Richmond Retirement System (RRS) Presentation to Organizational Development Committee

December 6, 2021

Today's Agenda

- Recent Portfolio Initiatives
- Financial Summary
- Membership composition
- Net Investment rate of return
- Additional VRIP impact
- Funded status
- Contributions
- Ad Hoc COLA

Recent Portfolio Initiatives

- New asset allocation approved by the Board
- Investment restructuring:
  - Domestic equities and fixed income restructured in the later part of FY 2020
  - International equities restructured in FY 2021
  - Remainder of asset classes – restructure in process during FY 2022 and ongoing

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Financial Summary – Investment Performance

- Investment returns, net-of-fees, at June 30, 2021:
  - 1 year, 23.7%
  - 5 years, 9.7%
  - 10 years, 7.8%
- Portfolio outperformed its benchmark by 1.7% in fiscal year 2021
- One-year investment return is the highest in 35 years

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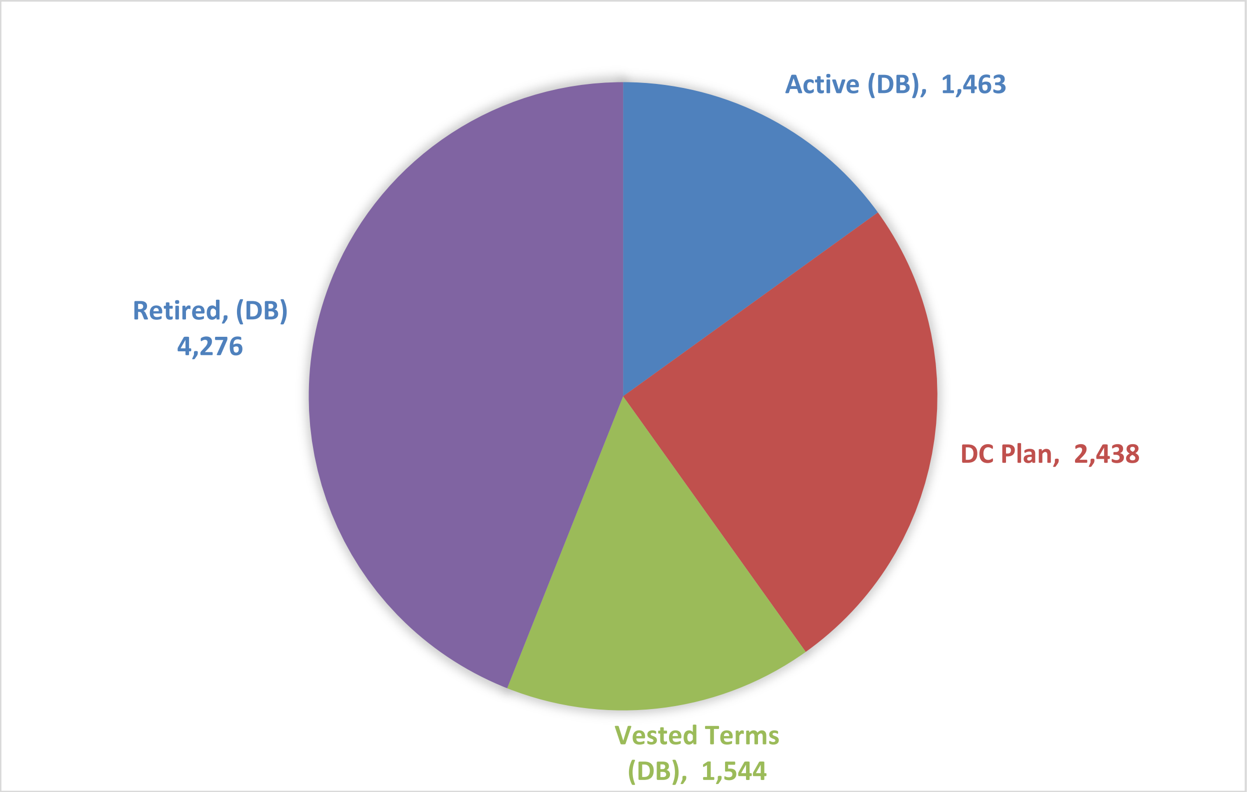
Financial Summary – Actuarial and Budget

