



2023 State of the System



MISSOURI LAGERS
A Secure Retirement for All

Today's Topics

Systems Overview

- Membership Insights
- Retirement Trends
- Financial Stability and Funding Status

Investments

- Investments FY2023 Update

Legislation

- 2023 Legislative Session
- 2024 Legislative Session

Key Challenges



Our Mission:

"To provide and preserve retirement security for those dedicated to serving Missouri's local communities."



LAGERS' Strategic Objectives

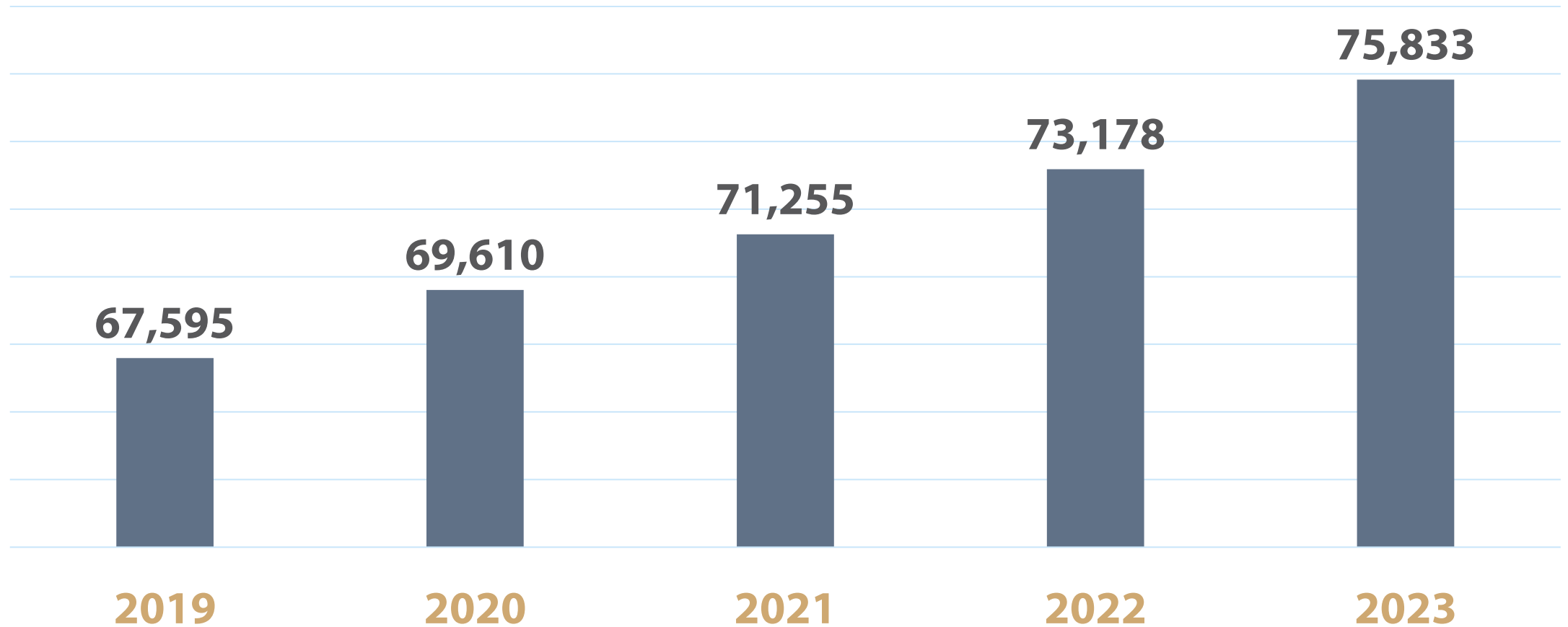
- Safeguard assets to ensure the long-term sustainability of the pension fund while maintaining reasonable benefits.
- Provide superior service while engaging stakeholders to promote a secure retirement for all.
- Ensure a highly qualified and engaged team to provide the best possible outcome for our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



Membership Insights



Growth of LAGERS Total Membership 2019-2023



An aerial view of a large football stadium at night, filled with spectators. A massive American flag is laid out on the field. The stadium lights are on, and fireworks are visible in the sky. The field has "CHIEFS" written on it. There are advertisements for "BUD LIGHT" and "T Mobile" on the stadium walls.

