2021

YMCA RETIREMENT FUND

ANNUAL REPORT

Looking Toward The Future

Providing for Future Generations of YMCA Staff

The YMCA Retirement Fund offers one of the most generous retirement programs in the marketplace. Whether you're a new employee, a retiree, or you're currently participating in the plans, your financial security in retirement is our core priority.

As a result of the adjustment to the retirement offering that went into effect on July 1, 2021, the Fund is in a better position to continue to deliver attractive lifetime retirement benefits for both current and future generations. The Retirement Plan and the Tax-Deferred Savings Plan are evolving, but our commitment to your financial security has not changed.

Two important aspects of the Fund remain the same:

- The Fund's track record of safety and security will remain core to the Fund. Account balances have never decreased and annuity payments have never been missed.
- The Fund still provides one of the best retirement programs available to help you achieve financial security in retirement.

The Fund has been providing a great benefit to Y Staff since 1922 and will continue to do so for generations to come.

Message from the Chair

William D. Rueckert
Board Chair

As Board Chair of the YMCA Retirement Fund, it is my privilege to present the Fiscal Year 2021 Annual Report. During its 100-year history, the Fund has adapted to world-wide economic, political, and social challenges, but never before have we faced a worldwide pandemic. The impact on families, friends, and YMCAs throughout the country (and the world) has been devastating. At the same time, the response by the Fund's board and staff could not make me prouder.

The Fund's Support of YMCAs

The Fund's team quickly adapted to working remotely, and thanks to the resiliency of the staff and some fast and agile work by our technology team, the Fund did not miss a beat. The Board of Trustees also made a seamless transition to a virtual format. We held our last in-person meeting in February of 2020, and since then, we have held virtual meetings on an uninterrupted quarterly schedule. The long-term strength and sustainability of the Fund continue to be our primary focus.

During the last year, to support the challenges facing the YMCA Movement, the Fund offered contribution alternatives to help meet the intense financial stresses and strains caused by COVID-19. Many YMCAs were forced to close for extended periods, while others expanded child care for essential workers. We hope for and look forward to a return to a more normal operating environment in the future.

Recognizing Trustees

This year, we welcomed two new trustees to our board: Scott C. Evans and Derrick J. Stewart.

Scott Evans is the retired deputy comptroller and chief investment officer for the NYC Office of the Comptroller. There, he worked with all five NYC public defined benefit plans, which collectively support 715,000 NYC employees with more than $190 billion in assets. Previously, Scott had a stellar career at TIAA-CREF, where he managed all of its proprietary pension and mutual fund portfolios for 3.5 million participants in the academic, medical, cultural, and research fields.

Derrick Stewart most recently was president and CEO of the YMCA of Greater Indianapolis. During his 20-year YMCA career, he has held various senior management positions at the YMCA. Derrick is immediate past chair of the YMCA General Assembly Planning Task Force. He is a member of the YMCA Employee Benefits Management Committee and a member of the Board of Directors of Old National Bancorp, the largest bank headquartered in Indiana. In September, Derrick resigned from the Fund's board in order to accept the position of SVP, Education and Communication, at the Fund. While he will be missed from the board, he will be a strong addition to the staff.

At the end of 2021, we will bid farewell to the longest-serving trustee on our board, Robert T. Lutts. He is the founder, president, and chief investment officer of Cabot Wealth Management, Inc. Rob is the former chair and trustee of the YMCA of the North Shore in Beverly, Massachusetts. He was a member of the Retirement Board of the City of Salem and is board chair of Salem State University. We will miss Rob's deep commitment to providing YMCA staff with a solid lifetime retirement program.

Starting a Second Century of Service to the YMCA Movement

As we embark on our second century of service to YMCA participants, the Board's focus is to ensure uninterrupted service to future generations. This past year, we had to make a difficult decision to adjust the Fund's retirement offering to ensure the ongoing strength of the Fund. I would personally like to thank Scott Dolfi, CEO of the Fund, for his leadership during this complex and challenging year, and the entire staff for their dedication and resilience.

William D. Rueckert
Board Chair

Message from the CEO

Scott Dolfi
President and CEO

June 2021 marked the end of my second year as CEO of the Fund. These two years have served as a constant reminder that the Fund has been an integral part of the growth and stability of the YMCA nationwide for the last 100 years.

