Annual Highlights

JUNE 30 SUMMARY FINANCIAL DATA
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT PERFORMANCE (NET OF FEES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Fund return</td>
<td>9.26%</td>
<td>13.28%</td>
<td>(3.68%)</td>
<td>3.73%</td>
</tr>
<tr>
<td>Composite benchmark</td>
<td>8.45%</td>
<td>11.63%</td>
<td>(1.41%)</td>
<td>2.59%</td>
</tr>
</tbody>
</table>

| **RESERVE ANALYSIS** |       |       |       |       |
| Assets available for benefits | $ 7,051,928 | $ 6,553,309 | $ 5,883,869 | $ 6,220,739 |
| Required actuarial reserves   | 7,417,411 | 6,752,402 | 6,488,893 | 6,333,285 |
| Reserve (deficit)             | ($365,483) | ($199,093) | ($604,824) | ($112,546) |
| Assets as a % of required reserves | 95% | 97% | 91% | 98% |

| **RECEIPTS** |       |       |       |       |
| Contributions from Ys and participants | $279,076 | $267,391 | $257,360 | $242,317 |
| Interest and dividends                | 26,462 | 29,575 | 39,672 | 55,892 |
| Total                                | $305,538 | $296,966 | $297,032 | $298,209 |

| **DISBURSEMENTS** |       |       |       |       |
| Benefit and lump-sum distributions    | $358,136 | $342,985 | $346,088 | $309,293 |
| Investment and administrative expenses | 47,834 | 45,481 | 44,074 | 43,838 |
| Total                                | 405,970 | 388,466 | 390,162 | 353,131 |

| **NET DISBURSEMENTS** |       |       |       |       |
|                       | $100,432 | $91,500 | $93,130 | $54,922 |

JUNE 30 SUMMARY OF PARTICIPANT STATISTICS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Plan participants</td>
<td>94,727</td>
<td>91,925</td>
<td>89,116</td>
<td>86,813</td>
</tr>
<tr>
<td>Savings Plan participants</td>
<td>43,865</td>
<td>41,119</td>
<td>37,611</td>
<td>33,515</td>
</tr>
<tr>
<td>Retirees and beneficiaries</td>
<td>14,341</td>
<td>13,845</td>
<td>13,386</td>
<td>12,813</td>
</tr>
<tr>
<td>Total participants*</td>
<td>120,763</td>
<td>116,227</td>
<td>111,780</td>
<td>106,947</td>
</tr>
<tr>
<td>Average annual salary of active participants</td>
<td>$31,101</td>
<td>$30,721</td>
<td>$30,004</td>
<td>$28,930</td>
</tr>
<tr>
<td>Average annual retirement benefit</td>
<td>$18,482</td>
<td>$18,265</td>
<td>$17,908</td>
<td>$17,556</td>
</tr>
<tr>
<td>Average age of active participants</td>
<td>44</td>
<td>43</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Participating YMCAs</td>
<td>791</td>
<td>802</td>
<td>814</td>
<td>825</td>
</tr>
</tbody>
</table>

*Some participants are enrolled in both plans.*

The complete audited financial statements including footnotes and the auditor’s opinion, as well as the actuary’s valuation, are on the Fund’s website at www.yretirement.org. If you would like to receive a hard copy of either report, please email us at info@ymcaret.org.
Message from the Chairman

As Chairman of the YMCA Retirement Fund’s Board of Trustees, it is my privilege to present the Fiscal Year 2018 Annual Report. Every year, I continue to be inspired by the dedication of my fellow Trustees and the exceptional leadership of the Fund’s Management Team. We firmly believe in serving our constituents and upholding the honorable mission of the Fund to empower YMCA employees to achieve economic security, resulting in loyalty to the YMCA Movement.

Continuing the trend from last year, Fiscal Year 2018 was one of strong investment returns, both on an absolute and relative return basis. This has helped drive our asset base higher as well as our comparative performance over our benchmarks. We manage the assets of our portfolio with a long-term perspective that allows us to provide growing account balances for our active participants and lifetime annuities for our retirees.

The Board of Trustees

The Fund is governed by accomplished, thoughtful men and women who are devoted to supporting and advancing the YMCA Movement. Our Trustees spend countless hours fulfilling their fiduciary duties, and I am honored to work alongside such selfless and committed individuals.

This year, we were extraordinarily pleased to welcome a new member to our Board: Kelvin Walker. He brings a wealth of knowledge to his role as a Trustee of the YMCA Retirement Fund. As the Managing Director of RLJ Equity Partners, Kelvin has gained valuable experience in mergers and acquisitions, merchant banking, corporate finance, credit analysis, business planning and strategic development. His passion for the YMCA Movement was reflected in his service as Chairman of the Board of the YMCA of Metropolitan Dallas.

Our Trustees’ biographies are featured in this report, and I invite you to read about their accomplishments and dedication to the Movement.

Committed to the Vision

In the early 1900s, a group of YMCA leaders congregated in Springfield, Massachusetts to discuss how they could reward YMCA professionals for their service. They established the YMCA Retirement Fund with the hope of providing their loyal members financial security for their future.

Today, we remain committed to this vision set by the founders of the Fund. We are mindful of our responsibility to be trustworthy and skilled fiduciaries who provide our participants with a strong, long-term investment strategy, excellent customer service, and the educational tools they need to secure their future. For nearly 100 years, we have committed ourselves to serving those who have dedicated their lives to the YMCA Movement—and we will continue to carry out this powerful mission.

