

Distance Changed the Game Plan but not the Goal.



Summary Annual Report to Members
Fiscal Year Ended June 30, 2020





Message from the Executive Director



Ronda Stegmann
Executive Director

It is my pleasure to present MOSERS' *Summary Annual Report to Members*, which provides a brief overview of our financial condition as of June 30, 2020. During fiscal year 2020, the Board and staff worked extensively and collaboratively on solutions to ensure the fiscal sustainability of MOSERS for current and future members. I would like to thank our trustees for their dedication and commitment.

The MOSERS investment portfolio generated a time-weighted return of 5.2%, net of fees, for fiscal year 2020. The total fund returned 3.2% more than would have been expected through passive investing in the benchmarks.

During fiscal year 2020, the Board continued the reduction of the assumed rate of return on investments, as set forth in the Board's funding policy. This reduction resulted in an assumed rate of return of 6.95%, reduced from 7.10%.

To allow for more predictable and stable contribution rates, MOSERS' funding is based upon the actuarial value of assets, which smooths asset gains and losses over a five-year period. As of June 30, 2020, the MSEP was 61.1% pre-funded and the Judicial Plan was 28.9% pre-funded on an actuarial basis.

The General Assembly authorized and the Governor approved the appropriation of \$476 million to MOSERS for fiscal year 2021, which will fully fund the Board-certified employer contribution rate.

It is clear that one of the core concepts held at MOSERS in fiscal year 2020 was "teamwork." With the global pandemic event, MOSERS rallied our team members and technology to quickly move into a remote working environment. Together, we ensured ongoing service to our membership and stakeholders, including timely and accurate benefit payments each month. Together, we will continue to navigate these extraordinary times and strive to fulfill our mission of advancing the financial security of our members. We know our members rely on their benefits now and far into the future. The MOSERS staff will continue to "roll up our sleeves" and work hard for our members, the Board, and all our stakeholders as we move into fiscal year 2021. It is our honor to work for this great state and its citizens.

Respectfully submitted,

Ronda Stegmann
Executive Director

This *Summary Annual Report* is derived from the information contained in MOSERS' *Comprehensive Annual Financial Report (CAFR)* but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' financial statements are produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at www.mosers.org. To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.

Message From the Board Chairwoman

October 16, 2020

Dear Members:

On behalf of the MOSERS Board of Trustees, I am pleased to present the *MOSERS Summary Annual Report to Members* for the fiscal year ended June 30, 2020. This report is one of MOSERS' finest examples of collaboration and an organization-wide team effort.

During the year ended June 30, 2020, the Board of Trustees continued its work on behalf of the MOSERS membership. While the global pandemic required MOSERS to modify the way we conduct business, our Board and staff members continued to work on key initiatives over the last fiscal year, some of which included:

- continuing the systematic reduction of the MOSERS investment rate of return assumption, consistent with the Board's funding policy;
- transitioning the Board-adopted investment portfolio while also successfully navigating significant volatility in investment markets;
- unveiling MOSERS' new award winning public website; and
- maintaining robust communication with our membership during the ever-changing landscape of 2020.

MOSERS was very fortunate to have Board continuity over fiscal year 2020 with no movement in Board membership. The steadfast composition did not mean that every Board member agreed on every item in all instances, but rather provided an increased opportunity for vibrant and robust deliberation relative to the decision-making process.

During my tenure as Board chairwoman, I have witnessed the substantial amount of time and service our trustees have dedicated to MOSERS. I am proud to lead this fine group of fiduciaries in acting in the best interest of our members. Together, with staff, we continue to further our core mission of advancing the financial security of our members.

As we look to fiscal year 2021 and the promise that it holds, I wish to thank the MOSERS staff for their ongoing dedication and professionalism. I also wish to express my appreciation to you, our members, for your commitment and service to this great state and its citizens. As a fellow state employee, I know many of the challenges that accompany public service. As a team, we will continue to navigate those challenges and celebrate our successes. I am honored to serve as one of your representatives on the MOSERS Board.

If you ever have any questions, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102, call us at (800) 827-1063, or visit our website at www.mosers.org.

