

PERS

PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF MISSISSIPPI

PROVIDING SECURITY
FOR YOUR FUTURE

Looking Forward

PERS Member Newsletter
February 2009

Deferred Compensation contribution limits increased

For those wanting to save more for retirement, the Internal Revenue Service has increased annual contribution limits to specified retirement plans for 2009, including the Mississippi Deferred Compensation Plan and Trust (MDCPT).

MDCPT is a voluntary supplemental tax-deferred retirement savings plan offered through the Public Employees' Retirement System (PERS) of Mississippi to all state employees, elected officials, employees of participating political subdivisions, and independent contractors of the state or participating political subdivisions.

The MDCPT normal contribution limit increased Jan. 1 from \$15,500 to \$16,500 (or 100% of includible compensation, whichever is less.)

For employees within three years of retirement eligibility, the retirement catch-up provision limit increased from \$31,000 to \$33,000, which is twice the normal maximum.

The catch-up provision for employees age 50 or older increased from a total of \$20,500 (normal maximum of \$15,500 plus \$5,000 catch-up) to \$22,000 (\$16,500 plus \$5,500 catch-up).

A participant may use the retirement catch-up provision during any or all of the three taxable years prior to the year in which he or she becomes eligible for retirement benefits. This excludes the calendar year in which the participant

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Deferred Compensation Annual Contribution Limit Increases

| | Normal Contribution* | Retirement Catch-Up | 50 Plus Catch-Up** |
|-------------|----------------------|---------------------|--------------------|
| 2008 Limit: | \$15,500 | \$31,000 | \$20,500 |
| 2009 Limit: | \$16,500 | \$33,000 | \$22,000 |

* Or 100% of includible compensation, whichever is less

** Normal maximum plus catch-up

PERS offers additional Focus sessions in spring

To help Mississippi public school teachers planning to retire at the end of the school year, the Public Employees' Retirement System (PERS) of Mississippi will offer additional retirement Focus sessions in the spring.

These free two-hour, small group sessions, like all Focus sessions, are open to any PERS member considering retirement and provide details on the retirement process, as well as estimates of each attendee's potential benefits. Held at the PERS Building in Jackson, the sessions are usually offered at 9:30 a.m. Tuesdays and 2 p.m. Thursdays. However, additional sessions will be held March 16-20, April 7-9, and April 14-16. *(See sidebar.)*

Pre-registration for all sessions is required. To register, visit the PERS website or call the Customer Service Center at (800) 444-7377 or (601) 359-3589.

Free full-day seminars also are offered to any PERS member. Topics include: Estate Planning, Mississippi Deferred Compensation Plan and Trust, Social Security Benefits, and PERS Benefits and Options. *(See sidebar.)*

Like Focus sessions, seminars require pre-registration.

For members needing individualized benefits counseling, PERS also provides one-on-one help. Call the Customer Service Center to schedule a personal session.

Special Focus Sessions Schedule

| Date | Time | Location |
|-------------|-------------------|-----------|
| March 16-19 | 9:30 a.m., 2 p.m. | PERS |
| March 20 | 9:30 a.m. | PERS |
| April 7-9 | 9:30 a.m., 2 p.m. | MGCCC JD* |
| April 14-16 | 9:30 a.m., 2 p.m. | MGCCC JD* |

* MS Gulf Coast Community College, Jefferson Davis Campus

Full-Day Seminar Schedule, February-June

| Date | City | Date | City |
|----------|---------------|----------|---------------|
| Feb. 11 | Jackson | April 29 | Summit |
| Feb. 18 | Meridian | May 6 | MS State |
| Feb. 25 | Ocean Springs | May 13 | Ocean Springs |
| March 4 | Greenville | May 20 | Meridian |
| March 18 | Hattiesburg | June 3 | Jackson |
| March 25 | Senatobia | June 17 | Hattiesburg |
| April 15 | Vicksburg | June 24 | Oxford |

Special Insert Issue - PERS' Popular Annual Financial Report (PAFR) 2008



Executive Director's Column by Pat Robertson

PERS invests for long term, increases Employer Contribution Rate

With the state of today's financial markets, concern over retirement security is valid. But benefits for the active and retired members of the Public Employees' Retirement System (PERS) of Mississippi remain financially secure, guaranteed by law, and not influenced by the day-to-day fluctuations in the markets.