William A. Holby, Chairman
Message from the CEO

Nearly a century ago, even before Social Security came on the scene, the founders of the Fund had the remarkable vision to create a retirement program as a reward for YMCA workers who dedicate a career of service to the YMCA Movement.

Since that time, through wars, economic cycles and geo-political challenges, your Fund has remained steadfast in its commitment to the original vision. My colleagues and I, guided by a dedicated Board of Trustees, strive every day to be the best at what we do to support the people delivering YMCA programs and services in all corners of the USA.

Just like YMCAs, the Fund is a 501(c)(3) nonprofit organization. We hold ourselves to the highest standards as we take responsibility for both the investment management of $7 billion and benefits management for more than 120,000 people. At the same time we manage our expenses with great care. Please read the Report from the CFO for an explanation of our expense benchmarking.

Investment Performance

In the fiscal year ended June 30, 2018, your Fund built on the recovery that began the prior year. Our net investment returns were consistently strong in absolute terms, and we also outperformed our benchmark in relative terms.

Looking back over longer time periods, the strong results for the year also improved our comparative performance. Please read the Report from the CIO for a more detailed commentary.

Investment Returns as of June 30, 2018 (Net of all Investment Costs)

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>7 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>YMCA Retirement Fund</td>
<td>9.26%</td>
<td>6.03%</td>
<td>7.48%</td>
<td>7.01%</td>
<td>5.68%</td>
</tr>
<tr>
<td>Composite Benchmark</td>
<td>8.45%</td>
<td>6.08%</td>
<td>7.19%</td>
<td>6.59%</td>
<td>5.96%</td>
</tr>
<tr>
<td>Out or Under</td>
<td>0.81%</td>
<td>(0.05%)</td>
<td>0.29%</td>
<td>0.42%</td>
<td>(0.28%)</td>
</tr>
</tbody>
</table>

Impact of the Discount Rate on the Funding Level

In spite of our strong investment returns, we finished the fiscal year on June 30, 2018 at a funding level of 95% (assets as a percentage of liabilities).

While the funding level exceeded 100% during the course of the fiscal year, we reduced the rate used to discount our liabilities toward the end of the year. This bolstered the long-term sustainability of the Fund, but it also had the temporary effect of decreasing our funding level. Please read The Funding Level for an explanation of why this change was made and how it will strengthen the Fund for the long term.

The reduction of the discount rate was taken after a year of careful and thoughtful study and discussion among the Trustees, Management, and our independent Actuary (Conduent), in order to position your Retirement Fund for the long term.
Lowering our discount rate increased the value of our liabilities, thereby decreasing our funding level. Essentially, we accepted a short-term decrease of our funding level in order to strengthen the Fund for the long-term. When combined with other factors, the lower discount rate gave our Trustees the confidence to declare 5% annualized interest credits for the period of July to December 2018. This followed the previous six-month period, also at 5% annualized interest credits.

The reduction of the funding level below 100% had no impact on Participants or Retirees. Participants’ account balances did not go down and Retirees’ annuities were paid without interruption. In fact, over the last ten years, during months when the funding level was below 100%, more than 6,100 people retired and still annuitized their accounts at the full value of their contributions and interest accumulated before they retired.

Our Mission and Guiding Principles

The Fund’s primary focus is to protect Participants’ account balances during their working careers and then provide an uninterrupted stream of annuity payments throughout their retirement years. Our three Guiding Principles summarize our ongoing efforts to deliver on our mission—
to empower YMCA employees to achieve economic security, resulting in loyalty to the YMCA Movement:

- Partner with Participants to provide attractive benefits, resulting in a lifetime annuity as a reward for loyalty to the YMCA Movement
- Maximize the confidence and satisfaction of our Participants, Retirees and YMCAs as employers
- Ensure an adequate funding level to perpetuate the safety and longevity of the plans

Our plans are structured to reward long-term YMCA employees. When they retire, the Fund annuitizes their account balances (savings for life) with an exceedingly beneficial annuity conversion rate and converts their account balances into monthly retirement payments (income for life). We mean it when we say that building loyalty to the YMCA Movement is the focal point of our mission at the YMCA Retirement Fund.
Committed to the Vision

Since its start in 1922, your Fund has been a steady, reliable retirement program. As the YMCA Movement has grown nationwide, so too has the Fund. It has allowed and encouraged YMCA staff to give their all to the communities they serve, knowing that they had strong support from the Fund throughout their YMCA careers in building and assuring their retirement future.

I am proud to say that your Fund is financially stronger than it has been in some time because Management and the Board continue to keep the long-term view in our sights. Ultimately, the core of our fiduciary responsibility to our Participants and Retirees is to ensure that your retirement program will be there to support you and your beneficiaries for your lifetimes. I am more confident than ever that we are fulfilling that responsibility.

Thank you for your continuing confidence in your YMCA Retirement Fund.

John M. Preis, President and CEO
The Funding Level

Our funding level is the ratio of our assets to liabilities. Our liabilities (the Fund’s benefit promises) grow annually in a fairly predictable fashion, while the growth of our assets is a result of our net investment returns in any given year.

In order to support the Fund’s benefit promises and administrative expenses, a net investment return of roughly 6.4% per year (we refer to this as our hurdle rate) has been required in past years in order to credit 3% interest while maintaining our funding level. The hurdle rate is a calculation, combining our discount rate plus controllable expenses.