Sincerely,



Crystal Wessing, Chairwoman
Board of Trustees



Crystal Wessing
Board Chairwoman

While the global pandemic required MOSERS to modify the way we conduct business, our Board and staff members continued to work on key initiatives over the last fiscal year.

MISSION

MOSERS exists to advance the financial security of its members.

VISION

We endeavor to:

Exceed customer expectations

Educate stakeholders

Ensure sound investment practices

Encourage responsible funding of the plan through a commitment to *Excellence. Always.*

VALUES

Quality • Respect • Integrity
Openness • Accountability

Financial Highlights

Fiscal Year 2020

\$408.5 Million
Investment Income

\$476.1 Million
Employer Contributions

\$36.5 Million
Employee Contributions

\$904.2 Million
Benefit Payments

\$1,110
Average Monthly
Benefit Amount for
FY20 MSEP Retirees

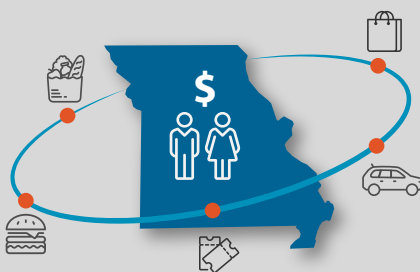
51,447
Retirees & Beneficiaries

\$8.1 Billion
Net Trust Fund Assets

Economic Impact

- MOSERS provides a modest benefit to those who served the public during their working years to help meet their basic needs.
- Our neighbors, friends, and family spend their pension benefits in our communities. Nearly 90% of retirees and their dependents remain in Missouri, spending retirement dollars on housing, goods, and services. Each \$1 paid in benefits has \$1.43 in economic impact.*
- Retirees had more than \$16.7 million in state taxes and \$69.5 million in federal taxes withheld from their benefit payments in fiscal year 2020.

* National Institute on Retirement Security, Pensionomics 2018



Net Position

The *Summary Statement of Fiduciary Net Position* reports the pension plan's financial position as of the end of the fiscal year. As of June 30, 2020, MOSERS has accumulated \$8.1 billion in net assets for the payment of promised retirement benefits.

Summary Comparative Statements of Fiduciary Net Position (Fiscal Year Ended June 30, 2020)

	As of June 30, 2020	As of June 30, 2019
Assets		
Cash and short-term instruments	\$ 4,903,993	\$ 263,269,711
Receivables	395,470,195	346,692,311
Investments	11,463,190,890	11,596,260,814
Capital assets, net of accumulated depreciation	7,530,526	4,887,103
Other assets	17,717	75,750
Total assets	11,871,113,321	12,211,185,689
Deferred outflow of resources	899,535	743,472
Liabilities		
Administrative and other payables	5,240,423	1,666,007
Investment activities payable	342,104,677	202,258,228
Obligations under repurchase agreements	3,434,907,955	3,921,700,618
MOSERS investment portfolio liability (MIP)	3,481,031	3,470,132
Net OPEB liability	7,695,160	7,666,038
Total liabilities	3,793,429,246	4,136,761,023
Deferred inflow of resources	465,011	369,869
Net positions restricted for pensions	\$ 8,078,118,599	\$ 8,074,798,269

The *Summary Statement of Changes in Fiduciary Net Position* reports MOSERS' contributions, benefit expenses, investment income and expenses.