Serving Missouri's Local Government Employees for 56 Years

Covering Over 75,000 Members

A Growing System: *New Employers Joining Over the Last 12 Months*

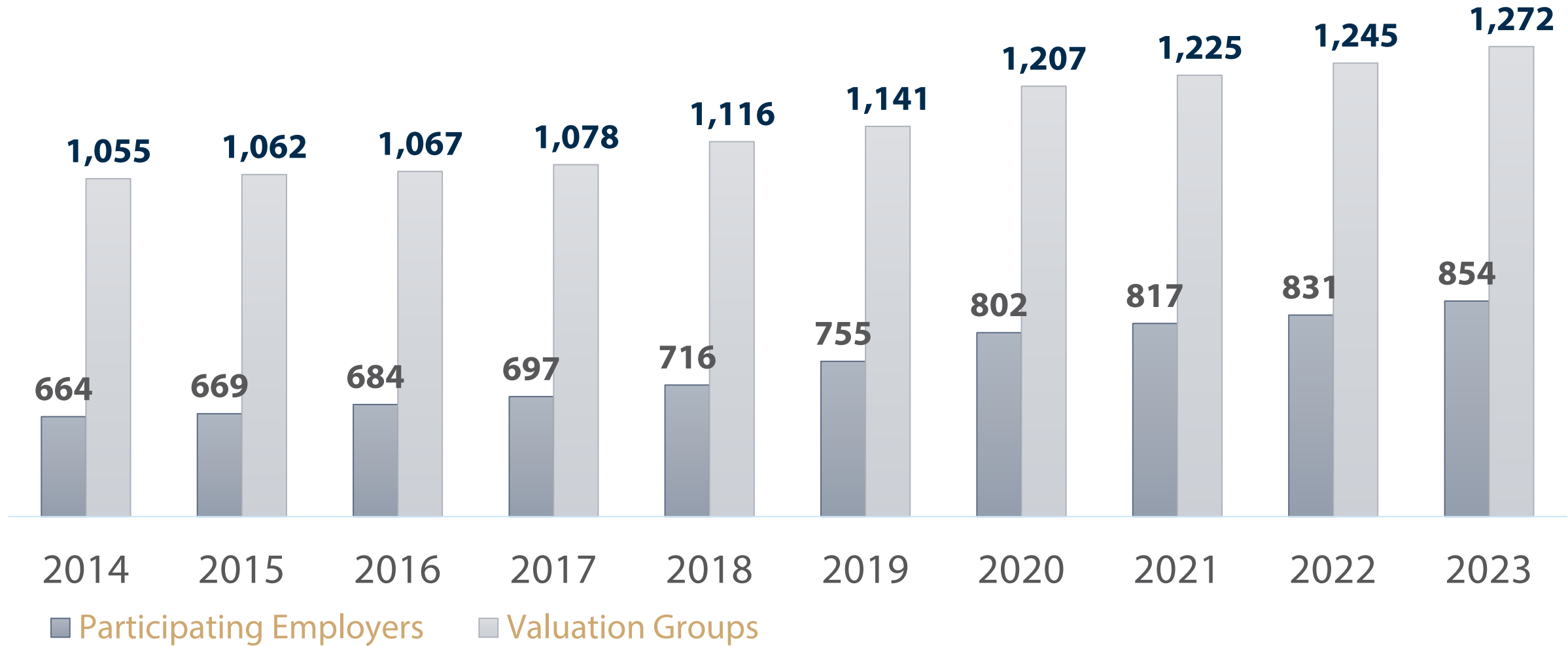
- City of Duquesne
- City of Highlandville
- City of Cole Camp
- Dent Co. Soil & Water Conversation
- Newton Co. Ambulance District
- Sullivan Co. PWSD #1
- City of Edgerton
- City of Viburnum
- City of Linn Creek
- Slater Ambulance District
- Inter-City Fire Protection District



- City of Blackburn
- North Crawford Co. Ambulance District
- Lawrence Co. E-911
- City of Wellsville
- Putnam County E-911
- Ripley County Ambulance District
- City of Adrian
- Tri-County Health Department
- City of Branson West
- City of Bonne Terre



