

POPULAR ANNUAL *Financial Report*

A summary of Missouri LAGERS financial, investment and statistical information for our members

As of June 30, 2020



WHAT DOES IT MEAN?

You may come across some unfamiliar terms as you read through the PAFR. Watch for the green boxes. We have provided brief definitions for some of those terms.



Missouri LAGERS' team members on the roof of the office building at 701 W. Main Street, Jefferson City, MO.

MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

This Popular Annual Financial Report (PAFR) is a summary of Missouri LAGERS' audited financial statements and other information contained in Missouri LAGERS' Comprehensive Annual Financial Report (CAFR). The complete audited financial statements and pertinent notes can be found in Missouri LAGERS' 2020 CAFR. The PAFR provides summary financial information and does not conform to Generally Accepted Accounting Principles (GAAP); the CAFR conforms to GAAP and provides a comprehensive overview of the System's financial and operating results. Missouri LAGERS' CAFR is available at www.molagers.org/financial-reports/.

Our vision drives all that we do.

Our vision is what we hope to achieve.
Our mission is why we exist.
Our values are beliefs we hold dear.

Our vision is lofty, but it is
something toward which we
strive everyday.



Elizabeth Althoff
Legislative &
Communication
Coordinator
9 Years of Service

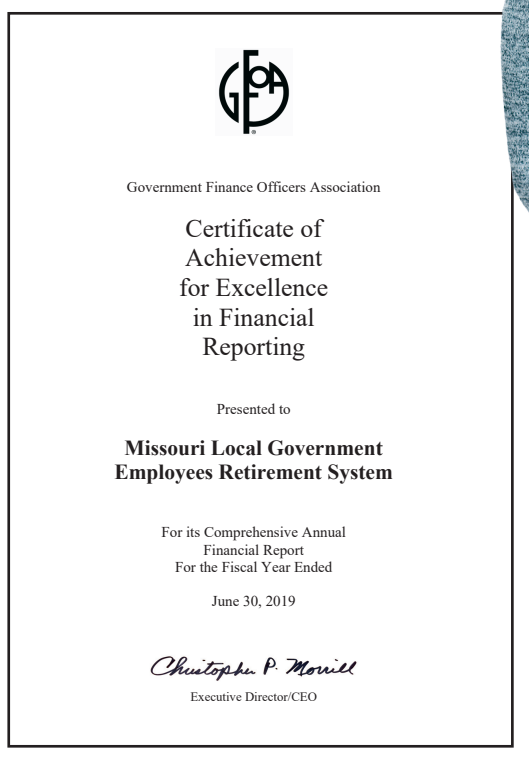
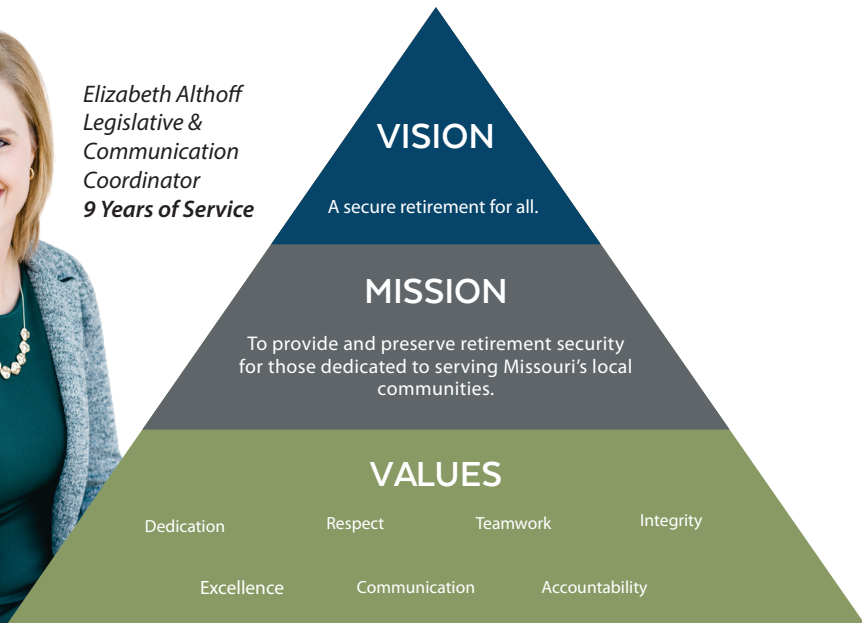


