

MoDOT & Patrol Employees' Retirement System

MPERS FYI

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2023



Security for a Lifetime



Serving those who keep us safe.

Missouri Department of Transportation and Highway Patrol Employees' Retirement System
A Component Unit of the State of Missouri

A Message From the Director

This *For Your Information (FYI)* brochure is prepared to provide a reader-friendly summary of the MoDOT & Patrol Employees' Retirement System's (MPERS or System) information, which members and other stakeholders may find useful. For additional, more detailed System information, please refer to the *Annual Comprehensive Financial Report (Annual Report)*, available on the MPERS' website at www.mpers.org.



MPERS' membership is comprised of benefit-eligible employees of the Missouri Department of Transportation, the Missouri State Highway Patrol, and MPERS, in addition to all benefit recipients (retirees, survivors, etc.). The System administers retirement, survivor, and disability benefits in accordance with Chapter 104 of the Missouri Revised Statutes. MPERS operates as a 401(a) tax-qualified defined benefit plan. Benefits are based on a formula that is set by law.

The theme of this *FYI* brochure and the *FY 2023 Annual Report* is "Security for a Lifetime." During the last fiscal year, MPERS continued to make positive strides in making sure the System is sustainable for a lifetime. Important milestones achieved during the 2023 fiscal year include:

- MPERS' retiree liabilities are fully funded for the first time in System history.
- Employer contribution rates for non-uniformed employees went down for the first time in a decade.
- MPERS' funded status increased by 2.64% to 68.97%...the highest in System history.
- Several key components of MPERS' five-year strategic plan were completed including a cybersecurity audit and the addition of two investment staff and a human resource officer.

As of June 30, 2023, MPERS' investment portfolio had a fair value of \$3.27 billion, representing a return of 8.88% for the fiscal year. Relative to MPERS' peer group (the InvestorForce Public Fund Universe), the 8.88% return for Fiscal Year 2023 ranked MPERS in the 55th percentile. The trailing 3-, 5-, 10-, and 20-year performance of 13.97%, 9.50%, 9.27%, and 8.32%, respectively, rank MPERS in the top 1% of the peer group for all periods.

We express our gratitude to the Board, the staff, the consultants, and the many people who worked so diligently to ensure the continued successful operation of MPERS. The steady monthly benefit payments offered by defined benefit plans like MPERS provide peace of mind and security for retirees and their families. For over 65 years, MPERS has provided a foundation for financial security to plan participants through the delivery of quality benefits, exceptional member service, and professional plan administration.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Simon". The signature is fluid and cursive, with a large loop at the beginning.

Scott Simon
MPERS' Executive Director

The photos in this report are provided courtesy of the Missouri State Highway Patrol, the Missouri Department of Transportation, and the Missouri State Archives.

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Our Mission

At MPERS, our mission is simple: Provide sustainable benefits for the lifetime of our members.

Our Core Values

Our members are our number one focus...we work for them.

*Our goal is to provide exceptional service **always**, no matter who is on the phone or sitting across from us.*

We strive to preserve, protect, and grow our assets.

We are committed to the security and privacy of our members' information.

We make decisions in the best interest of our members based upon statutory guidance.

We conduct business at a reasonable cost to the taxpayers of Missouri.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**Missouri Dept. of Transportation & Highway Patrol
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 of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the MoDOT & Patrol Employees' Retirement System (MPERS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. 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. MPERS has received a Popular Award for the last six consecutive years (fiscal years ended 2017-2022). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

About MPERS

MPERS was established by Senate Bill 66 in the 68th General Assembly. In accordance with this legislation, employees of the Missouri Department of Transportation (MoDOT) and the Missouri State Highway Patrol (MSHP) became members of the retirement system on September 1, 1955. Effective October 1, 1955, the System accepted 109 retirements.