Growth of Employers & Valuation Groups, 2014-2023



Retirement Trends



Our Retirees

29,500 Benefit Recipients

374

Age 90-99

9

Over 100 Years Old

103

Years Old

3,063

Age 80-89

5,200

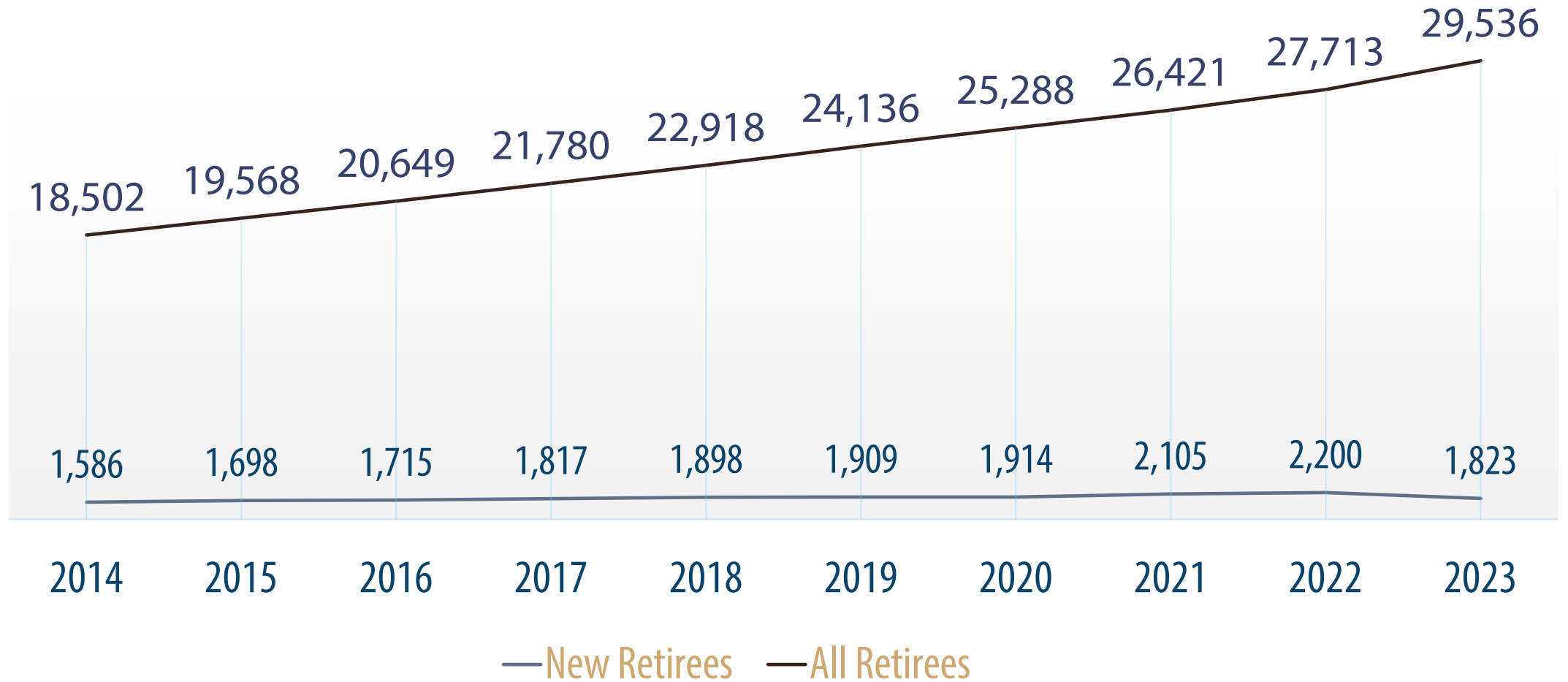
Eligible Last
Year

6,300

Eligible in
