

Summary Annual Financial Report

For Fiscal Year Ended June 30, 2024



Missouri Local Government
Employees Retirement System

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

Driving into the future.

Missouri LAGERS is proud of our unwavering commitment to delivering excellent financial security to our members. Achieving this requires more than just meeting today's needs—it demands a forward-looking, strategic approach to ensure long-term success. By focusing on emerging technologies, plan sustainability, customer experience, and organizational growth, we pave the way for a robust financial future.

A strategic roadmap is critical to navigating the evolving landscape of pension administration. It enables us to proactively address challenges, seize new opportunities, and remain resilient in a dynamic environment. This deliberate approach ensures that our financial performance continues to support our mission of providing a premier retirement system for Missouri's local government workers while enhancing the lives of our members for generations to come.

To learn more about LAGERS' strategic roadmap, visit: www.molagers.org/our-drive/.



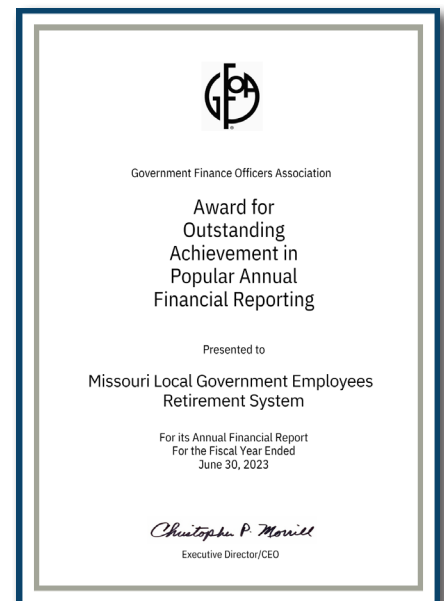
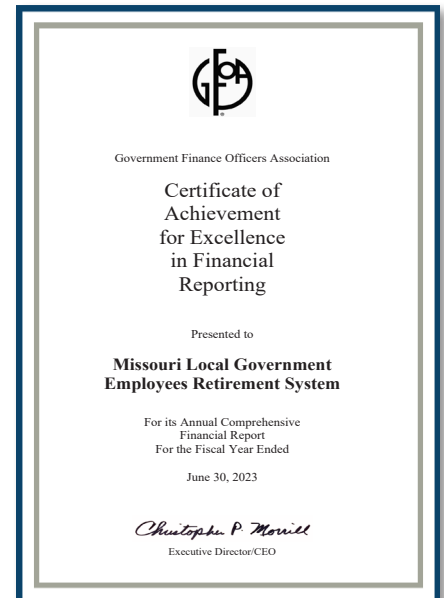
Introduction

The Missouri Local Government Employees Retirement System (LAGERS) is pleased to present this Summary Annual 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, 2024. 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.

The Missouri LAGERS' mission is to support a secure retirement for our members by partnering with Missouri's local governments to provide a sustainable defined benefit plan. As part of this commitment, LAGERS takes our financial reporting seriously. We are pleased to report that for the 46th 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, 2023.

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What Does It Mean?

You may come across some unfamiliar terms as you read through this Summary Annual Financial Report. Watch for the blue 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 Financial 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' 2024 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/.

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	2024	2023	% change
Cash	\$ 8,799	\$ 7,351	20 %
Receivables and accrued income	54,202	50,178	8
Prepaid expenses	89	94	(5)
Investments	10,751,100	10,676,547	1
Invested securities lending collateral	511,232	450,609	13
Capital assets	6,478	7,081	(9)
Total assets	\$ 11,331,900	\$ 11,191,860	1 %
Deferred outflow of resources			
Outflows related to pensions	\$ 4,283	\$ 5,813	(26) %
Outflows related to OPEB	607	788	(23)
Total deferred outflow of resources	\$ 4,890	\$ 6,601	(26) %
Liabilities			
Payables and accrued expenses	\$ 5,455	\$ 5,086	7 %
Collateral for securities on loan	511,232	450,609	13
Line of credit		344,500	(100)
Net pension liability	101	2,316	(96)
Net OPEB liability	71	1,033	(93)
Total liabilities	\$ 516,859	\$ 803,544	(36) %
Deferred inflow of resources			
Inflows related to pensions	\$ 1,578	\$ 1,012	56 %
Inflows related to OPEB	936	208	350
Total deferred inflow of resources	\$ 2,514	\$ 1,220	106 %
Net position restricted for pension benefits	\$ 10,817,417	\$ 10,393,697	4 %