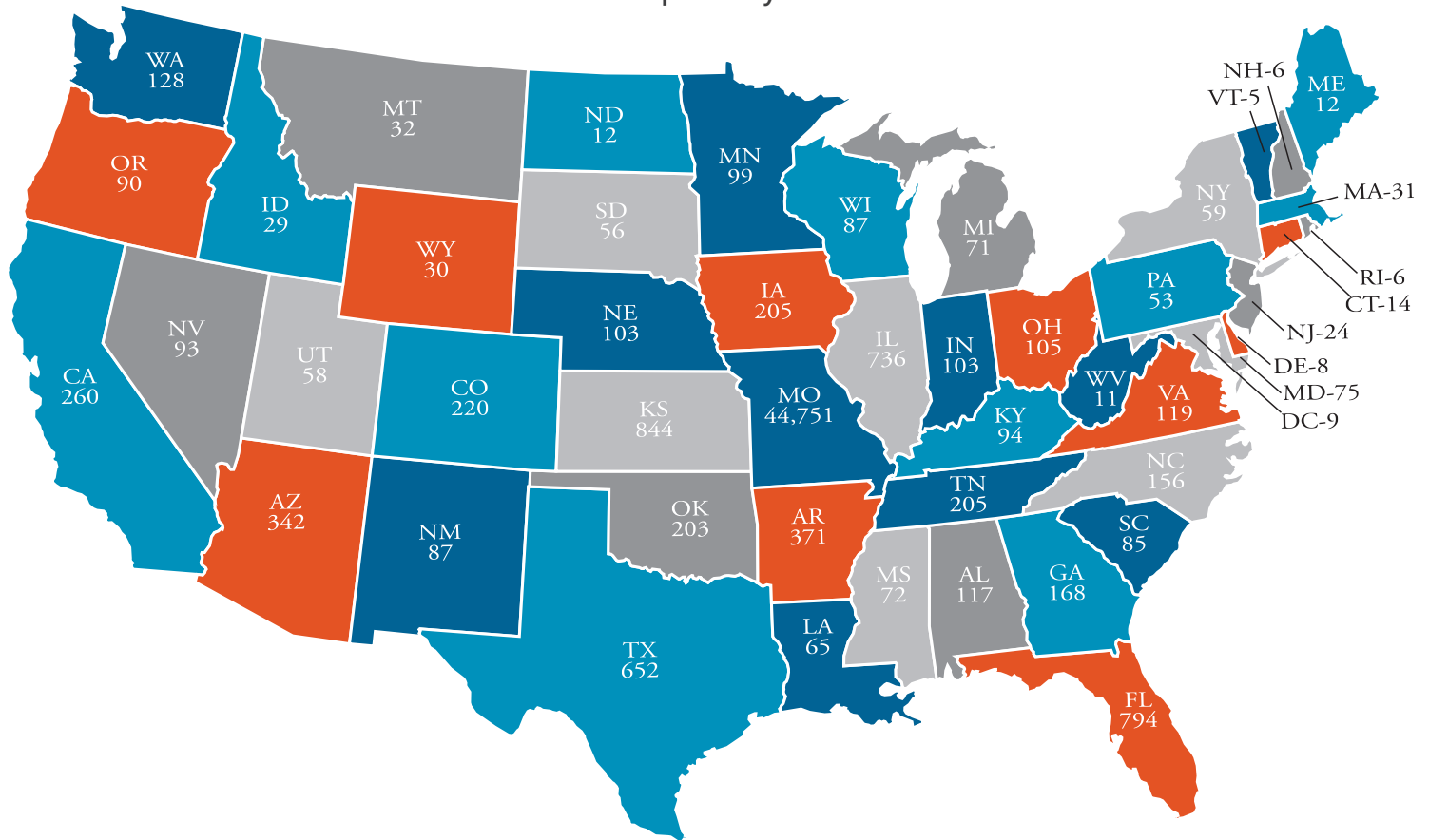
Summary Comparative Statements of Changes in Fiduciary Net Position (Fiscal Year Ended June 30, 2020)

	As of June 30, 2020	As of June 30, 2019
Additions		
Contributions*	\$ 516,580,486	\$ 469,065,954
Net investment income	408,517,012	319,211,119
Miscellaneous income	133,952	500,793
Total additions	925,231,450	788,777,866
Deductions		
Benefit payments	904,429,822	880,399,391
Service transfers and refunds	9,008,684	9,015,238
Administrative expenses	8,472,614	9,272,967
Total deductions	921,911,120	898,687,596
Net increase (decrease)	3,320,330	(109,909,730)
Net position beginning of year	8,074,798,269	8,184,707,999
Net positions restricted for pensions	\$ 8,078,118,599	\$ 8,074,798,269

* Includes employee and employer contributions, purchases of service credit, and service transfers.

