



# WELCOME!

## LAGERS 55<sup>TH</sup> ANNUAL MEETING





# STATE OF THE SYSTEM 2022



# THE PURPOSE OF LAGERS RETIREMENT PLAN



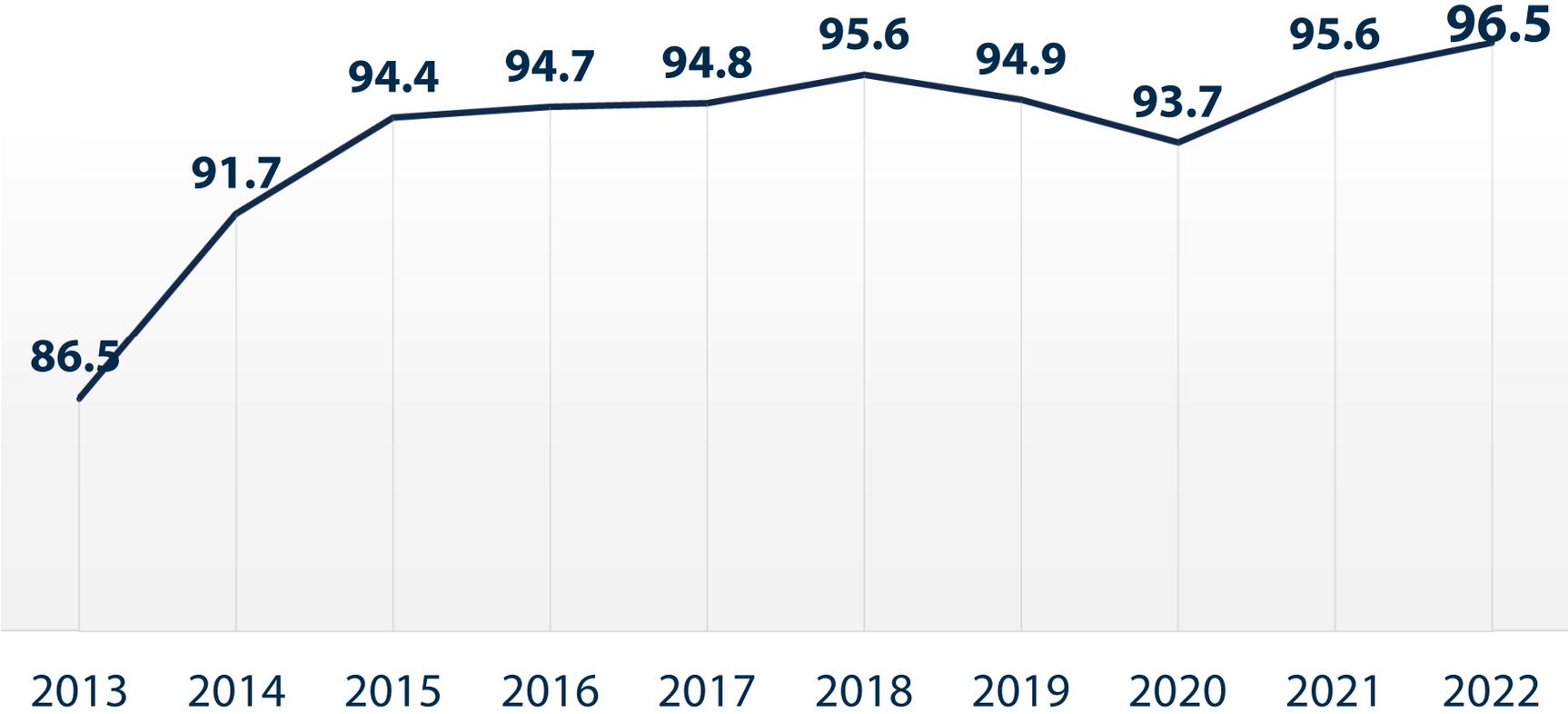


# LAGERS' STRATEGIC OBJECTIVES

- Safeguard assets in order to ensure the long-term sustainability of the pension fund while maintaining reasonable benefits.
- Provide superior service while engaging stakeholders in order to promote a secure retirement for all.
- Ensure highly qualified and engaged team to provide best possible outcome for our stakeholders.
- Optimize utilization of technology and strive for innovation in all areas of the organization.



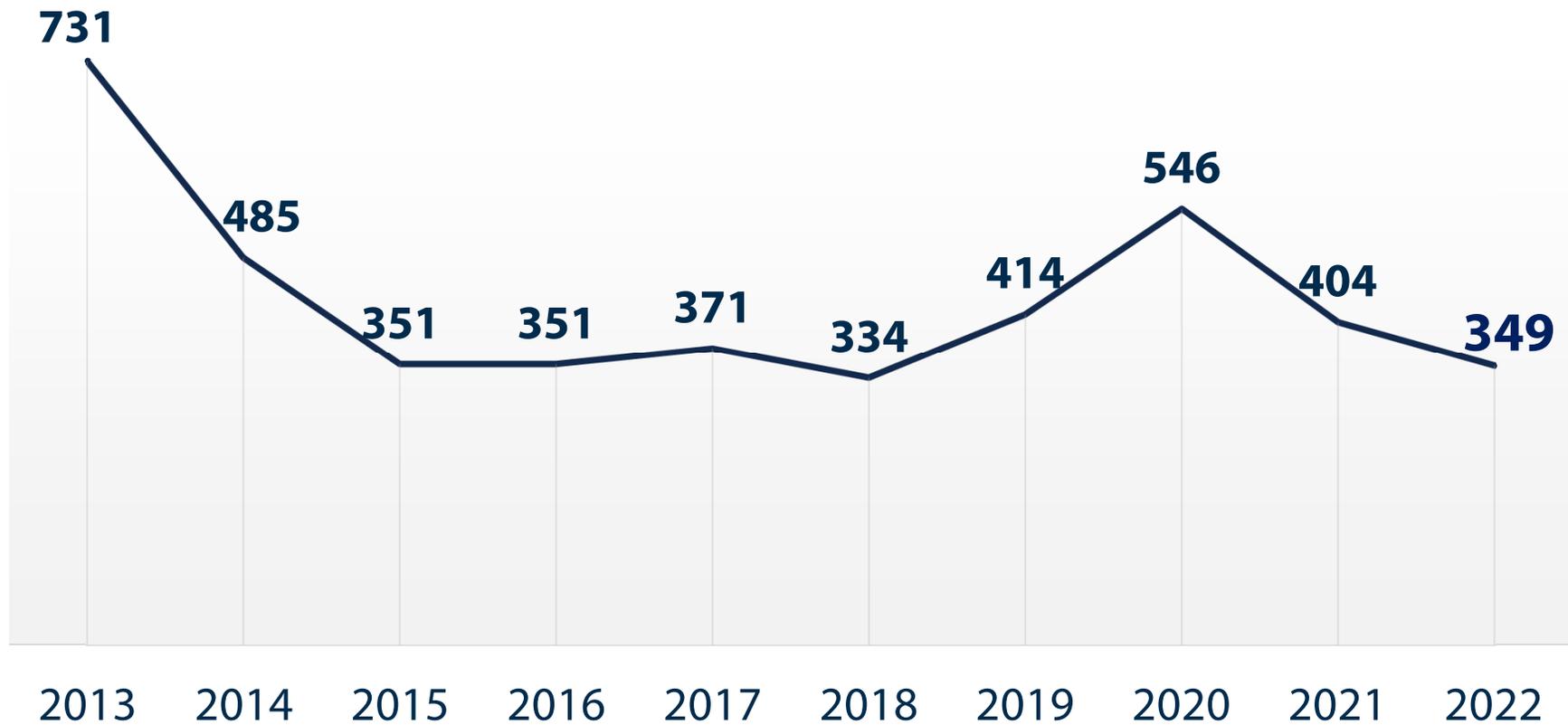
# LAGERS FUNDING PROGRESS FUNDED RATIO



*A secure retirement for all*



## LAGERS FUNDING PROGRESS UNFUNDED LIABILITY (MILLIONS)



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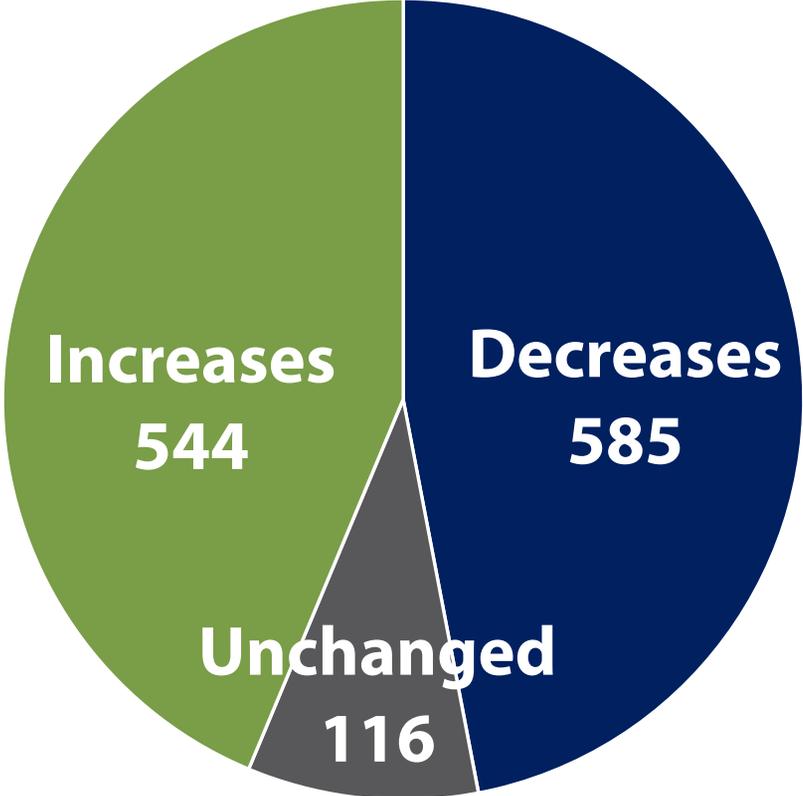