Summary of **changes in fiduciary net position**,

expressed in thousands, as of June 30

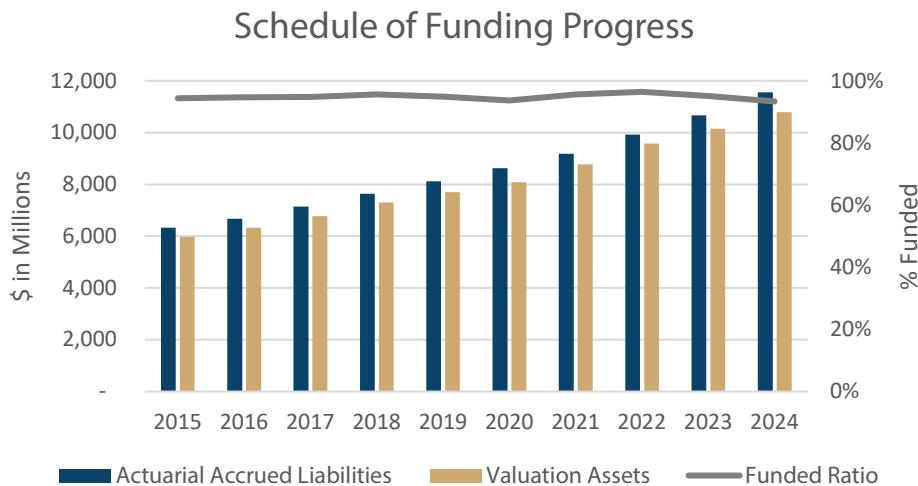
Additions	2024	2023	% change
Member contributions	\$ 28,914	\$ 28,729	1 %
Employer contributions	349,875	294,401	19
Net investment income	549,491	365,090	51
Net securities lending (loss)	(4,167)	(1,832)	(127)
Total additions	\$ 924,113	\$ 686,388	35 %
Deductions			
Benefit payments	\$ 489,491	\$ 455,448	7 %
Refunds	2,600	3,216	(19)
Expenses	8,302	9,492	(13)
Total deductions	\$ 500,393	\$ 468,156	7 %
Change in net position restricted for pension benefits (decrease)	\$ 423,720	\$ 218,232	94 %
Beginning net position restricted for pension benefits	\$ 10,393,697	\$ 10,175,465	2 %
Ending net position restricted for pension benefits	\$ 10,817,417	\$ 10,393,697	4 %

Commentary on changes in fiduciary net position

- ✓ **Employer contributions:** a political subdivision's contribution rate is determined annually by LAGERS' actuaries to fund future benefits and any unfunded liabilities. The year over year increase in employer contributions is the result of increased payroll, an increase in the average employer contribution rate, and a new legacy plan asset transfer.
- ✓ **Net investment income:** net investment income includes investment earnings reduced by the expenses directly associated with managing the investment portfolio. The change in net investment income from 2023 to 2024 reflects the market gains experienced in 2024.
- ✓ **Benefit payments:** the increase in benefits is due to growth in the number of retirees, and cost of living adjustments ranging from 3%–4% for all retirees and beneficiaries retired for more than 12 months as of June 30, 2023.

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 Feb. 29, 2024, the system has a funded status of 93.4%. The slight year over year decrease is primarily due to higher than expected salary increases for the plan's active membership. 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 accrued liabilities.

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, investment expenses, and the cost of administering the system. Below is a summary of plan expenses.