Membership

Benefit Recipients by Location



- | | | | |
|--------------------|------------------|--------------------|-------------------|
| 23 Alaska | 1 Costa Rica | 1 India | 1 Philippines |
| 13 Hawaii | 1 Croatia | 2 Ireland | 1 Spain |
| 1 Army Post Office | 1 Czech Republic | 1 Israel | 2 Sweden |
| 1 Argentina | 1 Ecuador | 2 Italy | 2 Thailand |
| 2 Australia | 1 Germany | 1 Latvia | 2 The Netherlands |
| 1 Brazil | 1 Guam | 1 Marshall Islands | 5 United Kingdom |
| 12 Canada | 1 Hong Kong | 3 Puerto Rico | 4 Virgin Islands |

Member Data

June 30, 2020	MSEP*	Judicial Plan**
Active Members		
Average age	45.5	55.7
Average years of service	10.8	10.8
Average annual salary	\$43,064	\$147,012
Retired Members & Beneficiaries		
Average age	70.8	76.6
Average annual benefit	\$15,938	\$67,986

* Includes MSEP, MSEP 2011, and MSEP 2000 members.
 ** Includes Judicial Plan and Judicial Plan 2011 members.

Members Retired During Fiscal Year 2020

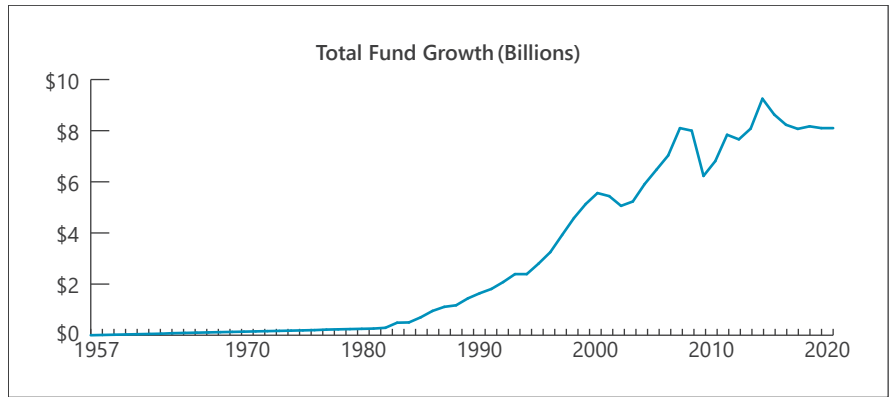
Years Credited Service	Average Monthly Benefit	Average Final Average Salary	Number of Retirees
<5	\$ 270	\$ 5,379	8
5-10	321	2,677	475
11-15	602	3,012	378
16-20	901	3,149	378
21-25	1,375	3,707	447
26-30	1,822	3,967	441
31+	2,391	4,329	172
All Members*	1,110	3,390	2,299

* Includes MSEP, MSEP 2011, and MSEP 2000 members, but does not include Judicial Plan and Judicial Plan 2011 members.

Investments

Investment Growth

It takes a long time to grow defined benefit pension assets. MOSERS' first investment transaction occurred in 1957, when a single outside advisor placed \$100,000 in a 90-day Treasury Bill on behalf of participants. It took nearly 30 years for the System's investments to reach the \$1 billion mark. As reflected in the graph (top right), the investment portfolio, as of June 30, 2020, was \$8.1 billion in net assets.