The discount rate is used to calculate the present value of future benefit obligations. Once a year, our actuary values our future benefit promises. The next step by the actuary is to convert those future benefit promises back into today’s dollars, which is called the present value. The Fund’s liabilities are calculated as the sum of all of our future benefit promises, in present value terms. The conversion from future value to present value requires an assumed interest rate, which is the discount rate.

The Discount Rate and the Hurdle Rate

When our investment returns exceed the hurdle rate, the excess bolsters our funding level. Alternatively, in a year when our investment returns do not exceed the hurdle rate, the shortfall causes our funding level to drop. Those two scenarios are modeled on the accompanying chart.

In May 2018, Fund Management recommended, our Actuary supported, and the Board approved a reduction of the discount rate to reflect the expected future growth of the investment environment. This lowered our hurdle rate for the future from roughly 6.4% to 6.1%. This chart shows the lower hurdle rate as compared with the same two investment return scenarios.
Reducing the discount rate also had the short-term impact of decreasing our funding level below 100% at the end of the fiscal year. However, this will not affect the Fund’s ability to deliver on its benefit promises.

The chart below compares the net investment returns to the hurdle rate since FY 10 and the resulting funding level of each year. In past years, in order to maintain the funding level when interest credits of 3% were granted, the Fund’s net investment returns needed to exceed 6.4% (the hurdle rate). With the reduction of the discount rate, the hurdle rate is now 6.1%.

In years when net returns (the measurement of our asset growth) did not exceed the 6.4% hurdle (fiscal years 2012, 2015 and 2016), the funding level decreased. When net returns did surpass 6.4% (fiscal years 2010, 2011, 2013, 2014 and 2017), the funding level improved.

In addition to the discount rate, other factors can also impact the funding level, and one of those factors is the mortality table used by the Fund to value its liabilities.

In FY 14 we completed our recovery from the Financial Crisis of 2008-09 and achieved a funding level of 104%. In the following year, as a result of a nation-wide study conducted by the Society of Actuaries, a new mortality table, better reflecting the life-span of participants was developed and required to be adopted in the valuation of pension liabilities. As a result, the liabilities increased, and along with an investment return below the hurdle rate, our funding level decreased from 104% to 98%.

The reduction of the hurdle rate to 6.1% at the end of Fiscal Year 2018 will, over time, put the Fund in a better position to manage its pension liabilities in a low investment return environment.
Board of Trustees

*Back Row, left to right:* Robert T. Lutts, D. Scott Luttrell, Mark Baumgartner, William D. Rueckert, Stephen A. Ives, Eric K. Mann, David M. Martin, Joseph R. Weist
*Front Row, left to right:* William A. Holby, Barbara A. Bettin, Angela Brock-Kyle, Jurij Z. Kushner, Sandra J. Morander, Denise L. Day
*Not Pictured:* W. Kelvin Walker

*Left to right:* William A. Holby, Chairman; John M. Preis, President and CEO; Denise L. Day, Vice Chairman
WILLIAM A. HOLBY
A trustee since 2004, Mr. Holby is chairman of the Board of Trustees and the Executive Committee. He also serves on the Compensation and Benefits & Operations Committees. Specializing in municipal finance transactions, he is a partner at King & Spalding LLP in Atlanta, GA. Mr. Holby has served on the Board of the Metro Atlanta YMCA for more than 25 years, including a four-year term as chairman, and is now a member of the Advisory Board. He earned both his undergraduate and law degrees at Vanderbilt University.

DENISE L. DAY
A trustee since 2012, Ms. Day is vice chairman of the Board of Trustees and the Executive Committee. She also serves on the Benefits & Operations and Governance Committees. She is president and CEO of the YMCA of Greater Brandywine in West Chester, Pennsylvania. She has previously served as executive director of Ys in Pennsylvania and Delaware. Ms. Day serves on the Y-USA Talent and Knowledge Management Committee, the YNAN CEO Steering Committee, and the PA State Alliance Executive Committee. She earned a BS in exercise science from the University of Nebraska.

MARK BAUMGARTNER
A trustee since 2015, Mr. Baumgartner serves on the Compensation and Investment Committees. He is chief investment officer for the Institute for Advanced Study in Princeton, New Jersey. Mr. Baumgartner has experience in a wide range of asset classes and strategies, both public and private. He serves on the board of directors of The Investment Fund for Foundations (TIFF). He earned a BSE from the University of Florida and a PhD from Princeton University. He is a CFA charterholder.

BARBARA A. BETTIN
A trustee since 2015, Ms. Bettin serves on the Audit and Benefits & Operations Committees. She is president and CEO of the YMCA of Lincoln, Nebraska. Ms. Bettin serves as the Nebraska State Alliance Chair. She also serves on the Y of the USA Strategic Planning CEO Advisory Committee and the Mid Major CEO Steering Committee. Ms. Bettin is a national trainer for various Y Professional Development training programs. She earned a BA in education from Wayne State College and an MA in sports management administration from the University of Nebraska.

ANGELA BROCK-KYLE
A trustee since 2016, Ms. Brock-Kyle serves on the Governance and Investment Committees. She has served on the investment committees and boards of a variety of financial service organizations. She is the founder and CEO of B.O.A.R.D.S. She serves on the Board for Infinity Property and Casualty Corporation (NASDAQ) and is a trustee of the Guggenheim/Rydex Funds. She earned a BS from California State University and an MBA and a JD from the University of California, Los Angeles.