# 2022 ACTUARIAL RISK ANALYSIS

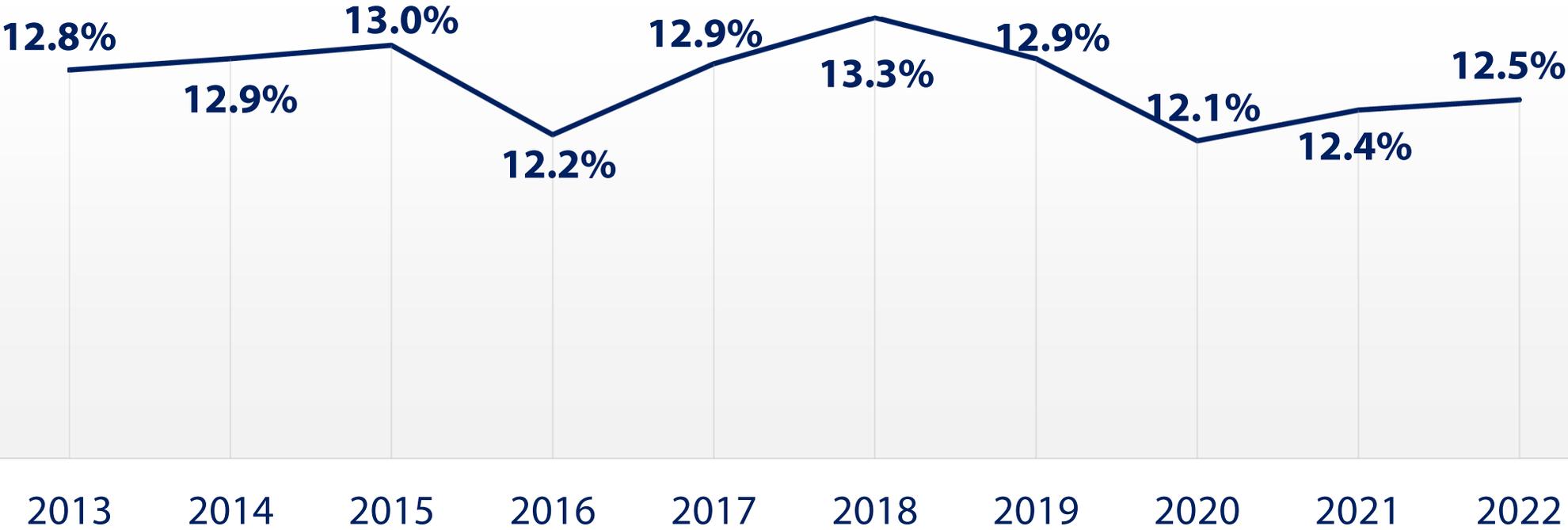
- LAGERS is one of the best plans nationwide when looking at historic employer rate stability.
- LAGERS is in a terrific position to withstand periods of high inflation.
- LAGERS' Benefit Reserve Fund is positioned to remain well-funded even if the system experienced a decade of high inflation, and lower than expected investment returns.



# EMPLOYER CONTRIBUTION RATES FOR 2023



# TOTAL EMPLOYER CONTRIBUTIONS AS A % OF TOTAL PAYROLL



# A GROWING SYSTEM: NUMBER OF EMPLOYERS & VALUATION GROUPS 2013-2022



**831**

Employers

**35,029**

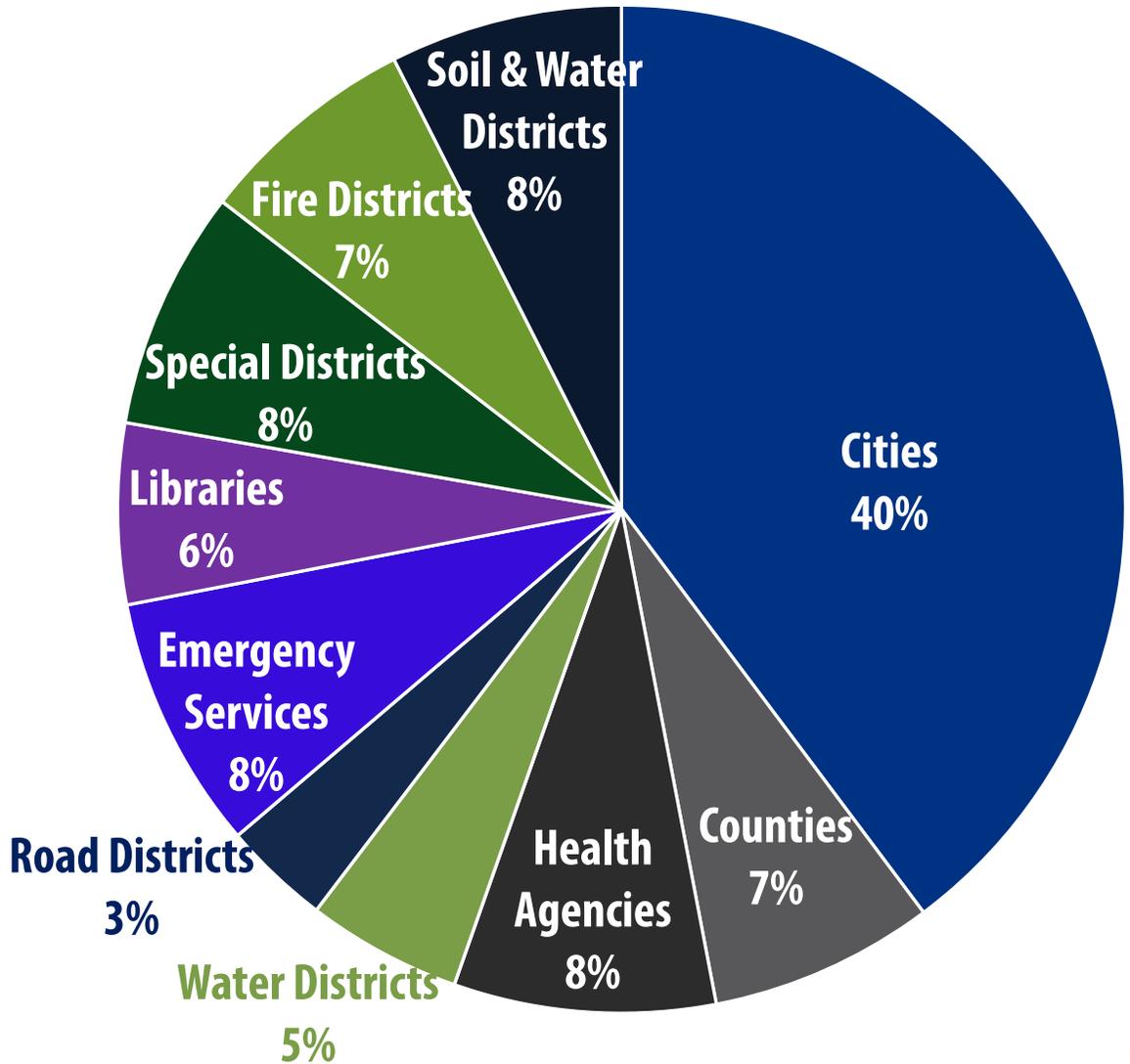
Active Members

**27,713**

Retirees

**5,210**

Former Vested Members



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# LAGERS LEGACY PLAN PROGRAM