MPERS' 11-member Board is responsible for the oversight of the System. The trustees serve as fiduciaries and are responsible for selecting and retaining competent management. The trustees and management jointly establish sound policies and objectives, monitor operations for compliance, and oversee performance. As of June 30, 2023, the Board comprised of:

Sue Cox
Chair, MoDOT Retiree

Matt Morice
Vice-Chair, MSHP Employee

Mike Bernskoetter
Missouri State Senator

W. Dustin Boatwright
MoDOT Commissioner

Warren K. Erdman
MoDOT Commissioner

Barry Hovis
Missouri State Representative

Patrick McKenna
Director of MoDOT

Colonel Eric Olson
Superintendent of MSHP

William Seibert
MSHP Retiree

Gregg Smith
MoDOT Commissioner

Todd Tyler
MoDOT Employee



Photo: Missouri Governor Phil M. Donnelly signing the retirement bill on May 5, 1955 while MoDOT Chief Engineer, Rex M. Whitton, and Highway Patrol Superintendent, Hugh H. Waggoner, look on.

Financial statements report information using accounting methods similar to those used by private sector companies. The net position reported below is an indicator of the System's financial standing at the end of the fiscal year. For more financial information, refer to the *Annual Comprehensive Financial Report* at www.mpers.org.

Assets and Liabilities

The *Summarized Comparative Statements of Fiduciary Net Position* includes all of the System's assets and liabilities, with the difference between the two reported as net position.

| | As of June 30, 2023 | As of June 30, 2022 | % Change 2023 / 2022 |
|--|-------------------------|-------------------------|-------------------------|
| Cash and Receivables | \$ 43,820,838 | \$ 119,368,464 | -63.3 |
| Investments | 3,266,926,550 | 3,058,469,276 | 6.8 |
| Invested Securities Lending Collateral | 18,946,422 | 23,800,466 | -20.4 |
| Capital Assets | 536,438 | 388,915 | 37.9 |
| Total Assets | 3,330,230,248 | 3,202,027,121 | 4.0 |
| Deferred Outflows of Resources | 398,255 | 513,253 | -22.4 |
| Accounts Payable | 27,290,762 | 108,303,592 | -74.8 |
| OPEB Obligation | 1,929,126 | 2,367,620 | -18.5 |
| Securities Lending Collateral | 19,284,048 | 24,560,325 | -21.5 |
| Total Liabilities | 48,503,936 | 135,231,537 | -64.1 |
| Deferred Inflows of Resources | 496,723 | 115,751 | 329.1 |
| Net Position | \$ 3,281,627,844 | \$ 3,067,193,086 | 7.0 |

Income and Expenses

The *Summarized Comparative Statements of Changes in Fiduciary Net Position* accounts for all the current year's additions (income) and deductions (expenses), regardless of when cash is received or paid.

| | As of June 30, 2023 | As of June 30, 2022 | % Change 2023 / 2022 |
|------------------------------|-------------------------|-------------------------|-------------------------|
| Contributions | \$ 244,262,169 | \$ 225,366,897 | 8.4 |
| Net Investment Income (Loss) | 264,756,429 | 122,767,485 | 115.7 |
| Other Income | 1,954 | 195 | 902.1 |
| Total Additions | 509,020,552 | 348,134,577 | 46.2 |
| Benefits | 289,056,536 | 279,637,701 | 3.4 |
| Administrative Expenses | 5,529,258 | 5,229,018 | 5.7 |
| Total Deductions | 294,585,794 | 284,866,719 | 3.4 |
| Net Increase (Decrease) | 214,434,758 | 63,267,858 | 238.9 |
| Net Position—Beginning | 3,067,193,086 | 3,003,925,228 | 2.1 |
| Net Position—Ending | \$ 3,281,627,844 | \$ 3,067,193,086 | 7.0 |

The increases in net position for both years shown above are primarily a result of the positive investment performance realized during the last two fiscal years.

Investments

Investment Policy

MPERS' primary objective is to provide active and retired employees with adequate retirement benefits. The investment portfolio is constructed to generate a total return that, when added to employer contributions, is sufficient to meet the benefit obligations. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the System's tolerance for risk as determined by the Board in its role as fiduciary.