DENISE L. DAY
A trustee since 2012, Ms. Day is vice chairman of the Board of Trustees and the Executive Committee. She also serves on the Benefits & Operations and Governance Committees. She is president and CEO of the YMCA of Greater Brandywine in West Chester, Pennsylvania. She has previously served as executive director of Ys in Pennsylvania and Delaware. Ms. Day serves on the Y-USA Talent and Knowledge Management Committee, the YNAN CEO Steering Committee, and the PA State Alliance Executive Committee. She earned a BS in exercise science from the University of Nebraska.

STEPHEN A. IVES
A trustee since 2015, Mr. Ives serves on the Compensation and Investment Committees. He is president of Cheyenne Petroleum Company. He is also CFO of a private family office and serves as a trustee and board member of various family entities, advising on matters ranging from real assets (including natural resources and real estate) to financial assets and markets. Mr. Ives is an adjunct professor at the University of Oklahoma. He earned a BBA and Masters of Accountancy from the University of Oklahoma. He is a certified public accountant.

JURIJ Z. KUSHNER
A trustee since 2013, Mr. Kushner is chairman of the Compensation Committee. He also serves on the Executive and Investment Committees. He is a retired VP and corporate controller of Bausch & Lomb. Mr. Kushner served on the Board of Directors at the YMCA of Greater Rochester from 1994 to 2005, including a term as chairman of the board. He recently rejoined that board, continues to serve on the Finance Committee and was named chairman of the $75-million Strengthening our Communities campaign. He earned an MBA and a BA in economics at Rensselaer Polytechnic Institute.

D. SCOTT LUTTRELL
A trustee since 2013, Mr. Luttrell is chairman of the Investment Committee. He also serves on the Executive and Audit Committees. As founder, CEO and CIO of LCM Group, Inc., he has a deep knowledge of a range of investment management approaches, including alternative asset strategies. Mr. Luttrell served as treasurer and then chairman of the Governance Board, and he also served as chairman of the Investment Committee of the Tampa Metropolitan Area YMCA. He earned a BBA in finance from Southern Methodist University.
ROBERT T. LUTTS
A trustee since 2012, Mr. Lutts serves on the Compensation and Investment Committees. He is founder, president and chief investment officer of Cabot Wealth Management, Inc., and also serves as the head of the company’s Investment Policy Committee. He appears frequently in the media due to his wide-ranging knowledge of markets and a clear, well-articulated investment strategy, which is explained in the book he authored. He is the former chair and trustee of the YMCA of the North Shore in Beverly, Massachusetts. He earned a BS in finance and management from Babson College and an MBA in investments and finance from the University of Massachusetts, Amherst.

SANDRA J. MORANDER
A trustee since 2011, Ms. Morander serves on the Benefits & Operations Committee. She is president and CEO of the YMCA of Greater San Francisco, which has more than 200 years of service in San Francisco and nine other northern California counties. Ms. Morander earned a BS in business from Keene State College.

DAVID M. MARTIN
A trustee since 2015, Mr. Martin serves on the Governance and Investment Committees. He is president of Foster Holdings, Inc., with considerable experience in many asset classes, ranging from public equity and debt to private assets, both domestically and overseas. Mr. Martin is currently on the Board of Directors of the YMCA of Greater Pittsburgh (past chairman) and YMCA Camp Kon-O-Kwee Spencer. He earned a BS from Robert Morris University.

WILLIAM D. RUECKERT
A trustee since 2014, Mr. Rueckert is chairman of the Governance Committee. He also serves on the Investment and Executive Committees. He is president of Oyster Management Group, LLC. He has experience across a range of institutional portfolios and most asset classes, with particular experience investing in banks and biotechnology. He is an emeritus director of the YMCA of Greater New York, director and president of the Cleveland H. Dodge Foundation and Chairman of the Board of Trustees of Teachers College, Columbia University. He earned a BA in Spanish from the University of New Hampshire.

ERIC K. MANN
A trustee since 2007, Mr. Mann is chairman of the Benefits & Operations Committee. He also serves on the Audit and Executive Committees. He is president and CEO of the YMCA of Florida’s First Coast, in Jacksonville, Florida. Mr. Mann has held management positions at Ys in Pittsburgh, Charlotte, Cincinnati, Asheville, Central Connecticut Coast, and Los Angeles. He is chairman of the South African YMCA Coalition and has served on the Y-USA Board of Directors. He earned a BS in recreation from Mars Hill College.

JOSEPH R. WEIST
A trustee since 2016, Mr. Weist is vice chairman of the Audit Committee and also serves on the Benefits & Operations Committee. He is the chief financial officer of the YMCA of Greater Hartford. Prior to that, he was director of finance for the YMCA of Greater Des Moines, Iowa. Mr. Weist is also a national trainer in fiscal management for the YMCA of the USA. He earned a BSBA from the University of Nebraska-Lincoln and an MBA from Iowa State University. He is a certified public accountant.

W. KELVIN WALKER
A trustee since 2018, Mr. Walker serves on the Audit and Investment Committees. He is the Managing Director of RLJ Equity Partners. Throughout his career he has gained experience in mergers and acquisitions, merchant banking, corporate finance, credit analysis, business planning and strategic development. He serves on the board of the Methodist Health System and has served on the boards of United Way of Metropolitan Dallas and The Federal Reserve Bank of Dallas Business Community Advisory Council. Mr. Walker is the former Chairman of the Board of the YMCA of Metropolitan Dallas. He earned a BA in finance from Morehouse College and an MBA from Northwestern University.

