

Popular Annual FINANCIAL REPORT

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

For Fiscal Year Ended June 30, 2021



**Executive Director Robert Wilson with
LAGERS Local Government Hero Winner Dan Burns and
Finalist Robyn Kaufman at the 2021 Annual Meeting**

LAGERS' Local Government Hero Award is annually bestowed upon an outstanding LAGERS member who has consistently acted above and beyond their call of duty in service to making their community a better place.

This Popular Annual Financial Report (PAFR) is a summary of Missouri LAGERS' audited financial statements and other information contained in Missouri LAGERS' Annual Comprehensive Financial Report (ACFR). The complete audited financial statements and pertinent notes can be found in Missouri LAGERS' 2021 ACFR. The PAFR provides summary financial information and does not conform to Generally Accepted Accounting Principles (GAAP); the ACFR conforms to GAAP and provides a comprehensive overview of the System's financial and operating results. Missouri LAGERS' ACFR is available at www.molagers.org/financial-reports/.

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.



Public Pension Coordinating Council

Recognition Award for Funding 2020

Presented to

Missouri Local Government Employees Retirement System

In recognition of meeting professional standards for
plan funding as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Local Government Employees Retirement System

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell
Executive Director/CEO

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.



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CONTACT US



molagers.org

myLAGERS account
members.molagers.org



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blog.molagers.org/



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8 a.m. to 5 p.m.
Monday - Friday



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MO 65102



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COMMITTED TO EXCELLENCE

On behalf of the entire LAGERS board and staff, I am proud to present this annual update to our stakeholders. Within this report you will find a snapshot of the financial, investment, and actuarial performance of the LAGERS system for the fiscal year ending June 30, 2021.

ROBERT L.
WILSON, CEBS
EXECUTIVE
DIRECTOR

27 YEARS
OF SERVICE



Our mission at LAGERS is to ensure we provide and preserve retirement security for those dedicated to serving Missouri's local communities. We know it takes a special calling to spend a career in public service, and these individuals work hard, ensuring our communities grow safer and stronger – better every day. The LAGERS team is committed to delivering continued excellence to our membership, so they can focus on doing what they do best.

I am pleased to report for the fiscal year ending June 30, LAGERS pre-funded ratio rose to an impressive 95.6%, placing LAGERS among the top performing public pension plans in the nation. LAGERS excellent performance can be

attributed to several factors including strong investment performance, prudent management, diligent funding, and top-notch plan design. In short, LAGERS' success is no accident.

As the system extends its exceptional performance, local government employers continue to look to LAGERS not just for the security and stability we provide our members, but for the added recruitment and retention benefits of offering a well-run defined benefit plan. Over the past year, LAGERS welcomed 16 new employers and I believe this growth trend will continue as more employers face growing workforce challenges.

As the system looks toward the coming year, we remain steadfast in our commitment to deliver a premier retirement system for our members, and to be a solution for those seeking retirement security. We believe that we are always better when we work together, and are proud to collaborate with and serve the 822 local government employers and more than 70,000 working and retired public servants across the state.

As always, if you ever have any questions, do not hesitate to contact the LAGERS office.



Active MEMBERS

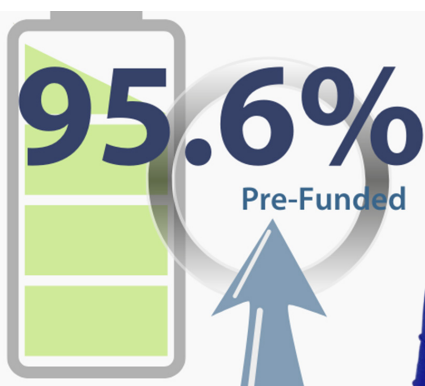
35,799

Retirees and

BENEFICIARIES

26,929

LAGERS Local Government Hero
Finalist Robyn Kaufman,
Executive Director
and her nominator,
Julie Elsbury,
Boone County Family Resources