Next Two Years



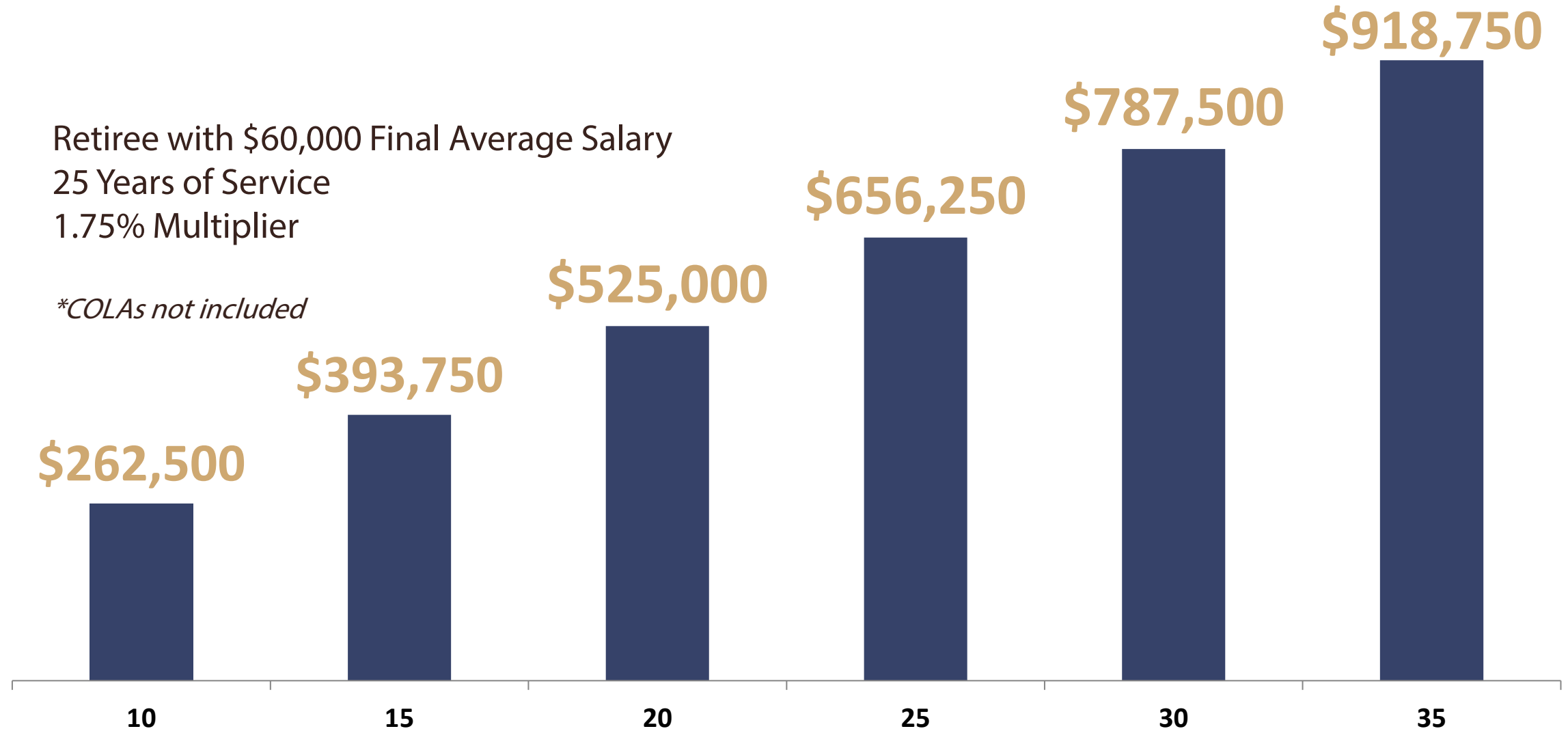
Retirees & Beneficiaries



The Value of Your LAGERS Benefit

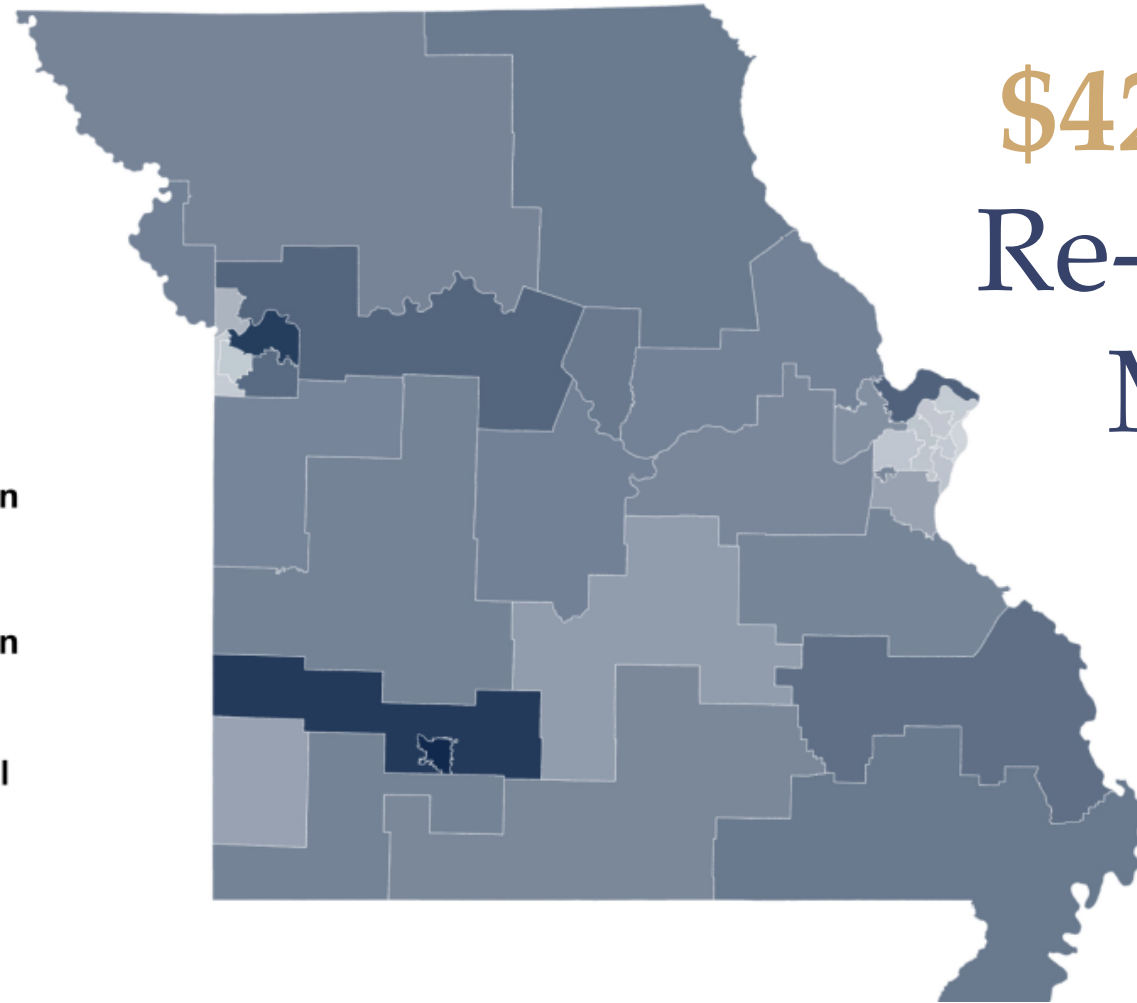
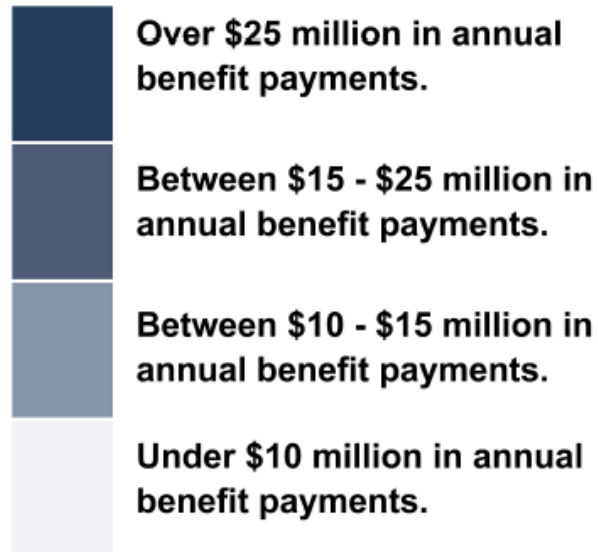
Retiree with \$60,000 Final Average Salary
25 Years of Service
1.75% Multiplier

