To Our Stakeholders:

There is truth to the business axiom “what gets measured gets managed."

This annual report is designed to provide our members and stakeholders with information regarding various measurement tools MPERS had in place to gauge performance during the 2019 fiscal year.

Inside you will find information about both investment and operations performance. Investment performance tends to be easily measured by rates of return, policy benchmarks, and asset values whereas operations performance is measured by member responses to our satisfaction surveys. We have several other measures to help us manage the System, but in this report, we are sharing with readers what we feel is the most relevant information to them. With that being said, we continue to seek new ways to measure performance and those yet-to-be-identified measures could appear in future versions of this report.

We hope you find the information contained in this report useful. Should you see anything in this report that raises a question, please do not hesitate to contact us at mpers@mpers.org.

Sincerely.

Scott Simon
Executive Director
Asset Value

The mission of MPERS is “to provide a basic level of financial security to plan participants by delivering quality benefits and exceptional customer service through professional plan administration and prudent management of System assets.” Simply stated, MPERS must have sufficient assets to pay monthly benefits.

**Purpose of Measure:** To gauge the financial growth of the System and its ability to pay promised benefits.

Funded Status

A fully funded pension plan is one in which the market value of the plan’s assets is enough to cover 100% of current benefits earned by its members. The funded status of a retirement system is generally a good indicator of its financial soundness and ability to pay future benefits. Since 2006, the Board has adopted a number of funding policies intended to improve the system’s funded status.

**Purpose of Measure:** To determine the financial soundness of the System including any trends in the funding status.

MPERS’ Return vs. Peer Median vs. Policy Benchmark

Assets are invested in accordance with a structured allocation approved by the Board of Trustees. The allocation is normally developed through an asset-liability study performed as a joint effort between the System’s investment consultant and actuary. The best measure of the investment return is the policy benchmark, which is based on the asset allocation.

**Purpose of Measure:** To track and compare MPERS’ annual investment returns with the peer median and policy benchmark.

History of Funded Status

History of Asset Value
Operations Performance Measures

Membership

The membership of MPERS is important for a number of reasons. The ratio of actives versus retirees illustrates the maturity of the system (i.e., a balanced 1:1 ratio reflects a mature plan). It also can help illustrate the workload for the plan. Active membership can fluctuate for a variety of reasons but the beneficiary pool will typically grow until it plateaus. The more members, regardless of status, typically equals greater demands on retirement system personnel.

**Purpose of Measure:** To gauge the trend of MPERS’ membership and the balance between active members and retirees.

![Membership Graph]

Office Visits

We define “customers” to be all encompassing (employees, retirees, survivors, etc.). The critical decisions made during the retirement process are irrevocable and will affect the member for the rest of their life. One-on-one counseling is the most effective means of explaining the benefit provisions. Members can receive individual counseling at the MPERS office or by phone. If there is enough interest to justify the trip, staff will travel to the employer’s office for one-on-one counseling with members.

**Purpose of Measure:** To determine if those visiting the MPERS office were satisfied with the service they received. Staff is evaluated on knowledge, professionalism, and service.

![Customer Satisfaction - Office Visits Graph]
Operations Performance Measures

Benefit Presentations

MPERS’ staff conducts an average of 26 half-day Pre-Retirement Seminars annually, throughout the state, for MoDOT and MSHP employees. Employees who are eligible to retire or within five years of retirement are invited to the seminars, with empty seats then being offered to anyone wishing to attend two weeks prior to the seminar. We strongly encourage members to bring a spouse/guest. In addition, we complete various other basic benefit presentations (i.e., special) throughout the year in order to enhance member knowledge on the benefits we administer. The volume of these presentations can vary greatly from one year to the next, subject to employer request and staff availability.

**Purpose of Measure:** By gauging attendance, MPERS’ staff can determine if the number of seminars should be adjusted.

Pre-Retirement Seminar Satisfaction

Attendees are asked to complete an evaluation form at the conclusion of each Pre-Retirement Seminar. The goal of the seminars is to provide information on several topics such as retirement benefits, medical insurance, and deferred compensation. The seminar presenters are rated on the presentation, material, value of information, and if it met the participants expectations. For purposes of this performance measure, we have focused on answers to the statement “how would you rate this seminar overall?”

**Purpose of Measure:** To determine the effectiveness of MPERS’ staff in explaining the retirement benefits to attendees of the Pre-Retirement Seminars.
Operations Performance Measures

Actual Expenditures vs. Budget

Preparing an annual budget can be a daunting task. It requires precise planning of current budgetary items, consideration for the potential for unplanned expenses, and the ability to forecast unannounced vendor increases to products and services they provide.

**Purpose of Measure:** This measurement provides an indicator of the degree to which budgeted expenditures are controlled. It may also be used to determine the adequacy of the budgeting process.

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### History of Expenditures

There are a multitude of story lines and explanations connected to the historical cost of doing MPERS business. Those stories and explanations are much too detailed to include here. What may be surprising is the cost for our administrative unit today is flat relative to a decade ago. On the investment side, the increase reflects the fact that we have gone from a one-person shop to four employees, with more responsibility for internal management (including real savings on management fees) than would have been the case a decade or more ago.

**Purpose of Measure:** This information is intended to illustrate any trends that may be associated with the costs associated with operating the retirement system.

### 10-Year History of Actual Expenditures and Budget

[Graph showing the 10-year history of actual expenditures and budget with data for Total, Administrative, Investment, and Budget across years.]
Cost Per Member Analysis

We have participated in the CEM (cost effectiveness measurement) benchmarking survey a couple of times in the past. Consistent participation is not practical from a cost perspective and CEM has difficulty maintaining a network of peers similar in size to MPERS. Nonetheless, we can perform our own very basic assessment of MPERS overall costs relative to systems similar in size. Our cost analysis takes the gross operating costs and divides it by the member population (active employees, retirees, and vested former members) to arrive at a “cost per member.” MPERS ranks eighth in this peer group at $286. The average for the peer group is $347 indicating that MPERS is a lower cost operation. There is an economies of scale factor that is worth noting in this analysis. That is, the more members a plan has (the denominator in the equation), the better the potential for being low cost. Montana, for example, has the third lowest cost per member but they also have the largest population in this analysis of over 61,000 members.

**Purpose of Measure:** The purpose of this measure is to provide some context for how MPERS' costs compare to other pension plans similar in size to MPERS.