FINANCIAL

Summary of FIDUCIARY NET POSITION (in thousands) as of June 30 each year

Assets	2021	2020	2019
Cash	\$ 10,779	\$ 11,322	\$ 13,303
Receivables and accrued income	32,097	32,509	35,648
Prepaid expenses	114	62	160
Investments	10,492,224	8,366,382	8,330,011
Invested securities lending collateral	412,242	438,645	468,802
Capital assets	7,117	5,810	5,770
Total assets	\$ 10,954,573	\$ 8,854,730	\$ 8,853,694
Deferred outflow of resources			
Outflows related to pensions	\$ 4,450	\$ 5,758	\$ 5,770
Outflows related to OPEB	775	1,057	690
Total deferred outflow of resources	\$ 5,225	\$ 6,815	\$ 6,460
Liabilities			
Payables and accrued expenses	\$ 7,661	\$ 8,691	\$ 9,308
Collateral for securities on loan	412,242	438,645	468,802
Line of credit	250,000	250,000	200,000
Net pension liability	825	2,325	4,818
Net OPB liability	651	1,055	449
Total liabilities	\$ 671,379	\$ 700,716	\$ 683,377
Deferred inflow of resources			
Inflows related to pensions	\$ 3,036	\$ 140	\$ 380
Inflows related to OPEB	398	73	80
Total deferred inflow of resources	\$ 3,434	\$ 213	\$ 460
Net position restricted for pension	\$ 10,284,985	\$ 8,160,616	\$ 8,176,317

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.

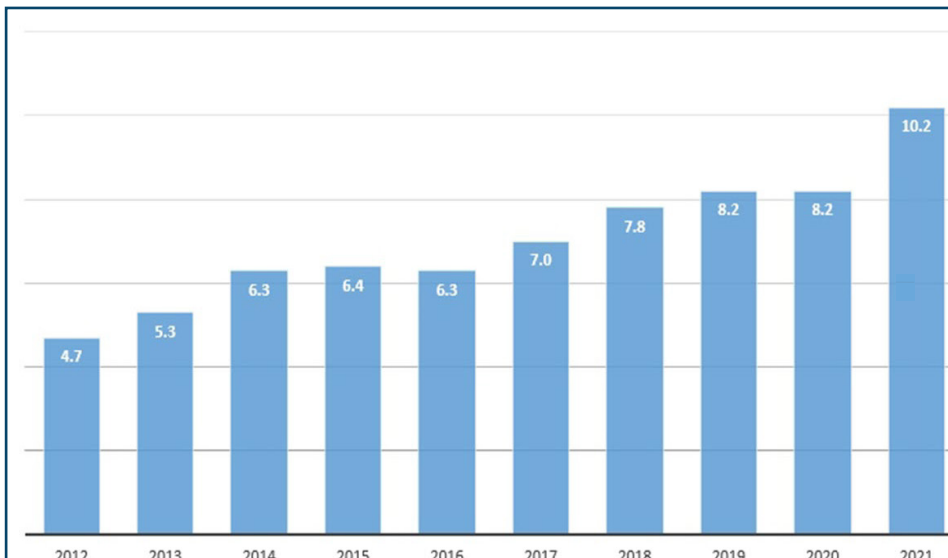
Investments AT FAIR VALUE

as of June 30, 2021

Short-term investments	\$ 740,535,756
Government bonds	660,605,011
Corporate bonds	222,364,196
International bonds	800,959,964
Mortgage and asset-backed securities	198,535,797
Domestic stocks	849,159,102
International stocks	839,598,155
Real Estate	1,132,845,763
Partnerships	3,965,649,478
Absolute return	925,282,295
Other alternative investments	156,687,983
Total Investments	\$ 10,492,223,500

Plan Net Position RESTRICTED FOR BENEFITS

as of June 30, 2021 Expressed in Billions



Investment EXPENSES

as of June 30, 2021

Manager Fees	\$195,809,281
Custodial Services	775,082
Other Investment Expenses	2,531,625
Total Investment Expenses	\$199,115,988

2% of total assets

FINANCIAL

Summary of CHANGES IN FIDUCIARY NET POSITION as of June 30 each year (in thousands)

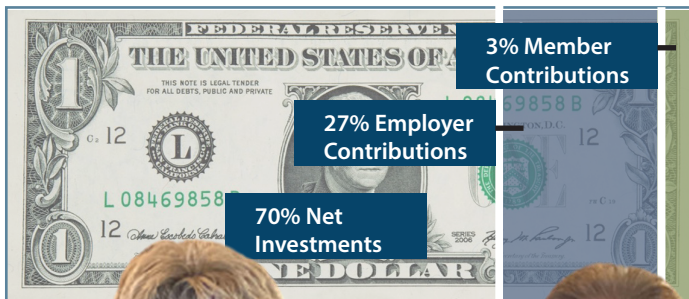
Additions	2021	2020	2019
Member contributions	\$ 21,746	\$ 20,232	\$ 25,341
Employer contributions	250,378	223,366	226,206
Net investment income	2,239,761	103,959	509,105
Net securities lending income	3,809	1,591	629
Total additions	\$ 2,515,694	\$ 349,148	\$ 761,281
Deductions			
Benefit payments	\$ 382,192	\$ 356,183	\$ 331,493
Refunds	2,167	2,532	2,321
Expenses	7,282	9,357	8,129
Pension expense (gain)	(590)	(3,294)	(572)
OPEB expense	274	71	(161)
Total deductions (gain)	\$ 391,325	\$ 364,849	\$ 341,210
Change in net position restricted for pension benefits (decrease)	\$ 2,124,369	\$ (15,701)	\$ 420,071
Beginning net position restricted for pension benefits	\$ 8,160,616	\$ 8,176,317	\$ 7,756,246
Ending net position restricted for pension benefits	\$ 10,284,985	\$ 8,160,616	\$ 8,176,317



