

PERS investments return 10.72%



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PERS enjoyed another strong year during the fiscal year ending June 30, 2006, with a return on investments of 10.72%. It was the third consecutive year that the return has exceeded the actuarial assumption rate of 8%.

The actuarial assumption rate is the figure used by PERS actuary in determining future benefits. To meet future obligations, PERS must average an 8% annual return.

What’s important is how PERS does on a long-term basis. The report for the last fiscal year shows that PERS is doing well, with an average return of 9.24% for the past 15 years.

As the graph below illustrates, PERS rate of return has had its ups and down, depending upon the performance of domestic and international financial markets. The late 1990s was a strong time, with a double digit rate of return

for five consecutive years (FY 1995-99).

But when the technology bubble burst, PERS had three consecutive years with returns below the actuarial assumption rate (FY 2001-2003). The three years since have been far better, with an average return of 11.68%.

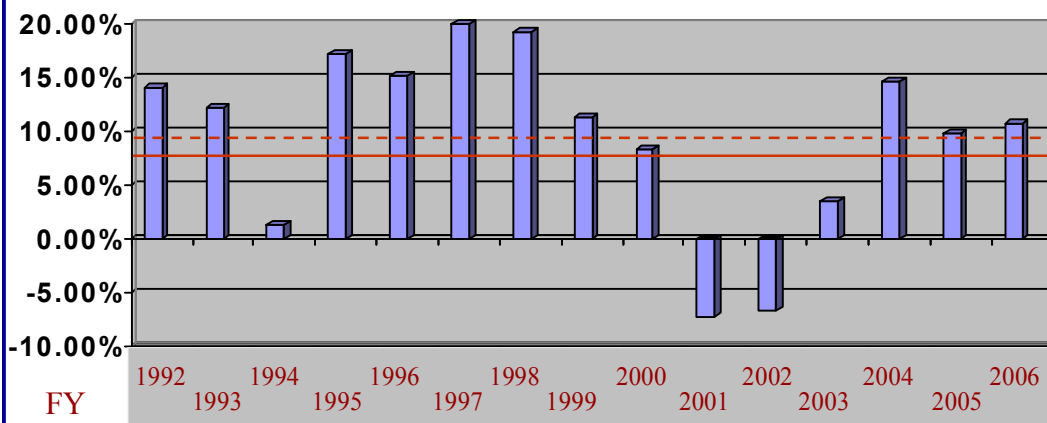
With assets totaling approximately \$19 billion, PERS has investments throughout the world and employs 32 professional money managers to invest these assets in accordance with an Asset Allocation Policy adopted by the PERS Board of Trustees that provides maximum return without undue risks.

International equity (stocks) was the strongest performing area of PERS’ investments during FY 2006, with a return of 25.97%.

Real estate has been another strong contributor, with an annualized return of 22.5% for the past three fiscal years.

PERS RATE OF RETURN

FY 1992 – FY 2006



PERS’ return on investments has exceeded the actuarial assumption rate of 8% (solid red line) for 11 of the last 15 years. The average return has been 9.24% (broken red line).

PERS is a defined benefit plan because that is best for its members

In this column, I'd like to take the opportunity to share a few facts about public pension plans in general and Mississippi PERS specifically.

Many of you have probably heard news reports about attempts in some states to change retirement benefits for public employees and the push to change from a defined benefit (DB) plan to a defined contribution (DC) plan, as provided by most private corporations.

Due to the economic downturn in the markets during 2001-2003, the funding status of most public plans decreased and some have argued that moving to a DC plan would be more economical. This would transfer the responsibility for retirement to each individual and would not necessarily ensure a secure retirement future.

This does not appear to be an issue of concern for Mississippi and I do not anticipate any push to change from a DB plan to a DC plan. Even if at some point, the plan were changed, you, as a retiree, would not be affected. Your benefits are secure. The benefits due to you are a contractual obligation of the State and are protected under the Mississippi Constitution.

The following information provides a few facts about Mississippi PERS and public plans at a national level.

