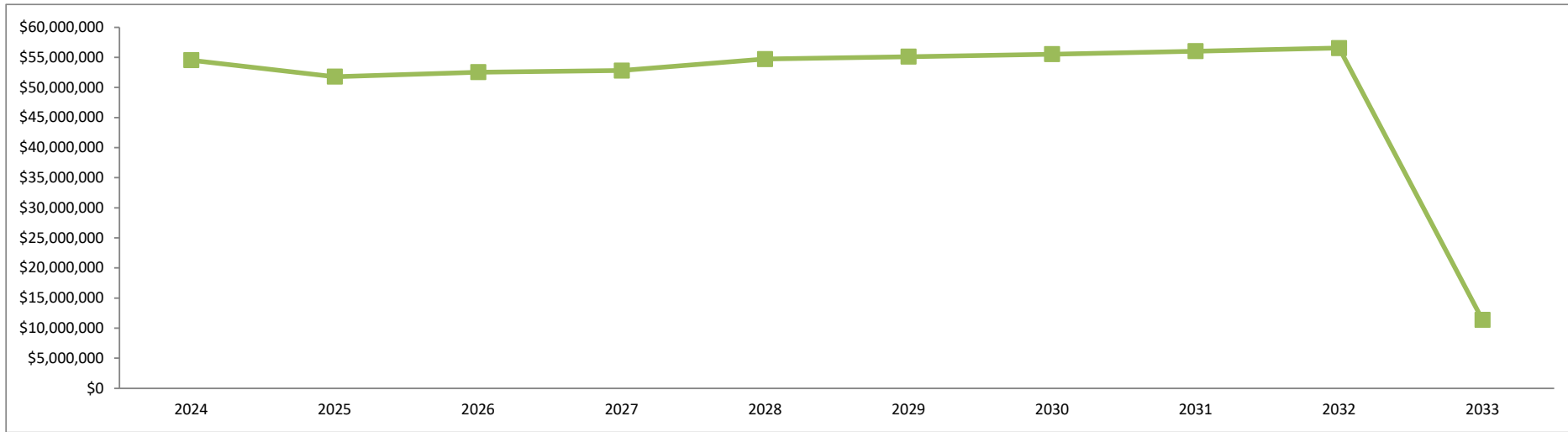
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Contributions



The City provides most of the funding for the DB Plan. In addition, the City contributed \$7.1 million to the 401(a) DC Plan in FY 2022.

Projected Employer Contributions Fiscal Years Ended June 30



Employer contributions are projected to exceed \$50 million annually through 2032 and then decline to approximately \$10 million per year once the legacy unfunded liability is paid off.

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

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Conclusion

- ▶ Restraint should be exercised with respect to benefit enhancements
- ▶ The City should continue to fully fund the Actuarially Determined Contribution (ADC)
- ▶ A sharp decline in contributions is projected in 2033
- ▶ Funded status is actuarially projected to reach 90% in less than a decade

Questions?

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