LAGERS Local
Government Hero
Winner Dan Burns

Funding SOURCES

Approximate average over last five years



A winner of the LAGERS Loves Local Contest,
Tim Herrman (center) and his wife, at Crane Brewing
Company in Raytown, MO

INVESTMENTS

BRIAN K.
COLLETT, CFA, CAIA
CHIEF INVESTMENT
OFFICER

18 YEARS OF SERVICE



Outperformance in both the short-term and long-term continued to contribute to a secure retirement for LAGERS' members. The fiscal year ending June 30, 2021 was a good year for LAGERS' members and LAGERS' Investment Portfolio. Last year's performance proved that LAGERS' risk-aware investment strategy continues to ensure LAGERS will achieve its long-term obligations to our members and retirees. LAGERS ended the year with a +29.5% return net of fees, outperforming the Total Policy Benchmark by +12.7%. The performance of the portfolio was broad based, with four of the five asset classes outperforming its respective benchmarks. The portfolio ended

the year with a portfolio value of \$10.2 billion or \$143,650 per member. This one-year outperformance feeds into the portfolio's long term returns below:

- +12.1% net of fees annualized return over three years
- +12.4% net of fees annualized return over five years
- +10.0% net of fees annualized return over ten years
- +8.1% net of fees annualized return over twenty years

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

Total PORTFOLIO RETURNS as of June 30, 2021

	1 Year	3 Years	5 Years	10 Years	15 years	20 Years
LAGERS Return	29.48%	12.13%	12.42%	9.97%	8.55%	8.10%
LAGERS Custom Index	16.78%	10.33%	9.48%	7.73%	6.69%	6.39%
Actuarial Assumed Rate of Return	7.25%	7.25%	7.25%	7.26%	7.34%	7.38%

The total portfolio return exceeded LAGERS' Total Policy Benchmark return and Assumed Rate of Return over the 3, 5, 10 and 20 year periods. This continues to translate into downward pressure on employer contributions and a higher funding status, creating a more secure retirement for our members.

The Equity portfolio had a strong year as the economy began to reopen with vaccine rollouts across the globe. Both LAGERS' Public Equity and Private Equity managers continued to provide robust returns as they saw increased valuations across their portfolios. Public Equity returned +51.4% while Private Equity returned +30.7%, resulting in a +42.3% net of fees return for the Total Equity portfolio, and an outperformance of +11.7% relative to LAGERS' Total Equity Benchmark for the year.

The Fixed Income portfolio, while showing its diversification benefits in the market downturn last year, lagged its benchmark in the improved markets this year. LAGERS' Fixed Income portfolio returned +2.2% net of fees compared to LAGERS' Fixed Income benchmark of +5.0%. Within Public Fixed Income, long duration assets was the largest detractor as rates increased through the year and this detraction offset all other Public Fixed Income positive performance. LAGERS' Private Fixed Income portfolio largely offset the Public Fixed Income performance with a +13.6% net of fees return for the fiscal year, outperforming its policy benchmark by +4.0% for the year.

LAGERS' Alpha portfolio had a positive year. The portfolio returned +12.7% net of fees while its benchmark returned +9.1% last year. All but one Alpha manager outperformed the benchmark, creating a +3.6% excess return for the Alpha portfolio.

Real Assets/Real Return:

