

LOOKING FORWARD

Member contribution rate to increase from 7.25 to 9.00 percent

Active members of the Public Employees' Retirement System of Mississippi (PERS) will contribute more toward their retirement beginning July 1 due to a bill passed by the Mississippi legislature in April.

Since 1991, PERS members have contributed 7.25 percent of their gross salary toward their retirement. In a special session called by the Governor in April to address the funding of PERS, the legislature passed House Bill 1 (HB 1), which raises the member contribution rate to 9.00 percent. To put that in perspective, a member who is single, claims no withholding exemptions and is earning a gross annual salary of \$35,000 with an estimated net income of \$24,612 would see a reduction in that net income of about \$480 annually.

HB 1 includes two benefit improvements intended to offset the bearing of the rate increase on employees.

The first improvement provides that members will receive an additional one-half day of leave toward retirement for each full year of membership service accrued after June 30, 2010 (e.g., a member who accrues 30 years of membership service after June 30, 2010, will receive 15 days of leave toward retirement service credit that will be added to any other leave that has been certified to PERS for service credit).

The second improvement provides an additional benefit option, a 75 percent joint and survivor annuity, to members who retire on or after January 1, 2011.

Executive Director's Column by Pat Robertson

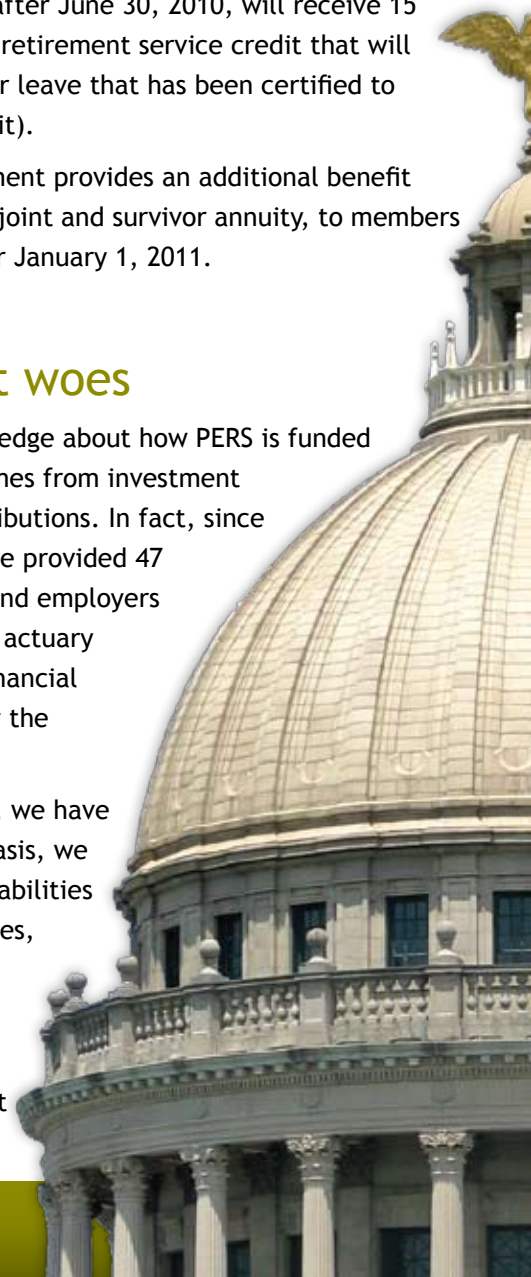
Member rate increase outcome of state budget woes

To understand why a member contribution rate increase was necessary, basic knowledge about how PERS is funded is needed. The primary component of funding a retirement system such as PERS comes from investment earnings over time on contributions accumulated from employer and member contributions. In fact, since PERS began investing in the equity markets in August 1980, investment earnings have provided 47 percent of the funding necessary for benefits, with members providing 22 percent and employers providing 31 percent. The PERS Board of Trustees, under the guidance of consulting actuary Cavanaugh Macdonald Consulting, LLC (CMC), monitors this funding to ensure the financial soundness of PERS and that we are in compliance with the guidelines established by the Governmental Accounting Standards Board (GASB).