Administrative expenses as of June 30, 2024	
Monthly benefit payments*	\$489,491,070
Refund of contributions	2,599,871
Administrative and other expenses	8,301,917
<hr/>	
Total administrative expenses	\$500,392,858
<i>*represents 97.8% of total admin. expenses</i>	

Investment expenses as of June 30, 2024	
Manager fees	\$123,730,683
Custodial services	607,393
Consulting/legal services	260,226
Other investment expenses	3,873,905
<hr/>	
Total investment expenses	\$128,472,207
<i>1.2% of assets under management</i>	

Investment summary



From Chief Investment Officer Scott Day's desk:

Over the fiscal year ended June 30, 2024, the capital markets continued to climb the wall of worry as the global macroeconomic outlook balanced between slowing inflation and sustaining economic growth. While inflation began to show signs of moderation, many global central banks maintained a tight monetary policy keeping interest rates elevated relative to the past several years. On the other side of the economic scale, economic growth remained positive, driven by

continued strong labor markets and consumer spending. As was the case in fiscal year 2023 (FY 23), FY 24 markets returns were led by big tech equities (Magnificent 7), followed by U.S. High Yield and sector specific commodities/real assets. For FY 24, LAGERS' investment portfolio produced a positive absolute return of 5.7% but struggled against the investment policy benchmark return of 9.4%, resulting in an under performance of 3.7%. As a result of the negative excess returns over the past two fiscal years (FY 23 and FY 24), the 1- and 3-year excess returns are both negative. However, the 5- and 10-year excess returns both remain positive. Primary contributors and detractors to FY24 returns were as follows:

- With the largest composite allocation within the LAGERS' investment portfolio, the equity portfolio was one of the main contributors to both the absolute return and negative excess return. While the equity portfolio produced an impressive 9.9% total return for the fiscal year, it fell short of the benchmark return of 15.6%.
- Real Assets is the second largest composite allocation, producing a -0.3% total return, under performing the benchmark return of 6.3%.
- While the Alpha portfolio produced an impressive 16.3% relative to a benchmark return of 6.1%, the 10.3% excess return provided only a partial offset to the negative relative returns in the Equity and Real Asset portfolios due to the smaller allocation to the Alpha portfolio.
- The Strategic portfolio was able to slightly outperform the benchmark by producing an 8.8% total return versus 8.2% for the benchmark.

In May 2024, I was honored to assume the CIO role for the LAGERS investment portfolio. While we stand on the shoulders of those who've come before us, we are evolving the investment process centered around the principle that it is possible to manage risk, but nearly impossible to manage returns. This enhanced investment process will help reduce the volatility of excess returns relative to the long-term policy benchmark and provide greater clarity in communication about the drivers of the excess returns. I'm excited about our future and continuing to provide a secure retirement for our members.

Total portfolio returns

as of June 30, 2024

	1 Year	3 Years	5 Years	10 Years	15 Years
LAGERS Return	5.74%	3.12%	7.61%	7.22%	9.76%
LAGERS' Total Policy Benchmark	9.37%	4.54%	7.35%	6.45%	8.01%
Actuarial Assumed Rate of Return	7.00%	7.00%	7.10%	7.17%	7.23%

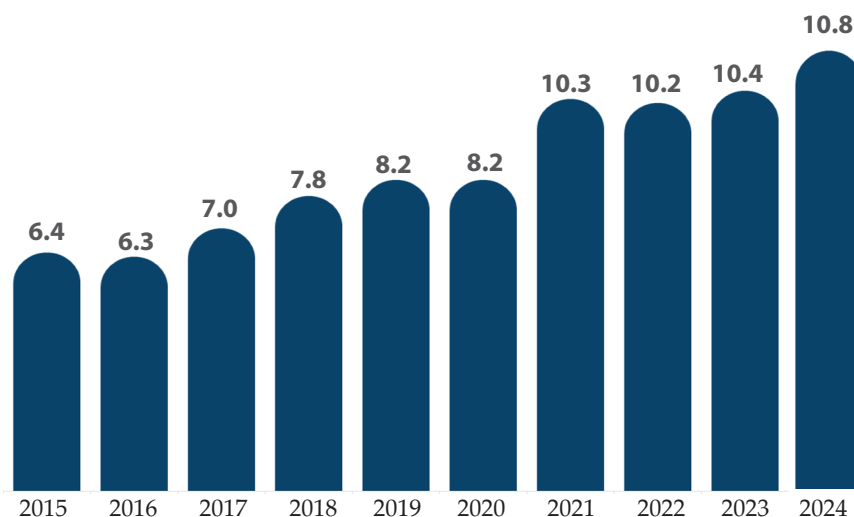
*These returns were calculated by LAGERS' custodian, Northern Trust, using the modified Dietz time-weighted rate of return methodology.