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REID S. THEBAULT
The YMCA Retirement Fund’s Board appointed Reid S. Thebault to the position of Retiree Liaison in 2018. In this role, Mr. Thebault provides a direct line of communication between the Fund’s Trustees and retirees, sending a quarterly newsletter to all retirees after every Board meeting. Mr. Thebault is the retired president and CEO of the YMCA of Metropolitan Detroit. Over a 45-year YMCA career, Mr. Thebault also worked for Ys in Dayton, Houston, Oklahoma City, St. Louis and served as a trustee of the Fund from 2002 – 2013.

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A trustee since 2016, Mr. Weist is vice chairman of the Audit Committee and also serves on the Benefits & Operations Committee. He is the chief financial officer of the YMCA of Greater Hartford. Prior to that, he was director of finance for the YMCA of Greater Des Moines, Iowa. Mr. Weist is also a national trainer in fiscal management for the YMCA of the USA. He earned a BSBA from the University of Nebraska-Lincoln and an MBA from Iowa State University. He is a certified public accountant.

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Fiscal Year 2018: Another Strong Year for the Fund

The Fund experienced a second consecutive year of strong performance in Fiscal Year (FY) 2018, earning returns of over 9%, net of all manager fees and internal investment costs. This occurred in a period when many financial markets performed well, with several recording double-digit returns.

- Equity markets performed particularly well in FY 18. However, performance toward the second half of the fiscal year came with significantly more volatility, although still moderate by historical standards. For the year, the MSCI All-Country World Index rose 10.7% while different regions displayed somewhat different results. The S&P 500 in the U.S. was up 14.4%, international developed equity markets gained 11.7% while emerging market (EM) equities advanced 8.5%.

- Bond markets delivered disappointing returns. Investment-grade bonds registered slightly negative returns, with the Barclays Aggregate Bond Index down -0.4% and the U.S. Government Intermediate Treasuries Index dropping -0.7%. Below-investment-grade loans and bonds in the U.S. gained under 4%.

With stock markets up about 11% and bond markets flattish-to-up-a-little for the fiscal year, the Fund’s 9.3% net-net return is solid, with the Fund generating helpful absolute and relative contributions from public equities, credit, and most alternative asset classes.

While the Fund has exposure to many markets globally, our portfolio is meaningfully affected by how equity markets behave. Management is looking to modify this to some degree going forward, but we expect that equity markets will continue to be an important influence on the Fund’s returns.

Continued Earnings and Economic Growth, Rising Inflation, Shrinking Unemployment

Despite being nearly nine years into an economic recovery and over nine years into an equity bull market, earnings and economic growth continue to trend upwards not only in the U.S., but in most of the world.

**Economic Growth.** Global growth in Calendar Year (CY) 17 among Organisation for Economic Co-operation and Development (OECD) countries was 3.7%, the strongest since 2011, and is tracking to grow 3.8% in CY 18. Moreover, the International Monetary Fund believes that “advanced economies as a group will continue to expand above their potential growth rates this year and next before decelerating, while growth in emerging market and developing economies will rise before leveling off.” U.S. growth could grow in excess of 4% in several quarters in CY 18.

**Earnings Growth.** Corporate earnings growth both in the U.S. and abroad has been robust.

- In the U.S., the S&P 500’s first quarter 2018 year-over-year earnings growth, turbocharged by the tax cut, exceeded 25%. This represented the seventh consecutive quarter of positive earnings growth.
- A similar story played out in Europe and Japan, where first quarter year-over-year earnings grew 10% and 11%, respectively.
- Earnings are expected to continue to expand, particularly in the U.S. due to the impact of the fiscal stimulus and abroad due to relatively low rates and still-accommodative monetary policies by the Bank of Japan (BoJ) and European Central Bank (ECB).
However, despite continued earnings growth across markets, equity market performance in the second quarter of CY 18 did not follow the same pattern as in the first. U.S. equity markets continued their 2018 gains while European, Japanese and emerging market equities sold off.

**Inflation.** The recent economic and earnings growth has been accompanied by rising prices.

- In the U.S., consumer price inflation picked up, reaching 2.9%, the highest inflation rate since 2012
- Inflation in Europe also increased in June, hitting 2%, a 16-month high. This has primarily been due to the rapid increase in energy prices while price growth elsewhere remains muted
- In the rest of the world, inflation broadly remains low but is expected to pick up due to decreasing unemployment levels and increasing labor shortages

**Fiscal Stimulus.** In late 2017, President Trump managed to push fiscal stimulus through Congress with the Tax Cuts and Jobs Act of 2017 (TCJA). This should provide a boost to the American economy via reduced corporate and personal tax rates as well as a reduced rate on cash repatriation for corporations. Together, these are likely to spur consumption and investment, particularly in 2018 and 2019. Following the passage of TCJA, unemployment in the U.S. continued to drift lower, reaching 3.8% in May, an 18-year low, before rising slightly to 4.0% in June.

The result may be additional inflation, which will likely allow the Fed to continue hiking rates for the remainder of 2018 and 2019. The interest rate differential relative to Europe and Japan may lead to further strengthening of the U.S. dollar (USD). This will have impacts on both trade and commodities, and may lead to trouble for emerging markets, as it often has in the past.