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CONTACT US



molagers.org

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members.molagers.org



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blog.molagers.org/



573-636-9455
800-447-4334
8 a.m. to 5 p.m.
Monday - Friday



PO Box 1665
Jefferson City,
MO 65102



701 W. Main St.
Jefferson City,
MO 65101



573-636-9671

STRENGTH AND STABILITY

After serving LAGERS' membership for 26 years, I have never been more proud to present this annual update to our stakeholders. While I have long touted the strengths of the LAGERS system, we know true character is often revealed in moments of greatest challenge. I am pleased to report that through the many trials of the past year, our team of dedicated, experienced staff has risen to the challenge and helped LAGERS persevere as one of the premier retirement systems in the United States.

ROBERT L.
WILSON, CEBS
EXECUTIVE
DIRECTOR

26 YEARS
OF SERVICE



Throughout all challenges, we grow stronger with an even greater sense of purpose for what we do. Not only do we deliver retirement security for thousands of Missourians, we do it for the men and women who fearlessly serve on the front-lines of our communities. **Our members are the lifeblood of our communities, and it continues to be an honor to serve them.**

I am pleased to report for 2020, LAGERS pre-funded ratio comes in strong at 93.7%, placing **LAGERS again in the top 10% of all U.S. public pension plans.** LAGERS' one-

year return of 1.63% is in line with expectations during this unprecedented year, and for 5, 10, and 15 years respectively, LAGERS has provided returns of 6.72%, 9.42%, and 7.33%. These long-term returns continue to exceed LAGERS' custom benchmarks for each respective period and support the current portfolio allocation targeting an assumed rate of return of 7.25%. Additionally, our total assets have bounced back even ahead of December 2019 numbers. Our system continues to demonstrate its strength and stability through all types of market events and cycles.

As security and stability continue to be in-demand, we have seen sustained growth in our membership. During the fiscal year ending June 30th, **LAGERS welcomed 48 new employers to the system**, bringing the total membership to 806 employers. This demonstrates that not only is the defined benefit model alive and well, it is thriving in Missouri. LAGERS' 26,000 retirees and beneficiaries know they can count on stable, predictable benefits every month, and when they spend their retirement dollars locally, to the tune of **\$356 million** each year, they contribute to their communities' economic vitality. This partnership between our members and their communities is exactly why LAGERS works so well for Missouri.

As the system continues to forge ahead, please know your LAGERS Board and team remain steadfast in our commitment to deliver a premier retirement system for you. And as always, it remains an incredible honor to serve you.



