

# Summary Annual Financial Report

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

**For Fiscal Year Ended June 30, 2023**



**Piedmont, Missouri**  
*LAGERS member since 1974*

MISSOURI LOCAL GOVERNMENT  
EMPLOYEES RETIREMENT SYSTEM  
*A Pension Trust Fund of the State of Missouri*

# We believe in a secure retirement for all.

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For over 55 years, Missouri LAGERS has helped local government workers prepare for a secure financial future.

We not only provide our members with a path to a financially secure and dignified exit from the workforce, we also remain one of the most economically efficient and effective tools for local government employers to recruit new and retain experienced talent in Missouri's public workforce.

LAGERS believes great communities start with great public servants, and we are committed to investing in Missouri's public workforce by incentivizing dedicated service through secure retirement benefits.

When local government workers are confident in their financial future, they can focus on doing what they do best: **servicing Missouri's communities.**

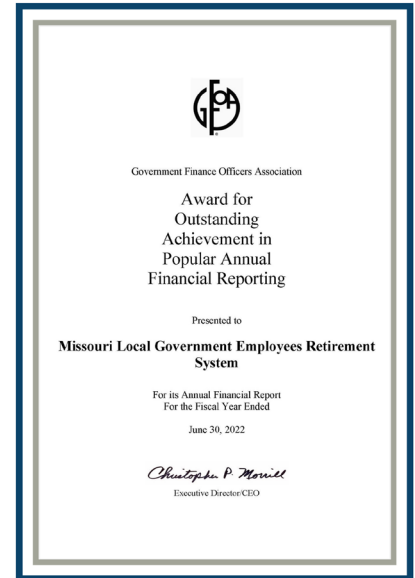


# Introduction

The Missouri Local Government Employees Retirement System (LAGERS) is pleased to present this Summary Financial Report. Within this report, you will find an overview of the financial, investment, and actuarial activities of the LAGERS system for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented within this summary in conjunction with the full Annual Comprehensive Financial Report, which can be found at [www.molagers.org](http://www.molagers.org).

Missouri LAGERS prides ourselves not only on providing a world class retirement system for our members, but also for our partnership with the 861 local government employers who count on the system to deliver financially secure, transparent, economically efficient benefits for their local government workforce.

As part of this commitment, LAGERS takes our financial reporting seriously. We are pleased to report that for the 45th consecutive year, the system has earned the Government Finance Officers Association of the United States and Canada's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report and its Popular Annual Financial Report for the fiscal year ended June 30, 2022.



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## What Does It Mean?

*You may come across some unfamiliar terms as you read through this Summary Report. Watch for the light gold boxes with brief definitions of certain pension-industry terms. Still have questions? Feel free to call the LAGERS' office at 1-800-447-4334 to speak with a LAGERS team member today!*

*This Summary Annual Report, also known as a 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' 2023 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/).*