### Outlook for Financial Markets

**Near-Term Outlook.** In CY 17, we had a goldilocks scenario of easy monetary policy, low interest rates, low inflation rates, and global, synchronized growth. This resulted in an equity bull market in which volatility remained muted and new market highs were achieved every month in the U.S. while many equity markets abroad notched double-digit returns.

Much of this scenario remains true in CY 18, and we expect equity markets to continue to produce positive performance. However, there are greater uncertainties this year, reflected in greater volatility. Several issues weigh on investors’ minds, including greater political and social turmoil, rising inflation, a potential shift from accommodative monetary policies (lower interest rates and quantitative easing) to more constraining ones (quantitative tightening), and the threat of a global trade war – particularly commercial conflict with China.

While the outlook is positive for the U.S. in the short to medium term, the long-term picture is less clear. The fiscal stimulus that was passed in late 2017 came at a time when the economy was already achieving above-trend growth. While it has extended the bull market in equities, it may have adverse fiscal consequences in 2020 and beyond.

**Intermediate-Term Outlook.** By 2020, much of the impact of the TCJA will have occurred and have been priced into markets. At the same time, the Fed’s continuing staccato of quarterly interest rate hikes may lead to a more difficult credit environment. In the long run, unless the fiscal stimulus leads to sustained significantly higher levels of economic growth, the rising U.S. trade deficit and increasing government debt could also weigh on the U.S. economy and USD.
One concern right now in the U.S. is the continually flattening U.S. Treasury yield curve which, if Fed rate hikes continue, may invert. A yield curve plots the interest rates, at a set point in time, of bonds with differing maturity dates, as illustrated in the nearby graphic. Interest rates in the U.S. have begun to rise, particularly for shorter maturities (the front end of the curve). As shown in the graphic, longer-dated maturities (the back end of the curve) have not kept up, partly constrained by low intermediate- to long-term interest rates globally. Historically, an inverted yield curve has been a sign that the economy is heading towards a recession. After nine years of central bank intervention, it is possible that many parts of the curve might need to invert for credit creation to meaningfully slow and induce the next recession.

![U.S. Treasury Yield Curve as of 06/30/2018](image)

**International Outlook.** The outlook for countries outside of the U.S. is mostly positive in the medium to long term, but less so in the short term, particularly the EM countries. In Europe, growth has picked up, core inflation remains low, and monetary policy is still accommodative. However, geopolitical risks remain with populism still alive, as demonstrated by the recent events and volatility in Italy and England. For EMs, the aforementioned elevated U.S. growth, and interest rates have caused the USD to appreciate. This has placed some strain on some EM currencies. As a result of a stronger USD, funding costs for EMs with U.S. dollar-denominated external debt has increased (Turkey and Argentina, for example) and U.S. investments appear more attractive on the margin. However, EMs broadly have higher growth rates relative to the U.S. and most other developed countries and offer the potential for greater longer-term growth.

All in all, the global economic outlook remains positive, with strong and rising growth predicted for the next couple of years. While inflation is increasing in the U.S., it is still low on a global level. This should allow the BoJ and ECB to maintain their accommodative monetary policies for the near future. While equities currently appear somewhat expensive, bonds look even more expensive. As such, equities may continue to be well bid.

Political tensions have picked up globally, with continued populist and nationalist fervor on display including the ongoing uncertainty in the Brexit negotiations and the actions and posturing of many global leaders with respect to trade and tariffs.
The Fund takes a long-term perspective in its asset allocation and investment decisions as well as in evaluating performance. We summarize our fiscal year results in each Annual Report. In FY 18, a year of strong returns in the investment markets, the Fund performed quite well, gaining 9.3% net of all investment costs. We ended with $7 billion of investment assets, up from $6.6 billion one year ago.

To gain a sense of how our portfolio is performing, the Fund has created a composite benchmark that is a best estimate of the types of risks we are willing to accept and types of exposures we are trying to have. The Fund has underperformed its composite benchmark in only one of the last nine fiscal years and has exceeded this metric over the last five and seven years. The 10-year numbers do not compare favorably due to the weak relative performance during the Great Financial Crisis. Changes made since then to the Fund’s asset allocation, exposure measurement and risk management make such a degree of underperformance unlikely, all else the same.

However, we would note that the Fund has intentionally begun to increase its exposure to strategies that differ meaningfully from those of the Fund’s benchmarks. This is being done to generate superior absolute returns over time and is essential for the Fund’s continued success and ability to both enhance our Funding Level and award sustained higher interest credits.

While we would expect that over most relevant time periods, the Fund would continue to outperform its benchmarks – and by greater amounts than in the past – there will be years and even multi-year periods when the Fund will underperform its benchmarks, perhaps by a few hundred basis points. Fund Management, with the support of Trustees, has elected to accept greater short-term variance from its benchmark in return for higher expected absolute returns over a cycle.
The Fund performed positively on both an absolute and relative basis over the benchmark this year. However, we caution that the investment strategies we pursue are not expected to provide positive returns or better returns than a given benchmark every single year. Rather, we select these strategies to provide the long-term returns necessary to support Fund benefits. While we pay close attention to interim results and make course corrections along the way, our ability to take a long-term perspective is one of the Fund’s key investment advantages.

Assets that had performed well in FY 17 tended to lead performance in the year just completed. The Fund’s overweight allocation to Public Equity drove the strong performance on both an absolute and relative basis. Strong manager selection in the U.S. and Emerging Markets was a large contributor to this outperformance. Elsewhere in the portfolio, outperformance was driven by our Private Equity and Credit exposures.