Active

MEMBERS

35,810

Retirees and



BENEFICIARIES

25,668



EMPLOYERS

806

Mya Bernskoetter,
Business Analyst
13 Years of Service

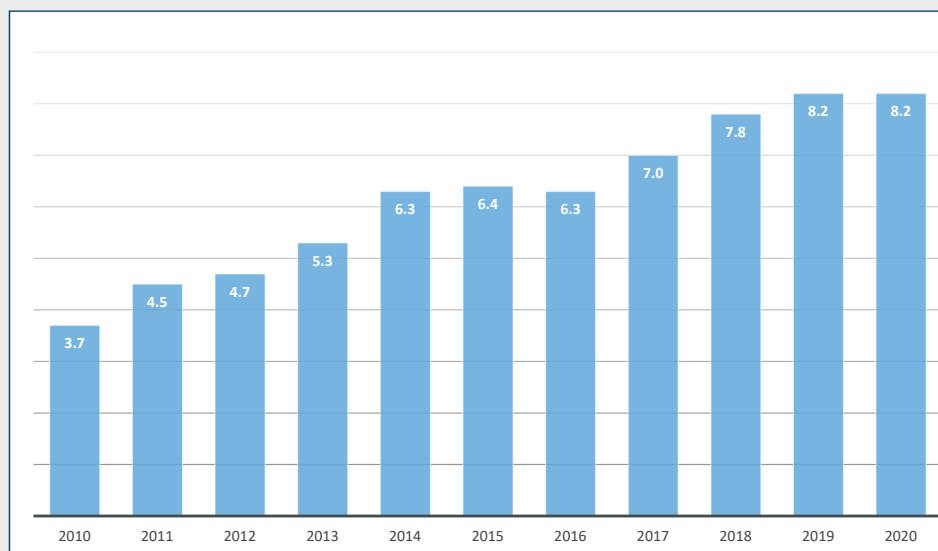


FINANCIAL

SUMMARY OF *Fiduciary Net Position* as of June 30, 2020

Assets		
Cash	\$	11,322,124
Receivables and accrued income		32,509,081
Prepaid expenses		62,286
Investments		8,366,381,543
Invested securities lending collateral		438,645,037
Capital assets		5,809,597
Total assets		\$8,854,729,668
Deferred outflow of resources		
Outflows related to pensions	\$	5,758,573
Outflows related to OPEB		1,056,802
Total deferred outflow		\$ 6,815,375
Liabilities		
Payables and accrued expenses	\$	4,404,747
Accrued investment expenses		4,286,497
Collateral for securities on loan		438,645,037
Line of credit		250,000,000
Net pension liability		2,324,847
Net OPEB liability		1,054,895
Total liabilities		\$ 700,716,023
Deferred inflow of resources		
Inflows related to pensions	\$	140,115
Inflows related to OPEB		72,997
Total deferred inflow		\$ 213,112
Net position restricted for pension benefits		\$8,160,615,908

PLAN NET POSITION *Restricted for Benefits* as of June 30, 2020 Expressed in Billions



Fiduciary Net Position:

This statement reflects the balance of the resources available to pay benefits to members, retirees and beneficiaries and administrative fees at the end of the fiscal year.

INVESTMENTS *At Fair Value* as of June 30, 2020

Short-term investments	\$	97,473,359
Government bonds		629,009,640
Corporate bonds		287,267,497
International bonds		574,723,283
Mortgage and asset-backed securities		251,242,817
Domestic stocks		585,816,019
International stocks		590,820,794
Real Estate		982,796,964
Partnerships		3,420,332,797
Absolute return		844,659,222
Other alternative investments		102,239,151
Total Investments		\$ 8,366,381,543

INVESTMENT *Expenses* as of June 30, 2020

Manager Fees	\$81,315,844
Custodial Services	693,151
Other Investment Expenses	3,244,077
Total Investment Expenses	\$85,253,072

1% of total assets

Dana Eichholz,
Senior Benefit Specialist
9 Years of Service



FINANCIAL

SUMMARY OF *Changes in Fiduciary Net Position* as of June 30, 2020

Additions		
Member contributions	\$	20,232,107
Employer contributions		223,365,800
Net investment income		103,958,680
Net securities lending income		1,591,376
Total additions (reductions)	\$	349,147,963
Deductions		
Benefit payments	\$	356,183,304
Refunds		2,531,823
Expenses		9,356,505
Pension expense (gain)		(3,293,611)
OPEB expense (gain)		71,090
Total deductions	\$	364,849,111
Change in net position restricted for pension benefits (decrease)	\$	(15,701,148)
Net position restricted for pension benefits at June 30, 2019	\$	8,176,317,056
Net position restricted for pension benefits at June 30, 2020	\$	8,160,615,908