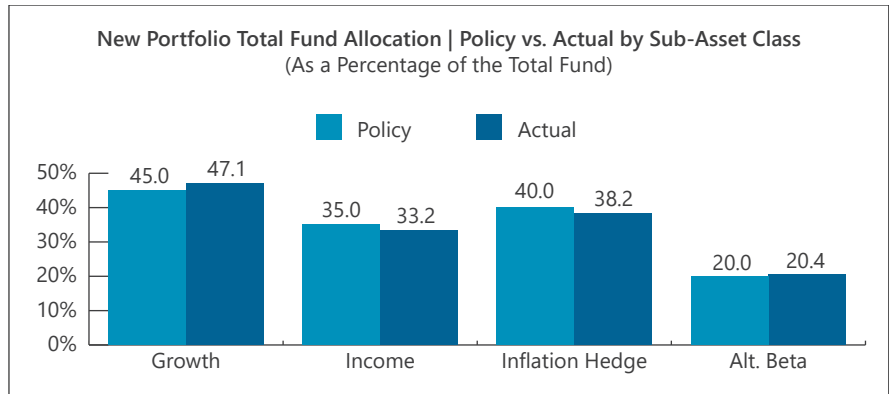
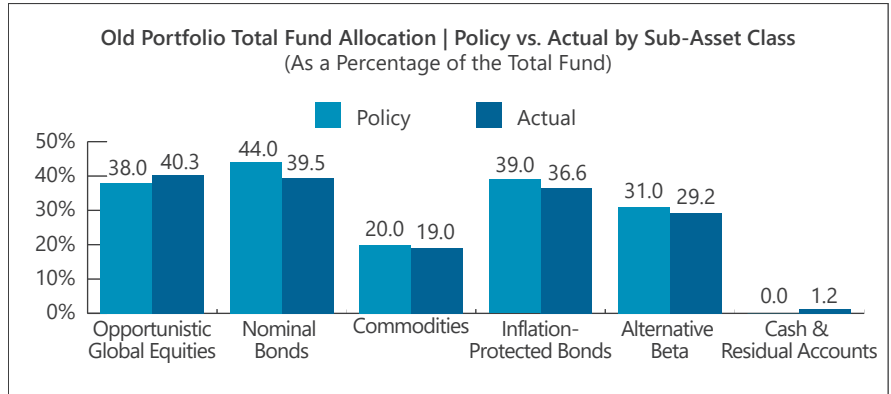


Fund Allocation & Risk

Market volatility is what investors traditionally consider to be the risk of investing. To protect against this risk, our investment portfolio is diversified across numerous asset classes and investment strategies to mitigate the potential impact of negative economic circumstances.

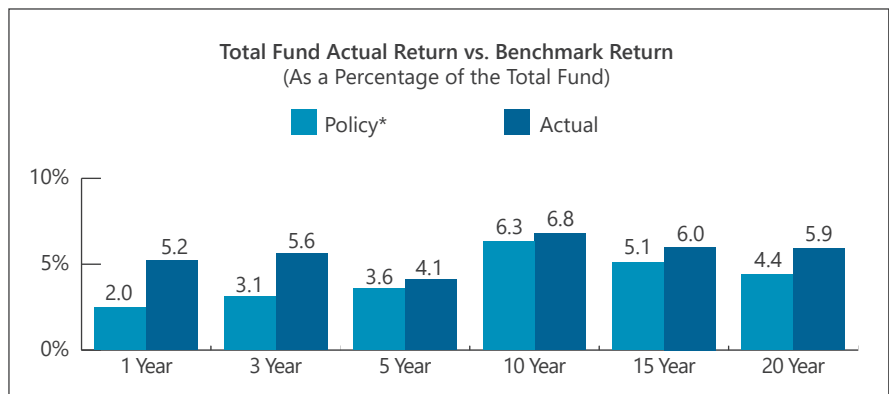
In 2018, the Board repositioned the portfolio to address the challenging return environment. We began transitioning to a new portfolio during fiscal year 2019, and will continue over the next few years.

The percentage of the total investment portfolio by specific asset class for both the old and new portfolios, as of June 30, 2020, is reflected in the graphs (middle right). The asset allocations are built on the belief that diversification is critical in achieving consistent, long-term risk-adjusted investment returns.



Investment Performance vs. Benchmark Return

The policy benchmark provides a point of comparison when assessing the investment performance of the total fund. By comparing the policy benchmark return to the total fund return, we can determine how the MOSERS investment team performed on a comparative basis over a given time period. Value is added when the total fund return exceeds the policy benchmark. The policy benchmark also provides guidance for staff as well as other stakeholders of the fund through establishment of concrete investment goals. Additionally, the policy benchmark establishes the Board's long-term view regarding investments, which puts into perspective any reaction, or over-reaction, to short-term market conditions. Returns for the total fund versus these benchmarks are displayed in the corresponding graph (lower right).



