

MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

# Popular Annual FINANCIAL REPORT

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

For Fiscal Year Ended June 30, 2022



Left: Ed Moore, Fleet Mechanic  
Right: Mark Hurley, Fleet Manager  
Department of Public Works  
City of Cape Girardeau

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' 2022 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/](http://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 light gold boxes with brief definitions for some of those terms.*



Public Pension Coordinating Council

## Recognition Award for Funding 2021

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*  
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, 2021

*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.



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## CONTACT US



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



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# COMMITTED TO EXCELLENCE

ROBERT L.  
WILSON, CEBS  
EXECUTIVE  
DIRECTOR



This is a bittersweet moment as I present my last popular annual financial report as the executive director of Missouri LAGERS. After nearly thirty years of helping our members prepare for their retirement future, I have decided it is time to begin my own retirement journey. It has been a true honor and privilege to serve the LAGERS membership over the past three decades, and I can say there is never a day that goes by that I'm not humbled and amazed by the work our members do. Although I will be turning to my next chapter, I know your LAGERS system is in excellent hands, and I could not be more proud of the strength and security the LAGERS system has and will continue to deliver to our hardworking members and retirees.

**838**  
Employers



Active MEMBERS

**35,559**

**28,190**  
Retirees and  
BENEFICIARIES



*LAGERS Local Government Hero Winner Jayne White (center) and staff of Andrew County Health Dept.*



**96.5%**  
PRE-FUNDED

# FINANCIAL

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

Assets	2022	2021	2020
Cash	\$ 9,703	\$ 10,779	\$ 11,322
Receivables and accrued income	43,011	32,097	32,509
Prepaid expenses	105	114	62
Investments	10,463,178	10,492,224	8,366,382
Invested securities lending collateral	423,963	412,242	438,645
Capital assets	7,844	7,117	5,810
<b>Total assets</b>	<b>\$ 10,947,804</b>	<b>\$ 10,954,573</b>	<b>\$ 8,8554,730</b>
<b>Deferred outflow of resources</b>			
Outflows related to pensions	\$ 6,240	\$ 4,450	\$ 5,758
Outflows related to OPEB	1,015	775	1,057
<b>Total deferred outflow of resources</b>	<b>\$ 7,255</b>	<b>\$ 5,225</b>	<b>\$ 6,815</b>
<b>Liabilities</b>			
Payables and accrued expenses	\$ 3,733	\$ 7,661	\$ 8,691
Collateral for securities on loan	423,963	412,242	438,645
Line of credit	344,500	250,000	250,000
Net pension liability	5,352	825	2,325
Net OPEB liability	1,128	651	1,055
<b>Total liabilities</b>	<b>\$ 778,676</b>	<b>\$ 671,379</b>	<b>\$ 700,716</b>
<b>Deferred inflow of resources</b>			
Inflows related to pensions	\$ 668	\$ 3,036	\$ 140
Inflows related to OPEB	250	398	73
<b>Total deferred inflow of resources</b>	<b>\$ 918</b>	<b>\$ 3,434</b>	<b>\$ 213</b>
<b>Net position restricted for pension</b>	<b>\$ 10,175,465</b>	<b>\$ 10,284,985</b>	<b>\$ 8,160,616</b>

### Fiduciary Net Position:

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

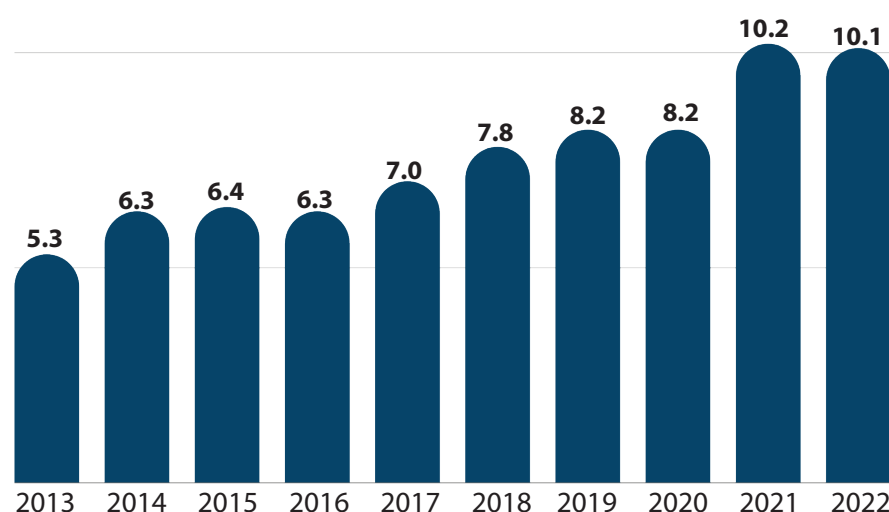
## Investments AT FAIR VALUE

as of June 30, 2022

Short-term investments	\$ 1,015,673,285
Government bonds	611,170,498
Corporate bonds	330,409,391
International bonds	813,112,014
Mortgage and asset-backed securities	234,152,427
Domestic stocks	579,584,343
International stocks	889,361,690
Real Estate	1,159,149,472
Partnerships	4,030,967,848
Absolute return	912,060,018
Other alternative investments	(112,463,093)
<b>Total Investments</b>	<b>\$ 10,463,177,893</b>