Mississippi PERS

- Had a funded ratio exceeding 72% as of June 30, 2005. PERS had more than 72 cents for each dollar owed in liabilities.
- Has \$19.0 billion in assets.
- Provides benefits and services to more than 350,000



retirees and members.

- Distributes benefits of \$1.3 billion annually (93% remains in Mississippi).
- Estimated annual economic impact on Mississippi — \$3.9 billion.
- Funded primarily by investment income, which provided 65% of PERS funding during fiscal year 2006.

Employer contributions provided 21% and employee contributions provided 14%.

- Had annualized investment returns of: 10.72% for a one-year period, 11.68% for three years, 6.13% for five years and 7.98% for 10 years (June 30, 2006).

Public Plans (as a group) at a national level

- Have a funded ratio of over 86 percent.
- Have \$2.8 trillion in assets.
- Provide benefits and services to more than 20 million retirees and members.
- Distribute benefits of more than \$130 billion annually.
- Funded primarily by investment income of 77% for fiscal year 2004. Employer contributions provided 15% and employee contributions 8%.
- Had annualized investment returns of: 13.3% for three years, 5.1% for five years, and 8.6% for ten years (December 31, 2005).

I hope this has answered some of the questions and concerns you may have had as a result of news reports you have heard. As always, I welcome your questions, comments and suggestions.

THE ADVANTAGES OF A DEFINED BENEFIT PLAN

RISK	DEFINED BENEFIT PLANS	DEFINED CONTRIBUTION PLANS
Investment Risk	Members will not suffer if they retire during a down market.	Members fare well when financial markets do well. But when there is a downturn in the markets, as occurred from 2001-2003, members don't fare as well.
Longevity Risk	The member receives benefits for life	Benefits are not guaranteed for life.
Inflation Risk	Most plans, including PERS, provide members with an annual cost-of-living adjustment (COLA) that offsets the effects of inflation.	A defined contribution plan does not provide a COLA.
Disability Risk	PERS, like most plans, provides lifetime benefits if the member is disabled prior to retirement eligibility and unable to continue working.	A disabled member would receive only the value of his or her account.
Survivor Risk	If a member dies prior to retirement, PERS and other plans provide benefits to family members or other designated beneficiaries.	Survivors would receive only the value of the account.

A reverse mortgage may provide financial security for senior citizens

What is a reverse mortgage and how does it work? Can it help you afford more, live more and play more? The following information about reverse mortgages is provided by the U.S. Department of Housing and Urban Development (www.hud.gov) AARP (www.aarp.org) and Senior Job Bank (www.seniorjobbank.org).

In 1987 the United States Department of Housing and Urban Development (HUD) created reverse mortgages to give older Americans who own a home the opportunity for greater financial security.

The program allows qualified homeowners to borrow against the equity in their homes. Unlike ordinary equity loans, **a reverse mortgage does not require repayment as long as the borrower lives in the home.**

Dr. Marion Dunn Tutor, Director of the Division of Aging and Adult Services, Mississippi Department of Human Services, said a reverse mortgage may be beneficial. "It may be helpful if people get to the point where they need a reverse mortgage to stay in their homes."

In order to qualify for this type of mortgage, a homeowner must be at least 62 years old and have his or her mortgage either paid off or close to being paid off.

The size of a reverse mortgage loan is determined by the borrower's age, the interest rate and the home's value. The older a borrower, the larger the percentage of the home's value that can



Could your home be your source for financial security?

be borrowed.

For example, if you are 65 years old you can borrow up to 60% of your home's value. A 75-year-old can borrow up to 70% and an 85-year-old nearly 80%.

There are lender limits, though, set by the Federal Housing Administration (FHA) for each city and county. These limit range from \$172,632 in rural areas to \$312,895 in most major metropolitan areas.

Now you may be wondering what a

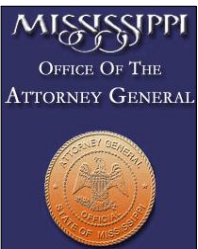
lender gets out of a reverse mortgage if you do not need to make payments on it. **How does a lender make back the money loaned to you?**

Prior to receiving the loan, a one-time fee of 2% of the home's value is owed the lender as an up-front payment. Each year thereafter, an additional fee based upon one-half (½) percent of the loan balance is charged to the homeowner as well. These charges can be paid by the lender, but they become part of the borrower's principal balance.