**COLAs not included*



Impact of Retiree Benefits in Missouri

\$422 Million
Re-Invested in
Missouri



Financial Stability and Funding

A decorative graphic consisting of two horizontal lines. The top line is dark blue and the bottom line is gold. A dark blue downward-pointing triangle is centered between the two lines.

Financial Awards



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**Missouri Local Government Employees Retirement
System**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell
Executive Director/CEO



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Missouri Local Government
Employees Retirement System**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrell
Executive Director/CEO



Public Pension Coordinating Council

**Public Pension Standards Award
For Funding and Administration
2022**

Presented to

**Missouri Local Government Employees
Retirement System**

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

Presented by the Public Pension Coordinating Council, a confederation of

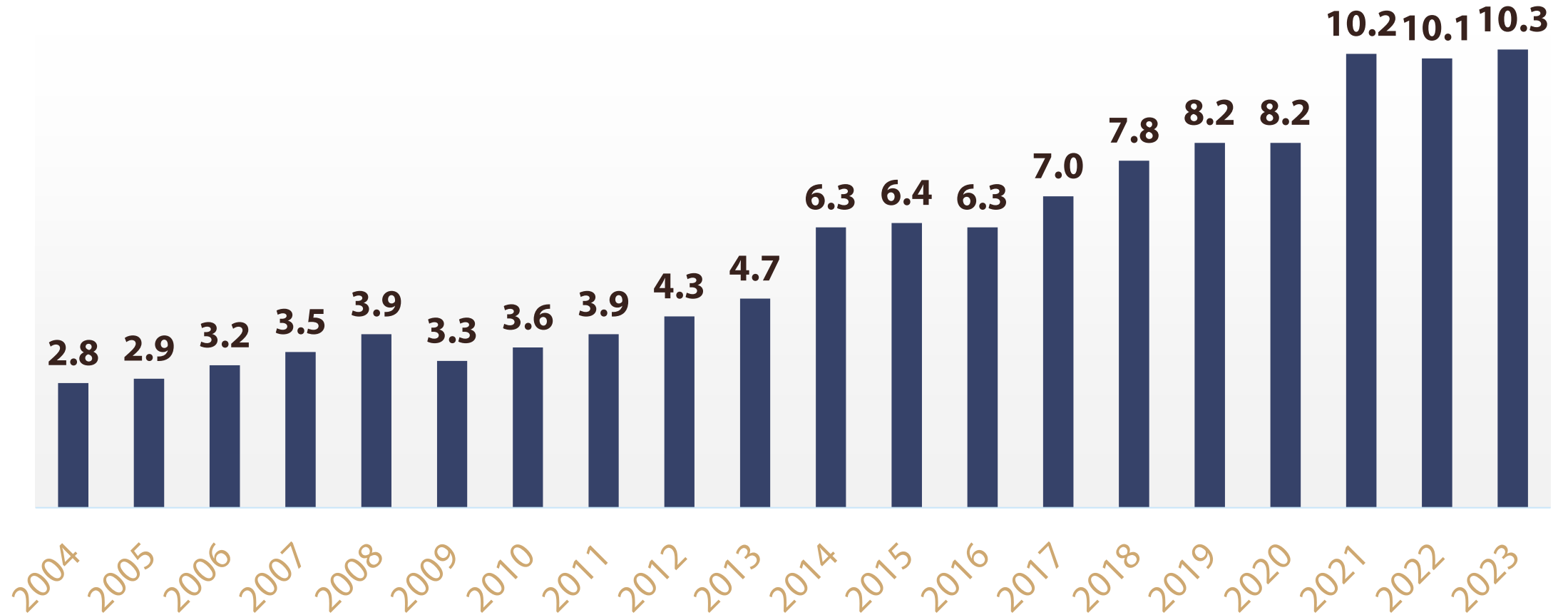
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Alan H. Winkle
Program Administrator