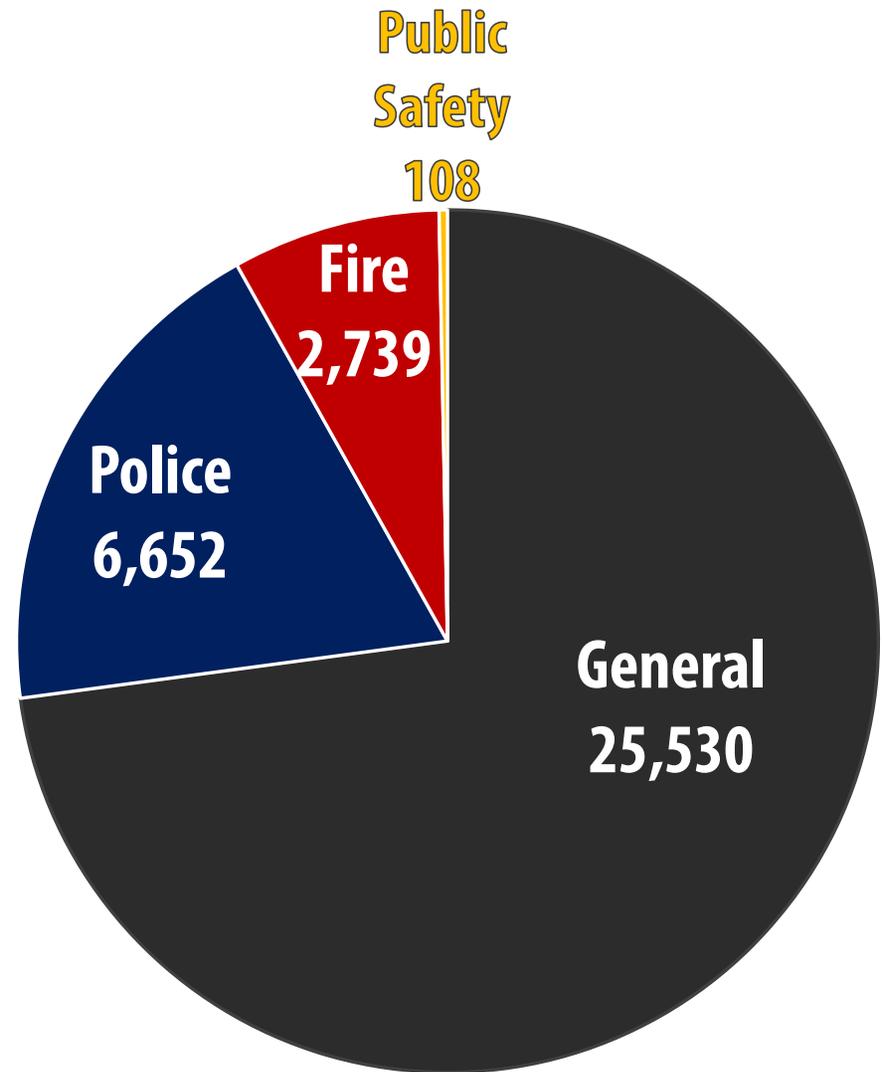
- Jefferson City Fire Fighters' Retirement Plan
- Jennings Police & Fire Pension Plan
- Antonia Fire Protection District Pension Plan
- Sedalia Police Retirement Fund
- Glendale Pension Plan
- Rock Hill Uniformed Employee Pension Plan
- Maplewood Police & Fire Retirement Fund



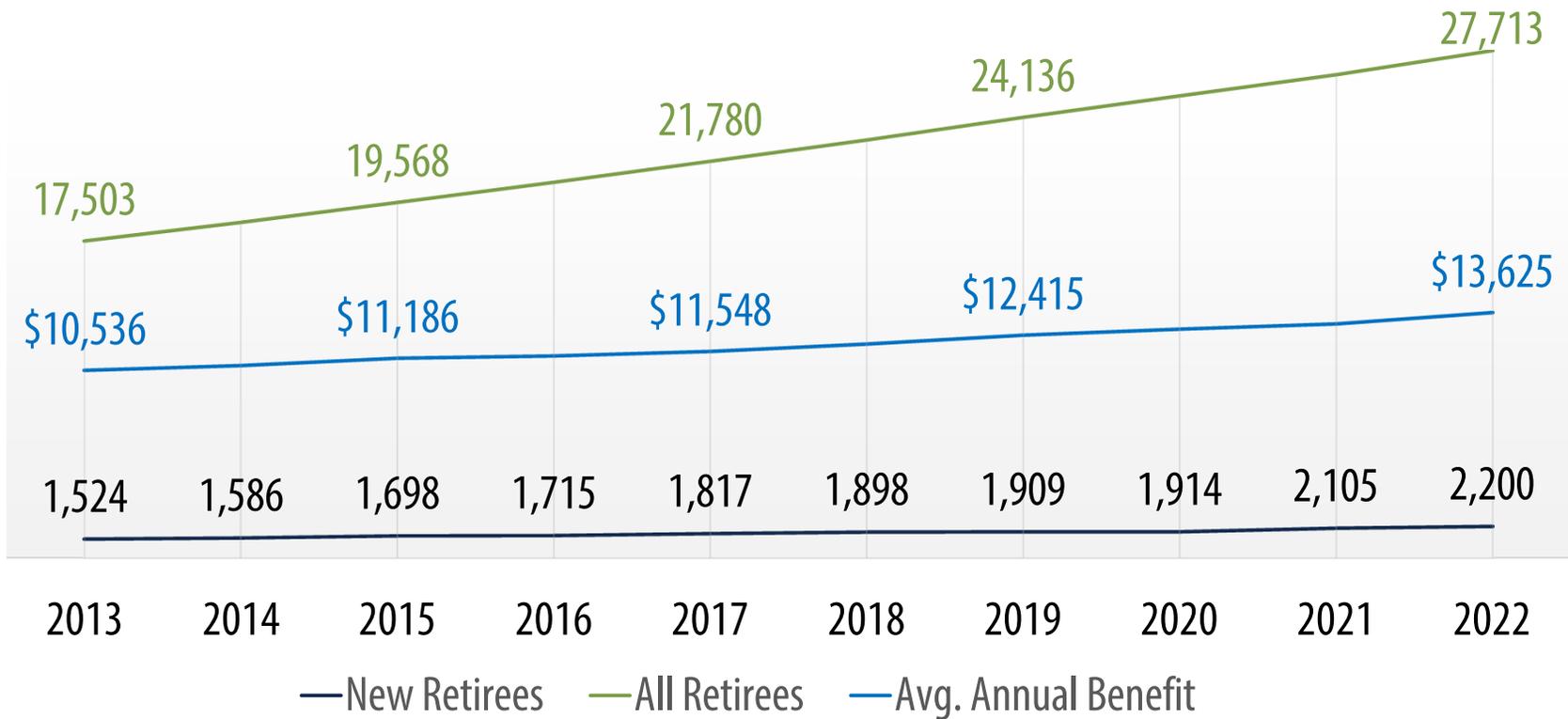
# ACTIVE MEMBERSHIP

Active Members Beginning of Year	35,380
Plus New Members	5,266
Minus Retirements	1,147
Minus Deaths	35
Minus Disabilities	34
<u>Minus Other Terminations</u>	<u>4,401</u>

**35,029**  
**Active Members**



# RETIREES & BENEFICIARIES





**\$403 MILLION  
ANNUAL  
BENEFITS PAID**



**\$384 MILLION  
RE-INVESTED  
IN MISSOURI**



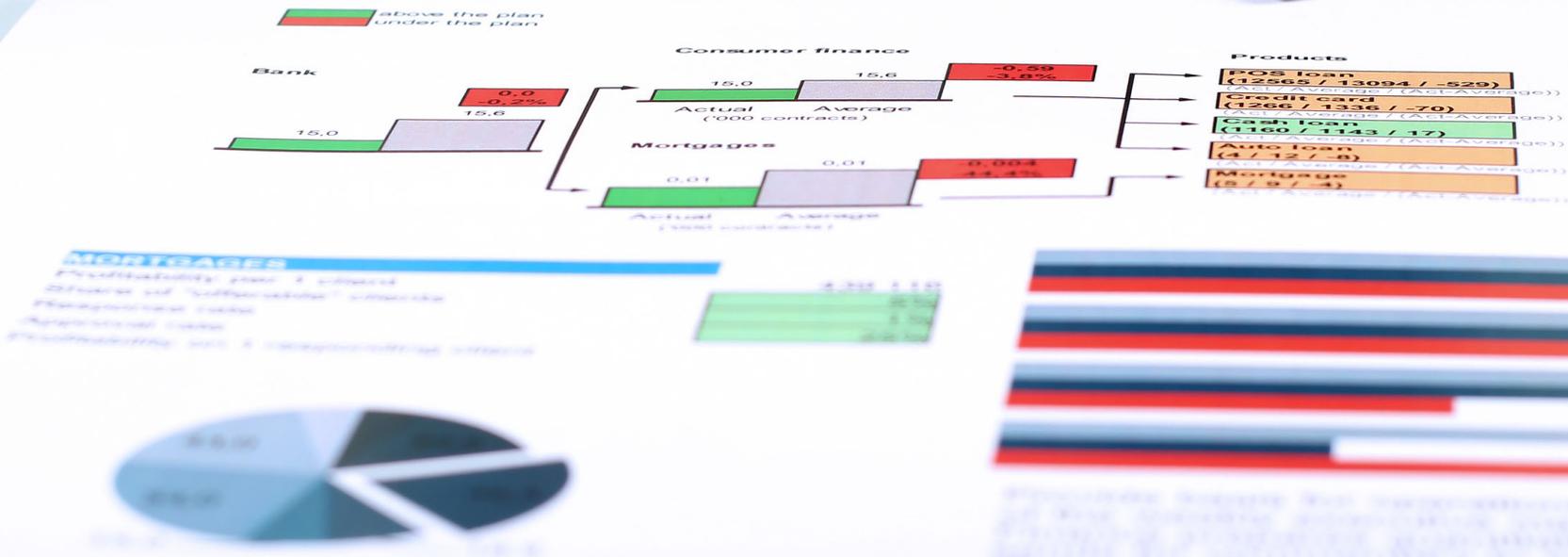
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# KEY CHALLENGES FACING OUR SYSTEM

- Our employers' ability to attract and retain the best public servants
- Demonstrating the value of LAGERS' benefits to all age groups
- Outside interests attempting to restrict LAGERS investments
- Growing membership and increasing complexity





# 2022 INVESTMENT UPDATE

BRIAN K. COLLETT, CFA, CAIA – CHIEF INVESTMENT OFFICER  
 MEGAN LOEHNER, CFA, CAIA – DEPUTY CHIEF INVESTMENT OFFICER



### Investment Returns

- 7.00% Long-Term Goal
- \$10M Yr./\$429M 20 Yr. Avg
- 70% of LAGERS Annual Contributions (20 Yr. Avg.)