# Financial Highlights

## 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.

## Summary of Fiduciary Net Position, expressed in thousands, as of June 30

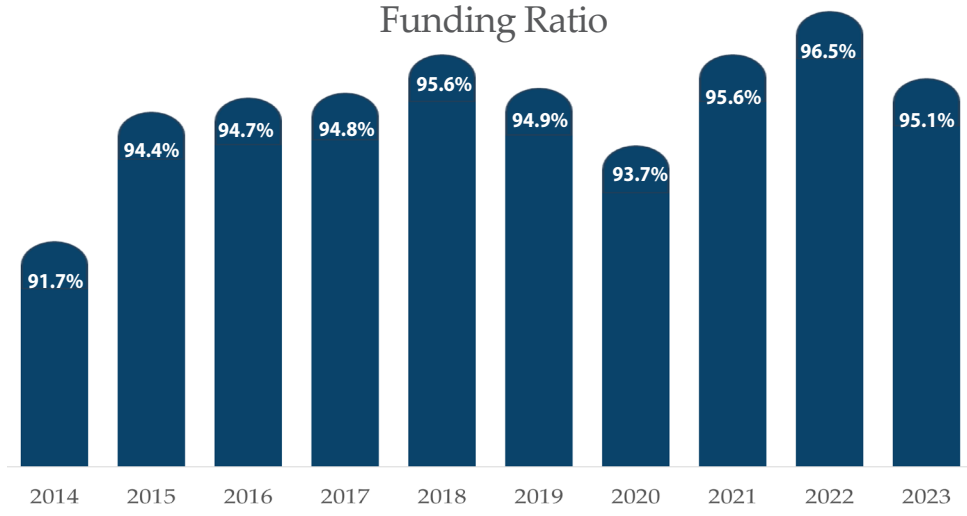
Assets	2023	2022	2021
Cash	\$ 7,351	\$ 9,703	\$ 10,779
Receivables and accrued income	50,178	43,011	32,097
Prepaid expenses	94	105	114
Investments	10,676,547	10,463,178	10,492,224
Invested securities lending collateral	450,609	423,963	412,242
Capital assets	7,081	7,844	7,117
<b>Total assets</b>	<b>\$ 11,191,860</b>	<b>\$ 10,947,804</b>	<b>\$ 10,954,573</b>
<b>Deferred outflow of resources</b>			
Outflows related to pensions	\$ 5,813	\$ 6,240	\$ 4,450
Outflows related to OPEB	788	1,015	775
<b>Total deferred outflow of resources</b>	<b>\$ 6,601</b>	<b>\$ 7,255</b>	<b>\$ 5,225</b>
<b>Liabilities</b>			
Payables and accrued expenses	\$ 5,086	\$ 3,733	\$ 7,661
Collateral for securities on loan	450,609	423,963	412,242
Line of credit	344,500	344,500	250,000
Net pension liability	2,316	5,352	825
Net OPEB liability	1,033	1,128	651
<b>Total liabilities</b>	<b>\$ 803,544</b>	<b>\$ 778,676</b>	<b>\$ 671,379</b>
<b>Deferred inflow of resources</b>			
Inflows related to pensions	\$ 1,012	\$ 668	\$ 3,036
Inflows related to OPEB	208	250	398
<b>Total deferred inflow of resources</b>	<b>\$ 1,220</b>	<b>\$ 918</b>	<b>\$ 3,434</b>
<b>Net position restricted for pension benefits</b>	<b>\$ 10,393,697</b>	<b>\$ 10,175,465</b>	<b>\$ 10,284,985</b>

## Summary of Changes in Fiduciary Net Position, expressed in thousands, as of June 30

Additions	2023	2022	2021
Member contributions	\$ 28,729	\$ 27,662	\$ 21,746
Employer contributions	294,401	280,828	250,378
Net investment income	365,090	6,014	2,239,761
Net securities lending income (loss)	(1,832)	1,816	3,809
<b>Total additions</b>	<b>\$ 686,388</b>	<b>\$ 316,320</b>	<b>\$ 2,515,694</b>
<b>Deductions</b>			
Benefit payments	\$ 455,448	\$ 414,234	\$ 382,192
Refunds	3,216	2,890	2,167
Expenses	11,524	8,572	7,282
Pension expense (gain)	(2,485)	(220)	(590)
OPEB expense	453	364	274
<b>Total deductions</b>	<b>\$ 468,156</b>	<b>\$ 425,840</b>	<b>\$ 391,325</b>
<b>Change in net position restricted for pension benefits (decrease)</b>	<b>\$ 218,232</b>	<b>\$ (109,520)</b>	<b>\$ 2,124,369</b>
<b>Beginning net position restricted for pension benefits</b>	<b>\$ 10,175,465</b>	<b>\$ 10,284,985</b>	<b>\$ 8,160,616</b>
<b>Ending net position restricted for pension benefits</b>	<b>\$ 10,393,697</b>	<b>\$ 10,175,465</b>	<b>\$ 10,284,985</b>

## Summary of Plan Funding

A pension fund is well funded when it has enough money in reserve to meet all expected future obligations to participants. As of February 28, 2023, the system has a funded status of 95.1%. As a well funded plan, LAGERS can deliver on its promises of benefit security for its members and ensure continued plan stability for the future.