- Funded status is 71.8% at June 30, 2021 compared to 59.2% at June 30, 2020
  - Milliman public pension aggregate funded status is 85.0% at June 30, 2021
  - Unfunded liability is $269 million, a sharp decline from $389 million in 2020
- At 71.8%, the funded status is at its highest level in 19 years
- RRS administrative expenses were $219k, or 11.2%, under budget last fiscal year.

Membership Composition



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

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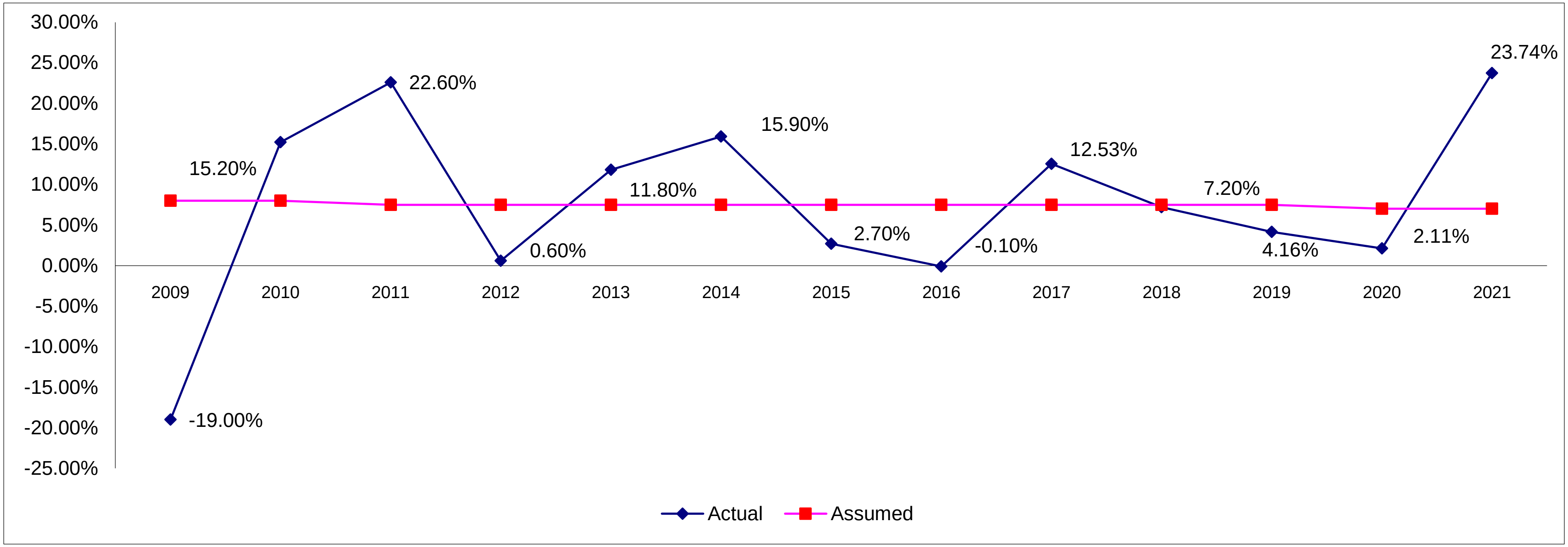
Net Investment Rate of Return



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

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Additional VRIP Impact

- The last six employees deemed essential under Ordinance 2019-138 retired during the fiscal year ended 2021 resulting in:
  - An increase in the unfunded liability of $479,000 in FY 2021
  - Total recent VRIP impact to the unfunded liability is an increase of $10.2 million