## Plan Net Position RESTRICTED FOR BENEFITS

as of June 30, 2022 Expressed in Billions



## Investment EXPENSES

as of June 30, 2022

Manager Fees	\$220,971,944
Custodial Services	787,554
Other Investment Expenses	4,085,632
<b>Total Investment Expenses</b>	<b>\$225,845,130</b>

2% of total assets



# FINANCIAL

## Summary of CHANGES IN FIDUCIARY NET POSITION as of June 30 each year

(in thousands)

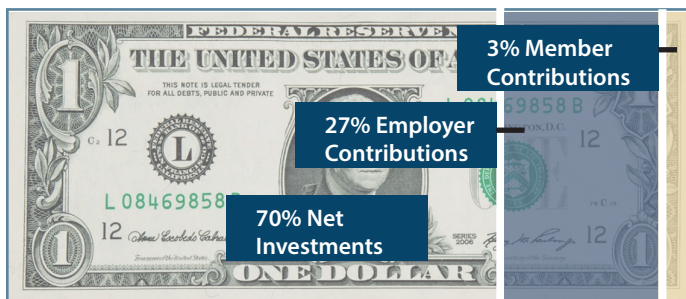
Additions	2022	2021	2020
Member contributions	\$ 27,662	\$ 21,746	\$ 20,232
Employer contributions	280,828	250,378	223,366
Net investment income	6,014	2,239,761	103,959
Net securities lending income	1,816	3,809	1,591
Total additions	\$ 316,320	\$ 2,515,694	\$ 349,148
Deductions			
Benefit payments	\$ 414,234	\$ 382,192	\$ 356,183
Refunds	2,890	2,167	2,532
Expenses	8,572	7,282	9,357
Pension expense (gain)	(220)	(590)	(3,294)
OPEB expense	364	274	71
Total deductions (gain)	\$ 425,840	\$ 391,325	\$ 364,849
Change in net position restricted for pension benefits (decrease)	\$ (109,520)	\$ 2,124,369	\$ (15,701)
Beginning net position restricted for pension benefits	\$ 10,284,985	\$ 8,160,616	\$ 8,176,317
Ending net position restricted for pension benefits	\$ 10,175,465	\$ 10,284,985	\$ 8,160,616



LAGERS 2022 Local Government Hero Winner Jayne White and Elizabeth Althoff, Legislative and Communications Coordinator

## Funding SOURCES

Approximate average over last five years



## ADMINISTRATIVE & OTHER EXPENSES

8.7

REFUNDS  
2.9

## Pension Plan Activity

EXPRESSED IN MILLIONS

BENEFITS  
414.2



A winner of the LAGERS Loves Local Contest, Linda Hartley and her husband, Wayne (left) and the owners of The Royal Biscuit, Jose and Cinthia Barrios

# INVESTMENTS

BRIAN K.  
COLLETT, CFA, CAIA  
CHIEF INVESTMENT  
OFFICER



The fiscal year ending June 30, 2022, was another good year for LAGERS' Investment Portfolio relative to LAGERS' Total Policy Benchmark. On an absolute basis, however, the portfolio was mostly flat for the year. The performance attests to LAGERS' effective risk-aware investment strategy to ensure the plan achieves its long-term obligations to our members and retirees. LAGERS ended the year with a -0.6% return net of fees, outperforming the Total Policy Benchmark by +1.4%. The Alpha and Strategic asset classes primarily drove the outperformance. The portfolio ended the year with a total value of \$10.1 billion. This one-year performance feeds into the portfolio's long-term returns below:

- +9.4% net of fees annualized return over three years
- +9.8% net of fees annualized return over five years
- +9.5% net of fees annualized return over ten years
- +8.3% net of fees annualized return over twenty years

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

## Total PORTFOLIO RETURNS as of June 30, 2022

	1 Year	3 Years	5 Years	10 Years	20 Years
<b>LAGERS Return</b>	<b>(0.60)%</b>	<b>9.36%</b>	<b>9.76%</b>	<b>9.52%</b>	<b>8.33%</b>
<b>LAGERS' Total Policy Benchmark</b>	<b>(2.04)%</b>	<b>6.92%</b>	<b>7.27%</b>	<b>7.20%</b>	<b>6.63%</b>
<b>Actuarial Assumed Rate of Return</b>	<b>7.00%</b>	<b>7.17%</b>	<b>7.20%</b>	<b>7.22%</b>	<b>7.35%</b>

The portfolio return exceeded LAGERS' Total Policy Benchmark return over the 3, 5, 10 and 20-year periods and, over the long term, has outperformed the assumed rate of return over 3, 5, 10 and 20-year periods. This continues to translate into downward pressure on employer contributions and higher funding status due to the five-year asset smoothing policy, creating a more secure retirement for our members.

