



## The Pensioner: In the Moment

Welcome to the digital MPERS newsletter! *The Pensioner: In the Moment* contains news, updates, and important information for retirees of the Missouri Department of Transportation, the Missouri State Highway Patrol, and MPERS.

### MPERS' Asset Value Reaches Over 3 Billion!



It truly was a remarkable year for the investment portfolio!

June 30th marked the end of the 2021 fiscal year, and what a year it was! The estimated total fund performance stands at **30.8%**; an incredible return compared to the -0.46% return for the 2020 fiscal year (thanks, COVID!).

Additionally, MPERS hit a new milestone as the net asset value crossed the \$3 billion threshold. This is another remarkable feat for MPERS' investment staff considering only six years ago the fund crossed the \$2 billion threshold!

## MPERS' Matters

### Investments PART 3

In the March edition of *The Pensioner: In the Moment*, the oversight formula was introduced:

$$C + I = B + E$$

**C = Contributions**

**I = Investments**

**B = Benefits**

**E = Expenses**

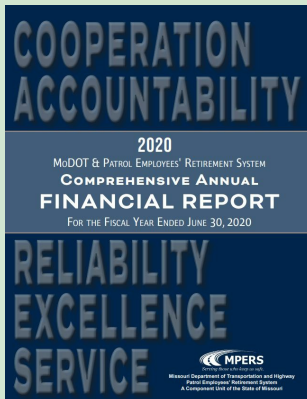
As we continue to cover the investment component of the oversight formula  $C+I = B+E$ , we move now to part three of the series. Part three will look briefly at the investment fees portion of MPERS' investments.

The investment fees associated with MPERS' portfolio consist of two different types of fees: management fees and performance fees.

Management fees are typically a percentage of those assets under management or based on committed capital (MPERS' promised portion of the investment). For public investments (like stocks and bonds), these are often the only fees that are paid.

Performance fees are a part of most alternative investment structures (or private investments) where investors partner with investment managers to invest funds according to the rules of the partnership agreement. If the funds perform well, the investment fees are higher, but that also means that the System is receiving a higher return (the System is making more money). If the funds perform poorly, investment fees are lower or not owed at all. Performance fees are a powerful tool in that both the System and the investment managers have a common interest: performing at the highest level in order to maximize the System's returns.

It is important to keep in mind that MPERS operates on a net-of-fees basis, which means the return reported each fiscal year is the return after the investment fees have been paid and any reported return goes directly to the System. The return rate for Fiscal Year 2021 was a remarkable 30.8%. When making decisions with regard to the investment portfolio, MPERS' investment staff (along with the Board) considers a number of factors including the expected net-of-fees returns (i.e., returns after fees/expenses) and always negotiates the lowest fees possible. In spite of MPERS managing billions of dollars, it is still a relatively small institutional investor, which often means we are "term takers" not "term makers." That is, we often must accept the terms of the investment managers and have little bargaining power with regard to fees.



***If you would like to know details about MPERS' Investment Fees, please check out the Investment Section of the [2020 Comprehensive Annual Financial Report](#).***

MPERS' asset allocation comes with a substantial fee load because it relies heavily on alternative assets, which come at a higher cost. This detail was known and understood when the Board established the asset allocation. The Board thought the higher cost was acceptable given the higher level of projected net-of-fee returns, relative to less costly asset allocations, along with the increased diversification of assets which protects the fund when the market declines. It may be useful to know that one of the most expensive asset classes, private equity, has provided the largest absolute net-of-fee returns relative to other assets classes for MPERS over most time horizons.

Investment fee reporting for public pension plans has evolved significantly over the years but still has room for improvement. MPERS made the decision some time ago to report investment fees in the most transparent manner possible. These fees are reported at least annually to the Board of Trustees, as well as for other stakeholders, in the MPERS annual financial report. The disadvantage to MPERS in reporting the level of fee detail reported in the annual report, is that most other public pension plans outside of Missouri do not report fees in the same way. That is, most public pension plans do not report the level of fee detail, so when MPERS is compared with other public plans, it appears that MPERS is paying exorbitant fees. Do not be fooled by this discrepancy. MPERS' fees are competitive and consistent with other institutional investors.

For more information on investment fees, check out the [White Paper Fee Analysis](#) and [White Paper Fee Analysis Part II](#).

## Board Elections Are Coming!

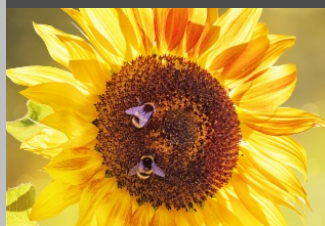


The MPERS Board of Trustees is made up of 11 members, four of which are elected by active employees and retirees of MoDOT and the Highway Patrol. The four elected members are:

- One active employee of the Highway Patrol
- One retired member of the Highway Patrol
- One active employee of MoDOT
- One retired member of MoDOT

The next election cycle is approaching quickly and will occur during the Spring of 2022. If you wish to make your voice heard by casting a vote, please make sure you have an active [myMPERS Secure Member Access Account](#).

If you aren't sure about the status of your myMPERS account, please contact MPERS at 800-270-1271 or [mpers@mpers.org](mailto:mpers@mpers.org).



August

## Upcoming Events

- 15 - Deadline to submit direct deposit and/or tax withholding changes. [Complete changes here.](#)
- 31 - Payday for benefit recipients



We value your feedback!  
What would you like to see in ***The Pensioner: In the Moment?***  
Send comments and suggestions to [Julie.West@mpers.org](mailto:Julie.West@mpers.org).