Since it was incorporated in 1921 and started operations in 1922, the Fund has helped set the YMCA Movement apart from other nonprofit community service organizations in the United States. There are very few nonprofit organizations that have a single-focus program that provides a generous lifetime retirement benefit.

When staff dedicate their careers to YMCA work in their communities, they can be confident about having lifetime income in retirement. For those who spend only a portion of their career with the YMCA, the Fund also provides a valuable component to their income in retirement.

Our goal at the Fund is to pay the best retirement income possible while ensuring we are here to deliver on the promises we make to future generations of YMCA staff.

The Health of the Fund

The *Annual Highlights* page presents key measures of the Fund's work in both investment management and benefits administration. We serve more than 760 YMCAs and 115,000 individuals, including 16,000 people who are receiving lifetime income. This is the essence of our work, and the retirement benefit is especially important after a career of YMCA service.

Investment returns during FY21 were exceptional, and our funding level showed commensurate improvement as the markets bounced back. The Fund paid out nearly $500M in benefits and, despite a drop in contributions (as a result of COVID-19), Fund assets increased $1.7B due to investment performance. But as strong as FY21 was, it also demonstrated the tremendous volatility in the investment markets. Please read Hunter Reisner's *Report from the CIO* for his expert commentary about both the short-term and the very strong long-term investment performance of the Fund.

The Fund is transforming its operations and service to its constituents in fulfillment of its Mission and Guiding Principles. A major modernization of its technology and management processes is underway that will help us continue to deliver the kind of top-shelf service that participants, retirees, and YMCAs have come to expect from the Fund.

Safety and Security Are Core to the Fund

The Fund was designed to protect retirement savings from market volatility. In our 100-year history, annuity payments have never been missed, and account balances have never decreased.

In order to maintain this track record, the Fund engaged in a comprehensive strategic review, with independent analysis. We confirmed that, similar to other plans, the Fund is facing the reality of a number of headwinds:

- Sustained and historically low interest rates in the investment markets
- Increased financial market volatility
- People living longer

In response to these external forces, the Fund has adjusted to ensure that future generations will continue to enjoy the security that the Fund has provided to their predecessors.

The Impact of COVID-19

We all have had personal experience with the impact of COVID-19 on families, friends, and YMCAs. It has been devastating. Meantime, YMCAs reduced operations, as layoffs and furloughs were the norm. In response to the intense financial stresses and strains on Ys, the Fund offered contribution alternatives which provided support to many YMCAs.

Some YMCAs were forced to temporarily drop the contribution rates to their staff's retirement accounts. More recently, as things have begun to open up, YMCAs increased their contribution rates, and some even went above 12% in an effort to help their staff save for retirement.

During this period, we continued to see strong voluntary contributions by participants to their accounts in the Savings Plan, reflecting the long-standing trust that participants have in the Fund.

What Participants Are Saying

Listening to our participants is fundamental to our work, as their satisfaction and confidence are ultimately the measures of our success. Recent surveys of our participants confirmed the Fund is on the right track as it strives to be a safe, secure, and easy place to save for retirement.

The top features about the Fund cited by participants are:

- Convenience
- Protection from losses
- Lifetime income in retirement

But listening to our own participants is not enough. At the Fund, we also want to know what others think about saving for retirement. It turns out that lifetime income in retirement, exactly what the Fund provides, is on the top of most people's list:

A 2021 BlackRock DC Pulse Survey revealed that 89% of participants in defined contribution plans in the US are interested in owning a product designed to generate retirement income, and almost 9 in 10 believe that having guaranteed income in retirement would have a positive impact on their financial wellbeing. Among workforce demographics, millennial participants exemplified strong interest in annuities—94% stated they were interested in owning a product designed specifically to generate retirement income, while 89% of Gen Xers and 83% of baby boomers shared the same interest.

Our Goal

The Fund is proud and confident to be embarking on its second century of service to the YMCA Movement. Safety and security will always remain core to our work. Our goal is to pay the most retirement income possible while ensuring we are here to deliver on the promises that we make for generations to come. We mean it when we say *Savings for Life*.

Stay safe.

Scott Dolfi
President and CEO

Report from the CIO

Hunter S. Reisner
Chief Investment Officer

CIO Letter Fiscal Year 2021 -- Overview

What a difference a year makes. One year ago global markets were just beginning to recover from the historically severe, COVID-induced drawdowns, and most of the world was sheltering in place. YMCAs around the country were forced to close, and employees across both large and small organizations faced unforeseen and quite difficult challenges.