### Funded Ratio:

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.

## Summary of Funding Sources

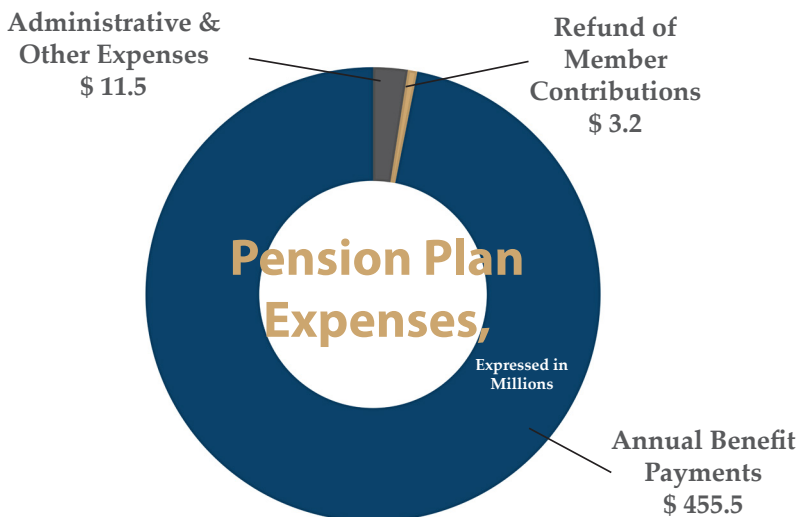
LAGERS funding objective is to meet long term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets to accrued liabilities and the greater the level of investment potential. Approximately 72 cents of every dollar paid in benefits is funded through investment return of the system. The remaining 26 cents and 2 cents are funded through employer contributions and member contributions, respectively.



LAGERS' Funding Sources Based on a Five-Year Average

## Summary of Plan Expenses

LAGERS prides itself on delivering world-class retirement benefits all while remaining good stewards of our member's money. Annual plan expenses include recurring monthly benefit payments, refunds of member contributions, and the cost of administering the system. Below is a summary of plan expenditures.



### Investment Expenses

as of June 30, 2023

Manager Fees	\$144,513,331
Custodial Services	733,845
Other Investment Expenses	3,928,032
<b>Total Investment Expenses</b>	<b>\$149,175,208</b>

1.4% of assets under management

# Investment Summary



**From Chief  
Investment Officer,  
Brian Collett's  
Desk:**

The fiscal year ending June 30, 2023, was a challenging year for LAGERS' Investment Portfolio relative to LAGERS' Total Policy Benchmark. On an absolute basis, however, the portfolio's overall return was positive for the year. The long-term 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 +4.3% return net of fees, underperforming the Total Policy

Benchmark by -2.3%. The Alpha and Fixed Income asset classes primarily drove the underperformance. The portfolio ended the year with a total value of \$10.4 billion. This one-year performance feeds into the portfolio's long-term returns below:

- +10.3% net of fees annualized return over three years.
- +7.9% net of fees annualized return over five years.
- +8.5% net of fees annualized return over ten years.
- +8.5% net of fees annualized return over twenty years.

The portfolio net of fee returns have consistently exceeded LAGERS' Total Policy Benchmark returns over the 3, 5, 10, and 20 year periods. Furthermore, over the long term, the portfolio has consistently outperformed the assumed rate of return across these same time periods. This positive performance in investment returns was a positive contribution to funding status due to the five year asset smoothing policy.