PERS investments are well diversified in a strategic asset-allocation mix that includes U.S. and international stocks, fixed income bonds, real estate, and cash. This mix helps to moderate the effects that one company or a few companies may have on the performance of the total fund and can help offset some of the potential losses in the portfolio during times of negative volatility like we are experiencing now.

Market weakness and uncertainty are not new to PERS. Our long-term, diversified investment strategy helped us weather the market value losses after the dot-com bust and 9/11 in 2001 and 2002, investment bank failures in the 1990s, and the market crash of 1987. We fully expect to do the same this time.

Being vigilant in protecting the benefits of members and retirees means remaining proactive, staying prepared, and not relying solely on the earnings on invested assets for funding but also on employee and employer contributions. Therefore, because of this diversified reliance and due to the unfavorable actuarial experience for FY 2008, the PERS employer contribution rate must increase July 1 from 11.85% to 12.00%.

In 2005, Cavanaugh Macdonald Consulting, LLC, (CMC), PERS' consulting actuary, recommended an employer contribution rate increase of 1.75%, taking the then 10.75% rate to 12.50%. In an effort to minimize the impact to employers, PERS, in conjunction with the leadership of the Senate and House, recommended a phased implementation of the increase in 0.55% increments over the subsequent four years with the understanding that the need for increases would be reevaluated annually.

The employer rate increased as originally planned for the

first two years; however, in conjunction with the FY 2006 actuarial report, the PERS Board of Trustees decided that the actuarial value of assets be "marked to market" to recognize all realized gains and losses that had occurred to date. This resulted in positive actuarial experience that set the Unfunded Accrued Liability (UAL) period at 29.3 years, just below the 30-year maximum period as prescribed by the Governmental Accounting Standards Board (GASB). Therefore, it was no longer necessary to continue to increase the employer contribution rate to meet the GASB requirement. So the Board, after consultation and in conjunction with advice from CMC, made the decision to maintain the employer contribution rate at the 11.85% rate. This decision was made with the understanding that should the UAL period exceed 30 years in the future it would be necessary to increase the employer rate as had originally been recommended in 2005.

Employer Contribution Rates

| Fiscal Year Beginning | Percentage of Covered Payroll |
|-----------------------|-------------------------------|
| July 1, 2005 | 10.75% |
| July 1, 2006 | 11.30% |
| July 1, 2007 | 11.85% |
| July 1, 2009 | 12.00% |
| July 1, 2010 | To Be Determined |

Unfortunately, due to unfavorable actuarial experience in FY 2008, the Board needed to increase the employer contribution rate. At the October Board meeting, CMC recommended and the Board approved that the rate be increased by 0.15% to 12.00% to maintain the UAL at a period below 30 years. The 12.00% employer contribution rate is less than the 12.50% recommended in 2005; however, employers have been advised that unless there is a significant market correction prior to June 30, 2009, contribution rates will be further impacted in future years.

From the PERS Glossary

Defined Benefit Plan/ Defined Contribution Plan

The Public Employees' Retirement System (PERS) of Mississippi is a Defined Benefit Plan (DB Plan) and not a Defined Contribution Plan.

Under a DB Plan, retirement benefits are based upon a formula that factors a retiree's years of creditable service* and his or her average compensation.** This plan ensures that, regardless of how long a retiree lives or the fluctuations of the money markets, a predictable monthly retirement benefit will be allocated to that retiree until his or her death.

Under a Defined Contribution Plan, such as a 401(k), retirement benefits are based upon contributions to the plan by the employee and/or employer and how those contributions fare as investments resulting in a member's account balance at retirement.

Some of the advantages of DB Plans are:

- participants are guaranteed benefits through the duration of their lifetime;
- professional consultants and money managers determine and select the best mix of stocks, bonds, and other investments for all participants; and
- low-cost to participants due to investment earnings on the overall portfolio.