### Employee Contributions

- 0%, 2%, 4%, 6%
- \$27M Yr./\$15M 20 Yr. Avg
- 2% of LAGERS Annual Contributions (20 Yr. Avg.)

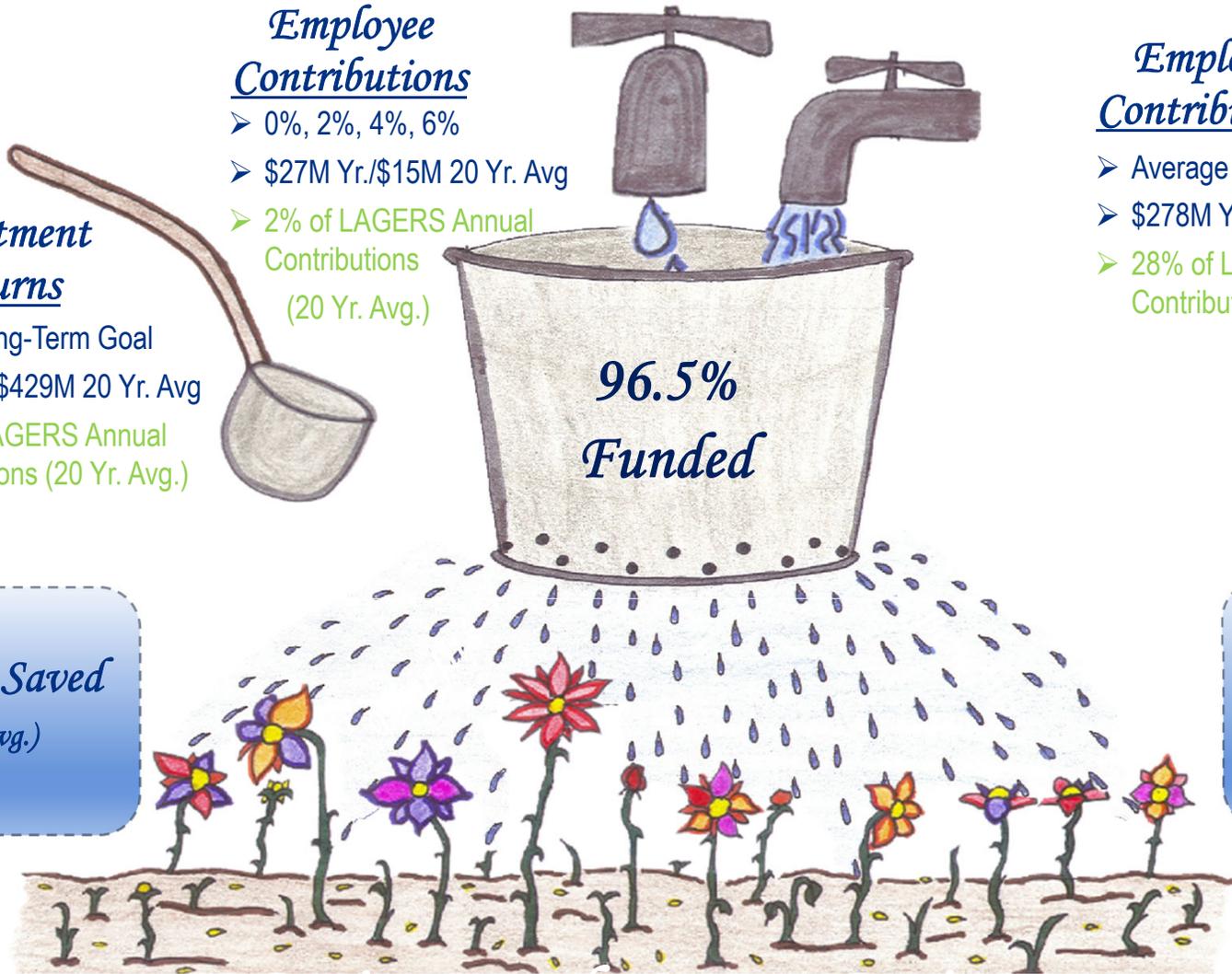
### Employer Contributions

- Average of 11%
- \$278M Yr./\$168M 20 Yr. Avg
- 28% of LAGERS Annual Contributions (20 Yr. Avg.)

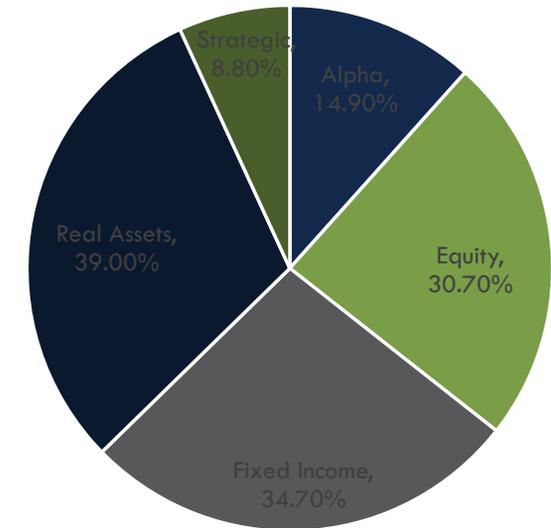
96.5%  
*Funded*

64% being Saved  
(20+ Yr Avg.)

36% being Enjoyed  
(20+ Yr Avg.)



LAGERS Asset Class	Current Allocation	Target Allocation	Difference	1 Year Return
Alpha	14.9%	15.0%	-0.1%	16.8%
Equity	30.7%	35.0%	-4.4%	-10.3%
Fixed Income	34.7%	31.0%	+3.7%	-10.6%
Real Assets	39.0%	36.0%	+3.0%	10.2%
Strategic	8.8%	8.0%	+0.8%	21.8%
Net Leverage	-24.5%	-25.0%	-0.6%	2.0%



## DIVERSIFICATION MATTERS

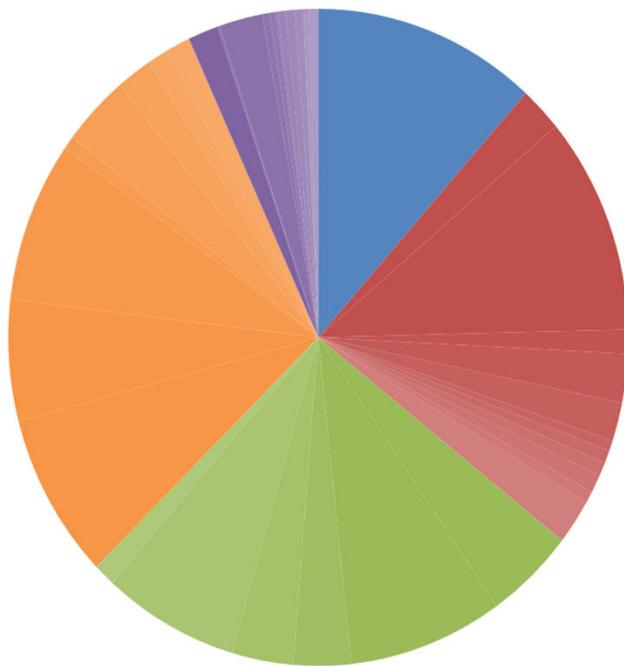
Traditional Public Benchmarks	1 Year Return
60% Equity/ 40% Fixed Income	-10.2%
Equity Large Cap: S&P 500 Index	-10.6%
Equity All Cap: Russell 3000 Index	-13.9%
Fixed Income US: US Aggregate	-10.3%
Fixed Income US: US 20+ Treasuries	-19.2%
Real Estate US: FTSE Nareit REIT	-16.4%
Inflation Linked Bonds: I/L World	-14.01%