The Fund outperformed its benchmark in FY 18 by 81 basis points, further increasing our positive absolute and relative returns over longer periods.

### Investment Strategy

Management continues to take several steps to fulfill the Fund’s mission in the face of a challenging environment of elevated valuations for nearly all asset classes. Historically, about half of the Fund’s exposure has been to public equities, particularly U.S. equities, which has served us well during this bull market. However, as we enter the tenth year of continued economic expansion in the U.S., the Fund has begun to reduce U.S. long-only equity exposure. To be clear, public U.S. stocks are currently the Fund’s largest exposure and we expect they still will be, just less so. Instead, we will be allocating more to private investments, including buyouts, growth capital, venture capital, real estate, and natural resource-related opportunities. Most of these will likely continue to be U.S.-based.

We continue to pursue return streams that are less correlated to both economic growth and financial market valuations, which are some of the main factors that drive equity values. Steps we have taken to accomplish this goal include:

- Increasing our allocation to certain Diversifying Strategies that are not highly correlated to public equities and that we expect will produce attractive (or at least acceptable) long-term returns; these types of exposures, taken as a whole, can comprise a portfolio that retains value or appreciates during periods of equity market distress
- Increasing our allocation to certain alternative Directional Strategies; this includes private equity managers, activist investors and certain hedge fund strategies that pursue attractive absolute returns with mitigated risk
Maintaining exposure to U.S. government securities in our Rates portfolio

Continuing to allocate to assets with differentiated risk factors, such as in the Credit, Real Estate and Natural Resources portfolios

Managing the Portfolio’s Risks

Risk measurement, monitoring and management are critical aspects of investing. As previously mentioned, the challenging investment environment has led your Fund’s Management to adjust our investment strategies. In some cases, these changes entail greater portfolio complexity.

To keep pace, we have been enhancing our risk-related systems and processes. Our Director of Investment Risk is coordinating and upgrading our exposure analysis and other risk functions. Below are some of the many steps we take to measure, monitor and manage risk in the portfolio:

- We perform quantitative modeling to understand a variety of portfolio risks and sensitivities to possible economic scenarios.
- We manage the Fund’s liquidity based on a combination of historical analysis and forward-looking projections, to ensure an uninterrupted stream of benefit payments.
- We regularly monitor our exposures to and concentrations in various categories to ensure appropriate diversification across a variety of metrics. We monitor certain key items daily, while we track others weekly or monthly or, in the case of most private (illiquid) asset classes, quarterly.

Looking Forward – Committed to the Vision

Fund Management remains focused on both setting a thoughtful asset allocation that balances the collection of risks we accept and carefully selecting and sizing a range of strategies and managers that we believe can achieve our investment objectives. We are committed to the Fund’s mission and aim to achieve attractive returns that, over the long run, will enable us to provide our participants with sound benefits that help ensure economic security for a career of service to the YMCA. We remain confident that the Fund’s evolving portfolio positions will allow the Fund to achieve our goals.
Report from the CFO

During the fiscal year ended June 30, 2018, account balances exceeded $4.4 billion and benefit payments totaled $358 million. More than 14,300 retired YMCA employees and beneficiaries received monthly annuity payments equaling $262 million, lump sum payments totaled $88 million, and $8 million was paid out in death benefits. On the other side of the ledger, contributions and interest credited to account balances equalled $279 million and $195 million, respectively.

Administrative Cost Benchmarking

The Fund engaged Retirement Plan Analytics (RPA), a Charlotte, NC based consulting firm specializing in retirement plan management, to benchmark our administrative costs.

Unlike a single-employer 401K plan, we do not have any peers providing the same line up of benefits. Protecting account balances from declining in value as a result of market fluctuations, providing a retirement benefit in the form of an annuity that is superior to those found in the market-place and providing a death and disability benefit are not common features in today’s retirement plans.

Further complicating the analysis was our multiple-employer plan status. The Fund supports two plans for each participating employer and a number of plans where the employer no longer exists. A census indicated that there are 1,766 plans and approximately 800 sponsoring employers. These plans vary in the number of participants and the value of the underlying assets.

The largest plans have between 1,000 and 2,500 participants with an average asset value of $52 million, and the smallest have just one participant and average asset value of $59 thousand. The disparity in size required a detailed analysis of the average cost across a range of pension program sizes. In addition, we delivered monthly retirement benefits to more than 14,300 retired YMCA employees and beneficiaries. In conclusion, RPA advised that our administrative costs are within a reasonable range given the complexity of the retirement program.

Actuarial Valuation

As a pension fund, the actuarial estimate of future liabilities is a critical component of our financial statements. The Fund’s actuary, Conduent, completed its detailed review of our participants’ account balances, obligations to retirees and the death and disability benefits. They determined that the value of our liabilities was $7,417 million at June 30, 2018.

The complete Annual Report of the Actuary is available on our website.

Operating Costs

All operating expenses at the Fund are classified as either “controllable costs” or “non-controllable costs.” Expenses that are considered controllable costs include those used to operate the plans and support the internal investment team. Non-controllable costs are investment management fees paid directly from the Fund and reported on our financial statements as part of investment expense.