At that time, the Fund had just experienced a year of no growth in its assets yet substantial volatility in our asset base. Fast forward a year: equity and bond prices in many parts of the world have reached all-time highs, and the Fund has experienced one of its best 12-month periods of growth in decades, gaining nearly 31%.

In last year's letter, we emphasized not focusing on any one year's low return given our exceedingly long-term horizon, as we manage the retirement assets of multiple generations of individuals. Likewise, we and our participants should not focus on any one year's strong return, such as this past fiscal year's.

Examining the more relevant long-term returns: The Fund's 20-year annualized return has been about 6½%, while the 10-year annualized return has approximated 8½%. The 10-year return, in particular, is quite strong for a globally diversified portfolio during a period of historically low interest rates.

Consistent and strong long-term returns are essential for a retirement program like ours, which provides a generous amount of income for life upon retirement.

Despite the financial market appreciation and rebounding global economic growth, we are keenly aware that governments, individuals, and YMCAs still have a very challenging road ahead, and much remains uncertain.

Market and Macroeconomic Outlook

The Good News…

Often we hear the word "historic" used to describe the impact COVID-19 had on economies and financial markets. On the way down, the speed of the financial market declines, the magnitude of job losses, and the size of the global economic recession all were historic. Thankfully, the responses from central banks and governments around the world were equally historic.

Governments, including the U.S., increased unemployment benefits, made loans to companies, and sent stimulus checks to citizens. Central banks stepped in to calm global markets by buying enormous amounts of assets such as corporate credit, lowered interest rates to zero (or even negative), and made aggressive commitments to do whatever it takes for as long as it takes.

Some of this stimulus money was spent on goods and services (e.g., home improvement), and much of it found its way into financial markets, sending asset prices higher. A record 10 million brokerage accounts were opened in 2020!

Stocks benefited tremendously from investor optimism of an economic rebound and continued fiscal and monetary stimulus. Developed Market stocks gained meaningfully, including the U.S. market, which rose +41% in the year ended June 30, 2021. Emerging Market equities similarly gained an impressive +41%. The riskier ends of the corporate bond markets also produced strong returns of +15% for the High Yield Index and +3% for higher quality Investment Grade bonds. Safer assets like U.S. Treasuries, which did well during the depths of the market panic, actually fell slightly, dropping -3% over this period, due to investors' flight to riskier assets.

The Less Good News…

While bond prices have risen over the last 12-18 months, this means that their go-forward yields have declined (bond prices and yields move in opposite directions). Because of the low prospective returns on lower-risk assets, investors have continued moving their capital into higher risk assets in search of higher returns. While stock investors enjoyed strong returns this past year, much of it seems to have been simply pulling forward future years' returns, leaving investors with more muted expectations going forward.

Savers specifically, including retirement plans like the YMCA Retirement Fund, may have to settle for low absolute returns from bonds and other safe assets going forward. And unless earnings accelerate significantly, or valuation multiples go even higher from today's elevated levels, even equity and private market returns will likely be lower than in the prior decade.

While we believe investors and savers should anticipate lower returns going forward, our investment team continues to scour the globe for good risk-adjusted returns while maintaining a diversified portfolio, all in order to offer the best possible benefit to our Participants.

Fund Performance

The Fund returned +31% in the 1-year period ending June 30, 2021, a particularly strong fiscal year by our historical standards. Unsurprisingly, our Equity exposures drove performance, with our Private Equity portfolio up just over +50% and our Public Equity portfolio, which is diversified globally, up an exceptionally strong +46%. Our Directional hedge fund portfolio gained +30% and our Credit portfolio rose +20%. The only portion of the portfolio that declined over the trailing twelve months: our Rates portfolio (i.e., U.S. Treasuries), down just over -1%.

Concluding Remarks

The Fund's financial performance has been quite strong in recent years as well as over the longer term. This has allowed the Fund to keep pace with the generous annuity payment we provide participants. It also should provide participants the comfort of knowing they have income for life waiting for them in retirement, allowing them to focus on other important aspects of their lives and serving their communities through their dedicated work at their YMCAs.

We acknowledge that earning high returns in a low interest rate environment represents a challenge for savers like us, but the Fund's staff are working to grow your retirement assets in a risk-controlled manner. As we look forward to the Fund's 100th anniversary, we are making decisions today to ensure we are around for the next 100 years and beyond.