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# ASSET KALEIDOSCOPE

## Diversification as of June 30, 2022



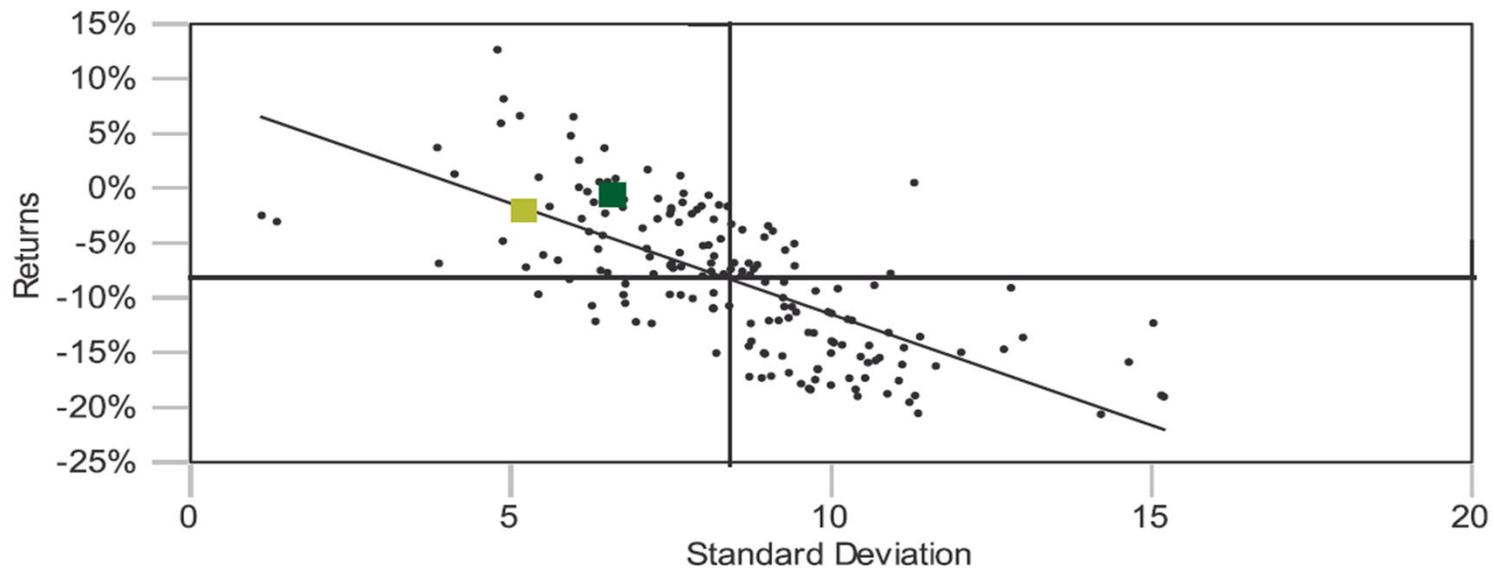
- Alpha - Market Neutral - 14.93%
- Equities - US Private - 13.73%
- Equities - International - 3.08%
- Equities - US Small Cap Growth - 0.66%
- Equities - US Mid Cap Value - 0.87%
- Equities - US Mid Cap Growth - 0.74%
- Fixed Income - US Private Debt - 5.93%
- Fixed Income - Emerging Market - 3.80%
- Fixed Income - US Bonds - 9.09%
- Real Assets/Return - US Real Estate - 10.46%
- Real Assets/Return - Global Infrastructure - 10.16%
- Real Assets/Return - Global Inflation Linked - 4.48%
- Real Assets/Return - Private Natural Resources - 1.38%
- Strategic Assets - Bank Loan - 0.02%
- Strategic Assets - Senior Housing - 0.08%
- Strategic Assets - Energy - 2.88%
- Strategic Assets - Consumer Services - 0.40%
- Strategic Assets - Mega Cap - 0.48%
- Strategic Assets - Cell Towers & Data Warehouse - 0.57%
- Strategic Assets - RCF Jolimont Mining - 0.27%
- Equities - Global - 2.85%
- Equities - US Large Cap Core - 1.51%
- Equities - Emerging Markets - 2.43%
- Equities - US Small Cap Value - 0.80%
- Equities - US Large Cap Value - 1.12%
- Equities - Global Private - 2.85%
- Fixed Income - US Government Long Bonds - 10.33%
- Fixed Income - Global - 4.09%
- Fixed Income - Global Private Debt - 1.45%
- Real Assets/Return - Commodities - 7.63%
- Real Assets/Return - Timber - 0.84%
- Real Assets/Return - US Infrastructure - 2.39%
- Real Assets/Return - Global Real Estate - 1.61%
- Strategic Assets - Healthcare Royalty - 2.00%
- Strategic Assets - High Yield CLO - 0.09%
- Strategic Assets - US Small Cap Value - 0.51%
- Strategic Assets - Industrial - 0.15%
- Strategic Assets - Opportunistic - 0.61%
- Strategic Assets - Firm Equity - 0.06%
- Strategic Assets - Public Equity - 0.66%