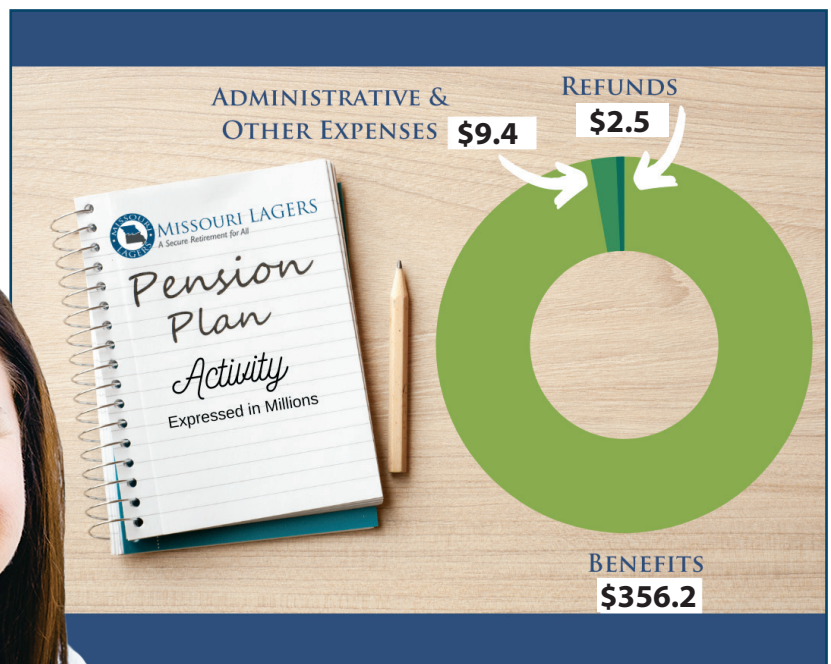


FUNDING *Sources*



Approximate average over time

Danielle Plassmeyer,
Accountant
1+ year of Service



INVESTMENTS

BRIAN K.
COLLETT, CFA, CAIA
CHIEF INVESTMENT
OFFICER

16 YEARS OF SERVICE



- +7.4% net of fees annualized return over three years
- +6.7% net of fees annualized return over five years
- +9.4% net of fees annualized return over ten years
- +7.3% net of fees annualized return over fifteen years

These returns were calculated by LAGERS' custodian, Northern Trust using the time-weighted rate of return methodology.

I hope you are well in the new COVID-19 world. You can have confidence that LAGERS' risk-aware investment strategy continues to ensure the plan will achieve its long-term obligations to our members and retirees. The fiscal year ending June 30, 2020 was a tumultuous year for the markets overall and was primarily driven by the impact of the pandemic. The portfolio earned a positive return of +1.6% net of fees while the Total Policy Benchmark returned +6.8%. The performance of the portfolio was mixed, with positive outperformance coming from the Equity and Fixed Income asset classes while Alpha, Real Asset and Strategic lagged their respective benchmarks. The portfolio ended the year with a portfolio value of \$8.1 billion. This one-year performance feeds into the portfolio's long term returns to the below:

Megan Loehner, CFA, CPA, CAIA
Deputy Chief Investment Officer
10 Years of Service



TOTAL *Portfolio Returns* as of June 30, 2020

	1 Year	3 Years	5 Years	10 Years	15 years	20 Years
LAGERS Return	1.63%	7.37%	6.72%	9.42%	7.33%	6.47%
LAGERS Custom Index	6.84%	7.47%	6.64%	8.02%	6.21%	5.24%
Actuarial Assumed Rate of Return	7.25%	7.25%	7.25%	7.27%	7.35%	7.39%

The portfolio return exceeded LAGERS' Total Policy Benchmark return over the 5, 10, and 15 year periods and over the long term has outperformed the assumed rate of return of 7.25% over 3, 10, and 15 year periods. The short term performance translates into slight upward pressure on employer contributions and a slightly lower funding status. The five year asset smoothing policy distributes the 2020 loss across five years, mitigating these impacts and continuing to ensure a secure retirement for our members.

Public equities were hit hard in the second quarter of 2020, just after reaching an all-time record high in February. The market later bounced back strongly in the late summer months of 2020. The COVID-19 pandemic, US-China trade disputes, and the upcoming US election are some of the big headlines that contributed to the year's roller-coaster ride. LAGERS' Private Equity managers continued to provide strong returns in Equities, as they saw increased valuations for the companies they held or realized, resulting in a +24.7% net of fees return for the year. This was largely offset by the Public Equity portfolio's net of fees return of -1.2%. The Equity bucket overall returned +7.8% net of fees, outperforming its benchmark by +3.1%.

The Fixed Income portfolio has proven its diversification benefits in the face of the market downturn last year. LAGERS' Fixed Income portfolio returned +14.3% net of fees compared to LAGERS' Fixed Income benchmark of +7.1%, an outperformance of +7.2%. The primary attribution is from LAGERS' allocation in US Long Duration Treasuries. Amid the market turmoil in early March, the 30-year Treasury yield hit a record low, breaching the 1.0% threshold for the first time in history and sending Long Duration Treasuries prices up to unprecedented levels. As a result, LAGERS' US Long Duration Treasuries portfolio returned +46.4% for the year versus +26.0% return of its benchmark, contributing to the overall Public Fixed Income outperformance of +11.0% for the fiscal year. LAGERS' Private

Real Assets/Real Return:

