

Richmond Retirement System (RRS)
Presentation to
Organizational Development Committee
December 7, 2020

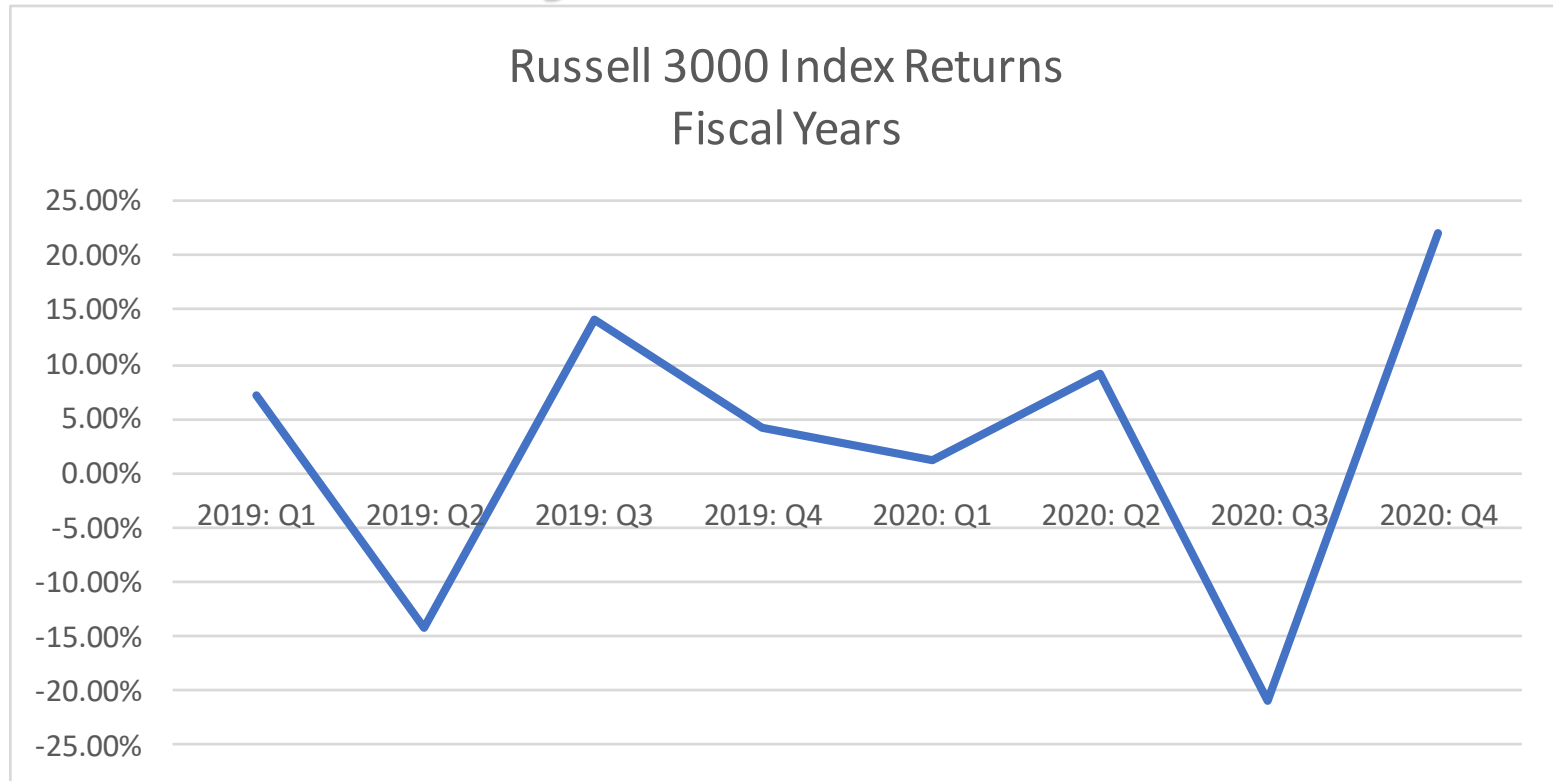


Today's Agenda

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

Financial Summary

Market Volatility



- ▶ The past two Fiscal Years have been challenging for managing asset volatility

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Financial Summary

DB Plan

- ▶ Funded status is 59.2% at June 30, 2020 compared to 61.0% at June 30, 2019
 - The decrease in funded status is mostly attributable to investment performance below the assumed rate of return and the VRIP
 - NASRA 2019 median funded status is 72.3%
 - Unfunded liability is \$389 million, up from \$365 million
- ▶ Investment returns at June 30, 2020, net-of-fees (assumed rate of return is 7.0%):
 - 1 year, 2.1%
 - 5 years, 5.1%
 - 10 years, 7.7%
- ▶ RRS administrative expenses were \$220k, or 12.7%, under budget last fiscal year.
- ▶ Employer contributions are projected to continue to exceed \$50 million per year in the near term