## Total Portfolio Returns

*as of June 30, 2023*

	1 Year	3 Years	5 Years	10 Years	15 Years
<b>LAGERS Return</b>	4.34%	10.33%	7.89%	8.50%	7.85%
<b>LAGERS' Total Policy Benchmark</b>	6.64%	6.85%	7.01%	6.96%	5.96%
<b>Actuarial Assumed Rate of Return</b>	7.00%	7.08%	7.15%	7.20%	7.27%

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



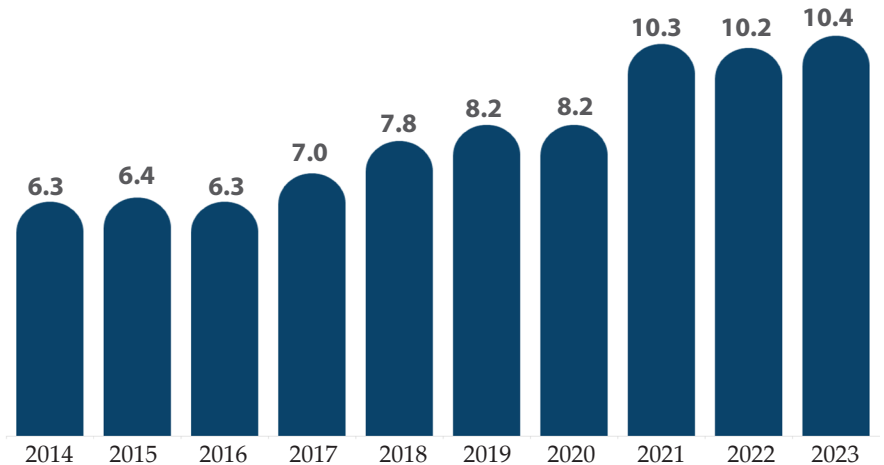
**Cape Girardeau County**  
LAGERS member since 1968

## Investments at Fair Value

Short-term investments	\$ 962,537,094
Government bonds	493,676,258
Corporate bonds	246,567,746
International bonds	735,021,894
Mortgage and asset-backed securities	329,105,712
Domestic stocks	648,953,906
International stocks	828,501,478
Real estate	1,123,232,197
Partnerships	4,406,400,840
Absolute return	785,382,519
Other alternative investments	117,167,240
<b>Total Investments</b>	<b>\$ 10,676,546,884</b>

## Growth in Plan Net Position

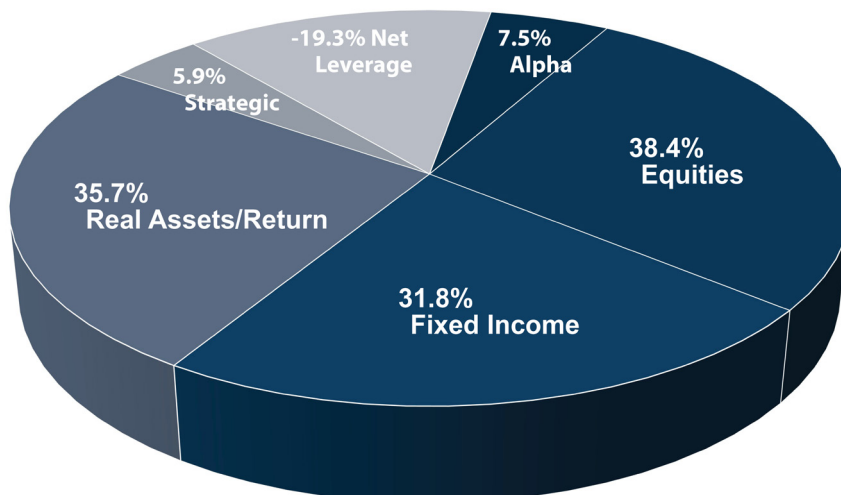
as of June 30, Expressed in Billions



## Portfolio Diversification

LAGERS' portfolio can be broken into major investment groups that exhibit similar risk and return characteristics over an investment time frame, called asset classes. The asset allocation has been developed to meet an assumed rate of return of 7.0% 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.