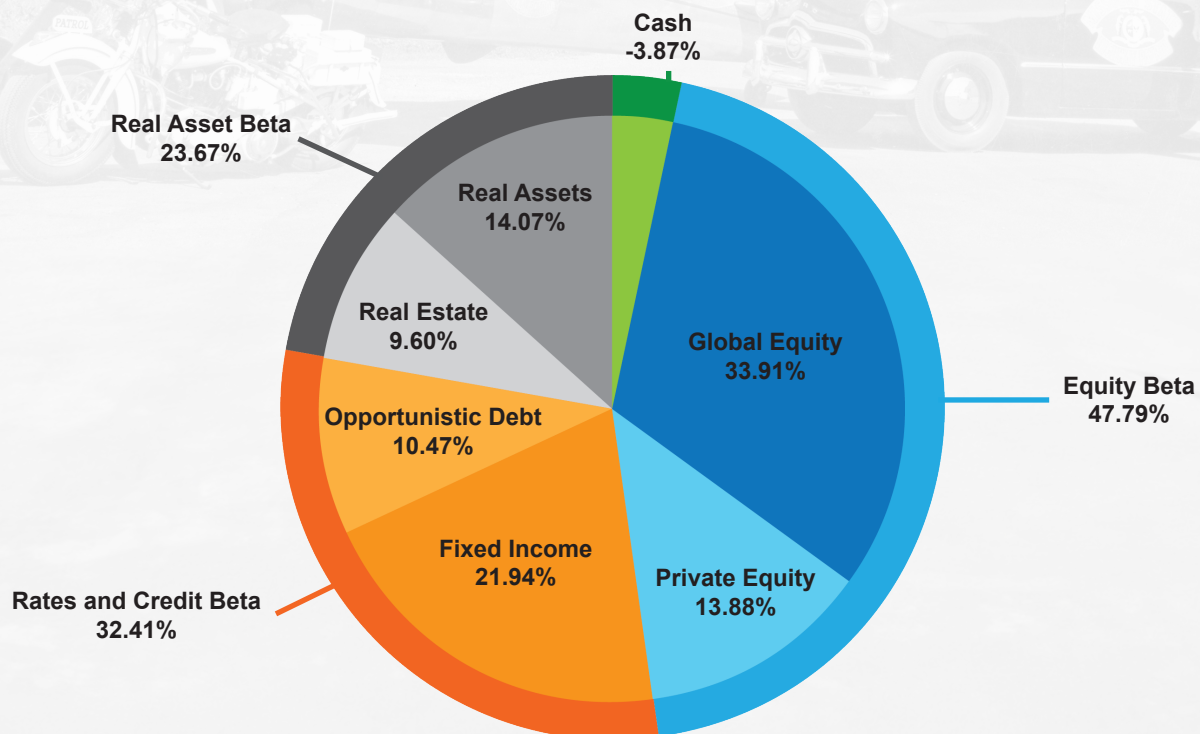
Investment Performance

MPERS' investment portfolio generated an 8.88% return for the year, net of all management fees and based on time-weighted rates of return and market valuations. As of June 30, 2023, MPERS' investment portfolio had a total fair value of \$3.27 billion, representing an increase of \$209 million from June 30, 2022.

| | FY 2023 | FY 2022 | FY 2021 |
|------------------|---------------|---------------|---------------|
| Asset Value | \$3.3 billion | \$3.1 billion | \$3.0 billion |
| 1-Year Return | 8.88% | 3.94% | 30.80% |
| Policy Benchmark | 6.43% | -4.35% | 23.47% |
| 3-Year Return | 13.97% | 10.61% | 11.63% |
| Policy Benchmark | 7.92% | 7.11% | 11.79% |
| 5-Year Return | 9.50% | 9.61% | 11.10% |
| Policy Benchmark | 7.30% | 7.56% | 10.79% |
| 10-Year Return | 9.27% | 9.71% | 9.59% |
| Policy Benchmark | 7.62% | 7.98% | 8.79% |
| 20-Year Return | 8.32% | NA | NA |
| Policy Benchmark | 7.46% | NA | NA |

Asset Allocation

MPERS' investment consultant completes an asset/liability study every five years to determine whether or not changes are needed to the asset allocation. The asset allocation is reviewed annually by the Board. Below is the MPERS performance summary based on asset allocation as of June 30, 2023.



MPERS' funding objective is to meet current and future benefit obligations of retirees and beneficiaries through contributions and investment earnings.

Each year, an actuary calculates the liability associated with the benefits, determines the funded status, and calculates the contribution rate necessary to fund the System in accordance with the Board-approved funding policies.