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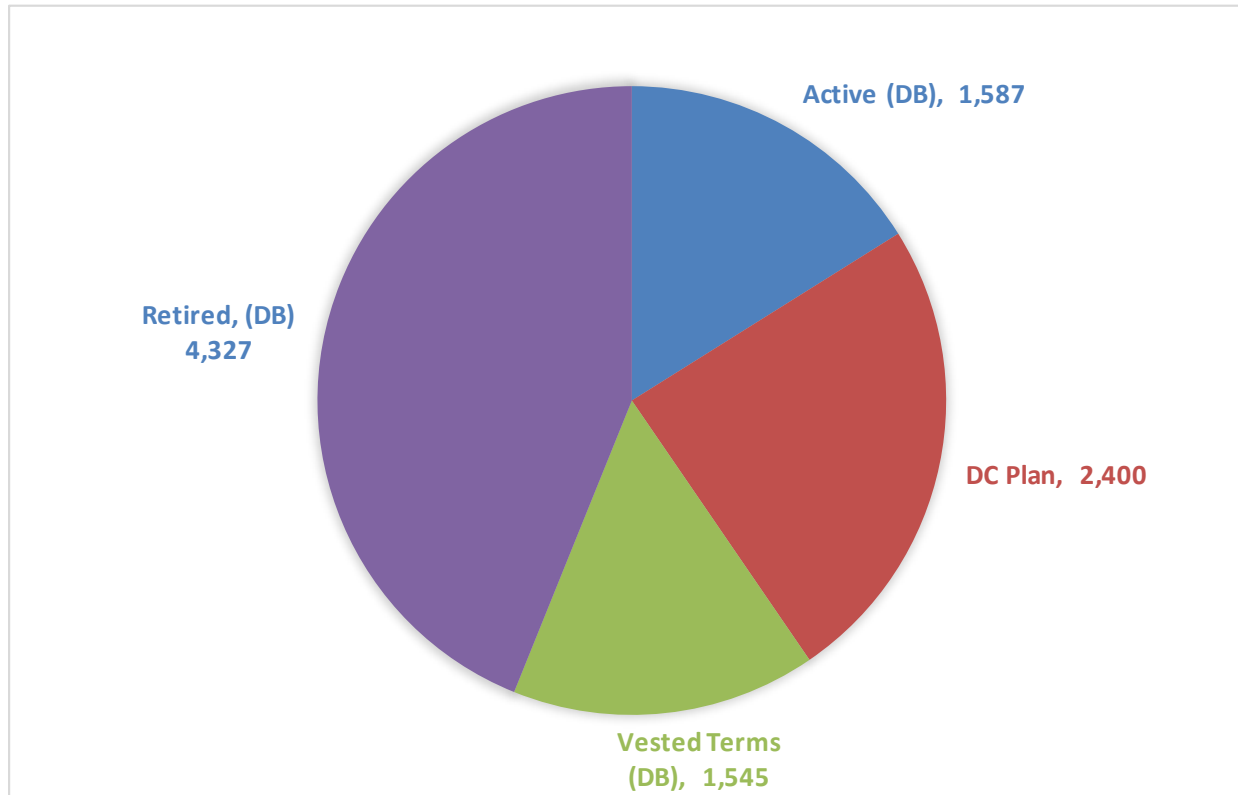
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Recent Portfolio Initiatives

- ▶ Continued strong leadership on the Investment Advisory Committee
- ▶ Significant restructuring of the portfolio is in process, repositioning it for the future
 - 75% of the portfolio (equities and fixed income) was completely restructured during January – July 2020
 - Private Equity pacing plan approved by the Board
 - Diversifying Assets and Private Credit structural reviews recently approved