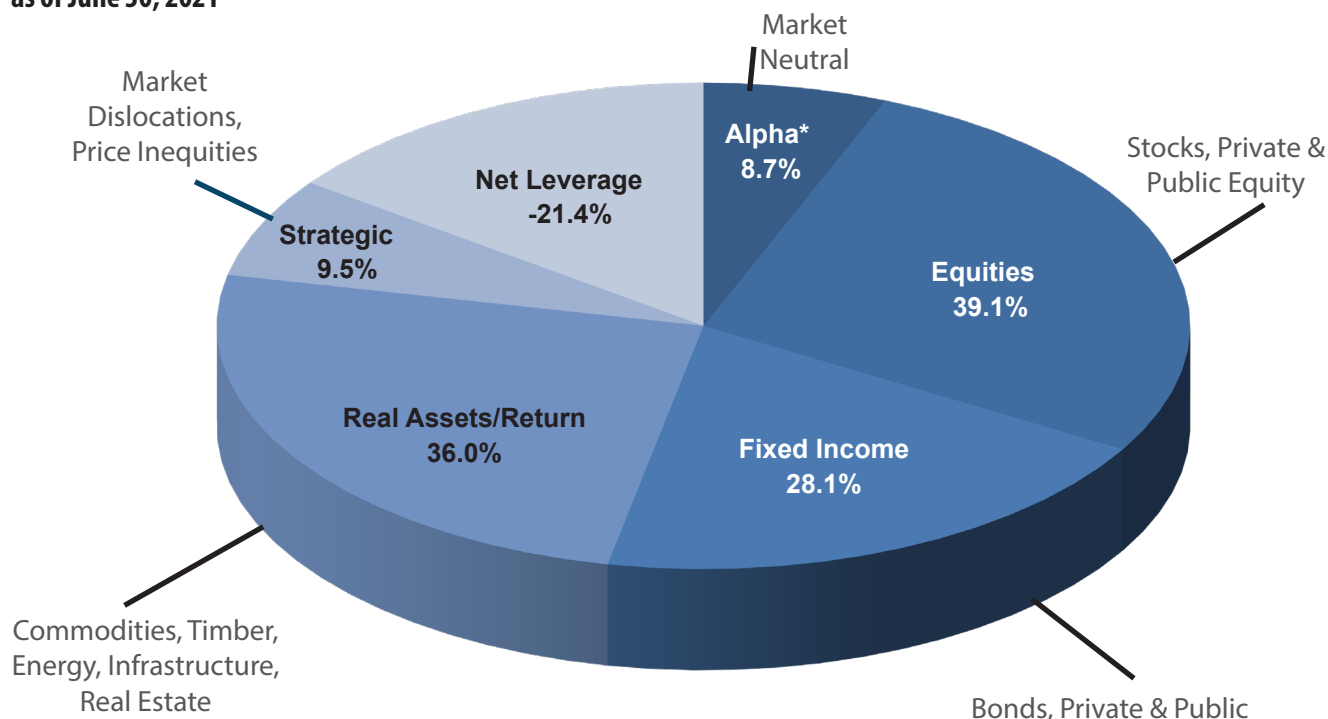
an investment which its value is primarily based on the ownership or utilization of a tangible asset or cash flows derived from an agreed-upon measure of tangible assets. These may also include financial assets that derive their value from a contractual claim on an underlying asset that is linked to 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, 2021



*Alpha allocation adjusted by 2.5% 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.

LAGERS' Real Assets/Real Return portfolio outperformed its benchmark over the last year. The Real Assets/Real Return portfolio returned +20.6% net of fees compared to LAGERS' Real Assets/Real Return Benchmark of +13.9%. The outperformance comes from both Public and Private Real Asset portfolios, which exceeded their respective benchmarks by +8.9% and +7.3%, respectively. Commodity portfolios led the Real Asset/Real Return category as those benefited from an increase in inflation driven by strong commodity demand.

LAGERS' Strategic portfolio also had a successful year last year with it outperforming LAGERS' Strategic Benchmark by +25.2%. The primary attribution comes from the Public Strategic portfolio, returning +56.5% for the year, compared to the benchmark return of +10.1%. Private Strategic had a smaller outperformance of +2.6%.

The levered allocation as of June 30, 2021 for the five main asset classes was Alpha 11.2%, Equities 39.1%, Fixed Income 28.1%, Real Assets/Real Return 36.0%, and Strategic Assets 9.5%. In addition to the five asset classes, LAGERS had 11.3% allocated to cash instruments. LAGERS' team views risk and asset allocation at a much more granular level that includes sub-categories that provide a better understanding of the risks and characteristics currently in the portfolio.

Generating LAGERS' assumed rate of return of +7.00% 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 that the risk-aware investment strategy that LAGERS continues to use will assure that long-term obligations to our members and retirees will be achieved.

MEMBERSHIP



323 Cities
19,236 Members



60 Counties
8,896 Members



70 Health
Agencies
1,618 Members



42 Water Districts
247 Members



28 Road Districts
87 Members



68 Emergency
Services
1,098 Members



49 Libraries
1,095 Members



63 Special
Districts
2,352 Members



57 Fire Districts
1,039 Members



62 Soil & Water
Conservation
Districts
131 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 801 valuated political subdivisions are valued individually, and each is responsible for its own pension obligation.