Funding Policy

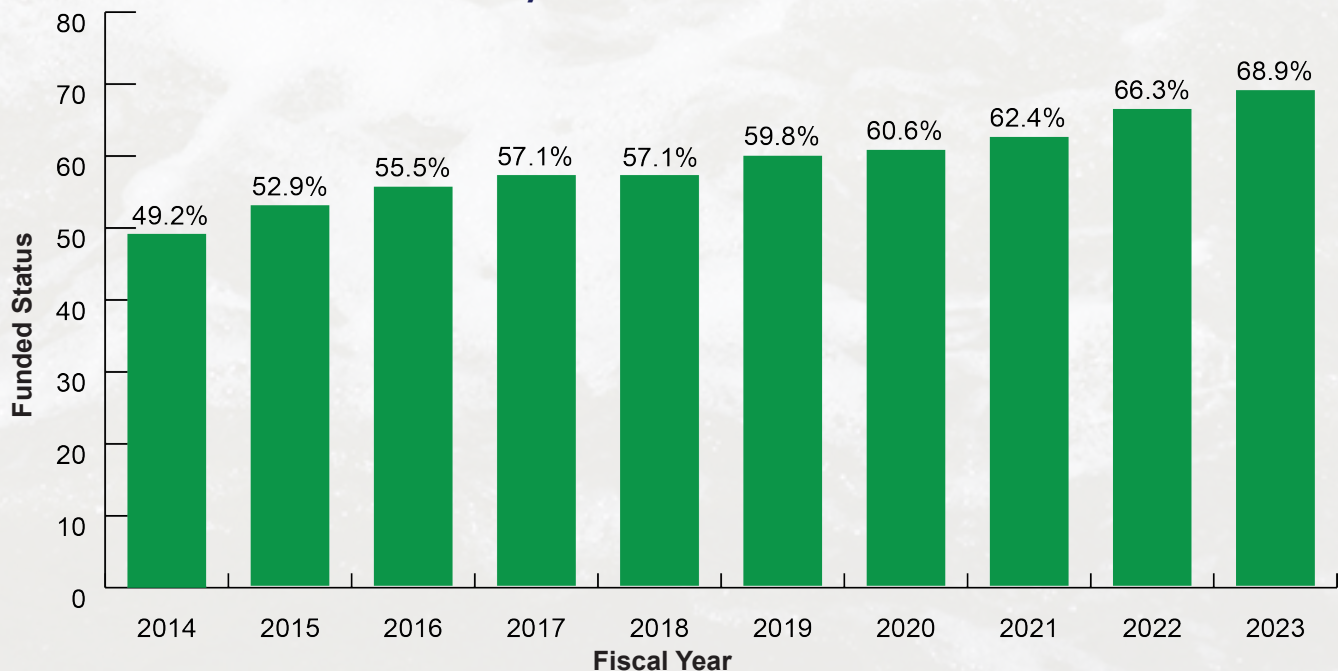
In an effort to address the System's underfunded status, the Board adopted policies intended to improve MPERS' funded status over the past 17 years. In June 2023, the Board amended the funding policy with the intent to continue positive progress for both funding and contribution rates. As of June 30, 2023, the funding policy has a one-year closed amortization period for unfunded retiree liabilities and a 16-year closed amortization period for the other unfunded liabilities.

Funded Status Calculation

The current funded status can be calculated by dividing the the current actuarial value of assets by the total actuarial accrued liability (what is needed to fund future benefits). During the fiscal year ending June 30, 2023, the funded status increased by 2.64% to 68.97%.

| | | | | |
|--|----------|--|----------|----------------------------------|
| Current Actuarial Value of Assets | ÷ | Total Actuarial Accrued Liability | = | Current Funded Status |
| \$3,247,983,333 | | \$4,709,391,407 | | 68.97% |

History of MPERS' Funded Status



Funding

Contribution Rates

When the plan was created in 1955, both employees and employers paid contributions equal to four percent of the employee's first \$7,500 of salary. In 1976, legislation was passed which made the System non-contributory and all contributions, plus interest, were refunded to members. From then until 2011, the cost of the plan was funded solely by employer contributions and investment income. In 2010, legislation was passed that created the contributory 2011 Tier. Employees hired for the first time in a benefit-eligible position on or after January 1, 2011, must contribute four percent of their salary to help fund their retirement benefits.

The Board sets the contribution rate as a percentage of payroll based on actuarial recommendations.