Investment management fees are typically charged as a percentage of the market value of the assets allocated to a specific investment manager. As the market value of the assets grows, the fee in dollars will also grow, but the fee as a percentage of assets will typically remain the same.
Generally, fees related to investments in alternative assets and pooled accounts are deducted from the asset values under management and reported as realized or unrealized losses. As the portfolio allocation to these types of investments has increased over time, the cost to invest our portfolio has shifted from non-controllable costs to realized or unrealized losses. The Fund reports investment returns net of all management fees and internal investment costs.

Many organizations measure their operating cost relative to the value of their assets under management (AUM). In fiscal year 2018 our average AUM increased to $6.9B from $6.2B.

<table>
<thead>
<tr>
<th>RELATIVE OPERATING COSTS MEASURED IN BASIS POINTS</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Expenses</td>
<td>33</td>
<td>36</td>
<td>37</td>
<td>33</td>
<td>34</td>
</tr>
<tr>
<td>Investment Expenses</td>
<td>36</td>
<td>38</td>
<td>38</td>
<td>38</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>74</td>
<td>75</td>
<td>71</td>
<td>70</td>
</tr>
</tbody>
</table>

| Controllable Expenses                           | 47   | 51   | 53   | 46   | 47   |
| Non-Controllable Expenses                       | 22   | 23   | 22   | 25   | 23   |
| Total                                           | 69   | 74   | 75   | 71   | 70   |
| Average AUM                                     | $6.9B | $6.2B | $5.9B | $6.1B | $5.7B |

Despite the challenges of providing superior service and security to our participants, we managed to end the year with costs slightly under budget. In dollar terms our total cost was 5.2% higher than the previous year, and in relative terms total cost dropped from 74 to 69 basis points.

KPMG, the Fund’s auditors, concluded their work on July 31. Their opinion, along with the Fund’s financial statements and footnotes, is available on our [website](#).
Senior Leadership — June 30, 2018

Back Row, left to right:
Marcela Deitrich, Vincent M. De Sio,
Lisa Worthy, John M. Preis,
Elliott C. Buchholz, Elizabeth A. Kurilla,
Kerri R. Hayes

Front Row, left to right:
Elizabeth Delgado, Maureen Haley,
Vanessa A. Boulous, Hunter S. Reisner,
James G. Kirschner, John Quiñones

SENIOR LEADERSHIP
John M. Preis
President and CEO

Hunter S. Reisner
Chief Investment Officer

Vanessa A. Boulous
Chief Operations Officer – External

Elliott C. Buchholz
Chief Operations Officer – Internal & Chief Information Officer

Vincent M. De Sio
Chief Financial Officer

James G. Kirschner
Chief Strategy Officer

John Quiñones
General Counsel

Marcela Deitrich
Senior Vice President – Customer Service & Marketing

Lisa Worthy
Senior Vice President – Finance

Elizabeth Delgado
Vice President – Human Resources

Elizabeth A. Kurilla
Vice President – Internal Audit

Maureen Haley
Vice President of Applications Development

Kerri R. Hayes
Senior Counsel

INDEPENDENT CONSULTANTS
Actuary
Conduent

Compensation
Willis Towers Watson

Investment Advisor
Cambridge Associates

Auditor
KPMG LLP

Insurance
Willis

Legal Counsel
Patterson Belknap
Webb & Tyler LLP

YMCA Retirement Fund
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2018 Annual Report
In Memoriam and Gratitude

Julius Jones
August 5, 1935–April 4, 2018

The YMCA Retirement Fund celebrates the life of Julius Jones. Serving on the Fund’s Board of Trustees from 1989 to 2001, Mr. Jones was the Vice Chairman of the Board from 1998 to 2001. He also served as the President of the retiree organization now known as the YMCA Alumni for three years from 2009 to 2011.

Rising in the ranks from a Program Director at a YMCA branch in Jacksonville, FL, to CEO of the YMCA of Greater Pittsburgh, Julius Jones had a stellar YMCA career. His reputation for operational effectiveness led him to take on leadership roles of significant responsibility, and, in the process, was able to help communities through his guidance and wisdom.

Mr. Jones tackled chronic societal issues such as gang violence, poverty, and racism by rallying the community to his side and raising money to address these issues. Most notably, he spearheaded an anti-gang effort, which reduced the homicide rate in Pittsburgh from 156 deaths to 49 in one year.

In 2006, Julius Jones was inducted into the National YMCA Hall of Fame, which is located at Springfield College, MA. We will remember Julius for his dedication to helping others within his community and his unique ability to care deeply for others.
In Memoriam and Gratitude

Jane S. Kirk
May 12, 1928–May 22, 2018

Jane S. Kirk was a devoted member of the YMCA and was the first woman to serve on the YMCA Retirement Fund’s Board of Trustees from 1982 to 1991. An active member of the Board, Ms. Kirk held positions in many of the Fund’s Committees and served as Chairman of the Fund’s Personnel Committee.

Jane Kirk was drawn to nonprofit work early in her career. After serving with the Red Cross, she accepted a position with the YMCA in 1961. She worked for various regional YMCAs before joining Y-USA’s headquarters in Chicago, IL, where she worked for 23 years.

Ms. Kirk also volunteered and served her community. She founded Jane’s Kids, a program that provides clothing to children in need. Established nearly thirty years ago, the program was named in Jane Kirk’s honor and has helped thousands of children.

Dedicating her life to serving others, Jane Kirk’s extraordinary 32-year YMCA career is an inspiration to all of us. We will always remember her incredible work and altruistic spirit.