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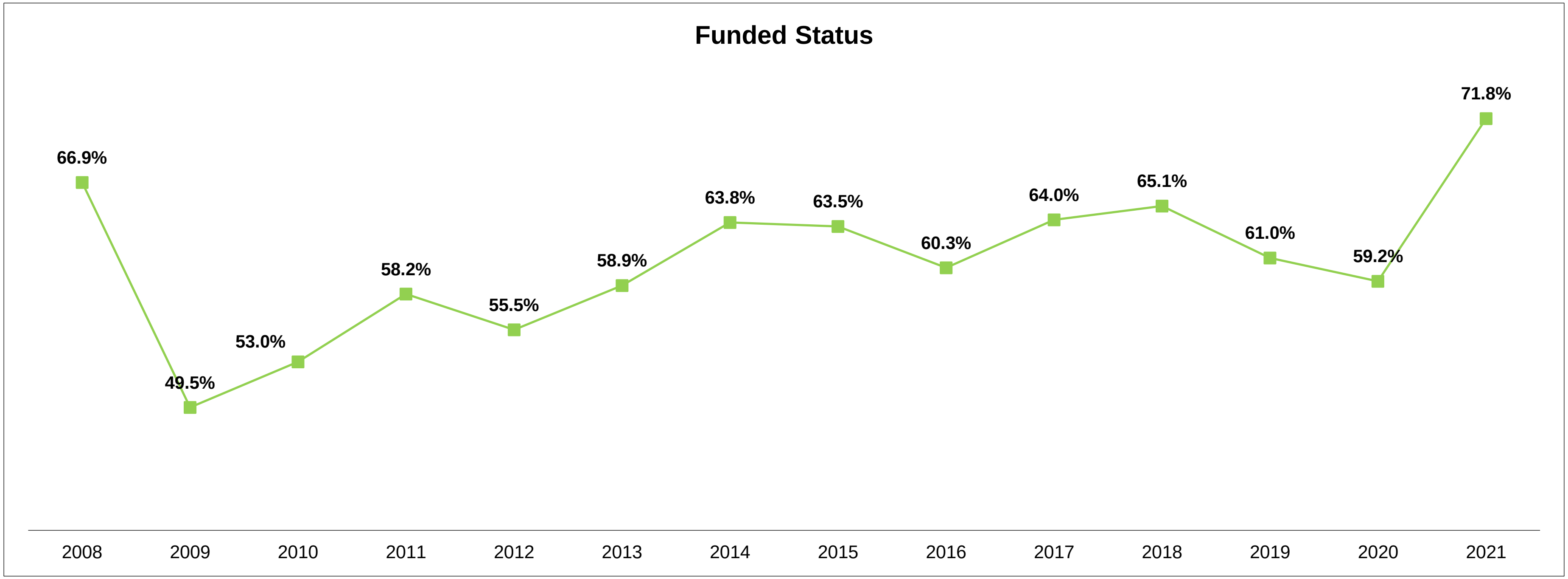
Funded Status



The funded status has improved by 22.3% since 2009.