### Alpha Portfolio

LAGERS' Alpha portfolio had another strong year as the market-neutral managers have proved their thesis during a volatile market. Alpha was up in the year despite the abrupt correction in the second half of the fiscal year. The Alpha portfolio returned +16.8% net of fees while its benchmark returned +12.9% for the year. All but one Alpha manager outperformed the benchmark, contributing a +3.9% excess return for the Alpha portfolio.

### Equity Portfolio

The Equity portfolio returned -10.3% over the last year, underperforming the benchmark by -4.3%. Equities, in general, had a down year because of the geopolitical uncertainties around the war in Ukraine, the resulting energy price crisis, the supply chain issue due to the zero-COVID policy in China, record-high inflation, and on top of those, the FED's interest rate increases.

LAGERS' Public and Private Equity underperformed their benchmarks by -3.0% and -18.2%, respectively. On an absolute basis, Private Equity's valuation performed better than Public Equity's. The significant underperformance in Private Equity was mainly attributable to a built-in CPI component in the Private Equity benchmark.

### Real Assets:

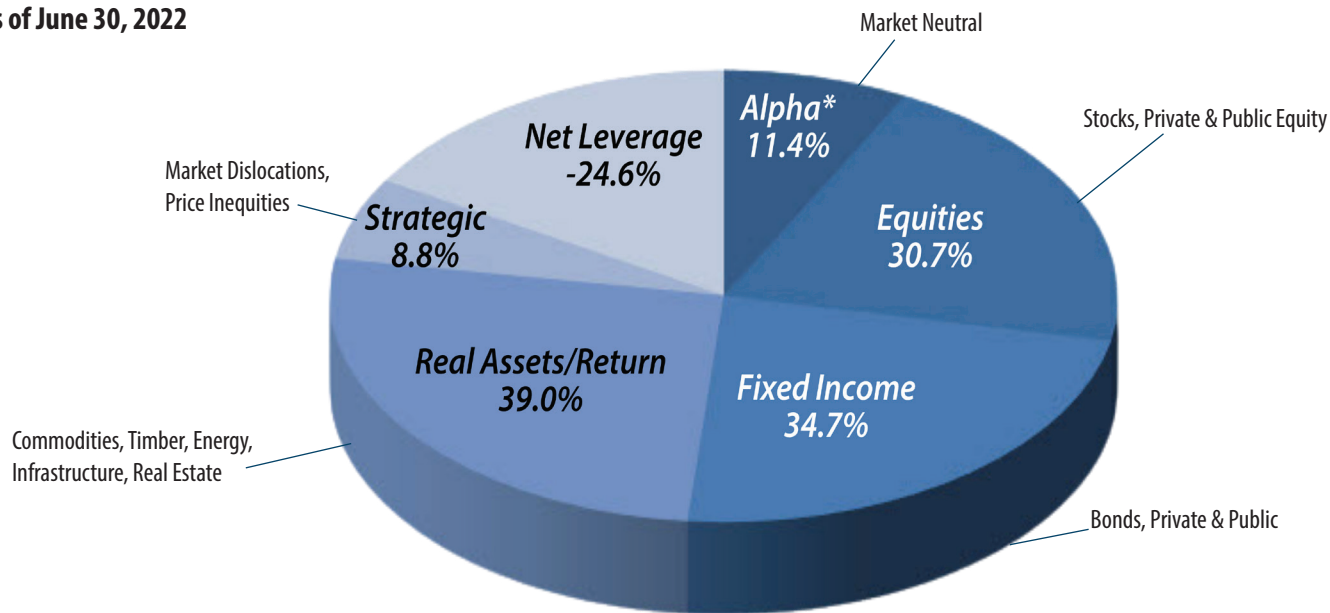
an investment which its value is primarily based on the ownership or utilization of a tangible asset or cash flows derived from an agreed-upon measure of tangible assets. These may also include financial assets that derive their value from a contractual claim on an underlying asset that is linked to 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, 2022



\*Alpha allocation adjusted by 3.6% to achieve a volatility adjusted risk target of 8%.  
Strategic and Net Leverage allocation is adjusted for the Net Notional Value.