# ONE YEAR RETURNS VS. VOLATILITY – ALL FUNDS OVER \$1B

	Return	Volatility
MOLAGERS	-.60%	6.59
Benchmark	-2.04%	5.20

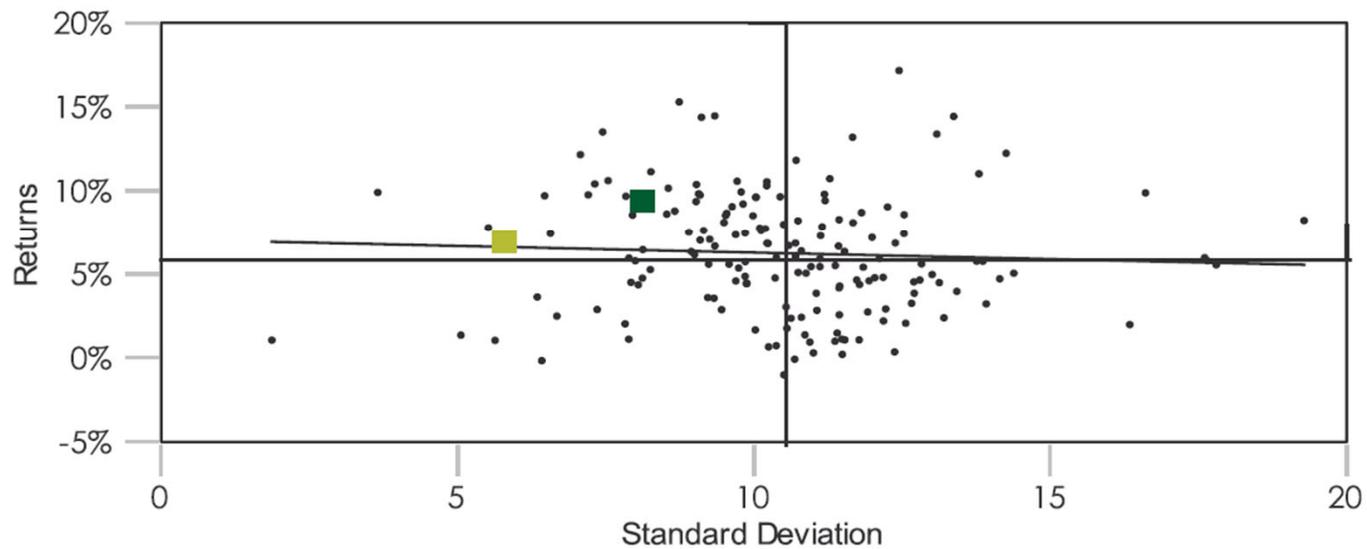
ONE YEAR - ALL FUNDS OVER \$1B



# THREE YEARS RETURNS VS. VOLATILITY – ALL FUNDS OVER \$1B

	Return	Volatility
MOLAGERS	9.36%	8.11
Benchmark	6.92%	5.79

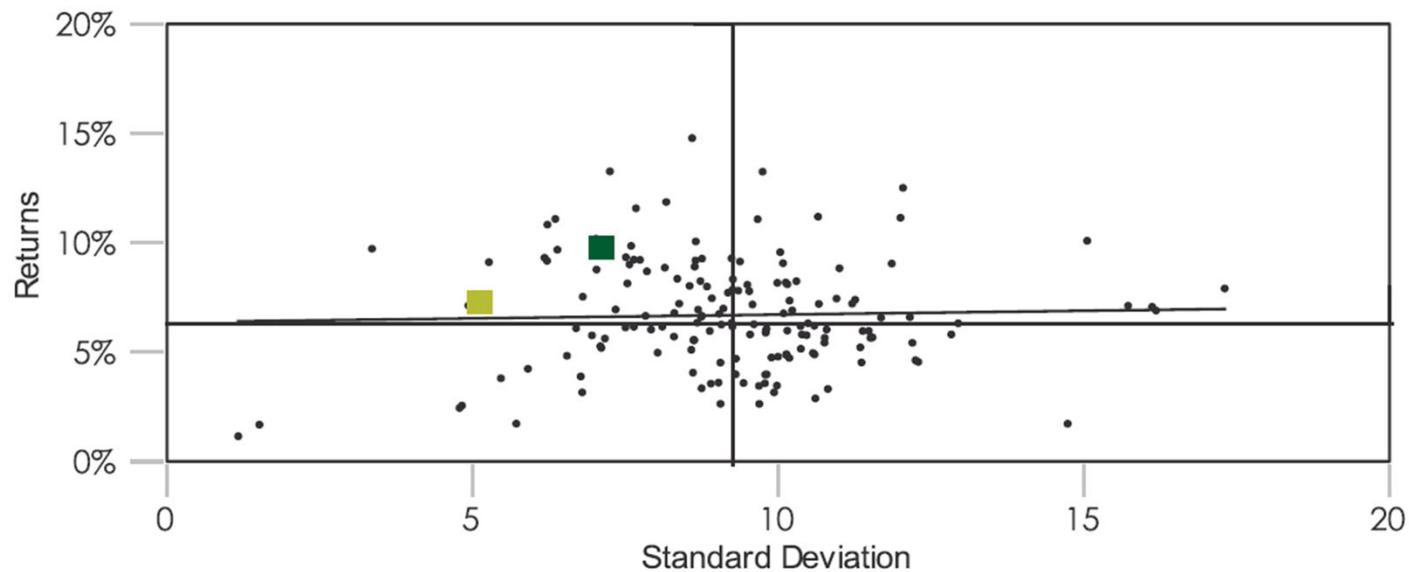
THREE YEARS - ALL FUNDS OVER \$1B



# FIVE YEARS RETURNS VS. VOLATILITY – ALL FUNDS OVER \$1B

	Return	Volatility
MOLAGERS	9.76%	7.11
Benchmark	7.27%	5.12

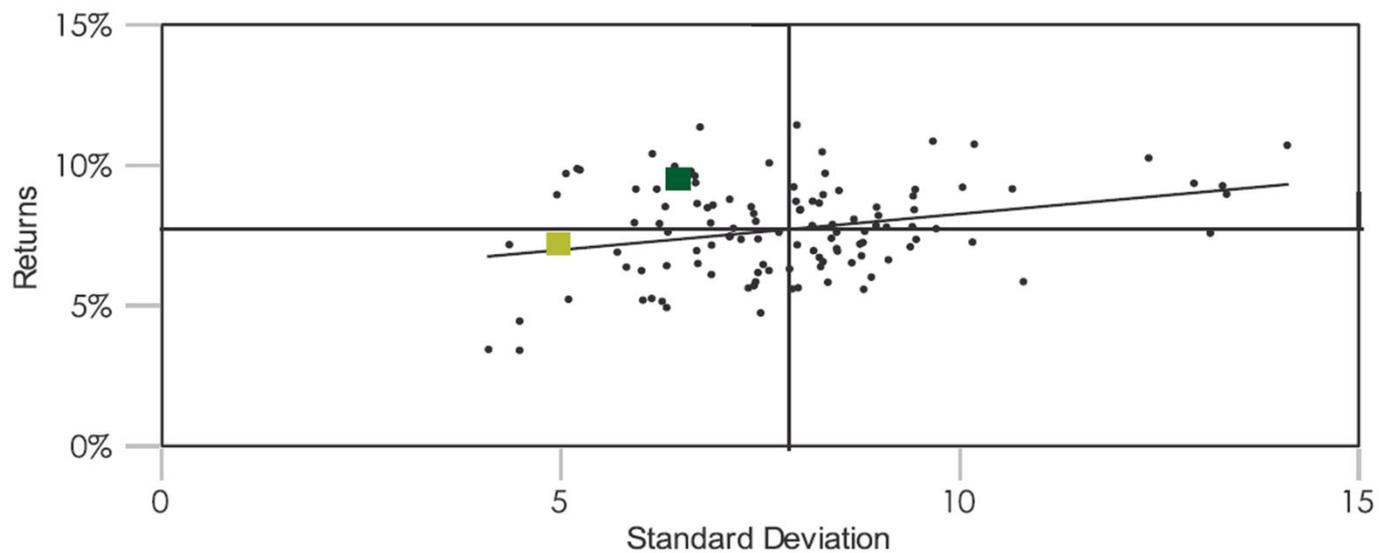
FIVE YEARS - ALL FUNDS OVER \$1B



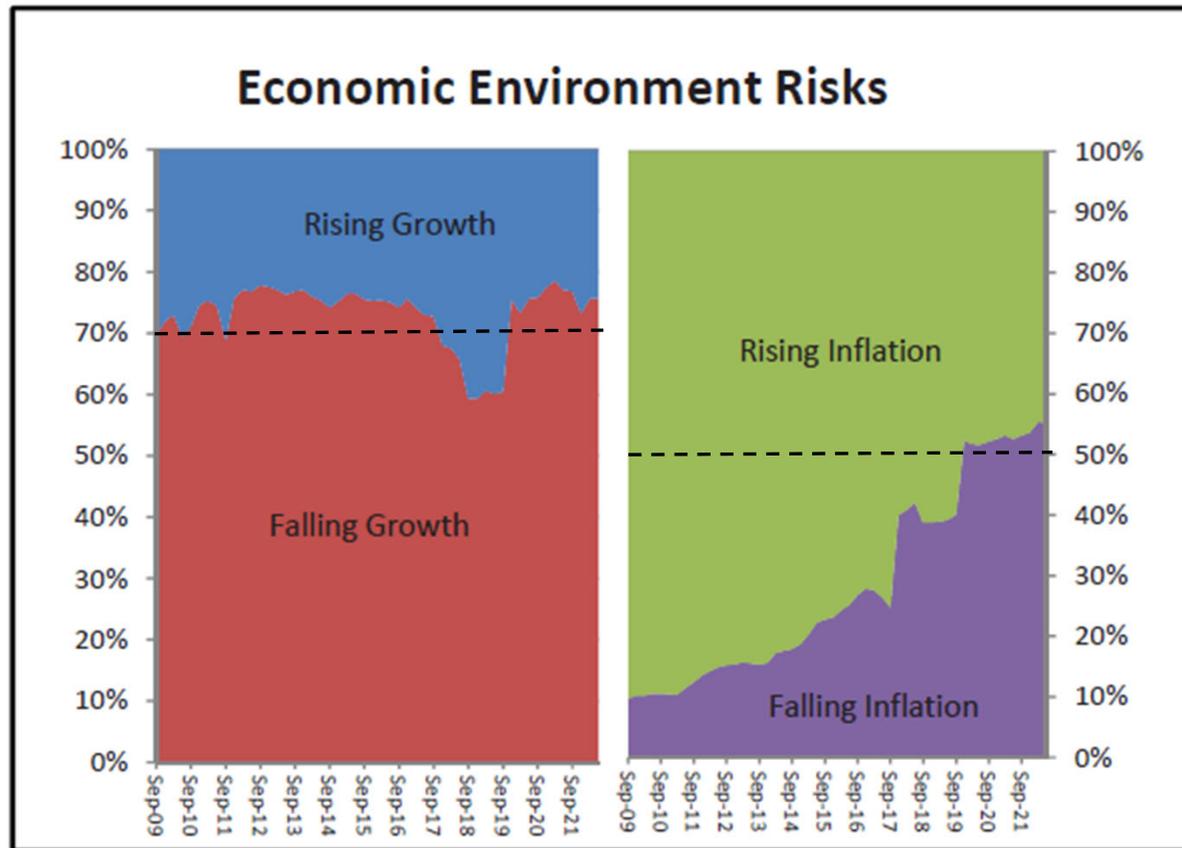
# TEN YEARS RETURNS VS. VOLATILITY – ALL FUNDS OVER \$1B

	Return	Volatility
MOLAGERS	9.52%	6.47
Benchmark	7.20%	4.97

TEN YEARS - ALL FUNDS OVER \$1B



# ECONOMIC ENVIRONMENT RISKS



# FACTS AND FIGURES

AS OF JUNE 30, 2022

Total Portfolio:	1 Year	5 Years	10 Years	20 Years	30 Years	Since The Beginning of LAGERS
LAGERS	(0.6%)	9.8%	9.5%	8.3%	9.1%	8.5%
LAGERS Custom Index	(2.0%)	7.3%	7.2%	6.6%	7.3%	7.5%
Excess Return	1.4%	2.5%	2.3%	1.7%	1.8%	1.0%
Actuarial Assumed Rate	7.0%	7.2%	7.2%	7.3%	7.3%	7.0%
Excess Return	(7.6%)	2.6%	2.3%	1.0%	1.8%	1.5%

\*Investment results and other measures are calculated with the best effort of Brian K. Collett, CFA, CAIA, Chief Investment Office of MO Local Government Retirement System.  
 \*Returns, net of fees

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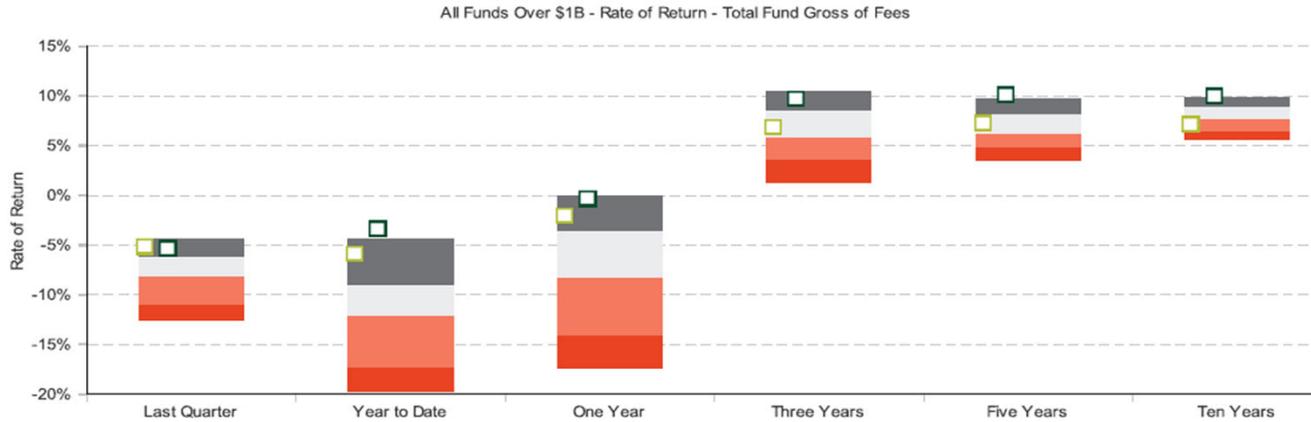
# FACTS AND FIGURES