The contribution rate is based on a number of factors, including: current level of benefits, number of participants, current and future pay levels, members' age and average life expectancy, expected earnings on investments, and the System's unfunded liability.

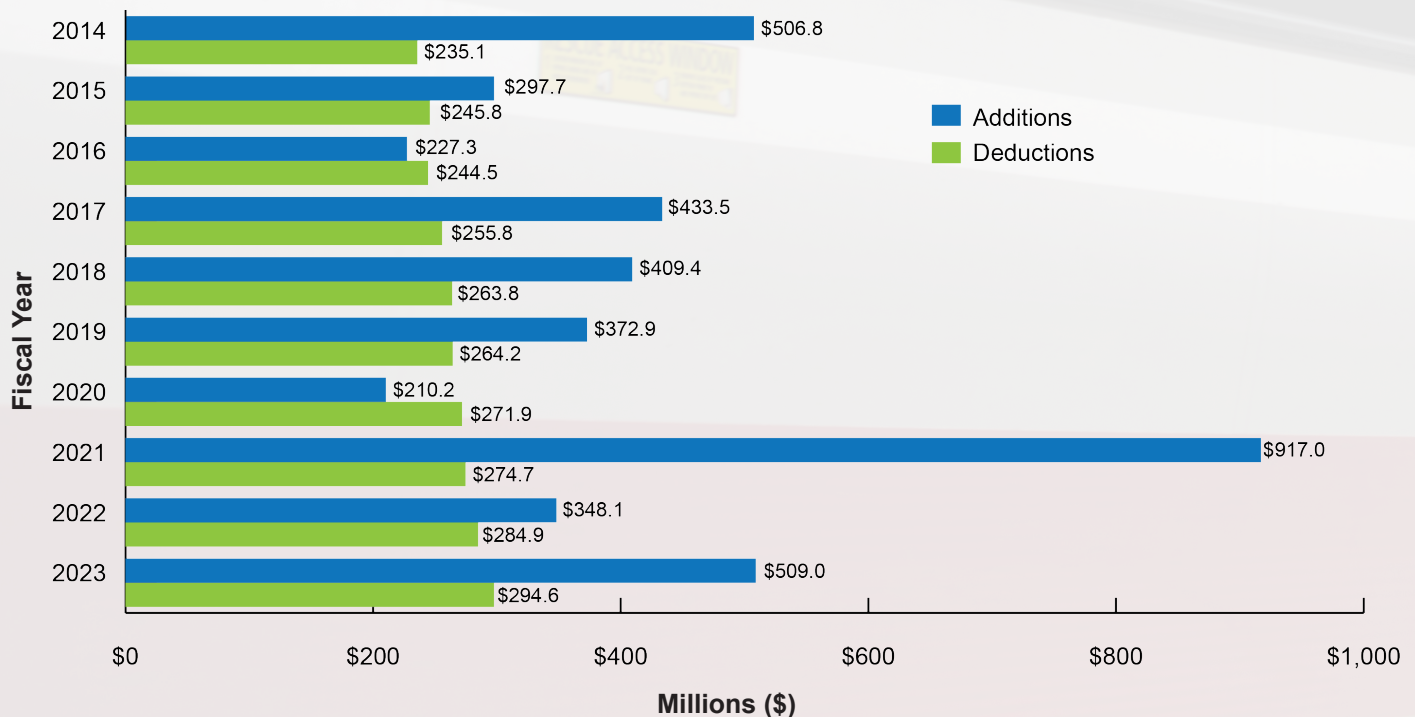
FY 2023 Employer Contribution Rates

| | MoDOT & Civilian Patrol | Uniformed Patrol |
|--|-------------------------|------------------|
| Normal Cost of Benefit | 9.250% | 17.230% |
| Administrative Expenses | 1.220% | 1.220% |
| Disability Insurance Premium | 0.475% | 0.475% |
| Total Normal Cost | 10.945% | 18.925% |
| Catch Up Payment on the Unfunded Liabilities | 47.055% | 39.726% |
| Total Employer Contribution Rate | 58.000% | 58.651% |

The investment portfolio is constructed to generate income that, when added to employer contributions, is sufficient to meet benefit obligations and expenses.