## Portfolio Asset Allocation



### Alpha Assets:

An investment which seeks to create a market-neutral position that outperforms in all types of market environments.

### 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.

### Leverage:

A position where the net potential monetary exposure of an obligation exceeds the value of the underlying assets which support the obligation.

\* Note: Alpha allocation adjusted by 2.2% to achieve a volatility adjusted risk target of 8%. Strategic and Net Leverage allocation is adjusted for the Net Notional Value.

# Membership Snapshot



342 Cities  
19,465 Members



61 Counties  
9,128 Members



72 Health Agencies  
1,560 Members



43 Water Districts  
240 Members



29 Road Districts  
81 Members



73 Emergency Services  
1,205 Members



49 Libraries  
1,089 Members



65 Special Districts  
2,389 Members



61 Fire Districts  
1,158 Members



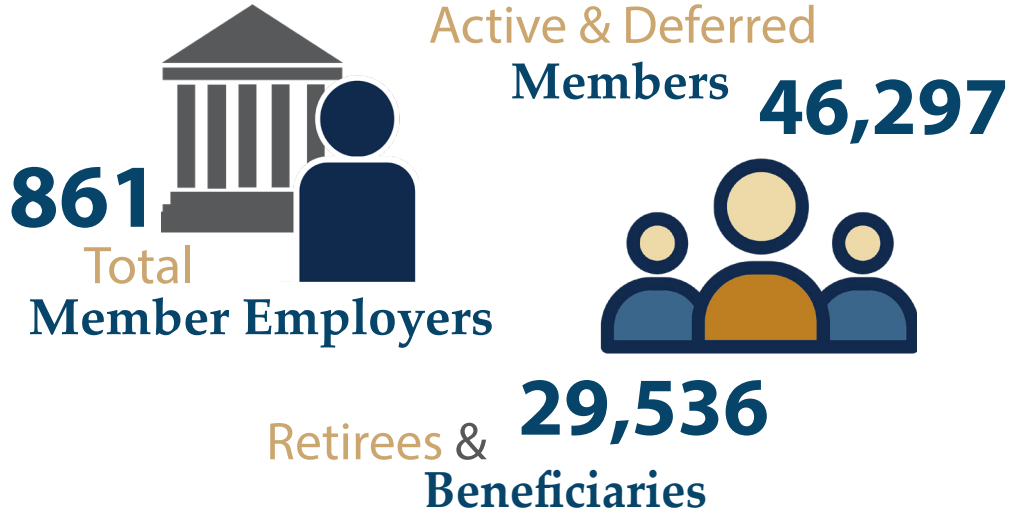
66 Soil & Water Conservation Districts  
138 Members

## Member Employer

To be eligible to join LAGERS, a local government agency must have an independent governing body and taxing authority.

## Growing Pension System

LAGERS is the largest public pension system in the state of Missouri for local government political subdivisions. Each member employer voluntarily elects to partner with LAGERS. On average, LAGERS adds 10-15 new employers annually as employers continue to seek the security of defined benefit model for achieving their workforce goals.



## New Member Employers Joining in Past 12 Months,

as of June 30, 2023

- City of Blackburn
- Carl Junction Fire Protection District
- Central Cass Co. Fire Protection District
- Christian Co. Soil & Water Conservation
- City of Cole Camp
- Dent Co. Soil & Water Conversation
- City of Duquesne
- City of Edgerton
- Grand River Township
- Hickory County Health Department
- City of Highlandville
- High Ridge Fire Protection District
- Lawrence County E-911
- City of Linn Creek
- City of Madison
- City of Manchester
- North Crawford County Ambulance District
- Newton County Ambulance District
- Slater Ambulance District
- Sullivan County PWSD #1
- Taney Co. Soil & Water Conservation
- City of Viburnum
- City of Wellsville