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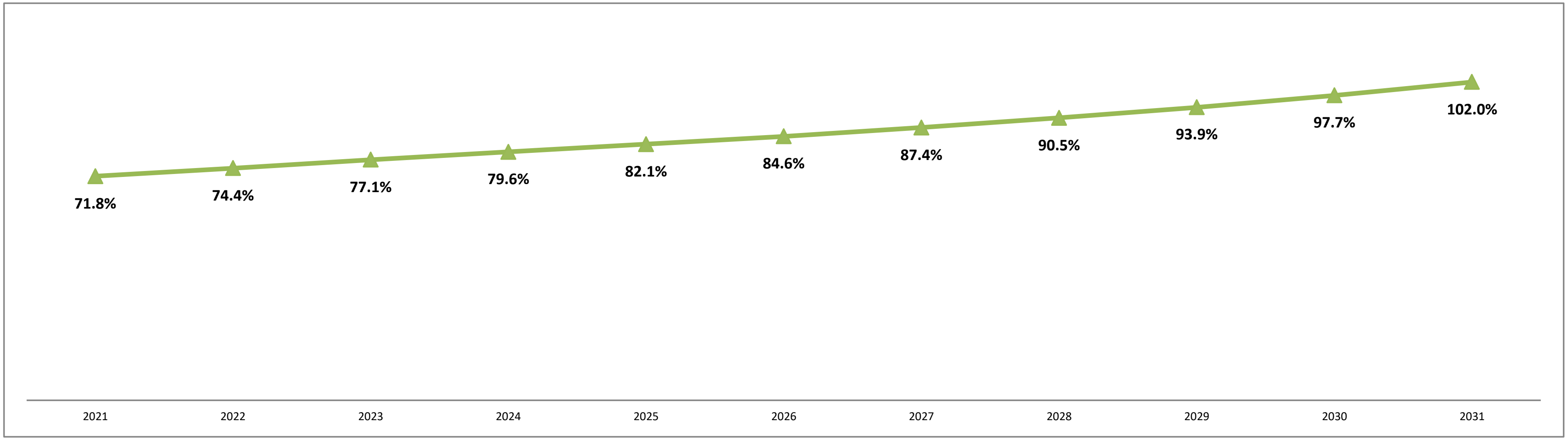
Projected Funded Status
Fiscal Years Ended June 30



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

- In FY 21, the City contributed $54 million to the DB plan
- The City's contribution *exceeded* the Actuarially Determined Contribution (ADC) in:
  - FY 20 by $1.7 million
  - FY 19 by $2.0 million
- Each additional $9.5 million contribution increases the funded status by 1%

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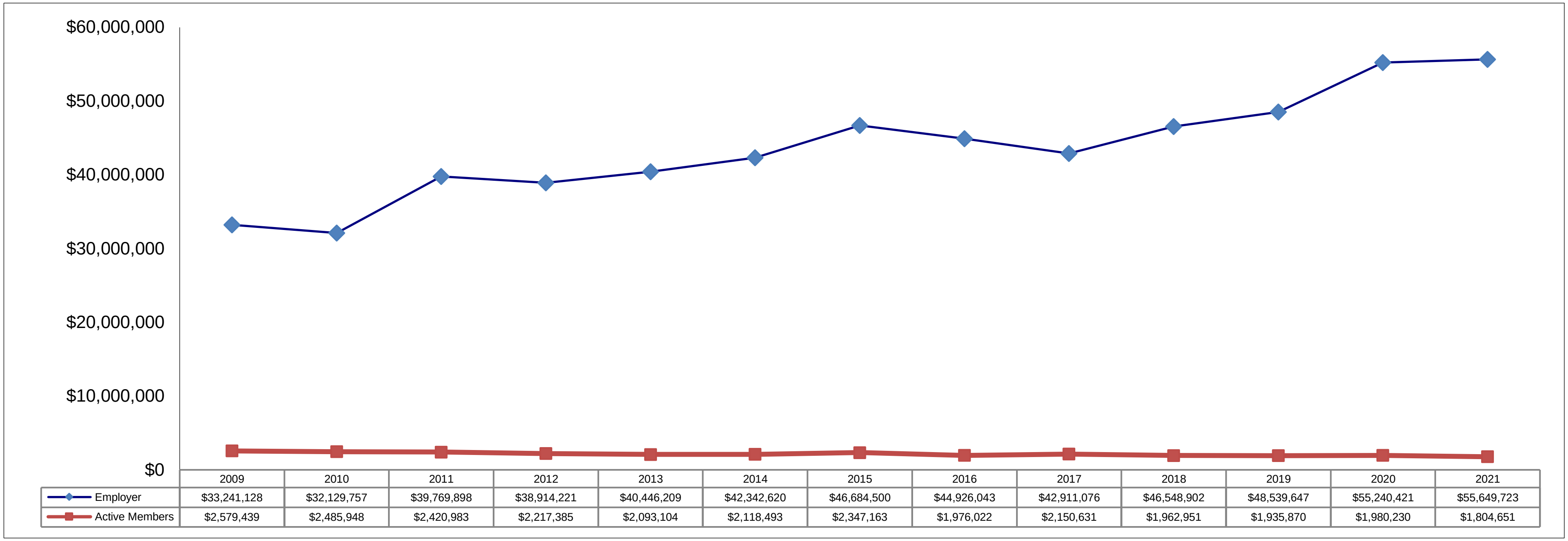
Contributions