Investments **at fair value**

Short-term investments	\$ 777,218,863
Government bonds	761,790,725
Corporate bonds	217,245,814
International bonds	894,189,802
Mortgage and asset-backed securities	314,255,493
Domestic stocks	704,798,165
International stocks	877,566,587
Real estate	1,051,259,870
Partnerships	4,434,222,844
Absolute return	640,863,114
Other alternative investments	77,718,760
Total Investments	\$ 10,751,100,037

Growth in **plan net position**

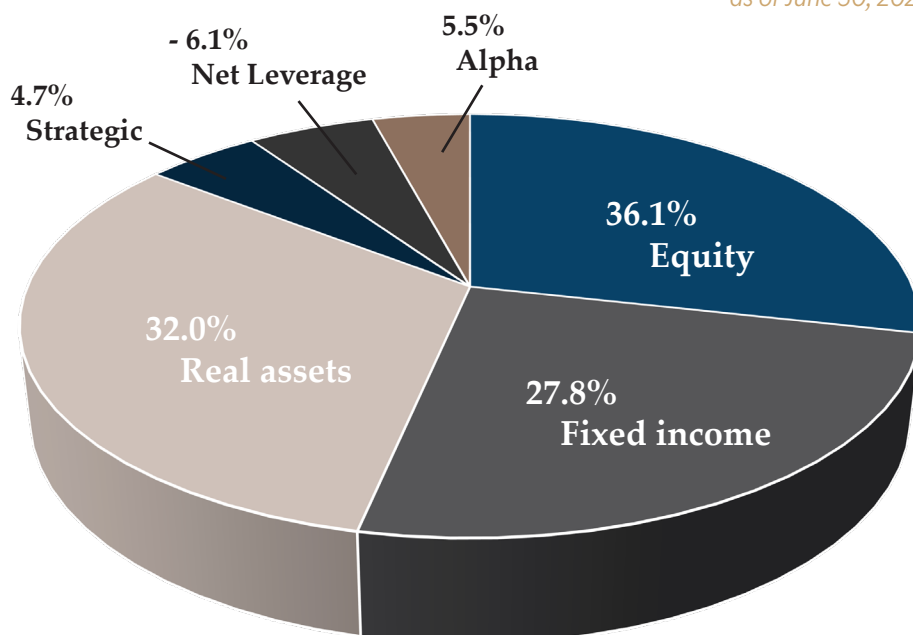
as of June 30, expressed in billions



Portfolio **asset allocation**

LAGERS' portfolio can be broken into major investment groups called assets classes, that exhibit similar risk and return characteristics over an investment time frame. The asset allocation has been developed with the objective of optimizing the investment return of LAGERS within a framework of acceptable risk and diversification. From this allocation, LAGERS has an assumed rate of return of 7.0% for the portfolio.

LAGERS asset allocation by asset class,
as of June 30, 2024



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.