* As of June 30, 2020, the total fund policy benchmark was comprised of the following components: 44% old portfolio policy benchmark, 56% new portfolio policy benchmark.

– The old portfolio policy benchmark was comprised of the following components: 38% total opportunistic global equities policy, 44% total nominal bonds policy, 20% total commodities policy, 39% total inflation-protected bonds policy and 31% total alternative beta policy. This program did not begin until September 2012.

– As of June 30, 2020, the new portfolio policy benchmark was comprised of the following components: 45% total growth policy, 35% total income policy, 40% total inflation hedge policy and 20% total alternative betas policy. This program did not begin until January 2019.

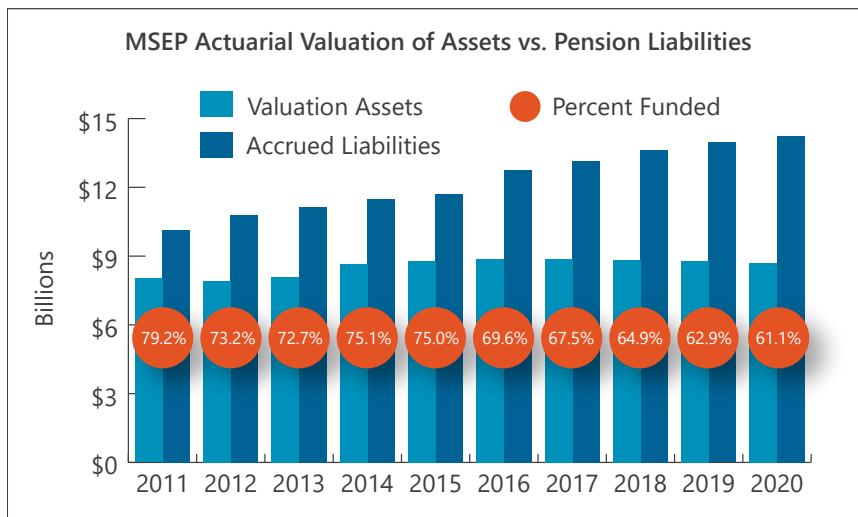
MSEP Retirement Funding

Funded Status

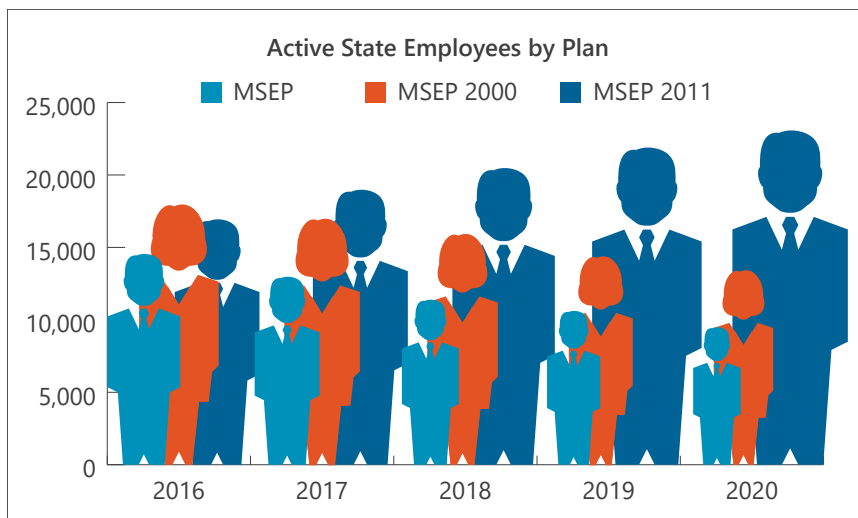
In order to ensure your benefits are available to you, MOSERS contracts with an outside actuarial firm to perform an annual actuarial valuation which determines the funded status of the plans at year end and the contribution rates needed to adequately fund the System in the future. The percentages shown in the bar chart indicate the extent to which the System was funded as of a given year end.

The state contributes the actuarially determined contribution that, when combined with present assets and future investment returns, will be sufficient to meet the present and future assumed financial obligations of the System.

Through a history of reasonable benefit levels, mandatory participation, actuarially determined employer contributions, and professionally managed investments, MOSERS benefits continue to be secure.