Employer FUNDED LEVELS as of February 28, 2021

100% +	298 Subdivisions	37%
75%-99.9%	221 Subdivisions	28%
50%-74.9%	132 Subdivisions	16%
Below 50%	150 Subdivisions*	19%

**6.5 out of 10 are
75% funded or
better!**

**111 subdivisions 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 2021, LAGERS added 16 new employers increasing the total subdivisions covered by LAGERS to 822.



*LAGERS Local Government Hero Winner
Dan Burns and his nominator, Shane
Anderson, Battlefield FPD.*

Average Monthly Benefit Payments

DISTRIBUTION BY YEARS OF SERVICE

as of June 30, 2021

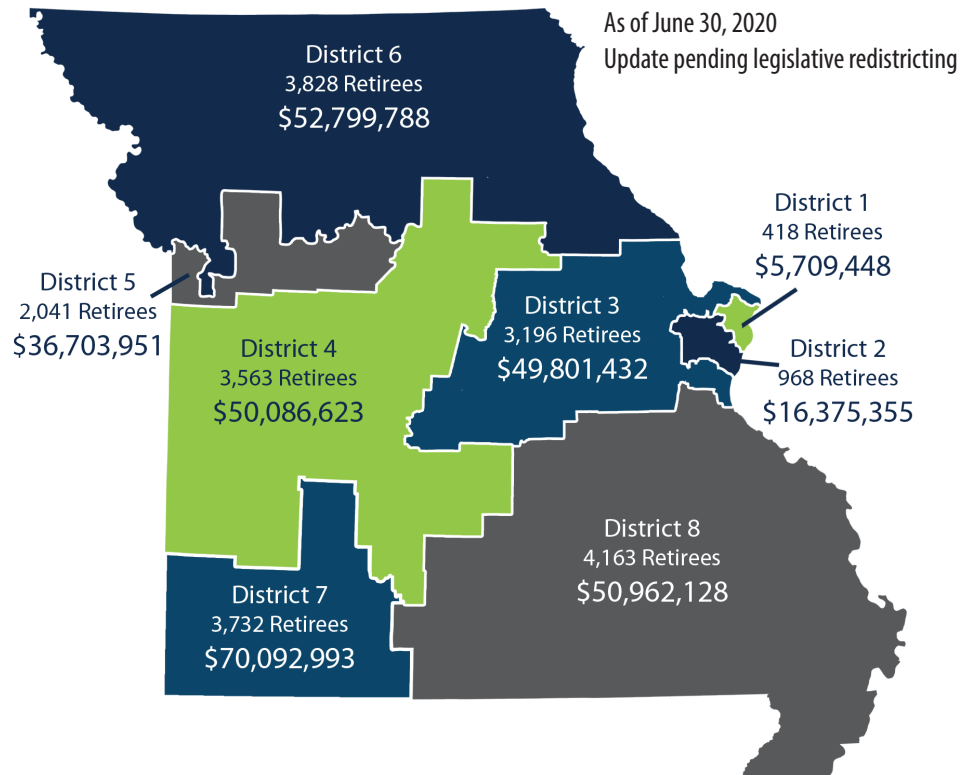
	5-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	31+ Years
2021	\$292	\$738	\$1,218	\$1,790	\$2,496	\$3,236
2020	\$306	\$727	\$1,276	\$1,654	\$2,516	\$3,327
2019	\$321	\$726	\$1,167	\$1,496	\$2,310	\$3,126

ECONOMIC IMPACT

LAGERS Annual Benefit Payments by Congressional District

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

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 LOVES LOCAL

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

*A winner of the LAGERS Loves Local Contest,
Tim Herrman (left) his wife, and the Crane Brewing
Company crew in Raytown, MO.*



“ I like Kettle Corn from Kinder's Mayberry RFD bright red food truck. Saturdays April through October they are with Farmers and Artists at The Meadows Mall in Lake St Louis where every vendor comes from within 100 miles. ”

-Betty H.



THE BOARD OF TRUSTEES



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

Joan Jadali
Member Trustee
Chairperson

City of Town & Country
Term Expires 12-31-2022

Barry McCullough
Employer Trustee
Vice Chairperson

City of Gladstone
Term Expires 12-31-2022

Frank Buck
Employer Trustee
DeKalb County
Term Expires 12-31-2024

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

Sandy Walker
Member Trustee
City of Poplar Bluff
Term Expires 12-31-2024

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

Claire West
Citizen Trustee
Term Expires 12-31-2021

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

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.



MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

701 West Main St., PO Box 1665, Jefferson City, MO 65102