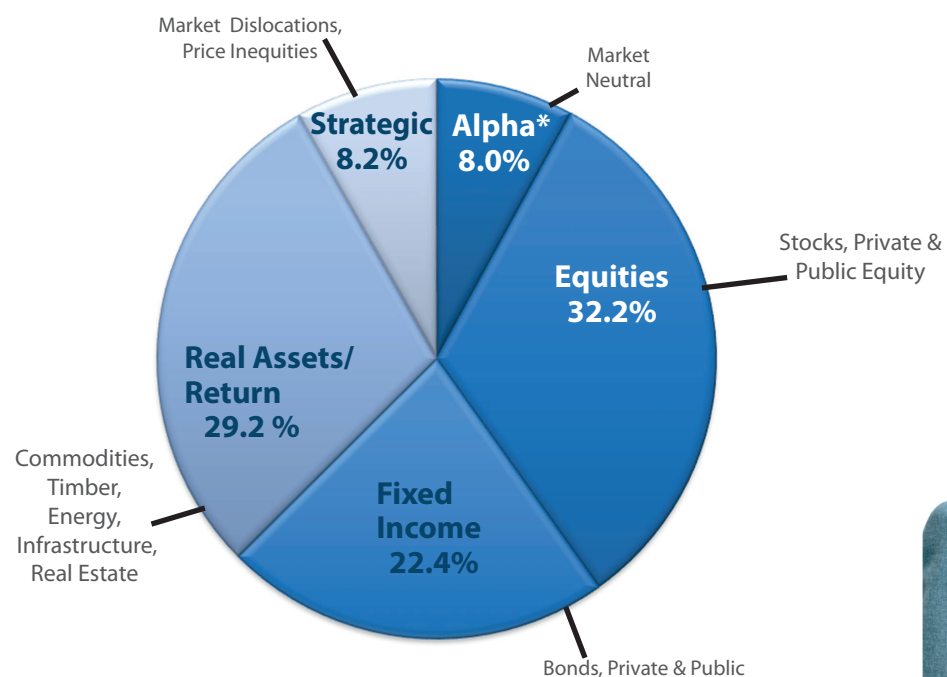
an investment which its value is primarily based on the ownership or utilization of a tangible asset or cash flows derived from an agreed-upon measure of tangible assets. These may also include financial assets that derive their value from a contractual claim on an underlying asset that is linked to a real or variable return component, such as a price index.

Strategic Assets:

an investment in which its value is primarily based on its ability to create value beyond traditional asset classes, capitalizing on market dislocations, market timing, and/or unique situations.

INVESTMENTS

ASSET ALLOCATION - *Asset Class* as of June 30, 2020



Erin Stiefferman,
Investment Risk &
Operations Manager
17 Years of Service



*Alpha allocation adjusted by 3.0% to achieve a volatility adjusted risk target of 8%.
Alpha portfolio: Investments that target zero market exposure and seeks to profit in both up and down markets.

Fixed Income portfolio slightly offset the Public Fixed Income performance with a +2.8% net of fees return for the fiscal year, underperforming its policy benchmark by -1.8% net of fees for the year.

LAGERS' Alpha portfolio had a difficult stretch in the volatile market. The portfolio returned -3.9% net of fees while its benchmark returned +4.2% for the last year. All but one Alpha manager had a negative return for the year, creating the -8.0% net of fees underperformance. The unprecedented and fast-moving pandemic took the hedge fund managers by surprise as many of the managers' valuation metrics underperformed in a market showing counterintuitive behavior at historical extremes.

LAGERS' Real Assets/Real Return portfolio lagged its benchmark over the last year. The Real Assets/Real Return investments returned -6.7% net of fees compared to LAGERS' Real Assets/Real Return Benchmark of +1.5%. The shortfall comes from both Public and Private Real Asset portfolios, which both underperformed their respective benchmarks by -9.0%. Timber led the Real Asset/Real Return portfolio with +5.0% net of fee return, compared to its respective benchmark returning +3.2%.

LAGERS' Strategic portfolio returned -14.9% net of fees compared to LAGERS' Strategic Benchmark of +6.2%. The primary attribution comes from Public Strategic returning -26.8% for the year compared to the benchmark return of +5.2%. Private Strategic had a +2.9% return for the year but still lagged its benchmark return of 6.7%.

The current levered allocation as of June 30, 2020, for the five main asset types are Alpha 12.5%, Equities 38.1%, Fixed Income 26.5%, Real Assets/Real Return 34.7%, and Strategic Assets 9.7%.

Generating LAGERS' assumed rate of return of +7.25% in the current environment will involve implementing our risk-aware strategy. LAGERS' strategy takes full advantage of the illiquid nature of LAGERS' long-term, perpetual, investment portfolio by having the ability to invest in private strategies such as Private Equity, Infrastructure, Real Estate, Aviation, Mining, Shipping, Renewables and other strategies such as a sawmill. These private strategies are expected to earn a premium to the public market returns, while diversifying the portfolio and decreasing overall risk. The asset allocation has been developed for the purpose of meeting this assumed rate of return over the long term and through all environments, including the current. LAGERS' team is continuously looking for attractive and unique opportunities to diversify the asset base to reduce overall risk and add to the return.

