



YMCA Retirement Fund
2023 ANNUAL REPORT



Embarking on a Second Century of Service to YMCAs



Michael B. Cefole
President & CEO

OUR GOAL:
To pay the best retirement income possible while ensuring we are here to deliver on the promises we make to generations of YMCA staff.



MESSAGE FROM THE PRESIDENT & CEO

SERVING THE YMCA FOR THE LONG TERM

As CEO of the YMCA Retirement Fund, it is my privilege to present the Fiscal Year 2023 Annual Report. As the Fund's board and staff team look back at the year, one concept comes to mind: *Long term.*

Being the only retirement program serving YMCA staff nationwide, we have the awesome responsibility of fulfilling a unique promise to the YMCA community: *To pay the best retirement income possible while ensuring we are here to deliver on the promises we make to generations of YMCA staff.*

During fiscal year 2023, the Fund stayed focused on this long-term goal. At a time when too few Americans can make financial plans for their retirement, YMCA staff can look forward to lifetime income in retirement, thanks to the partnership between the Fund and YMCAs across the country.

SIX STRATEGIC PRIORITIES

The Fund's Strategic Plan articulates six priorities which provide the framework for how we plan to keep our promise to the YMCA community. Here are some highlights from the fiscal year ending June 30, 2023.

1. Evolve the Plan

- Initiated a product management and development approach to our plan benefits
- Enhanced our Asset Liability Management process
- Sought a careful balance between Interest Credits granted in the short term and the Annuity Conversion Interest Rate promised for the long term

2. Protect and Grow Assets

- Revised asset allocation targets in light of changing economic circumstances
- Continued to tilt our \$8.6 billion portfolio to mitigate downside and shortfall risk
- Considered how liquidity impacts the long-term rate/return tradeoff

3. Modernize Technology

- Introduced redesigned Annual and Quarterly Benefit Statements
- Launched our brand-new Lifetime Income Tracker tool
- Enhanced the Customer Contact Center
- Updated our infrastructure and software development, with an intense focus on cyber security
- Launched a new Identity Verification Assistant to enhance participant account security



ENHANCE ENGAGEMENT



TEAMWORK & EXCELLENCE

4. Enhance Education, Communication, and Engagement

- Deployed comprehensive surveys that delivered powerful insights from Participants, Retirees, YMCA Leaders, and Local Plan Administrators
- Continued to offer Virtual Instructor-Led courses which yielded strong and measurable learning gains
- Developed and launched new on-demand learning resources

5. Enhance Human Capital

- Recruited excellent, dedicated Fund staff from throughout the country
- Nurtured the unique culture that allows us to serve our single constituency of YMCA people
- Celebrated the promotion of Derrick Stewart to Executive Vice President & Chief Operating Officer, and welcomed Gordon Bailey as Chief Administrative Officer

6. Strengthen Foundation and Operational Processes

- Excelled at customer service
- Proactively monitored and responded to regulatory changes, such as those required by the SECURE Act 2.0
- Advanced our compliance and risk management
- Elevated financial and actuarial analyses
- Optimized our hybrid office/remote operating approach



GRATITUDE FOR DEDICATED TRUSTEE SERVICE

None of the initiatives outlined above would be possible without the consistent commitment of our expert staff and the dedicated service of our Board of Trustees. Led by Board Chair William D. Rueckert, the Fund's trustees represent the best of YMCA board members. Four times each year, they volunteer their collective expertise at three-day meetings away from their homes and jobs, not to mention countless phone calls and virtual meetings throughout the year. Their drive to provide the best retirement program possible for the YMCA Movement is truly inspirational to me.

During the year, two trustees transitioned off the Fund's board: Sandy Morander and David Martin. Sandy had served since 2017, and David since 2015. Both showed deep dedication to the Fund, sharing their knowledge and wisdom. They personified outstanding nonprofit board leadership, volunteering their time and talent in ways that provided invaluable support to more than 100,000 Plan Participants and 17,000 Retirees.

We are particularly excited about two new members of the Fund's board. In February, we welcomed Christopher Blunt, CEO of F&G Annuities & Life. For more than 30 years, Chris has held senior leadership positions at several major insurance and financial services companies. He has served on several committees and boards, including the YMCA of Greater New York and the American College of Financial Services.

In September, our board welcomed Lauren Koontz. She is the President and Chief Executive Officer of the YMCA of Metro Atlanta, and her YMCA career has

spanned more than 10 years. Prior to the YMCA, she held senior positions at major nonprofit organizations, and she also has experience as a board member at a range of impactful organizations.