Membership Composition



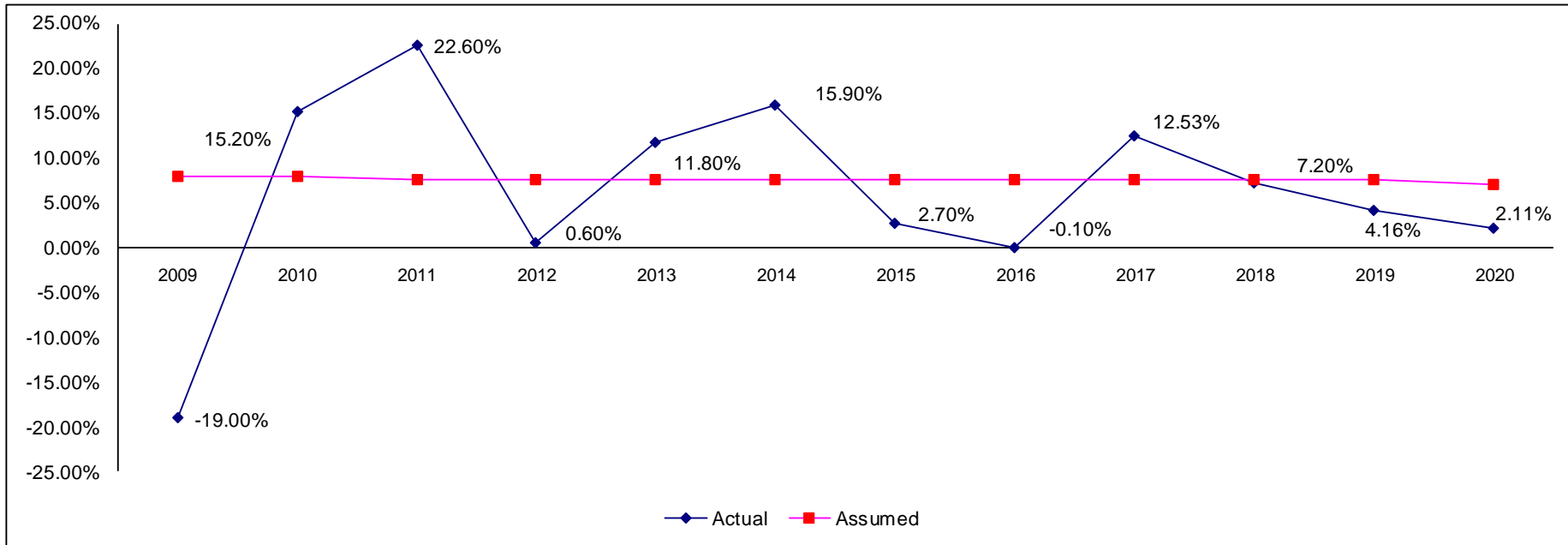
Retirees outnumber active members by almost 3 to 1 and 60% of active employees are members of the DC plan.

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Net Investment Rate of Return