The asset allocation is based on long-term goals, liquidity needs, risks and return characteristics of asset types, costs associated with available assets, and market conditions. Again, you can have confidence the risk-aware investment strategy that LAGERS continues to use will assure long-term obligations to our members and retirees will be achieved.

MEMBERSHIP



315 Cities
19,262 Members



60 Counties
8,919 Members



70 Health
Agencies
1,594 Members



42 Water Districts
233 Members



28 Road Districts
87 Members



66 Emergency
Services
1,068 Members



48 Libraries
1,106 Members



61 Special
Districts
2,366 Members



55 Fire Districts
1,030 Members



61 Soil & Water
Conservation
Districts
145 Members

Funded Level:

The funded level is one of many measures used to gauge the financial stability of a pension plan. The funded level of a pension plan equals the value of assets in the plan divided by the plan's pension obligation or liability. For LAGERS, all 806 political subdivisions are valued individually, and each is responsible for its own pension obligation.

EMPLOYER *Funded Levels* as of February 29, 2020

100% +	238 Subdivisions	30%
75%-99.9%	246 Subdivisions	31%
50%-74.9%	128 Subdivisions	16%
Below 50%	177 Subdivisions*	22%

6.1 out of 10 are
75% funded or
better!

*123 subdivisions under 50% joined LAGERS within the last 10 years.

GROWING *Pension System*

The Missouri Local Government Employees Retirement System (LAGERS) is the largest public pension system in the state of Missouri for local government political subdivisions. Each political subdivision individually elects to partner with LAGERS to provide defined benefit retirement, disability and survivor benefits for their employees. On average, LAGERS adds 10-15 new employers annually. In fiscal year 2020, LAGERS added 48 new employers increasing the total subdivisions covered by LAGERS to 806.

Dennise Schaben,
Sr. Accounts Analyst
9 Years of Service



AVERAGE MONTHLY BENEFIT PAYMENTS

Distribution by Years of Service as of June 30, 2020

	5-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	31+ Years
2020	\$306	\$727	\$1,276	\$1,654	\$2,516	\$3,327
2019	\$320	\$734	\$1,168	\$1,502	\$2,304	\$3,123
2018	\$299	\$747	\$1,087	\$1,554	\$2,475	\$3,106