PERS is not immune to volatility in the financial market. While on a long-term basis, we have exceeded our actuarial assumed rate of return on investments, on a shorter term basis, we have not. The recent market downturn—coupled with the fact that PERS' accrued liabilities have more than doubled since June 30, 1998, due to growth in the number of retirees, improved mortality, and the compounding effect of benefit improvements—has negatively affected our funded status.

As a result, the Board, at its October meeting and based on the recommendation from CMC, voted to increase the employer rate from 12.00 percent to 13.56 percent effective July 1. However, recognizing the stress this

Continued page 2



increase would have on a state budget already in serious financial condition, the Board also considered phasing in an employer rate increase; raising the member rate alone or in conjunction with raising the employer rate; or taking no action altogether, which would mean PERS' financial status would be outside GASB-specified parameters.

In evaluating a member contribution rate increase and any associated contractual or legal issues, the Board requested an opinion from the state Attorney General (AG). The AG's responding opinion was that member contributions could not be increased without providing a corresponding benefit improvement. Based on that opinion, the Board concluded PERS could not financially sustain adding a benefit improvement substantial enough to appropriately correspond to a rate increase. Furthermore, failing to fund PERS at the level as prescribed by GASB was unacceptable.

Therefore, following much deliberation on the issue, the Board decided the only prudent option was to increase the employer contribution rate from 12.00 percent to 13.56 percent effective July 1 as passed in October.

However, the majority of the Mississippi legislature felt the increase in contributions should be shouldered by the members because of the potential cost to employers during the current state budget crisis. Therefore, House Bill 1 passed the House April 22 and the Senate April 23. The bill is expected to be signed into law by the Governor.

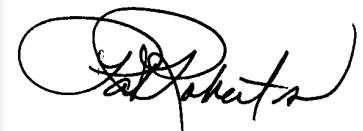
As a result of the legislature's increasing the member's rate, the Board took action April 27 to delay until July

1, 2012, implementation of the scheduled employer rate increase to 13.56 percent but will, at its October meeting, evaluate the funded status of PERS, taking into consideration the effect of the new member rate and any other actuarial gains and losses that may have occurred during the year. This will determine what, if any, effects there will be on future member and employer contribution rates.

This increase means that today's members will pay more toward the normal cost of their benefits (see blue box below), while more of the employer contributions are redirected to pay unfunded benefit improvements (see green box below).

Having our members see a reduction in the funds they have to live on is difficult. However, I know that our members—like the legislature and the Board—understand the importance of maintaining a financially sound retirement system for Mississippi's active and retired

public employees. To that end, please know that our Board and staff are dedicated to ensuring the financial sustainability of PERS and that we, as always, are proud to serve you.



Normal Cost

The cost of providing benefits for services performed by today's members is called the normal cost (e.g., the normal contributions made on behalf of the teacher providing services by teaching taxpayers' children today fund the benefits he or she will receive at retirement). This is a shared responsibility between the member and employer, demonstrating the employers' commitment to the member and the member's commitment toward funding his or her retirement.

Unfunded Accrued Liability Cost

Ideally, all benefits are funded through the normal cost, equally shared by employer and member. However, when benefits are increased retroactively or there are actuarial losses, employer contributions must either be increased or be redirected from funding the normal cost to funding these unfunded benefit costs, which are called unfunded accrued liability costs. With the increase in the employee contribution rate to 9.00 percent, the primary responsibility of funding the normal cost will fall to members, and members will be paying 80 percent of the normal cost, while the employer will be paying 20 percent.



PERS 2010

Legislative Summary

Effective July 1, 2010, except as otherwise provided

House Bill 1 - Due from Governor May 21

- Increases the employee contribution rate from 7.25 percent to 9.00 percent of earned compensation
- Provides that members who retire after July 1, 2010, shall receive credit toward retirement for one-half day of leave for each full year of membership service accrued after June 30, 2010
- Creates Option 4, a 75 percent joint and survivor annuity, and makes it available to members who retire on or after January 1, 2011