The National Council on Teacher Retirement provides a detailed online guide to "The Value of Your Public Sector DB Plan." To view this guide, visit www.nctr.org/pdf/DBPlanWEB.pdf.

For more information about PERS and its DB Plan, call the Customer Service Center at (800) 444-7377 or (601) 359-3589.

* Creditable service is defined as a member's years of employment with PERS-covered agencies plus any additional credit received (such as credit for unused and uncompensated leave time and military credit).

** Average compensation is defined as a member's average salary for the four highest years of employment. These years may be calendar, fiscal, a combination of both with no overlapping, or the member's final 48 months of employment.

PERS How to:

Retire from service

The Public Employees' Retirement System (PERS) of Mississippi provides its members with a simple retirement process that gives the individualized information needed for members to make informed benefit payment decisions and transition smoothly out of service. Members planning to retire should follow the process (listed below) and are encouraged to attend a Focus session or full-day seminar. (See cover story for more on Focus sessions and seminars.)

Step 1: Choose a date to retire and submit the pre-application for benefits at least 90 days in advance.

The member must complete Part 1 of PERS Form 9A SRVC, *Pre-Application for Service Retirement Benefits*, which can be downloaded from the PERS website at www.pers.state.ms.us/pdf/Forms/FORM9ASRVC.pdf.

That member's current or last employer(s) must complete Part 2 and submit the completed form to PERS with a copy of the member's birth certificate at least 90 days before the desired effective retirement date to ensure timely processing.

PERS will use this information to provide the member with a personalized, audited Final Estimate of Benefits and an individualized packet of forms that include:

- Form 9S, *Final Application for Service Retirement Benefits*
- Form 9P, *Payroll Authorization*
- Form PLSO, *Partial Lump Sum Option Distribution Election* (if eligible)

Step 2: Complete all applicable forms from the packet and submit to PERS before the effective date of retirement.

- Form 9S, *Final Application for Service Retirement Benefits*, allows members to:
 - select a benefit payment option,
 - designate a beneficiary, and
 - elect whether or not to take the PLSO, if eligible.
- Members will need to submit with this form copies of the birth certificates of designated beneficiaries for specified options.
- Direct deposit of benefits is mandatory. Members will use Form 9P, *Payroll Authorization*, to specify federal tax withholding status, exemptions, and preference. They also will elect either a lump sum or monthly COLA payment method on this form.

PERS Board of Trustees

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Lariviere

Lariviere re-elected, IHL runoff held

Thomas Lariviere, City of Madison fire chief, has been re-elected as the municipal employees representative on the Board of Trustees of the Public Employees' Retirement System (PERS) of Mississippi. After a fall runoff election, Lariviere defeated Jean Ishee, Petal city clerk. Lariviere, who began this six-year term Jan. 1, was first elected in 2006 to complete an unexpired term.

A January runoff election was held to fill the unexpired Institutions of Higher Learning position left vacant by the retirement of Dr. Richard Miller. Runoff candidates were Dr. Cecil Hill, Jackson State University assistant professor of accounting, and Dr. Joseph Paul, vice president for Student Affairs for the University of Southern Mississippi. Voting results will be reported in the next *Looking Forward*.

Deferred Compensation, continued from cover

retires or separates from service. Under federal tax laws, a participant may use this provision one time in his or her lifetime.

The 50 plus catch-up provision is not limited to three years; may be utilized as long as the participant is employed; and cannot be used with the retirement catch-up.

To take advantage of the contribution limit increases, MDCPT participants may meet with a representative or obtain a form via mail or by visiting www.pers.state.ms.us, first clicking "Deferred Comp" then "Enrollment."

A participant wanting to make changes to his or her investment options online may do so by clicking "Account Access." Prior to accessing an account online, a participant must establish a Personal Identification Number (PIN). To establish or change a PIN, call (800) 892-4352 and follow the recorded instructions.

To speak with Systematized Benefits Administrators, the third-party administrator for MDCPT, call (601) 364-9350 or (800) 846-4551.

Contact PERS

(601) 359-3589 or (800) 444-7377

PMailAccount@pers.ms.gov

www.pers.state.ms.us

8 a.m.-5 p.m., Monday-Friday

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