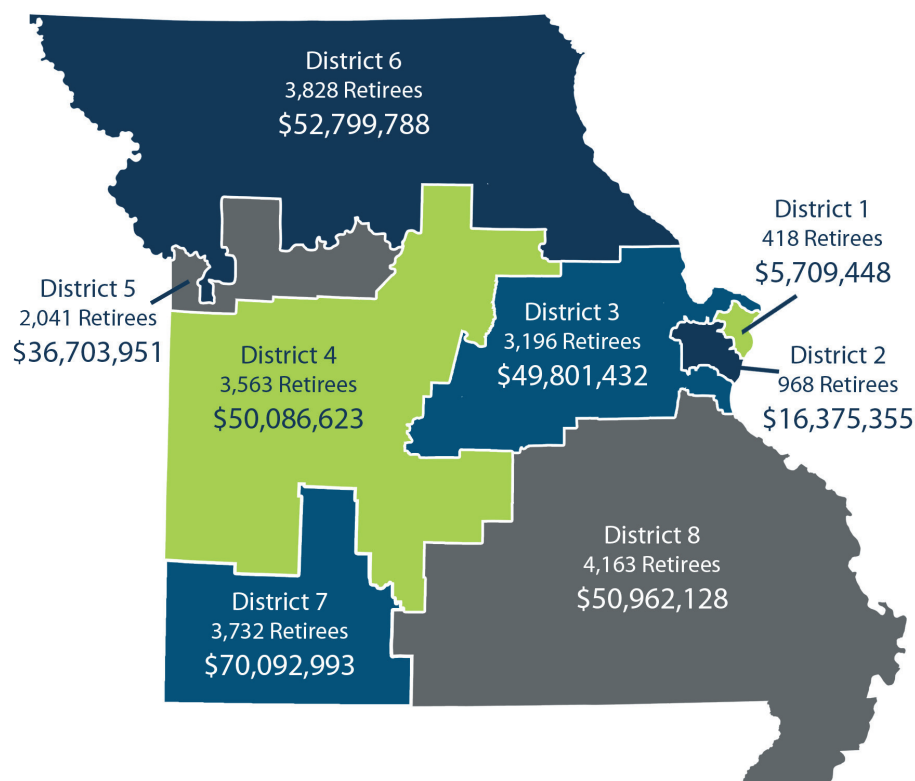
ECONOMIC IMPACT

LAGERS returns value to Missouri's communities in more ways than one. Not only is LAGERS a tool to help local government employers attract and retain the best public servants to provide services in their communities, but approximately 93% of the benefits LAGERS pays, stay local with retirees living in the communities they served. These steady monthly retirement benefits are spent each month right back into Missouri's local communities, creating significant economic impact across Missouri!

LAGERS ANNUAL BENEFIT PAYMENTS BY CONGRESSIONAL DISTRICT

LAGERS paid out \$356 million to 25,668 benefit recipients last year, with 93% (\$332 million) staying in Missouri.

-as of June 30, 2020



Photos are from our LAGERS Loves Local campaign that featured our retirees shopping at their favorite local businesses. Learn more at molagers.org/lagersloveslocal.



Victor Weir, City of Waynesville retiree, spends his retirement dollars at Mid-Town Malt Shoppe in Lebanon, MO.

Lebanon, MO receives \$1.1 million dollars in annual benefit payments from LAGERS!



Sharon Gardner, Buchanan County retiree, spends her retirement dollars at Twilight Gardens Statuary in St. Joseph, MO.

St Joseph, MO receives \$7.9 million dollars in annual benefit payments from LAGERS!



Gail Schatzler, St. Charles County retiree, spends her retirement dollars at Geisert Farms in Washington, MO.

Washington, MO receives nearly \$2 million dollars in annual benefit payments from LAGERS!

THE BOARD OF TRUSTEES



From Left: Frank Buck, Arby Todd, Joan Jadali, Barry McCullough, Sandy Walker, J. Robert Ashcroft, Claire West

Arby Todd
Member Trustee
Chairperson
City of Lee's Summit
Term Expires 12-31-2021

Joan Jadali
Member Trustee
Vice - Chairperson
City of Webster Groves
Term Expires 12-31-2022

Frank Buck
Employer Trustee
DeKalb County
Term Expires 12-31-2020

J. Robert Ashcroft
Employer Trustee
Platte County
Term Expires 12-31-2021

Sandy Walker
Member Trustee
City of Poplar Bluff
Term Expires 12-31-2020

Barry McCullough
Employer Trustee
City of Gladstone
Term Expires 12-31-2022

Claire West
Citizen Trustee
Term Expires 12-31-2019

The Board's principal role is to ensure that LAGERS is appropriately governed and managed. The overriding goal of the Board is to serve the best interests of members and beneficiaries and to protect the assets of the system. Trustees set strategy and policy and delegate the day-to-day management of the retirement system to staff. The LAGERS' Board of Trustees is made up of three elected Member Trustees, three elected Employer Trustees, and one appointed Citizen Trustee.

- The three Member Trustees must be active employee members of LAGERS and are elected by a vote of the members at the LAGERS' Annual Meeting.
- The three Employer Trustees must be active officers or officials of a LAGERS' participating employer and are elected by a vote of the officers and officials at the LAGERS' Annual Meeting.
- The one Citizen Trustee is neither an active member or employer official and is appointed by the governor.

THE EXECUTIVE TEAM



From Left: Sheila Reinsch, Jason Paulsmeyer, Melissa Rackers, Robert Wilson, Pam Hopkins, Jeff Kempker, Tami Jaegers, Brian Collett

Robert Wilson,
CEBS
Executive Director

Brian Collett,
CFA, CAIA
Chief Investment Officer

Jason Paulsmeyer
Chief Counsel

Melissa Rackers,
CPA, CGFM, CEBS
Chief Financial Officer

Sheila Reinsch,
Board and Executive
Coordinator

Jeff Kempker,
CEBS, CRC
Asst. Director, External
Affairs

Tami Jaegers,
RPA
Asst. Director, Operations

Pam Hopkins,
CPA, CIA, CRMA, RPA, CGFM,
Compliance Officer / Internal Auditor

The LAGERS' team brings over 150 years of combined pension administration experience helping to ensure that every local government worker in Missouri can count on us to deliver a world class retirement system.