## AS OF JUNE 30, 2022

NORTHERN TRUST

Missouri Local Government | June 30, 2022

### Peer Group Rankings



	Last Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years
Missouri Local Government	-5.26 (17)	-3.29 (7)	-0.35 (11)	9.65 (18)	10.09 (8)	9.91 (10)
Lagers Total Policy Benchmark	-5.21 (17)	-5.82 (12)	-2.04 (19)	6.92 (40)	7.27 (36)	7.20 (63)
Number Of Observations	178	179	174	172	162	117
10th Percentile	-4.38	-4.44	-0.03	10.41	9.67	9.85
1st Quartile	-6.08	-8.95	-3.48	8.58	8.18	8.95
Median	-8.15	-12.02	-8.16	5.85	6.29	7.74
3rd Quartile	-10.88	-17.29	-14.06	3.62	4.92	6.52
90th Percentile	-12.55	-19.75	-17.33	1.26	3.48	5.61

\*Rank is in parenthesis

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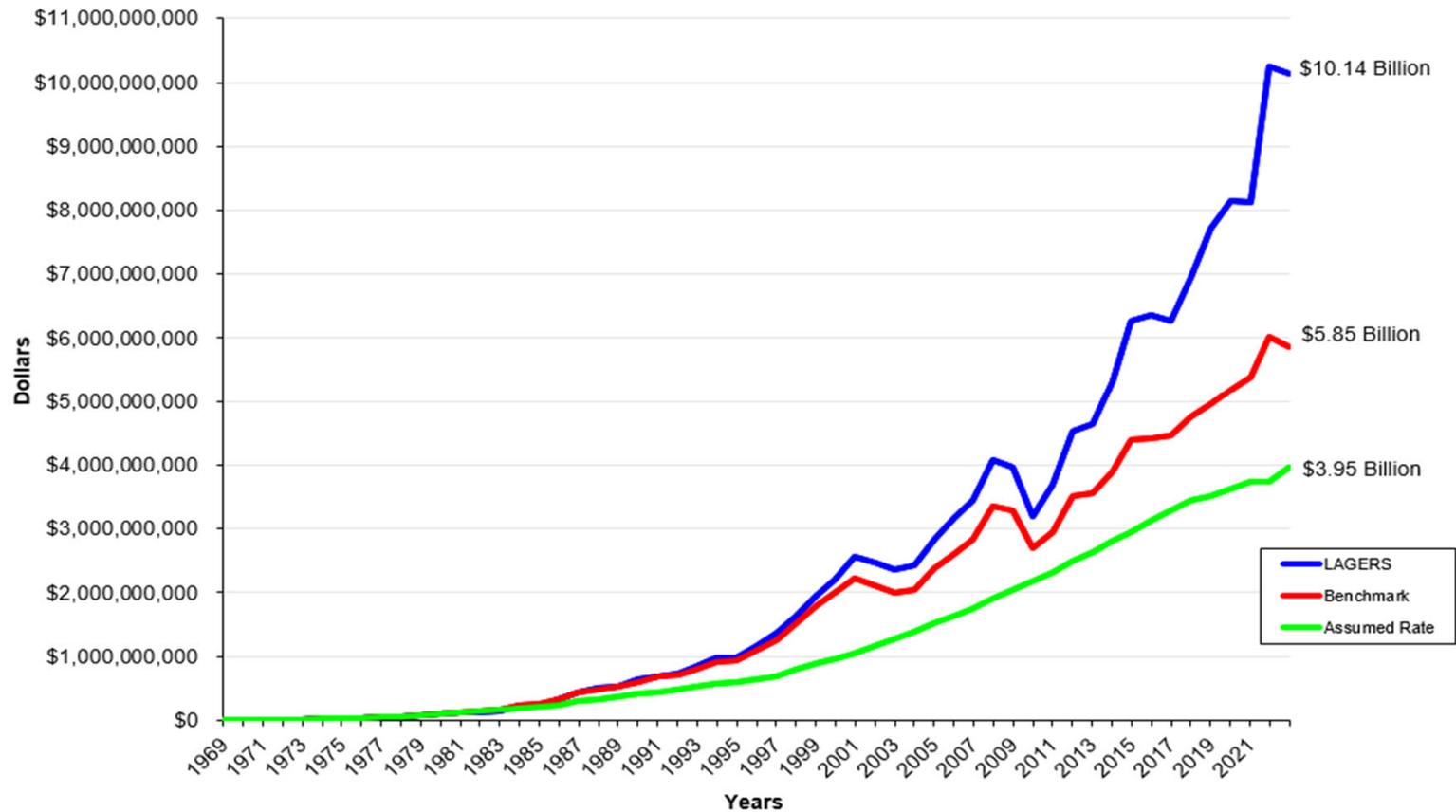
# LAGERS 1 YEAR ATTRIBUTION RELATIVE TO LAGERS' BENCHMARK

Total Fund Outperformed +1.4% (\$147 million) for the Year:

- **Alpha returned +16.8%, outperforming the benchmark by +3.9%**
  - Driven mainly by three of the four market neutral strategies having +20.0% returns
- **Equities returned -10.3%, underperforming the benchmark by -4.3%**
  - Driven by both Public and Private mandates' relative performance across the board. Overweight to value mandates and underweight to Equities overall helped.
- **Fixed Income returned -10.6%, underperforming the benchmark by -9.7%**
  - Driven by both Public and Private mandates' relative performance across the board. Long treasuries hurt performance while private adjustable rate loans helped performance on an absolute basis.
- **Real Assets returned +10.2%, underperforming the benchmark by -0.5%**
  - Driven by both Public and Private mandates' relative performance across the board. On absolute basis, Real Assets performed well with an overweight to the asset class contributing positively to overall return.
- **Strategic returned +21.8%, outperforming the benchmark by +6.7%**
  - Driven by Public and Private mandates. Large energy weight in Public contributed positively along with healthcare royalty exposure in Private creating most of the outperformance.



# LAGERS PORTFOLIO VS. BENCHMARK NET OF FEES



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# BREAK

# TIME!

LAGERS 55<sup>TH</sup> ANNUAL MEETING |  
Legislative Update will be up next @ 2:45





# LEGISLATIVE & ADVOCACY UPDATE



# LAGERS ADVOCACY & POLICY BEGINS AND ENDS WITH YOU!

LAGERS exists for you!  
All LAGERS legislative initiatives and policies are developed for the exclusive benefit of the LAGERS membership!



# 2022 SESSION HIGHLIGHTS

- LAGERS had one legislative priority.
- Pre-filed and successfully passed Public Safety Expansion Bill.
- No bills adversely impacting the system were passed.

## Session By the Numbers:

**2300** Bills Filed

**43** Bills TAFP, plus  
**20** Budget Bills

**50** Pension Bills

**2** Pension Bills TAFP

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# EXPANSION OF LAGERS PUBLIC SAFETY OPTION

Pre-filed SB 655, sponsored by Senator Crawford, and HB 1473, sponsored by Representative Pike.

Provision TAFPed in SB 655 and HB 1606.

New law became effective August 28, 2022.



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# LAGERS PUBLIC SAFETY OPTION IMPACT

9 employers have exercised the new option:

- 3 – Ambulance District
- 5 - 911 Centers
- 1 - County

Approximately 18 employers currently at some stage of the process.

## Total Employers By Type:

**42** Ambulance  
Districts

**26** E-911 Service  
Districts

**57** Fire Districts

**383** Cities/Counties

# IMPACT BILLS THAT DID NOT PASS

**SB 836** – Would have prohibited public employees from receiving a public pension benefit from more than one employer.

**HB 2825** – Would have required all public pension plans in Missouri to ensure 20% of venture capital and real estate investments were made in Missouri owned and headquartered businesses.

**SB 1048** – Would have prohibited public entities from contracting with companies who discriminate against gun manufacturers.

**SB 1239** – Would have prohibited public entities from contracting or investing with companies or individuals who invest or conduct business with Russia. Would have required divestment of existing holdings.



# LOOKING TOWARD 2023: KEY CHALLENGES

- Approximately 20-25% turnover of legislators every two years.
- Changes in leadership, including on pension committees.
- Legislation attempting to restrict LAGERS investments.



# INVESTMENT MANDATES

- LAGERS has a fiduciary duty to invest our members' money in a manner that minimizes risk and maximizes returns.
- LAGERS does not take ideological nor political positions when making investment decisions.
- LAGERS believes the ultimate measure of a manager's fulfillment of fiduciary duty is performance.

## LAGERS' Board-Approved Policy Statement:

LAGERS has a fiduciary obligation to its members to invest contributions to maximize returns while minimizing risk in accordance with LAGERS' Investment Policy.

LAGERS generally opposes investment mandates that seek to limit or influence LAGERS investment activities for the purpose of achieving a specific economic, social, or environmental outcome without regard for LAGERS' fiduciary duty to its members.