Asset Growth (20 Years)

Assets in Billions

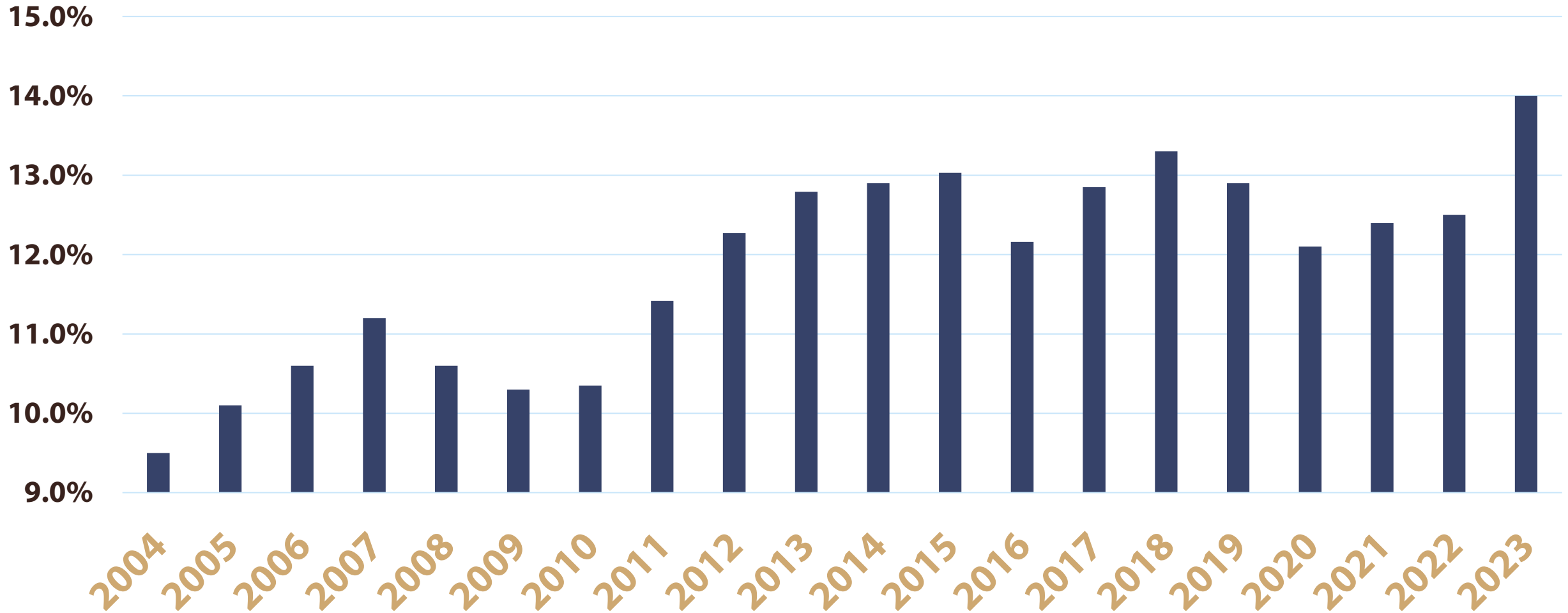


LAGERS Funding Progress: *Funded Ratio*



Total Employer Contributions

As a Percentage of Total Payroll (20 Years)



Funding Sources: 20-Year Average

Investment Returns

Employer
Contributions

Member
Contributions



Investments Update



Quick Take-Aways:

- Investment Performance

- Total LAGERS Assets as of 6/30/23 → \$10,352 M
- +4.3% FY 2023 net return → + 4.3%
- Top quartile performance over 5 and 10 years*