Membership snapshot



347 Cities
20,119 Members



78 Emergency
Services
1,347 Members



74 Health
Agencies
1,489 Members



67 Soil & Water
Conservation
Districts
136 Members



65 Special
Districts
2,412 Members



63 Fire Districts
1,237 Members



61 Counties
9,277 Members



49 Libraries
1,116 Members



43 Water Districts
246 Members



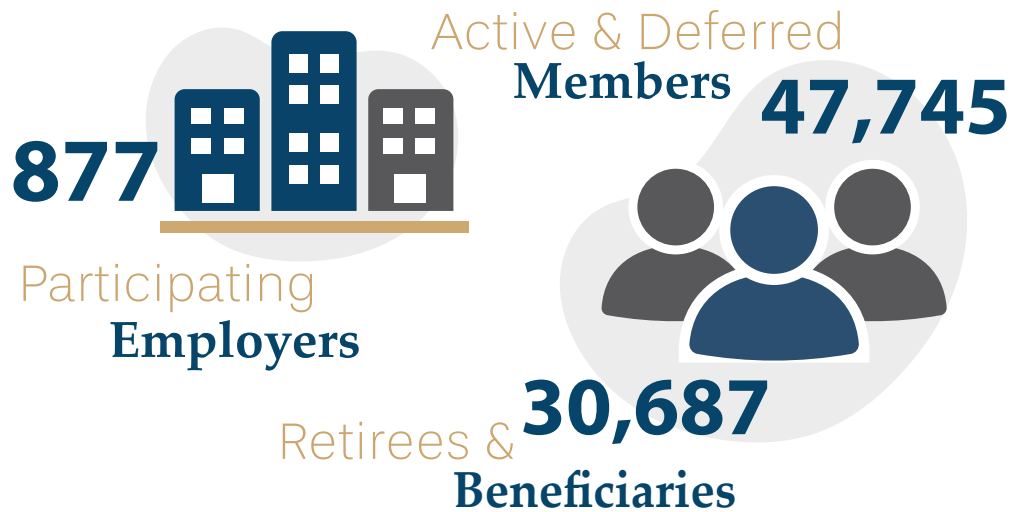
30 Road Districts
93 Members

Participating employer:

A local government must have an independent governing body and taxing authority to join LAGERS.

Growing pension system

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

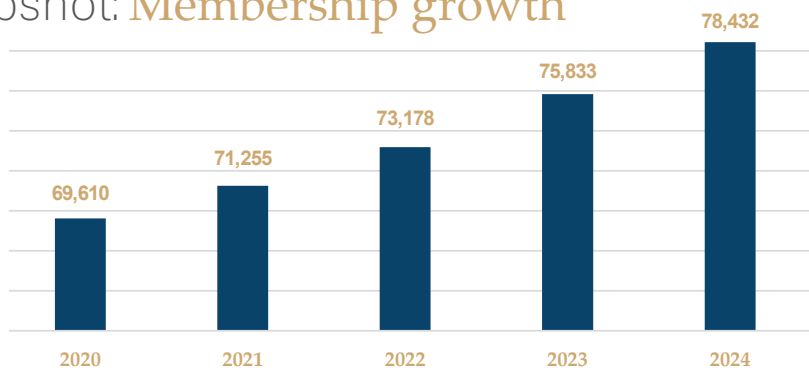


New employers joining in past 12 months,

as of June 30, 2024

- City of Adrian
- City of Bonne Terre
- City of Branson West
- Central Platte Fire Protection District
- Cooper County Ambulance District
- City of Creve Coeur Legacy Plan
- Grundy County Health Dept
- Inter City Fire Protection District
- Joplin Special Road District
- City of New Bloomfield
- Pulaski County SWCD
- Putnam County E-911
- Ripley County Ambulance District
- Tri-County Health Department
- Warren County Ambulance District
- Washington County Ambulance District

Snapshot: Membership growth





Snapshot: Employer funding levels, as of Feb. 29, 2024

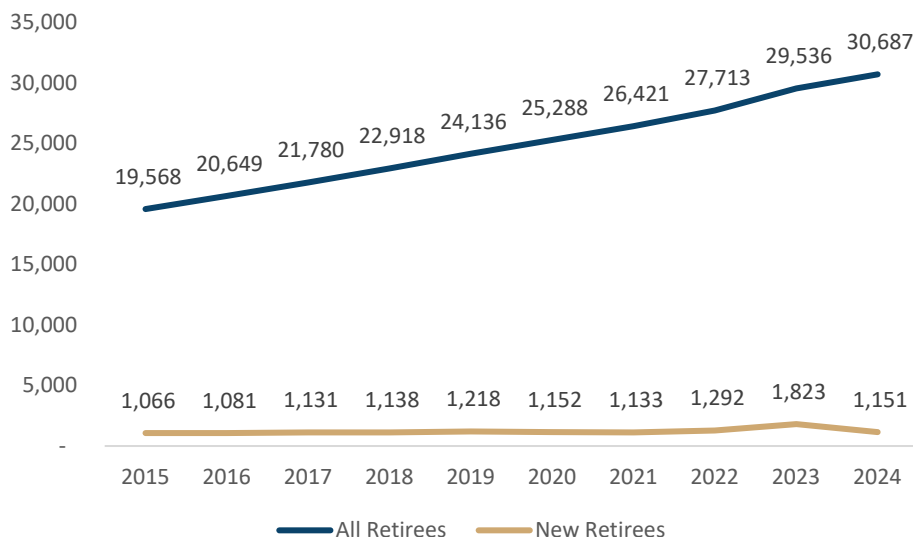
Each participating employer has the flexibility to choose its own benefit provisions from a menu of options. This allows employers the ability to create a benefit package to meet their workforce needs at a cost that fits their local budget. While the LAGERS system reports an overall funded ratio, each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