Contributions + Investment Income vs. Benefit Payments + Expenses

(additions) (deductions)



Retirement Plans

To participate in MPERS, an employee must be employed in a benefit-eligible position for the MoDOT, MSHP, or MPERS. A benefit-eligible position requires the performance of duties during at least 1,040 hours per year (half-time or greater). Based on hire date, members participate in one of three plans.



Benefit Formula

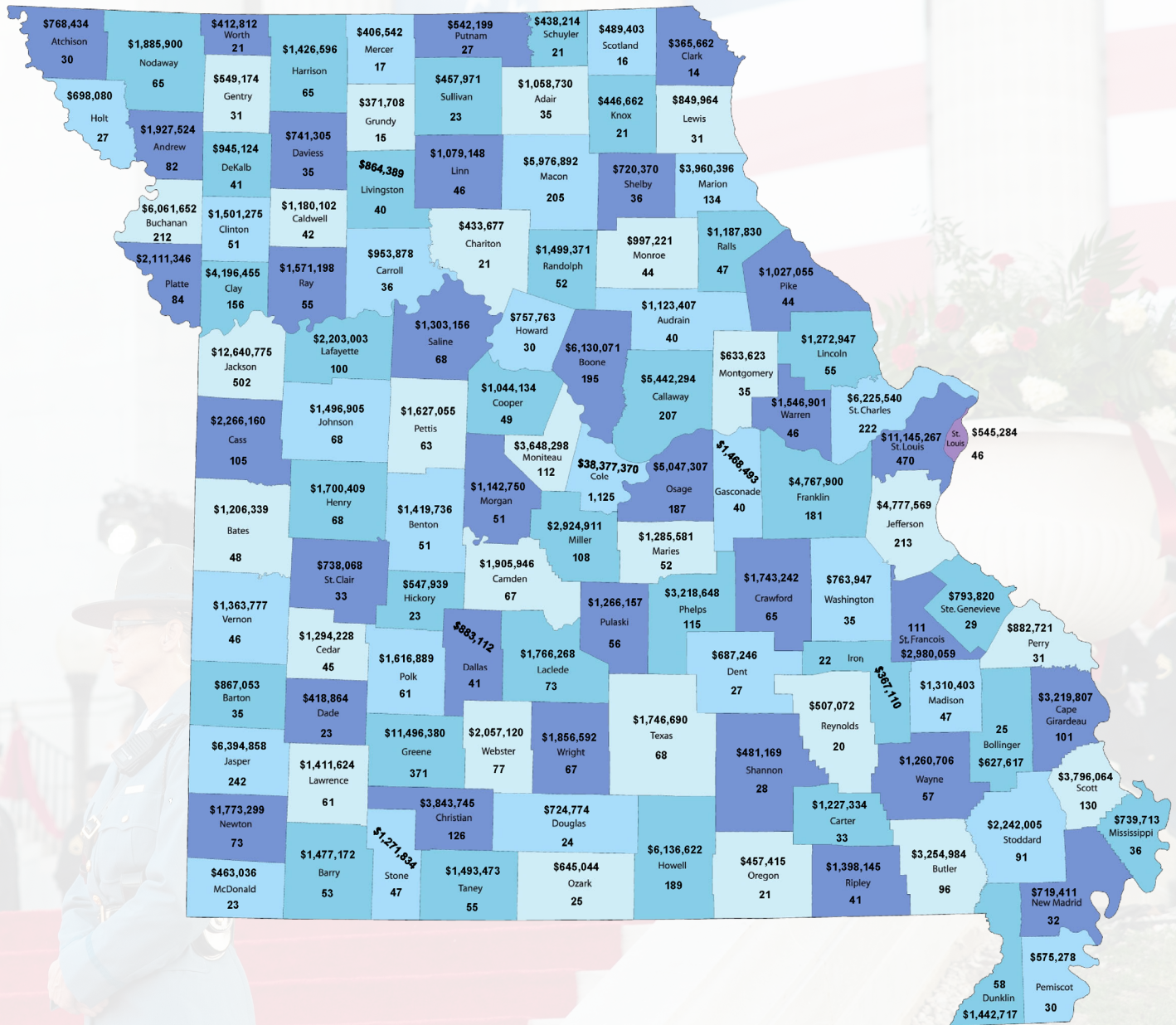
Benefits are calculated using a formula set by law. The benefit formula includes final average pay, credited service, and a multiplier set by law.

| Final Average Pay | X | Credited Service | X | Multiplier | = | Monthly Base Benefit |
|---|---|---|---|-------------------------------|---|---|
| The average of the highest 36 consecutive months of pay | | Years and months of service worked, purchased, and/or transferred | | A percentage set by state law | | Paid for the lifetime of the benefit recipient and/or eligible spouse |



Benefits

This map represents the annual benefits paid to Missouri residents covered by MPERS, by county, for the fiscal year ended June 30, 2023.