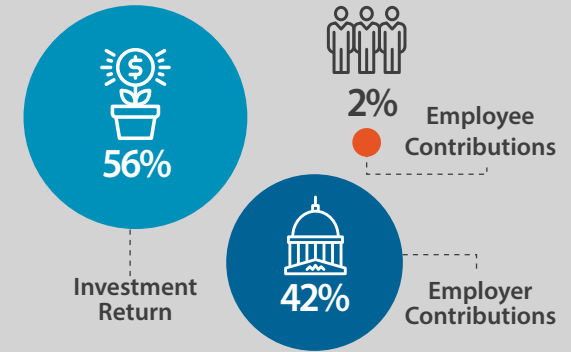


Reform in 2010, known as MSEP 2011, stabilizes plan funding, retains the defined benefit (DB) structure, and provides sustainability for future generations. As of June 30, 2020, a total of 50.16% of active employees are in the MSEP 2011.



Plan Revenue

MOSERS is an advance-funded retirement system. Unlike "pay-as-you-go" plans, employer and employee contributions plus investment earnings are accumulated and professionally managed during employees' careers and paid out over their retirement years. Over the long-term, the major source of revenue is from investment earnings, which accounts for 56% of the assets in the MOSERS Trust Fund.



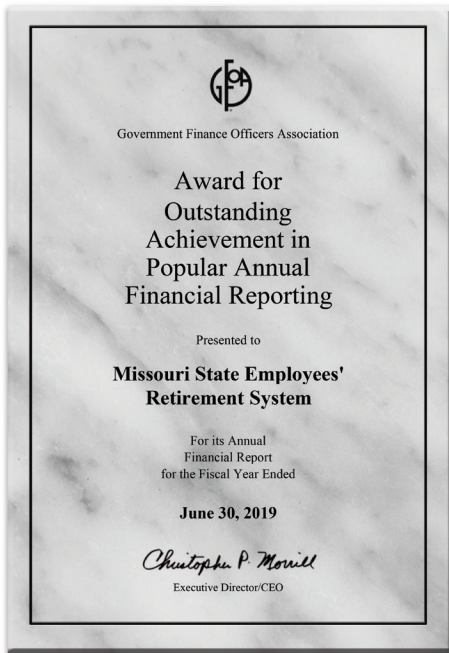
A key component of the employer contribution rate and the plan's funded ratio is the assumed rate of return on investments. The Board has been systematically reducing the MOSERS investment return assumption. This reduction results in an increase in the employer contribution rate and a decrease in the plan's funded ratio.

For example, the Board's adopted investment assumption of 6.95% contributed to the 23.51% employer contribution rate and the 61.1% actuarial funded ratio. If the Board had adopted a higher assumed investment return, such as 7.95%, then the employer contribution rate would be closer to 18.97% and the funded ratio would be almost 68%.

Investment Return Assumption	6.95%	7.95%
Employer Contribution	23.51%	18.97%
Funded Ratio	61.1%	67.5%

While a lower employer contribution rate and a higher funded ratio might make some "feel" better, the current investment assumption is a more conservative approach to ensuring the long-term sustainability of MOSERS.

Awards



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its Popular Annual Financial Report for fiscal year ended June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. MOSERS has received this award for 25 consecutive years (fiscal years ended 1995 through 2019). We believe our current report continues conform to the Popular Financial Reporting requirements, and we are submitting it to the GFOA to determine its eligibility for another Award.

Want to Know More?



Visit us online at www.mosers.org
or email us at mosers@mosers.org



In an effort to provide information more quickly about actions taken by the MOSERS Board of Trustees, look for "A Moment with MOSERS" video updates in your email or online.



Benefit counselors are a valuable source for information regarding your benefits. Call to speak with a benefit counselor or to make an appointment.

Office Hours

Monday - Friday
8:00 a.m. - 12:00 p.m.
1:00 p.m. - 4:30 p.m.

Phone
(573) 632-6100
(800) 827-1063

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Jefferson City, MO 65102-0209
Visit us at 907 Wildwood Drive

Mailing Address

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