Funded %	Employer count	
100% +	229 Subdivisions	27%
75%-99.9%	310 Subdivisions	36%
50%-74.9%	165 Subdivisions	19%
Below 50%	147 Subdivisions*	17%

** 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 memberships, benefits are appropriately funded over time and the system remains financially secure. LAGERS has a separate fund called the Benefit Reserve Fund (BRF) which is set aside to pay retiree benefits. The BRF is currently 117.3% funded.



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

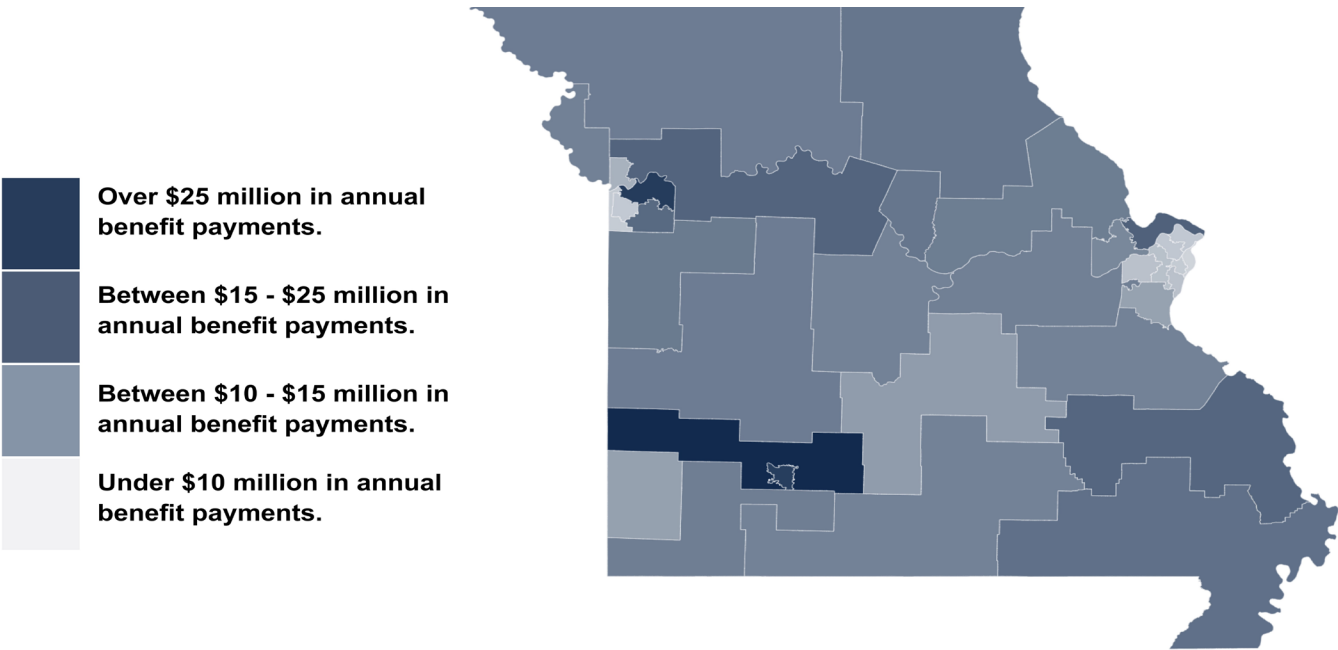
\$596 million in economic impact

to the state in fiscal year 2024!
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
2024	\$348	\$814	\$1,449	\$2,207	\$2,884	\$3,723
2023	\$354	\$808	\$1,265	\$1,995	\$2,776	\$3,413
2022	\$334	\$825	\$1,303	\$1,909	\$2,626	\$3,413

Annual LAGERS benefit payments by State senatorial district



In fiscal year 2024, LAGERS paid out **\$492 million** to **30,687 benefit recipients**, with 92% (\$455 millions) 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) Leary, CPFO, CEBS

Chairperson

Member trustee, city of Town & Country

Term expires: 12-31-2026

Frank Buck

Vice-chairperson

Employer trustee, DeKalb County

Term expires: 12-31-2024

Sandy Walker

Member trustee, city of Poplar Bluff

Term expires: 12-31-2024

Tony Kelley

Employer trustee, Central Jackson FPD

Term expires: 12-31-2026

Chad Munsey

Employer trustee, city of Springfield

Term expires: 12-31-2025

Mark Perkins

Member trustee, city of Creve Coeur

Term expires: 10-24-2024

Claire West

Citizen trustee

Appointed by Governor

Executive staff

The LAGERS system is administered by a team of 49 professional staff in Jefferson City, Missouri.