## Snapshot: Membership Growth







**Snapshot: Member Employer Funding Levels, as of February 28, 2023**

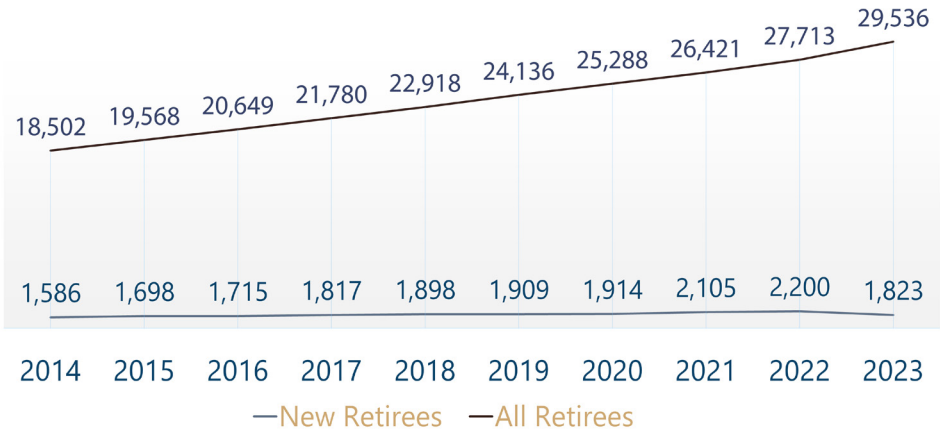
Each participating political subdivision has the flexibility to choose its own benefit provisions from a menu of options. This allows employers the ability to create a benefit package to meet their workforce needs at a cost that fits their local budget. While the LAGERS system reports an overall funded ratio, each participating political subdivision also has its own funded ratio. The chart to the right shows the funding breakdown for each unique employer in the LAGERS system.

<b>100% +</b>	<b>265 Subdivisions</b>	<b>32%</b>
<b>75%-99.9%</b>	<b>275 Subdivisions</b>	<b>33%</b>
<b>50%-74.9%</b>	<b>145 Subdivisions</b>	<b>17%</b>
<b>Below 50%</b>	<b>144 Subdivisions*</b>	<b>17%</b>

*\* Employers in these totals are generally from employers recently joining the System.*

**Snapshot: Retirement Trends**

Because LAGERS prefunds benefits, members can have peace of mind that despite LAGERS’ growing active and retired membership, benefits are appropriately funded over time and the system remains financially secure.



**Prefunding**  
A funding method in which funds are set aside during an employee’s working career to cover their future pension obligation. This is in contrast to a “Pay-As-You-Go” method in which benefits are paid using the current contributions of active participants.

# LAGERS' Economic Impact

Each year, approximately 92% of the retirement income paid to benefit recipients remains in the communities in which it was earned. LAGERS retirees spend their secure, prefunded benefits within the local communities helping support strong local economies across the state of Missouri. And because LAGERS benefits are not impacted by market fluctuations, the economic impact from LAGERS Retiree spending can even be felt during economic downturns.

According to the National Institute on Retirement Security (NIRS), every \$1 paid in pension benefits in Missouri supported \$1.31 in total economic output for the state, meaning LAGERS retirees returned...