- Translates over 10 years to:

- *+1.5% of additional return over the benchmark*
- *\$1.6 billion in value-added*

- Investment Governance Structure / Infrastructure is Robust

- Board has hired a Board Investment Consultant
- Decision-making structure / internal systems being expanded
- Stability and quality of both the investment team and the investment operations team → **Long-Term Focus**

*Public Funds > \$1B



LAGERS' Investment Principles:

Objective: To achieve a total net annual return of at least 7.0% nominal over time

- Act in best interest of the System's participants and their beneficiaries.
- Construct a portfolio geared towards long-term success.
 - Maximize total returns while adhering to prudent risk and volatility parameters.
 - Focus on risk management, balancing inflation and overweight on growth.
 - Diversify portfolio and seek true diversifiers.



Investment Environment Fiscal Year 2023:

- All Weather Portfolio: Diversification Matters
- Volatility: Re-pricing of all markets
 - Fed Funds Rate higher → 1.5% to 5.0%
 - Long interest rates higher → 10-year treasury 3.0% to 3.8% (compared to 1.5% in June 2021).
 - Stock prices are significantly higher.
 - Real Estate valuations moved lower and Private Equity flat.



LAGERS' FY 2023 Asset Allocation:

Alpha **9.7%**



- Return Expectation: 4% - 5%
- Positive returns in all markets; low Liquidity risk
- Significant probability of not meeting 7.0% return
- 4 separate manger relationships

Equity **38.4%**

US Equity	7.2%
Global Equity	4.6%
International Equity	5.1%
Emerging Markets Equity	3.2%
Private Equity	18.3%



- Return Expectation: 6.0% - 10.0%
- Some Liquidity risk or tail risk
- Significant probability of meeting 7.0% return
- 18 separate manger relationships

Fixed Income **31.8%**

US Fixed Income	6.3%
US LT Treasury	9.6%
Global Fixed Income	3.8%
Emerging Markets Debt	3.9%
Private Fixed Income	8.2%



- Return Expectation: 2.0% - 7.0%
- Minimal Liquidity risk or tail risk
- Significant probability of not meeting 7.0% return
- 12 separate manger relationships



LAGERS' FY 2023 Allocation:

'Continued

Real Assets	35.7%
Commodities	3.9%
Global Inflation Linked	4.4%
Natural Resources	1.6%
Timber	0.8%
Infrastructure	13.1%
Real Estate	11.8%



- Return Expectation: 3.0% - 7.0%
- Substantial tail risk; large Liquidity risk
- Moderate probability of not meeting 7.0% return
- 24 separate manger relationships

Strategic	5.9%
Public Strategic	2.4%
Private Strategic	3.5%



- Return Expectation: 4.0% - 7.0%
- Substantial tail risk; Some Liquidity risk
- Moderate probability of not meeting 7.0% return
- 9 separate manger relationships

Portfolio Attribution: *Excess return FY 23*

Investment Type	Excess Return
Total Alpha	-8.5%
Alpha	-8.5%
Total Equity	-3.0%
Domestic Equity	-3.3%
Global Equity	1.9%
International Equity	4.1%
Emerging Markets Equity	12.3%
Private Equity	-3.6%
Total Fixed Income	-4.9%
US Fixed Income	0.5%
Long Duration	-2.6%
Global Fixed Income	-0.6%
Emerging Markets Debt	1.2%
Private Fixed Income	-1.7%
Total Real Assets	-3.0%
Commodities	4.5%
Inflation Linked Bonds	4.3%
Timber	5.7%
Infrastructure	-1.4%
Real Estate	-12.7%
Natural Resources	0.8%
Total Strategic	2.6%
Public Strategic	10.9%
Private Strategic	-2.6%
Total Plan Excess Return	-2.3%

Underperformance mainly due to one manager with rough 4th quarter 2022 due to currency, equity, and rate positioning

Energy was the main contributor to the FY 23 outperformance

Outperformance mainly due to traditional value factors and small cap companies outperforming large cap companies

Both Private and Public Real Estate had negative returns for FY 23 due to economic factors (i.e. interest rates)

Asset Allocation Contribution	0.3%
Manger Selection Contribution	-4.1%
Residual	1.5%
Total Plan Excess Return	-2.3%