### Fixed Income Portfolio

The Fixed Income portfolio could not provide much diversification in the face of the FED's stern responses to inflation. LAGERS' Fixed Income portfolio returned -10.6% net of fees and underperformed the benchmark by -9.7%. Within Fixed Income, Public Fixed Income slightly outperformed its benchmark by +0.5%, while Private Fixed Income lagged its benchmark by -2.9%. On an absolute basis, Private Fixed Income returned +10.5% and was a good diversifier. The underperformance was primarily due to a built-in CPI component in the Private Fixed Income benchmark.

### Real Assets Portfolio

LAGERS' Real Assets portfolio slightly underperformed its benchmark by -0.5% over the period. The Real Assets investments returned +10.2% net of fees compared to its benchmark's return of +10.7%. The underperformance primarily comes from Infrastructure and Natural Resources, which trailed their respective CPI-adjusted benchmarks by -3.3% and -17.5%, respectively. While slightly underperforming on a relative basis, the strong absolute return and overweight to Real Assets showed the diversification benefits of this asset class.

### Strategic Portfolio

LAGERS' Strategic portfolio also had another excellent year. The portfolio returned +21.8% and led its benchmark by +6.7%. Public and Private Strategic outperformed their benchmarks by +4.3% and +8.8%, respectively. Outperformance in the portfolio was driven by energy and healthcare royalty exposure.

### Looking Forward

Generating LAGERS' assumed rate of return of 7.0% in the current environment will involve implementing LAGERS' risk-aware strategy. This 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 unique 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 to meet this assumed rate of return over the long term and through all environments. 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



332 Cities  
19,010 Members



61 Counties  
8,940 Members



71 Health  
Agencies  
1,570 Members



42 Water Districts  
239 Members



28 Road Districts  
83 Members



69 Emergency  
Services  
1,106 Members



49 Libraries  
1,084 Members



65 Special  
Districts  
2,338 Members



58 Fire Districts  
1,061 Members



63 Soil & Water  
Conservation  
Districts  
128 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, each political subdivision is valued individually, and each is responsible for its own pension obligation.

## Employer FUNDED LEVELS as of February 28, 2022

100% +	309 Subdivisions	38%
75%-99.9%	222 Subdivisions	27%
50%-74.9%	141 Subdivisions	17%
Below 50%	140 Subdivisions*	17%

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

*\*87 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. As of June 30, 2022 the total subdivisions covered by LAGERS is 838.



## Average Monthly Benefit Payments

### DISTRIBUTION BY YEARS OF SERVICE

as of June 30, 2022

	5-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	31+ Years
2022	\$334	\$825	\$1,303	\$1,909	\$2,626	\$3,413
2021	\$292	\$738	\$1,218	\$1,790	\$2,496	\$3,236
2020	\$306	\$727	\$1,267	\$1,654	\$2,516	\$3,327



# ECONOMIC IMPACT

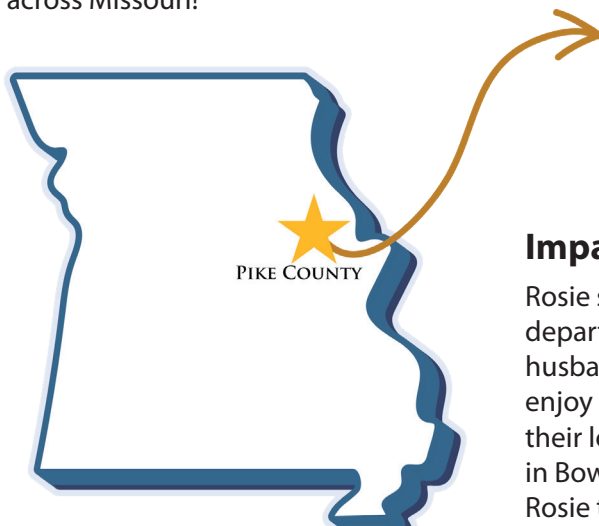


**LAGERS paid out \$414 million to 28,190 benefit recipients with 93% (\$383 million) staying in Missouri.**

As of June 30, 2022

## Supporting Missouri's Local Economies

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. LAGERS retirees spend their secure, prefunded benefits within their local communities which helps support vibrant economies. And because LAGERS benefits are not impacted by market fluctuations, retirees' economic impact can be felt even during economic downturns. This steady, monthly spending creates significant economic impact across Missouri!



### Impact Spotlight: Rosie Lewis

Rosie served her community in numerous roles at the at Pike County Health department over her 25 year career in nursing. After retiring, her and her husband of 61 years, Joe, remained in the Bowling Green community, and enjoy supporting local businesses. Pictured above, Rosie enjoys supporting their local chocolatier at Bankhead's Candies. Bankhead's has been a staple in Bowling Green for over 100 years, and relies on repeat customers like Rosie to keep their doors open.

# 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 12-31-2025

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

**Arby Todd**  
**Member Trustee**  
City of Lee's Summit  
Term Expires 12-31-2025

**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.