During the 2023 fiscal year, MPERS' overall membership decreased by 82. Retired members and their beneficiaries increased by 164, active members decreased by 234, and terminated-vested members decreased by 12.

Active members include active employees who work in a benefit-eligible position at MoDOT, MSHP, or MPERS. Once an active member has five years of credited service, the member is considered vested and is eligible to receive a retirement benefit at a future date.

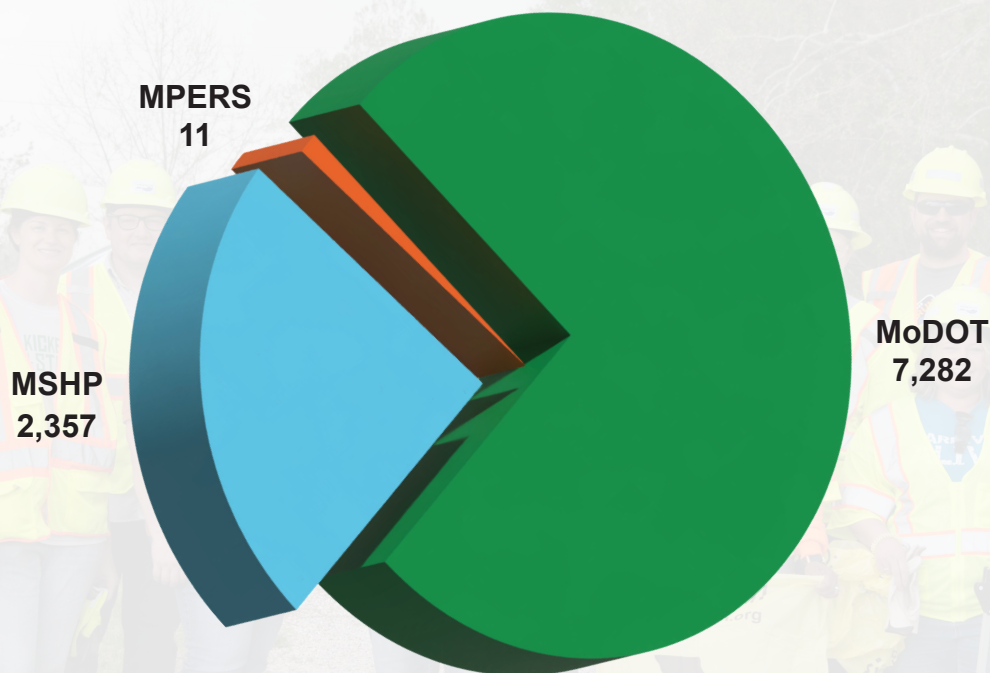
Terminated-vested members are those who left employment at MoDOT, MSHP, or MPERS after becoming vested but prior to reaching retirement eligibility. Once certain age and service requirements are met, these individuals will be eligible to begin collecting retirement benefits.

MPERS provides long-term and work-related disability benefits for active employees of MoDOT, MSHP, and MPERS.

MPERS' Membership as of June 30, 2023

| | Closed | Year 2000 | 2011 Tier | Total |
|---|--------------|--------------|--------------|---------------|
| Retirees, Beneficiaries, and Disabilities Currently Receiving Benefits | 4,769 | 4,805 | 76 | 9,650 |
| Terminated Employees Entitled to But Not Yet Receiving Benefits | 842 | 1,027 | 375 | 2,244 |
| Active Employees | | | | |
| Vested | 1,296 | 1,871 | 1,514 | 4,681 |
| Non-Vested | 3 | 40 | 1,898 | 1,941 |
| Total Membership | 6,910 | 7,743 | 3,863 | 18,516 |

Benefit Recipients as of June 30, 2023



Retiree Location

This map represents the demographic distribution of retirees by state and country for the fiscal year ended June 30, 2023.