Bill Betts

Executive Director

Scott Day, CFA

Chief Investment Officer

Ciara Bauer

Chief Technology Officer

Tami Jaegers, RPA

Chief Benefits Officer

Jeff Kempker, CEBS, CRC

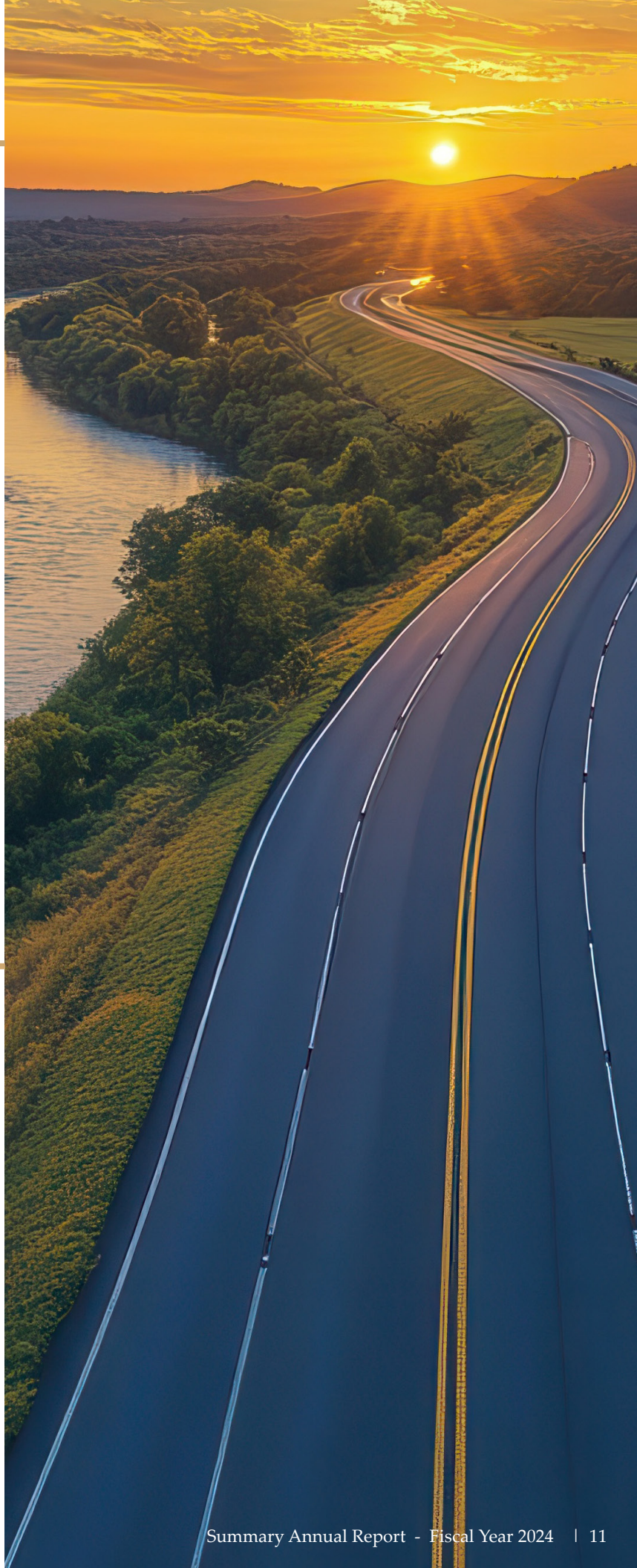
Chief Strategy and External Affairs Officer

Melissa Rackers, CPA, CGFM, CEBS

Chief Financial Officer

Sheila Reinsch

Board and Executive Administrator





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