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Employer	$33,241,128	$32,129,757	$39,769,898	$38,914,221	$40,446,209	$42,342,620	$46,684,500	$44,926,043	$42,911,076	$46,548,902	$48,539,647	$55,240,421	$55,649,723
Active Members	$2,579,439	$2,485,948	$2,420,983	$2,217,385	$2,093,104	$2,118,493	$2,347,163	$1,976,022	$2,150,631	$1,962,951	$1,935,870	$1,980,230	$1,804,651

The City provides most of the funding for the DB Plan. In addition, the City contributed $6.5 mil to the 401(a) DC Plan in FY 2021.

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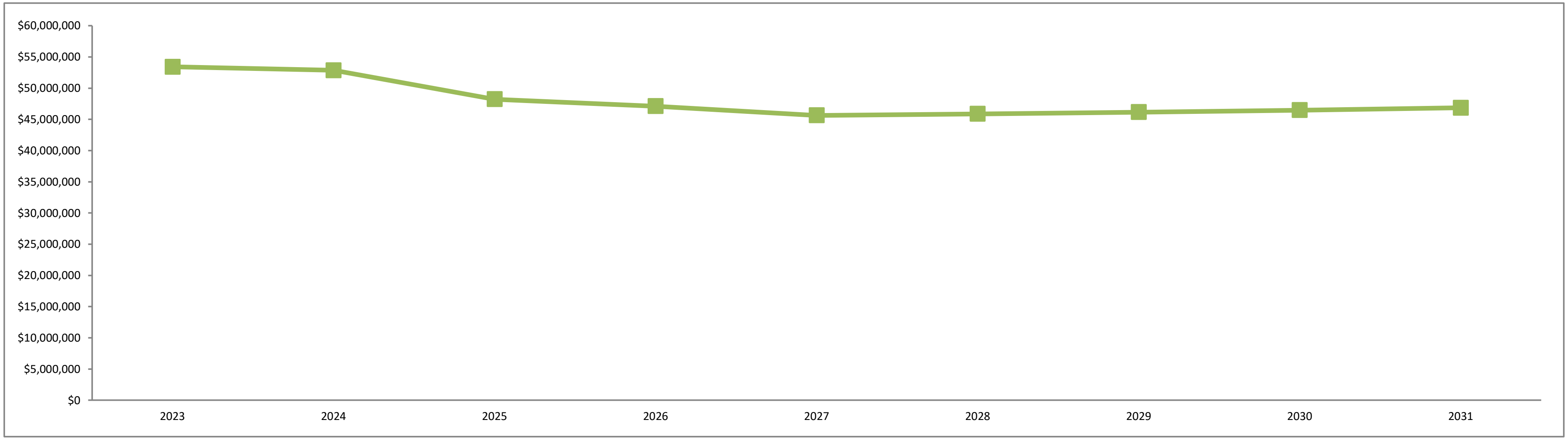
Projected Employer Contributions
Fiscal Years Ended June 30



Employer contributions are projected to exceed $50 million through FY 2024 and then average $45 – 50 million through FY 2031 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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Ad Hoc COLAs

- City Council has the authority to grant ad hoc COLAs
- In the last 13 years, there has been one ad hoc COLA of 1% which was granted in January 2020 and paid for up-front by the city
- Based on the results of the June 30, 2021 valuation, the one-time up-front cost of a 1% ad hoc COLA would be approximately $6.6 million

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Questions?

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