For more details, read all about our Leadership Teams on the Fund's [website](#).



TRUST, CONFIDENCE and SATISFACTION

LOOKING FORWARD

The YMCA mission is woven into the fabric of the Fund. We know it takes years to earn the trust and confidence of our Participants, Retirees, and YMCA Leaders, and daily efforts to maintain their satisfaction. Truly, we are a unique organization and the responsibility we have is not one we take lightly. So, we reflect often on the simple phrase that drives every decision we make, our promise to you, the YMCA community: *To pay the best retirement income possible while ensuring we are here to deliver on the promises we make to generations of YMCA staff.* Fiscal Year 2024 is already shaping up to be an exciting one and we look forward to sharing more with you throughout the year.

On behalf of all of us at the Fund and the Board of Trustees, we thank you for your service and your support.

Michael B. Cefole, President and CEO



Derrick Stewart
Executive Vice President &
Chief Operating Officer



Gordon Bailey
Chief Administrative Officer

Our Participants highly value the Fund benefit, and it is undeniably part of why they continue working for your Y.

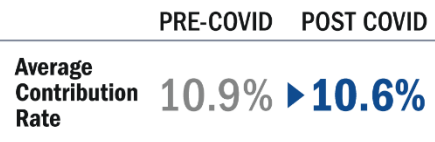
REPORT FROM THE COO & CAO

ENHANCE ENGAGEMENT & EVOLVE THE PLAN

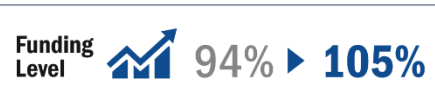
At the YMCA Retirement Fund, Fiscal Year 2023 was marked by three broad developments:

- COVID-19 recovery
- Survey feedback from Fund constituents
- Helping Participants prepare for retirement

COVID-19 Recovery



Pre-COVID, the weighted average contribution rate across all YMCAs was 10.9%. That dropped during COVID to a low of 6.2% but has since recovered to the pre-COVID level.



Pre-COVID, our Funding Level (assets as a percent of liabilities) was at 94%. This dropped as low as 87% during the pandemic, but has since rebounded to 105%.

Survey Feedback

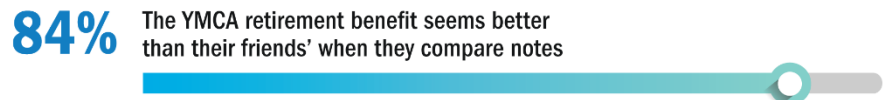


Surveys of Participants and Retirees in FY 23 provided helpful feedback to the Fund and insights that we're already starting to put into action.

Participants Said...



Retirees Said...



It is crucial that we continue to identify new tools and resources to help Participants better understand the value of the Fund benefit.

Helping Participants Prepare for Retirement

The Fund is providing more and better ways for Participants to prepare for retirement.



Redesigned Retirement Benefit Statements

Redesigned to present retirement savings graphically and to provide a monthly projection of income for life upon retirement



New Online Lifetime Income Tracker

New online tracker available to all Participants so they can input various assumptions and see how that would result in different lifetime income projections



1,750 Y Staff Attended Virtual Courses

More than 1,750 YMCA staff took part in Virtual Instructor-Led courses and maintained strong overall learning gains



Coming in 2024: The Roth Account

YMCA staff will be able to make after-tax contributions to the 403(b) Savings Plan via a new Roth Account.



For more details, read all about Roth on the Fund's [website](#).

REPORT FROM THE CIO

PROTECT AND GROW



Hunter S. Reisner
Chief Investment Officer



**STRONG LONG-TERM
ANNUALIZED RETURNS**



**DIVERSIFIED PORTFOLIO
DESIGNED TO
WEATHER STORMS AND
GENERATE RETURNS
OVER THE LONG TERM**

OUR LONG-TERM FOCUS AND OUR RESULTS

The YMCA Retirement Fund continues to succeed at its investment objectives. The most essential of these is to grow the portfolio over the long-term in a diversified, risk-controlled fashion, aiming to generate long-term annualized returns of 6+%.

To that end, we are pleased to report that the Fund has successfully met and exceeded this hurdle over all intermediate to long periods of time. For instance, the Fund has generated annualized returns net of all investment manager fees of 7.7% over the last 5 years, 7.7% over the last 10 years, and 7.1% over the last 20 years.