House Bill 957 - Approved by Governor April 28

- Allows a member in municipal or county elected office to continue in office at retirement without a break in service provided that he or she has reached age 62, or as otherwise provided by the Internal Revenue Service
- Requires employers to pay employer contributions for a reemployed local elected official on the full salary in effect for the position
- Effective July 1, 2011, provides that a retiree must be retired for not less than 90 consecutive days from his or her effective date of retirement (instead of 45 consecutive days), or such later date as established by the PERS Board of Trustees, before he or she may be reemployed on a limited basis or engaged as an independent contractor
- Effective July 1, 2011, provides that the employer of any retired member who is working after retirement (other than local elected officials as noted above) will pay the full amount of the employer's contributions on the amount of compensation received by the retiree for his or her post-retirement limited employment

Senate Bill 3083 - Approved by Governor April 14

- Limits the amount of paid leave that is used in the calculation of average compensation at the death of a member to 30 days (previously 150 days) as used for service or disability retirement
- Revises the surviving spouse benefit to reflect that the benefit payable to a qualifying surviving spouse will be the greater of Option 2 and 20 percent of average compensation
- Allows a surviving spouse, who is also the named beneficiary for a refund of contributions, to file a waiver of monthly benefits after the death of the member
- Provides that PERS does not pay interest on any benefits, including, but not limited to, benefits that are delayed as a result of an administrative determination or an appeal from an administrative determination
- Modifies provisions of SLRP, MHSPRS and MRS to include language to allow a retiree/beneficiary to waive part or all of the benefit for purposes of qualifying for other benefits

Senate Bill 3078 - Approved by Governor March 17

- Increases to 30 years the number of years of creditable service required for retirement regardless of age for persons who become members of PERS on or after July 1, 2011
- Increases to 33 years the number of years of creditable service required to select a partial lump sum distribution for persons who become members of PERS on or after July 1, 2011

PERS Board of Trustees

**Board Chairman &
Retirees Representative**
Lester Herrington

State Treasurer
Tate Reeves

**Gubernatorial
Appointee**
Paul Hurst

**Retirees
Representative**
Virgil F. Belue

**County Employees
Representative**
Bill Benson

**State Employees
Representatives**
Ed LeGrand
H.S. "Butch" McMillan

**Municipal Employees
Representative**
Tom Lariviere

**Institutions of Higher
Learning Representative**
Joe Paul

**Public Schools and
Community/
Junior Colleges
Representative**
Lee Childress



429 Mississippi Street
Jackson, MS 39201-1005

PRSRT STD
U.S. Postage
PAID
Jackson, MS
Permit No. 531

Contact PERS

800.444.7377 601.359.3589 www.pers.state.ms.us

Providing Benefits for Life

PERS Pre-Retirement Full-Day Seminar Schedule

PERS will offer Pre-Retirement Full-Day Seminars at no charge to any covered PERS member from 9 a.m. to 4 p.m. at the dates and locations listed below.

Topics include: estate planning, Mississippi Deferred Compensation, Social Security benefits and PERS benefits and options.

Pre-registration for members and guests is required. To register, visit www.pers.state.ms.us or call 800-444-7377 or 601-359-3589.

June 2....Booneville	Sep 22....Hattiesburg
June 16 ..Meridian	Sep 29....Meridian
June 23 ..Hattiesburg	Oct 13....Greenville
Jul 7.....Clarksdale	Oct 20....Gulfport
Jul 28Jackson	Oct 27....Jackson
Aug 11 ...Tupelo	Nov 3.....Booneville
Aug 18 ...McComb	Nov 17 ...Hattiesburg
Aug 25 ...Vicksburg	Dec 8.....Meridian
Sep 8Mississippi State	Dec 15 ...Oxford

PERS Board IHL representative candidates sought

Candidate petitions for Institutions of Higher Learning employee representation on the PERS Board of Trustees will be mailed to IHL agencies July 8.

Candidates must be employed by IHL and active PERS members with at least 10 years of creditable service. Petitions must be signed by 25 or more active members working for IHL and will be due to PERS by 5 p.m. August 9.

Dr. Joseph S. Paul, vice president for Student Affairs at the University of Southern Mississippi, was elected to the Board in February 2009 to complete an unexpired term through December 31, 2010. The new IHL representative term will run from January 1, 2011, to December 31, 2017.

The 10-member Board includes the state treasurer, a gubernatorial appointee who is a member of PERS, two retirees, two state employees and one representative each of public schools and community colleges, IHL, counties and municipalities. With the exception of the state treasurer and the gubernatorial appointee, board members are elected to staggered six-year terms.