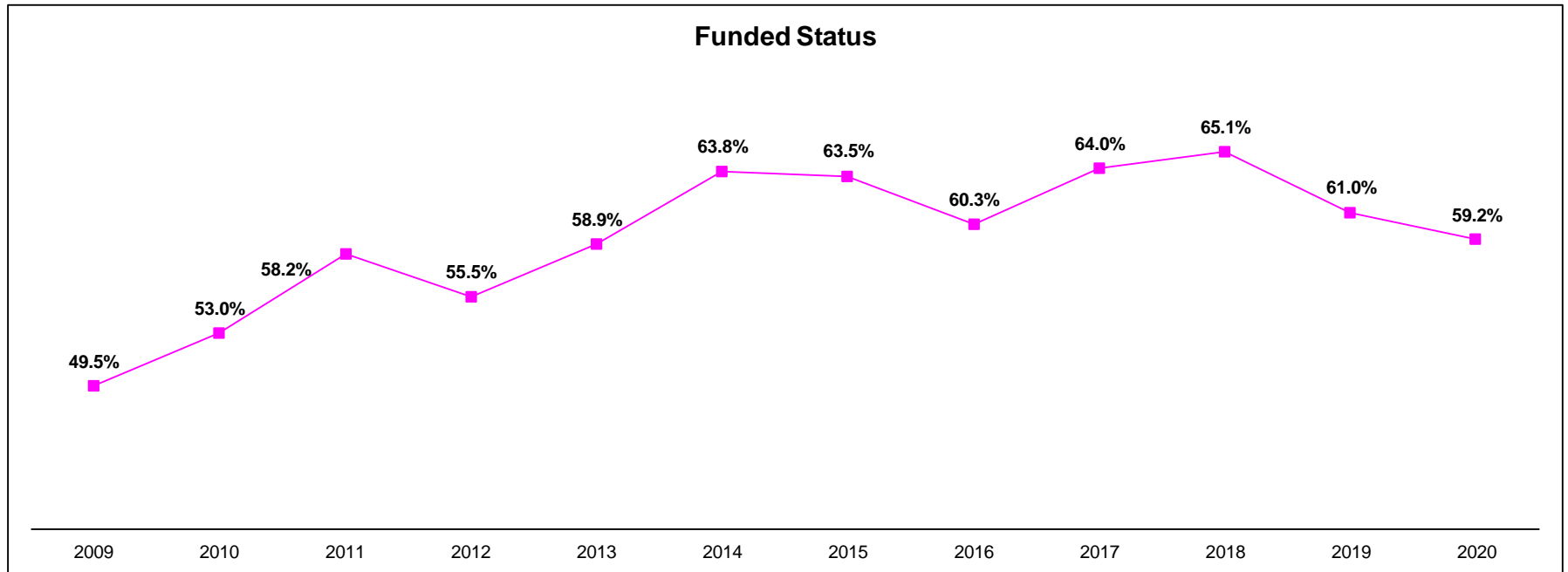


The long term assumed rate of return for purposes of valuing liabilities was lowered from 8.0% to 7.5% on June 30, 2011 and was lowered again to 7.0% effective June 30, 2019.

VRIP Impact

- ▶ 112 employees elected to participate in the VRIP out of 253 who were eligible
- ▶ Impact on RRS
 - Unfunded liability increased \$9.7 million
 - Funded status decreased 0.6%

Funded Status



The funded status has significantly improved over the past decade but is below the NASRA 2019 survey median funded status of 72.3%

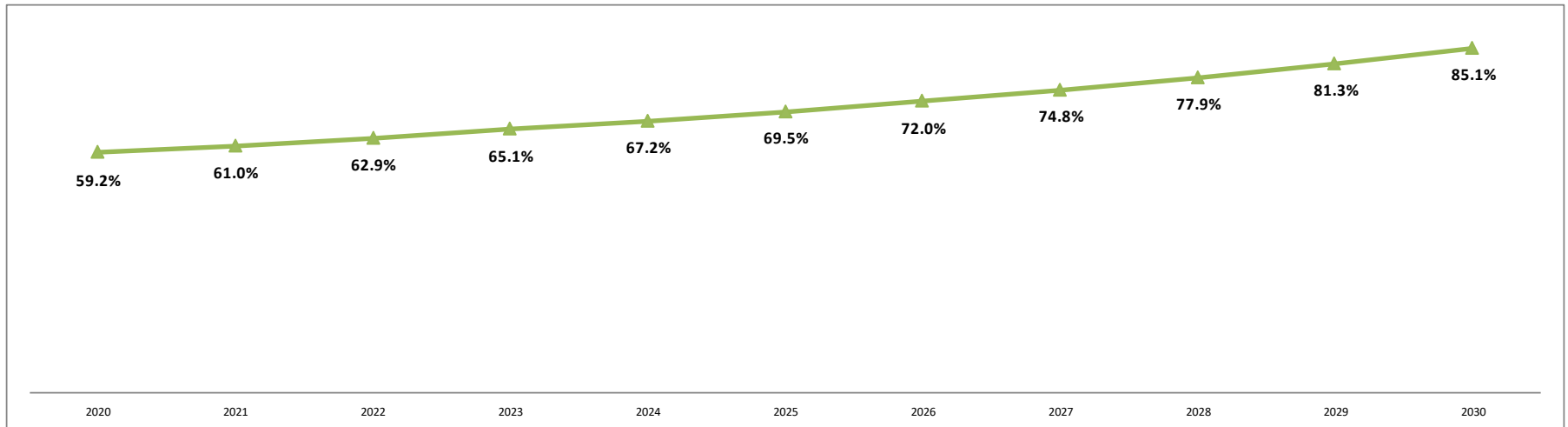
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Projected Funded Status