Over shorter periods of time, the results have exhibited wider variability, unsurprisingly. For example, the Fund generated a moderate 1-year return of 1.1% in Fiscal Year 2023 (FY 23) ending June 30, 2023, when volatile global financial markets, geopolitical instability, domestic interest rate hikes, and inflation all had an impact on returns. Widening the lens, our 3-year annualized return of 11.2% is especially strong, as the portfolio re-bounded nicely following the COVID-19 pandemic. As long-term investors, we do not change our strategy or investment approach based on short-term fluctuations in performance. In fact, even though the Fund generated modest returns in the last single fiscal year, our long-term success contributed to the Fund's ability to raise the interest crediting rate on new contributions from 4.0% to 4.5%. We focus on the long term.

Reflecting on the last decade of performance, it is clear the Fund has benefited greatly from having a forward-looking, highly diversified portfolio and a patient, long-term outlook. Specifically, the largest contributors to our 10-year annualized returns have been public equities, especially domestic ones (+10% per year), as well as alternative assets such as private equity (+15%) and real estate (+14%). On the other hand, U.S. Treasuries (and fixed income more broadly), hedged strategies, and natural resources contributed more modestly. In hindsight, this was unsurprising given the exceedingly low interest rate environment of the last decade, but nonetheless posed difficult challenges for retirement plans like ours that seek to manage moderate risk portfolios. As such, we are especially proud of our outcomes over this period.

Putting things in perspective, a simple portfolio of 65% global equities and 35% U.S. bonds would have produced an annualized return of 6.4% over the last 10 years. In contrast, the 7.7% earned by the Fund's portfolio accounted for an extra ~\$1 billion in assets, helping the Fund provide even stronger retirement benefits to the people who make the YMCA Movement possible.

NAVIGATING A DYNAMIC FINANCIAL LANDSCAPE

In the U.S., FY 23 began in a recession-like mood, inflation was rampant, and policymakers tightened the monetary belt with a nearly 4 percentage point increase in the Federal Funds rate. By the end of FY 23, inflation (as measured by CPI) had



EVER-CHANGING TIDES OF GLOBAL FINANCE



OUR COMMITMENT

softened to 3% in June 2023 from 9% in June 2022 (while remaining stubbornly high in areas such as food and housing), and U.S. equities (as measured by the S&P 500 Index) returned a 1-year 19.6%, entering a new bull market.

Equities continued to exhibit significant volatility (both to the downside and upside). In the final half of FY 23, the U.S. tech-heavy NASDAQ gained a euphoric 30%+, its best half-year return since 1971. Just one year prior, U.S. stocks (as measured by the S&P 500 index) suffered their worst half-year performance in more than 50 years. Under the surface, U.S. stocks look unusually top heavy: the five largest companies comprise ~24% of the S&P 500 index, the highest level since 1970. And only seven stocks accounted for 46% of the index's returns in FY 23. Time will tell if the seven come back towards the other 493, or whether many of the laggards catch up with the seven outstanding performers.

Looking forward, we expect the ever-changing tides of global finance and geopolitical realignments will continue to surprise us, from fluctuations in interest rates, inflation and growth prospects, to geopolitical frictions at home and abroad, and the ongoing war in Ukraine. Amidst this sea of uncertainties, our commitment has never been stronger to ensuring Participants receive the best possible retirement benefit.

COMMITTED TO THE NEXT CENTURY OF RETIREMENT SECURITY

This year, we embarked on our second century of operations as an investment program. In line with our Strategic Plan, we made progress on several key initiatives that will help us continue to maintain a resilient investment portfolio in the context of dramatic changes in world and market events:

- First, we evolved our portfolio construction in FY 23 by implementing several changes to build more downside protection into the portfolio while also improving its liquidity profile. This included lowering our overall equity exposure and adding to our diversifying and defensive asset classes.
- Second, we capitalized on rising interest rates by increasing our exposure to credit and other income-generating assets such as Treasuries and cash.
- Finally, we continued integrating the results of our ongoing Asset Liability Management process, recognizing that the COVID-19 pandemic period has led to important changes in the needs of those who serve at YMCAs across the country.

Building on these strategic efforts, we remain steadfast in our commitment to protect and grow the retirement savings of the more than 118,000 constituents of the YMCA Retirement Fund. We take immense pride in our enduring partnership with YMCAs across the country, and we look forward to serving you for many years to come.