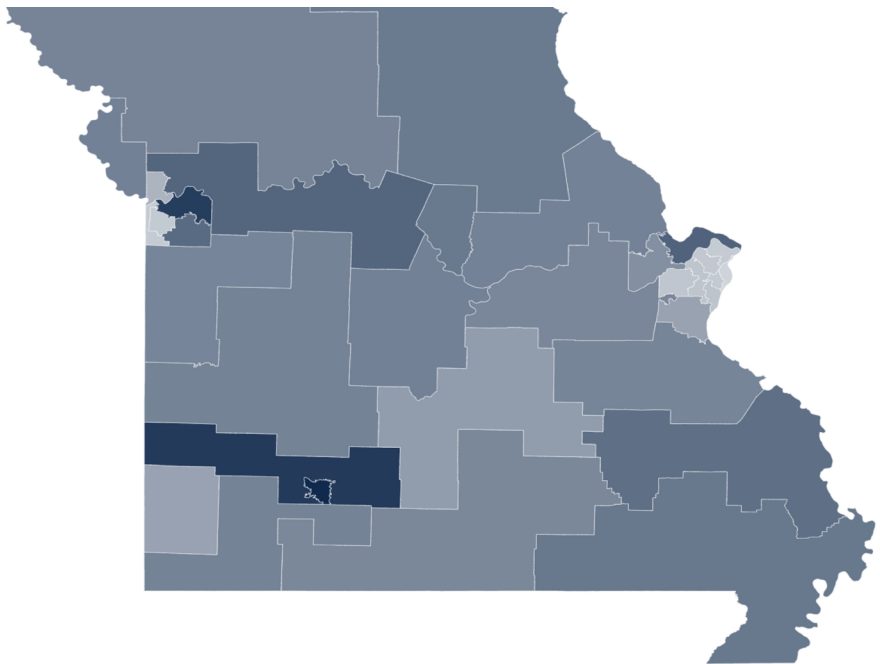
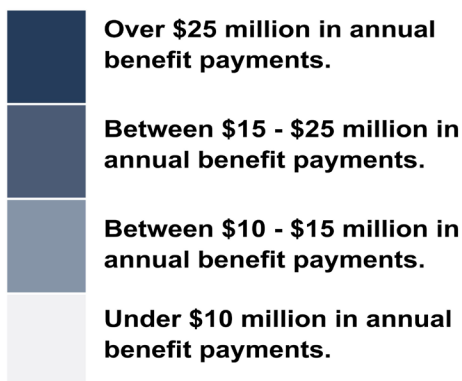
***\$553 million in economic impact***

...to the Show-Me state in fiscal year 2023! This economic impact touches the lives of every Missourian helping ensure our state and local communities remain financially vibrant!

## Average Monthly Benefit Payments by Years of Service

	5-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	31+ Years
2023	\$354	\$808	\$1,265	\$1,995	\$2,776	\$3,413
2022	\$334	\$825	\$1,303	\$1,909	\$2,626	\$3,413
2021	\$292	\$738	\$1,218	\$1,790	\$2,496	\$3,236

## Annual LAGERS Benefit Payments by State Senatorial District



In fiscal year 2023, LAGERS paid out **\$459 million** to **29,536 benefit recipients**, with 92% (\$422 million) staying in Missouri.

# LAGERS Leadership

## Board of Trustees

The LAGERS' Board of Trustees is a seven member body made up of three elected Member Trustees, three elected Employer Trustees, and one appointed Citizen Trustee. The Board's principal role is to ensure that LAGERS is appropriately governed and managed.

**Joan Jadali, CPFO, CEBS**

Chairperson  
City of Town & Country  
Term Expires: 12-31-2026

**Frank Buck**

Vice-Chairperson  
Appointed Official of DeKalb County  
Term Expires: 12-31-2024

**Arby Todd**

City of Lee's Summit  
Term Expires: 12-31-2025

**Sandy Walker**

City of Poplar Bluff  
Term Expires: 12-31-2024

**Tony Kelley**

Appointed Official of Central Jackson Fire Protection District  
Term Expires: 10-26-2023

**Chad Munsey**

Appointed Official of City of Springfield  
Term Expires: 10-26-2023

**Claire West**

Citizen Trustee  
Term Expires: 12-31-2021

## Executive Staff

The LAGERS system is administered by a team of 39 professional staff in Jefferson City, Missouri.