Your work has had a meaningful impact in our communities around the country during these highly challenging times, and because of that, we all here at the Fund take pride in working on your behalf.

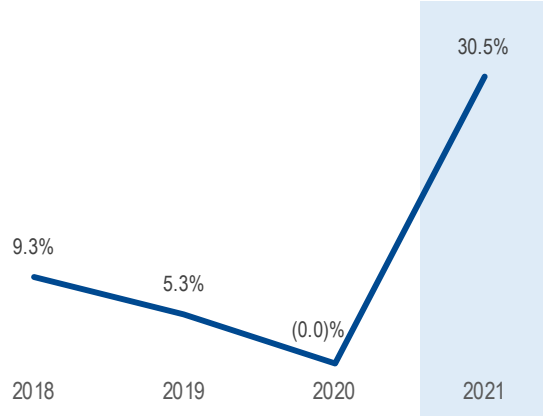
We wish health and happiness in the months and year ahead to all of our participants, and we hope it is comforting to know that your retirement savings will provide income for life upon retirement.

Annual Highlights

JUNE 30 SUMMARY FINANCIAL DATA & PARTICIPANT STATISTICS

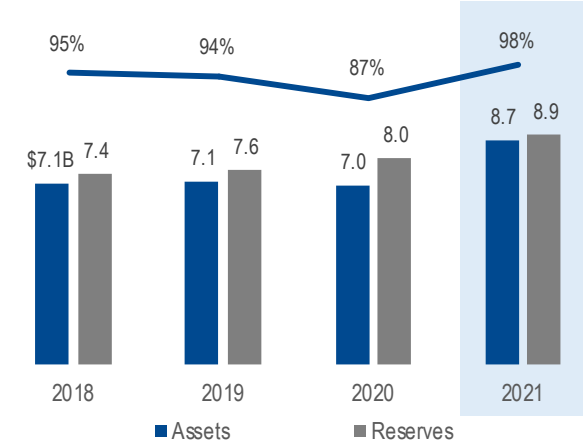
Total Fund Return
30.5%

Total Fund return increased significantly over 2020



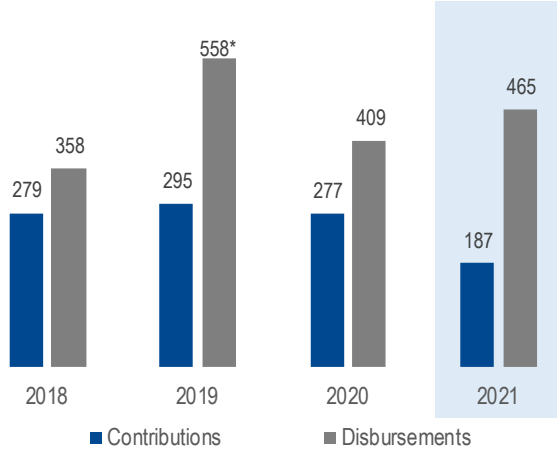
Funding Level
98%

Strong investment performance drove improved funding



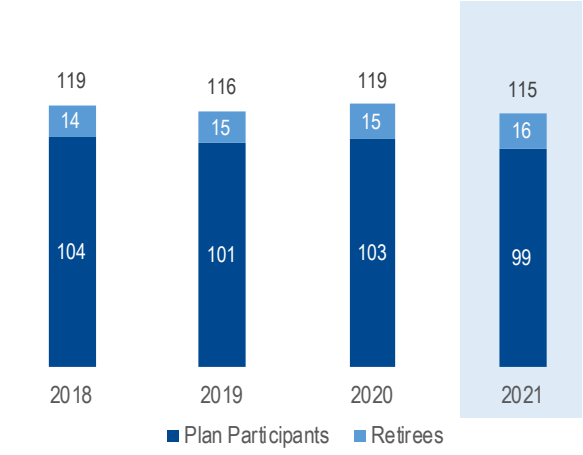
Participant Net Cash Flows
$(277)M

Contributions driven lower due to COVID-19



People Served
115K

COVID-19 has also impacted Plan participation



**** During fiscal year 2019, the Retirement Plan was amended for a 3-month period to allow participants who terminated YMCA employment prior to April 30, 2019 with account balances of one hundred thousand dollars or less, to withdraw their account balance as a lump-sum. This temporary window resulted in an increase in disbursements and a decrease in the number of participants.***

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.

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