Hunter S. Reisner, Chief Investment Officer



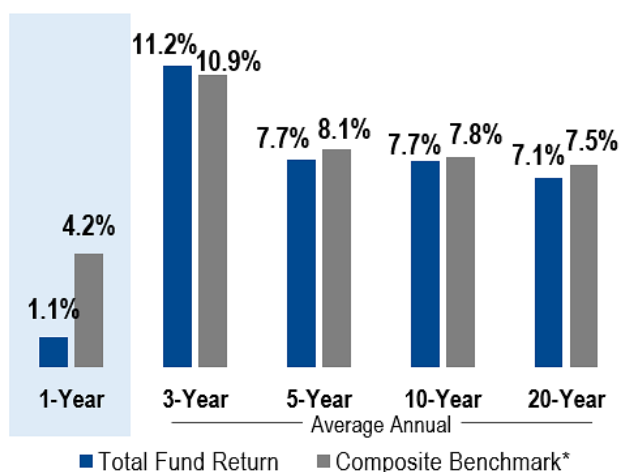
For more details, visit the Investment Review on the Fund's [website](#).

SUMMARY FINANCIAL DATA & PARTICIPANT STATISTICS

FISCAL YEARS ENDING JUNE 30

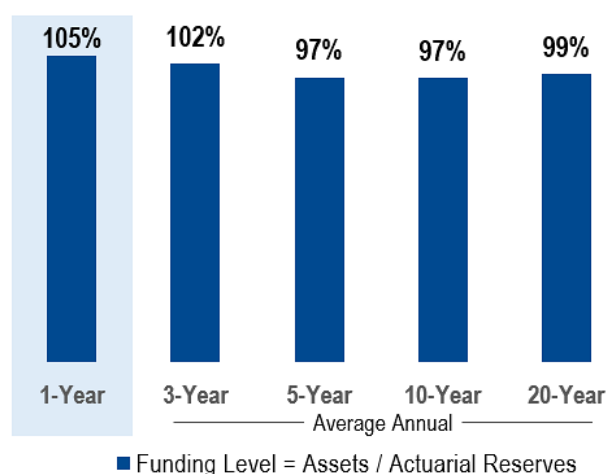
Total Fund Return

Competitive Long-Term Returns



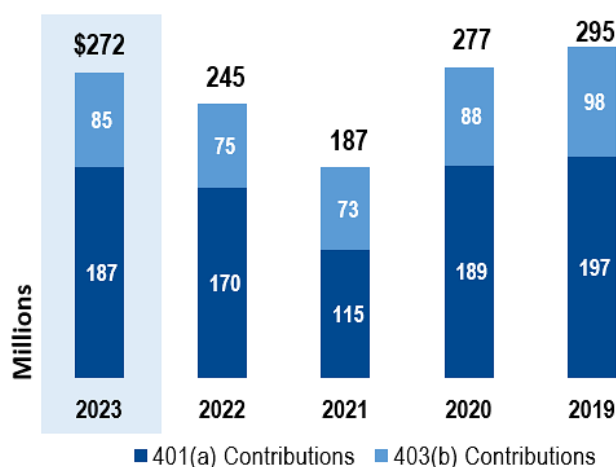
Funding Level

Near-Term Improvements



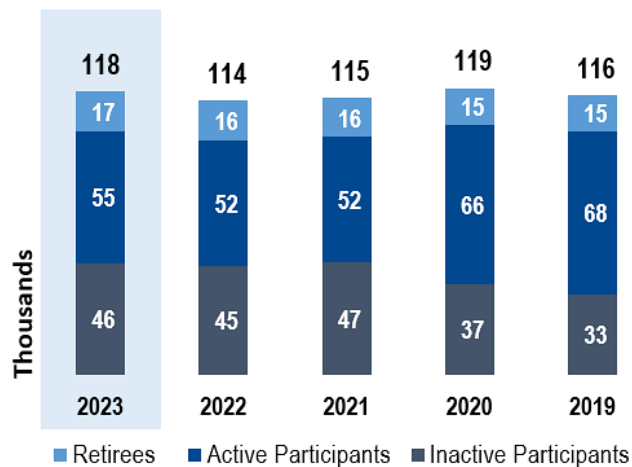
Plan Contributions

Strong Growth in Contributions Since COVID-19



People Served

Active Participant Growth in Fiscal Year 2023



*Weighted blend of asset class benchmarks reflecting the YMCA Retirement Fund's long-term investment strategy.

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