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# LOOKING TOWARD 2023: ADVOCACY DAY

Engaged advocates help share the LAGERS' story.

Your positive and proactive engagement makes a difference!

Advocacy can happen in more places than just the capitol.



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# CONNECT WITH US!



[ABOUT](#) - [MEMBERS](#) - [RETI](#)

## LAGERS CAPITOL REPORT

KEEP UP TO DATE ON ALL OF LAGERS' LEGISLATIVE ACTIVITIES. THIS PERIODIC EMAIL WILL PROVIDE YOU WITH THE LATEST INSIGHTS ON HAPPENINGS AT THE CAPITOL.

First name  Last name

Email\*

Submit

## Giving Our Members a Voice



### Advocacy Efforts

LAGERS believes that quality local government employees are critical to the success of each and every local community in Missouri, and is committed to promoting public policy that ensures these public servants can continue to plan for a secure retirement. [LAGERS advocacy](#) focuses on education about the importance of public service and how local employers' partnership with LAGERS helps enhance the quality of our local communities.

### Legislative Advisory Committee

LAGERS Legislative Advisory Committee was created in 1973 to provide a forum for interested members and employers to review possible legislative changes in LAGERS. The Committee meets at least once a year in conjunction with LAGERS Annual Meeting to discuss upcoming legislative priorities, and to vet through any new policy proposals. Members of this committee are appointed by LAGERS Board of Trustees for three year terms. Any active member of the LAGERS system can volunteer to serve on this committee. [Click Here to Volunteer!](#)



## ISSUES & POLICY

LAGERS was created by the Missouri General Assembly in 1967 to provide secure retirement, disability and survivor benefits to our local public servants. Today our mission, to provide and preserve retirement security for those dedicated to serving Missouri's local communities, continues. Because our plan is a creature of statute, we believe that it is critical to create and grow meaningful partnerships with our policy makers. LAGERS works not only directly with the state legislature, but also through partnerships with our members, employers, and affiliate organizations to ensure we continue to protect, preserve, and enhance awareness of our mission.

## myLAGERS

### ABOUT LAGERS

- [What is a Defined Benefit Plan?](#)
- [Who's in LAGERS](#)

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# THE ROLE OF THE LAGERS BOARD

Pam Hopkins, CPA, CIA, CRMA, RPA, Compliance Officer/Internal Auditor  
Jason Paulsmeyer, Chief Counsel



# COMPOSITION OF THE BOARD OF TRUSTEES

- **7 trustees with 4-year terms established under 70.605 RSMo**
  - 3 elected member trustees (members of LAGERS, employed by member political subdivisions)-current terms end in 2022, 2024 & 2025
  - 3 elected employer trustees (elected or appointed officials of member political subdivision, not members of LAGERS)- current terms end in 2022, 2024 & 2025
  - 1 citizen trustee (Governor-appointed; not a member, retiree, beneficiary, or member of the governing body of a member political subdivision)- appointed term through 2021
  - No more than one member trustee can be a police officer
  - No more than one member trustee can be a firefighter
  - No more than one member trustee or employer trustee can be from same employer



MEMBER TRUSTEE

**SANDY WALKER**

City of Poplar Bluff



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MEMBER TRUSTEE

**ARBY TODD**

City of Lee's Summit



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MEMBER TRUSTEE

**JOAN JADALI**

City of Town & Country  
Board Chairperson



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EMPLOYER TRUSTEE

**FRANK BUCK**

DeKalb County



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EMPLOYER TRUSTEE

**BOB ASHCROFT**

Platte County



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EMPLOYER TRUSTEE

**BARRY MCCULLOUGH**

City of Gladstone

Board Vice-Chairperson



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CITIZEN TRUSTEE

**CLAIRE WEST**



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# COMPOSITION OF THE BOARD OF TRUSTEES, CONT.

**Chair and Vice-Chair are elected by Board for two-year terms**

## **4 standing Committees of the Board (per Charters)**

- Audit and Finance
- Governance
- Legislative
- Personnel Oversight



# MEETINGS AND TRAINING

**Typically 5 Board meetings per year-one per quarter plus Annual Meeting**

**State law and Governance Charters & Policies require training**

**Trustees typically receive this training through attendance at MAPERS conference and in-house educational session, with attendance at other conferences encouraged**



# MEETINGS AND TRAINING, CONT.

**New trustees are provided training by LAGERS staff**

**Trustees receive no pay for their service but are reimbursed for any out-of-pocket expenses for attending meetings and educational conferences**



# ROLE OF THE BOARD

## **Exercises fiduciary duty, first and foremost**

- Duty of loyalty (exclusive benefit rule)
- Duty of care (administer the plan efficiently and properly)
- Duty of prudence (act prudently in making decisions)

**Per Board Charter, “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.”**

**Ultimate oversight over operations and investments with delegation to staff and various service providers (actuary, legal counsel, external auditor, legislative consultant, independent medical advisors, investment custodian, investment managers, and investment consultant)**



# ROLE OF THE BOARD, CONT.

**Approves the Statement of Investment Policy, including asset allocation**

**Adopts actuarial assumptions used by the actuary for valuation purposes**

**Strategic planning and risk management**

**Sets the “tone at the top”—acts ethically to set the example for the entire LAGERS team**

**Guided by state law, Governance Charters & Policies, Ethics Policy**

**Compliance with laws, regulations, policies is monitored by Chief Counsel and Compliance Officer/Internal Auditor, both of whom report directly to the Board**



# BOARD COMMITTEES

**Certain issues are dealt with at the full Board level only, with other work done at the Committee level with recommendations/reports to full Board**

## **Audit and Finance Committee**

- Primary duties are to oversee financial reporting, risk management, internal controls, compliance with laws & regulations, investigations &/or whistleblowing, and oversee work of COIA and external auditor
- Strategic Plan, Annual Business Plan, Annual Budget, Risk Assessment & Management, Ethics Policy



# BOARD COMMITTEES, CONT.

## Governance Committee

- Primary role is to assist Board in developing, implementing, and monitoring governance policies and practices
- Review and revision of various Governance Charters and Policies (currently 12 charters and 11 policies)

## Legislative Committee

- Primary role is to evaluate proposed changes to statutes affecting LAGERS and recommend Board pursue and/or support legislation when deemed appropriate
- Legislative Advisory Group appointed by Board Chair



# BOARD COMMITTEES, CONT.

## Personnel Oversight Committee

- Primary duties include developing and monitoring personnel policies and practices governing LAGERS staff
- Review and recommend to Board new positions, salary ranges, employment contracts where applicable, staff benefits, and succession planning processes



# BOARD AND STAFF INTERACTION

- **Board delegates operational and investment decision-making and activities to staff, but retains oversight authority and fiduciary duty**
- **Five executive staff have direct reporting responsibility to the Board (Executive Director, Compliance Officer/Internal Auditor, Chief Counsel, Chief Investment Officer, Board & Executive Administrator)**
- **Entire executive team contributes at each Board meeting as well as provides other support as needed**



# LAGERS' VISION, MISSION, AND VALUES



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# ELECTION PROCESS

**If contested election for your delegate type, you will receive an email and/or text message with your ballot**

Vote now: Missouri LAGERS - Annual Meeting Trustee Elections

We are using an online election system to tabulate our votes. You have been assigned a unique access key which can only be used to vote once, and your voting choices will remain anonymous. Do not forward this email. Do not reply to this email to vote, as your vote will not be registered.

If you have election questions, feedback or want to be removed from future ballot lists, please email Jeff Pabst at [jpabst@molagers.org](mailto:jpabst@molagers.org).

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To vote, visit:

[secure.electionbuddy.com/YQ9T-XR7J-W2SJ-N96F](https://secure.electionbuddy.com/YQ9T-XR7J-W2SJ-N96F)

Or copy and paste the link into your web browser.



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# ELECTION PROCESS

You will then be taken to the ballot screen.

Select your candidate

Click "Continue"



Missouri LAGERS

Your ballot choices are secret and cannot be accessed by the election administrator.

## Employer Trustee

Select ONE.

Choices are presented in random order.

After selecting your desired candidate for Employer Trustee, select the "Verify your selection" button.

Candidate	
Thomas Cooper	<input checked="" type="radio"/>
Christopher Hughes	<input type="radio"/>

Continue



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# ELECTION PROCESS

**Then you will be taken to the verification screen.**

**If the selection is correct, click “Submit Ballot”**



Missouri LAGERS

Finalize your ballot by selecting **Submit Ballot**. To make changes, select **Edit Ballot**

Employer Trustee

Thomas Cooper

Edit Ballot

Submit Ballot



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# ELECTION PROCESS

**After submission, you will be taken to the confirmation screen**

**Also, you will receive a confirmation email.**



Confirmation code: e296a4d823c33c3

Keep a copy of your confirmation code for proof of your vote and validation of results.

You're done! Your ballot choices have been registered and your verification code is %[verification\_code]

For more information, contact the election administrator Jeff Pabst at [jpabst@molagers.org](mailto:jpabst@molagers.org)



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# Caucuses

**Member Delegates** will remain in Glendalough I & II  
**Employer Delegates** will proceed to Glendalough III

Reception will begin @ 5:00 in the Glendalough Lobby



*A secure retirement for all*