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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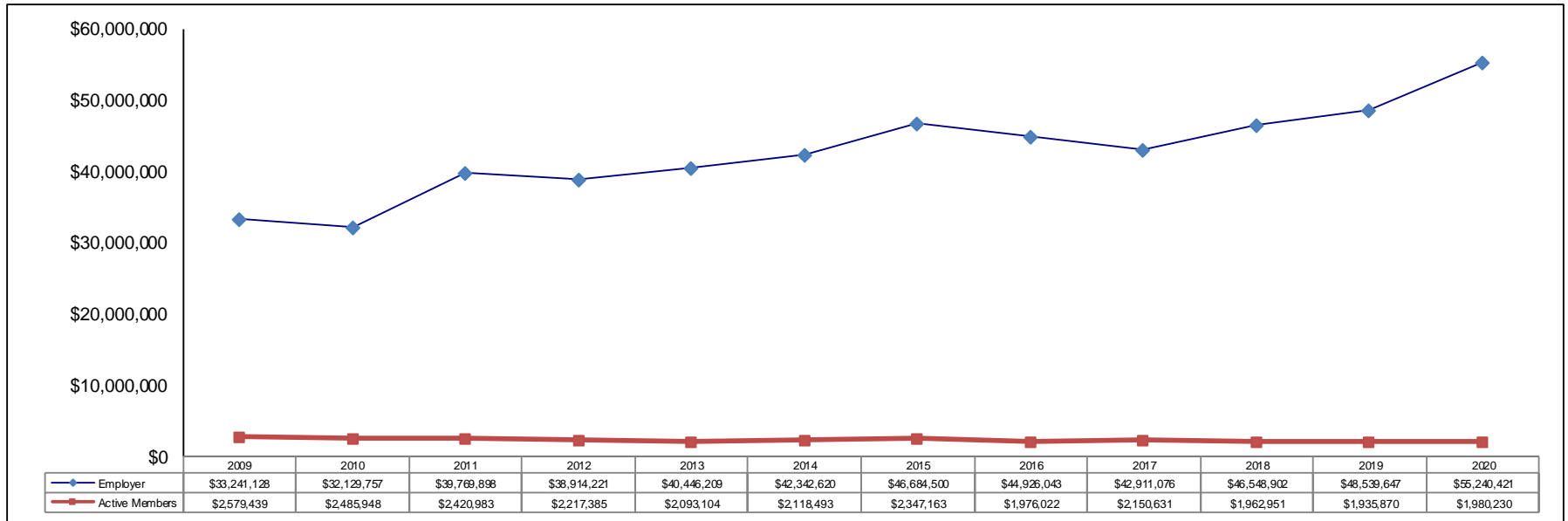
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Contributions

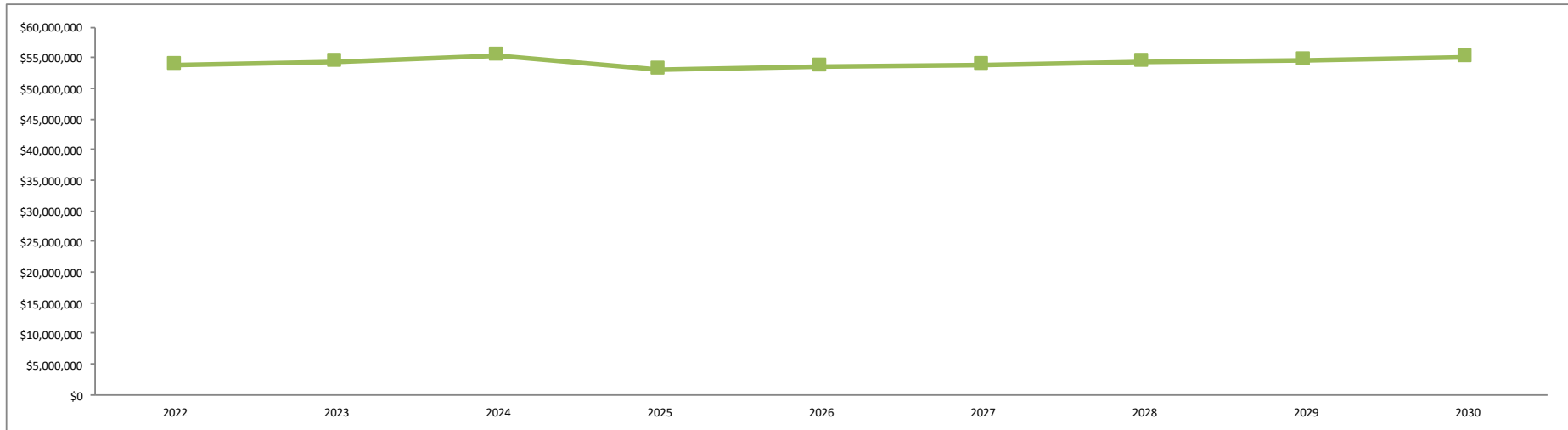
- ▶ In FY 20, the City contributed \$54 million to the DB plan, including \$5.3 million to cover the cost of a 1% Ad Hoc COLA
- ▶ The City contribution has exceeded the Actuarially Determined Contribution (ADC) in the past two years:
 - FY 20: \$1.7 million in addition to the COLA contribution
 - FY 19: \$2.0 million additional contribution
 - Each additional \$9.5 million contribution increases the funded status by 1%

Contributions



The City provides most of the funding for the DB Plan. In addition, the City contributed \$6.1 mil to the 401(a) DC Plan in FY 2020.

Projected Employer Contributions Fiscal Years Ended June 30



Employer contributions are projected to exceed \$50 million each year for the foreseeable future 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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Questions?

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