**Bill Betts**

Executive Director

**Brian Collett, CFA, CAIA**

Chief Investment Officer

**Jeff Kempker, CEBS, CRC**

Assistant Executive Director - External Affairs

**Melissa Rackers, CPA, CGFM, CEBS**

Chief Financial Officer

**Tami Jaegers, RPA**

Assistant Executive Director - Operations

**Ciara Bauer**

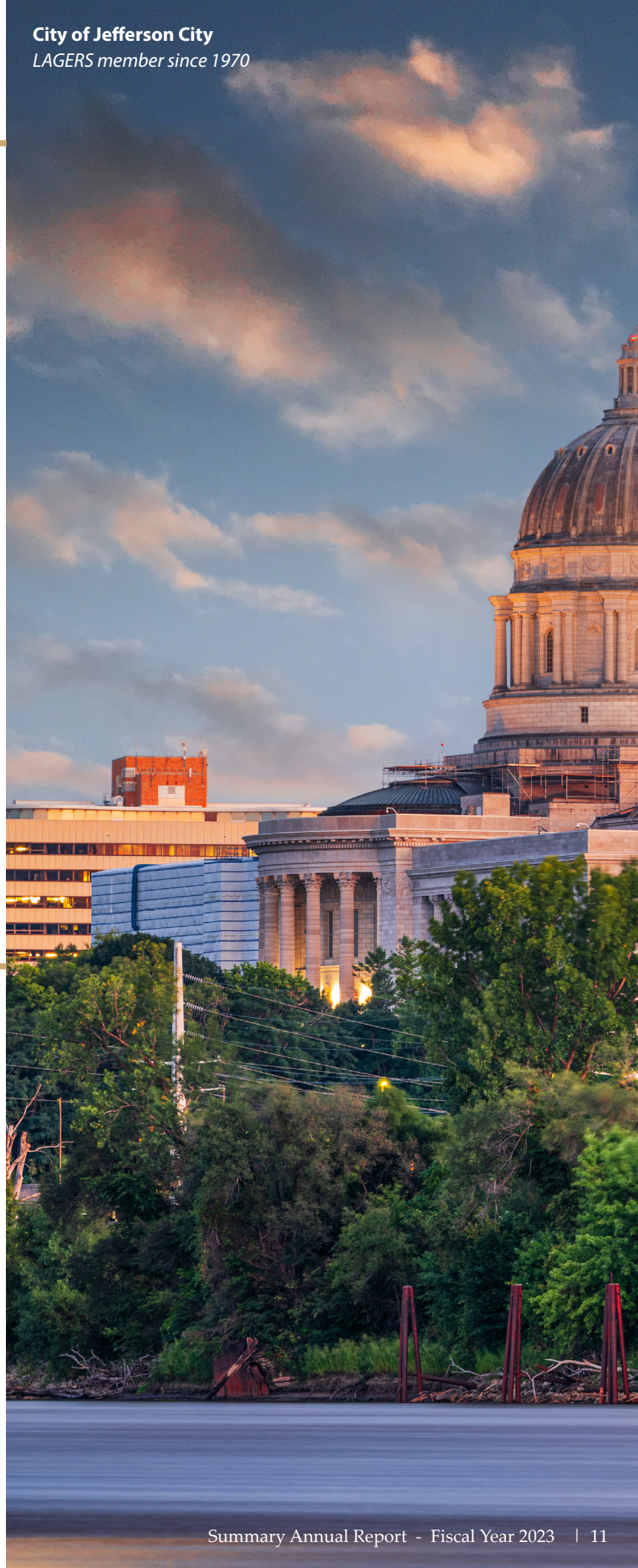
Chief Technology Officer

**Pam Hopkins, CPA, CIA, CRMA, CGFM, RPA**

Compliance Officer & Internal Auditor

**Sheila Reinsch**

Board & Executive Administrator





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EMPLOYEES RETIREMENT SYSTEM

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