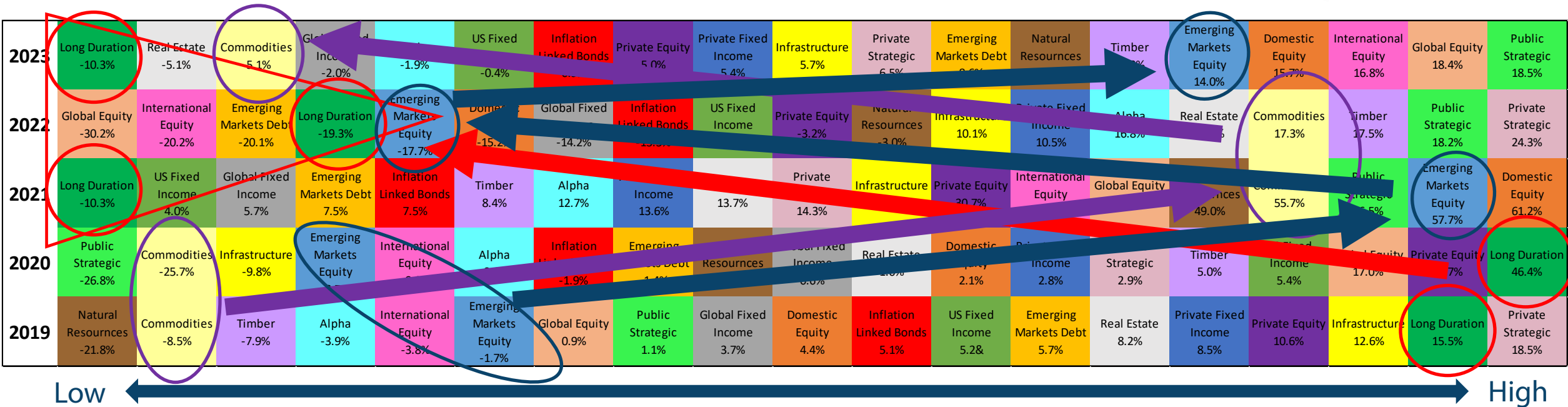
LAGERS' 5 – Year View

LAGERS Composites	FY 23	FY 22	FY 21	FY 20	FY 19	5-Year Annualized
Alpha	-1.9%	16.8%	12.7%	-3.9%	-3.9%	3.6%
Equity	10.8%	-10.3%	42.3%	7.8%	4.0%	9.7%
Fixed Income	-1.3%	-10.6%	2.2%	14.3%	9.9%	2.5%
Real Assets	0.1%	10.2%	20.6%	-6.7%	6.4%	5.7%
Strategic	11.3%	21.8%	36.4%	-14.9%	9.2%	11.5%
Total Fund Net of Fees Excess Return	-2.3%	1.4%	12.7%	-5.2%	-0.3%	0.9%
Total Fund NET Return						7.9%



LAGERS' Investment Returns:

Portfolio Diversification



Executive Summary:

LAGERS Performance thru 6/30/23

	10-Year	15-Year	20-Year
Investment Return NET of all Fees and Expenses	8.5%	7.9%	8.5%
Policy Benchmark	7.0%	6.0%	6.9%
Net Return Above Policy Benchmark	1.5%	1.9%	1.6%
Value Above Benchmark NET of Fees/Expenses (M)	\$1,556	\$2,782	\$2,925
Performance Relative to Public Funds*	9th Percentile	-	-
Risk Relative to Public Funds*	85th Percentile	-	-
Total LAGERS Assets as of 6/30/23 (M)			\$10,352

*Public Funds > \$1B data only available up to 10 Years



Legislative Update



LAGERS' 2023 Session Recap

- LAGERS did not sponsor any legislation in 2023.
- No bills passed with a negative impact to the LAGERS system.
- LAGERS actively worked on ESG investment issues in both the House and Senate.



2024 Legislative Session Preview:

Board Approved Initiatives

Board Structure Initiative

Goal:

- Enhance the representation of the system's 35,000 active members, 29,000 retirees, and 9,000 deferred members.

Statutory Changes:

- Amend board composition to replace an Employer Trustee with a Retiree Trustee.
- Amend the Employer Trustee definition to allow for executive-level employer representatives to serve.



2024 Legislative Session Preview:

Board Approved Initiatives

Election Procedures Initiative

Goal:

- Increase the accessibility, transparency, and participation of the LAGERS' membership in the Board of Trustees elections.

Statutory Changes:

- Remove statutory requirements for LAGERS elections, allowing the LAGERS Board of Trustees to promulgate election rules.



2024 Legislative Session Preview:

Other Potential Initiatives and Challenges

LAGERS Clean-Up Package

- Technical clean up language
- Divorce Pop-Up Provision

Environmental, Social, and Governance (ESG) and Diversity and Inclusion (DEI) Initiatives

Other Investment Mandate Bills



2024 Legislative Session Preview:

What Can You Do to Help?



Key Challenges



Key Challenges Facing Our System

- Navigating legislative priorities through the 2024 session.
- Outside interests attempting to influence LAGERS' investment practices.
- Growing membership and increasing complexity.
- Keeping pace with technology and customer expectations.





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