When the homeowner decides to sell the house or if it is refinanced by heirs, it's at this point that the lender will recover the principal, plus interest. Any extra money left over from the sale is then given to the homeowner or to his or her survivors. Currently, if proceeds from the sale are insufficient to pay the amount owed to the lender, HUD steps in and pays the remaining balance.

The only current federally insured reverse mortgage is through Home Equity Conversion Mortgage (HECM),

For more information on reverse mortgages, call HUD's Housing and Referral Line at 1-800-569-4287 (toll free.)



Scammers are after your credit card security code

The Mississippi Attorney General's Office has warned the public to be aware of a credit card scam that has been reported across the country.

"The scam is slick because the callers appear to be giving information to you," said Attorney General Jim Hood. "They do not ask for your card number because they have already obtained it. What they are seeking is the security code on the back of your credit card. By understanding how the credit card scam works, you'll be better prepared to protect yourself."

The following is an example of how the scam operates:

You receive a call from someone posing as the representative of a credit card company. The caller will introduce himself or herself as being from the company's security and fraud division, and will say "Your card has been flagged for an unusual purchase pattern and I'm calling to verify." The caller will ask if you made a specific purchase. When you answer no, the caller will tell you the credit card

company will issue a credit to your account.

If a telephone call is uninitiated, do not give out personal information

The following is important on how the scam works. The caller will tell you he needs to verify that you are in possession of your card and will ask you to turn it over and read the numbers off the back. The first four numbers are your card number, the last three are the security numbers.

"The information the scammer wants is the 3-digit PIN (security code) number on the back of your card," Mr. Hood said. "This allows them to make Internet purchases with your card. To protect yourself, never give this number to anyone calling for it, especially when you did not initiate the call."

If you are unsure about the authenticity of such a call, hang up, then call the number on the back of your credit card.

Retiree organization news

Retired Troopers raise \$10,000 for Katrina victims

The Mississippi Highway Patrol Retired Troopers Association (MHPRTA) has awarded nine checks totaling \$10,000 to retired troopers and widows of retired troopers who suffered losses due to Hurricane Katrina.

“The money was raised primarily from members and friends of MHPRTA as an effort of retired troopers helping retired troopers,” MHPRTA President Walter Tucker said.

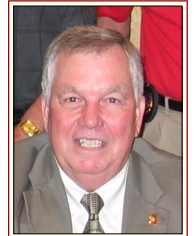
The organization also received a generous donation from Rock Creek Mission, Inc., of Jasper, Alabama, thanks to retired trooper Emmett Boozer who is a board member of the church. Since this contribution came in after payments were made to Katrina victims, the MHPRTA Board will determine any special needs of victims and award additional money to them.

All money donated for the Retired Troopers and Widows Hurricane Relief Fund will be given to victims.



Highway Patrol System will benefit from new troopers

Mississippi Highway Patrol Retired Troopers Association President Walter Tucker said the retiree organization is pleased that the Mississippi Highway Safety Patrol added 43 new troopers to its ranks with the graduation of Cadet Class 57.



Walter Tucker

“These new troopers were sorely needed to help make our highways safer for our citizens,” Mr. Tucker said. “The addition of the new troopers will also benefit the Mississippi Highway Safety Patrol Retirement System with the additional payments being made into the Retirement System. Prior to the addition of these new troopers, there were more retired troopers than active troopers.

“Cadet Class 58 has already started so we can look forward to even more new troopers being added to the Highway Patrol in a few months.”

REPM goal is 5,000 members by the end of 2006



Are you a retired professional school teacher or administrator or the spouse of a retired teacher or administrator? If your answer is yes, Retired Education Personnel of Mississippi President Bob Ellard urges you to consider joining REPM.

“We are working to increase our membership,” Mr. Ellard said. “We currently have about 4,300 members. Our goal is to have 5,000 by the end of the year. Eventually, we would like to get it up to 7,500.”

REPM lobbies the Legislature on behalf of retirees and public education in Mississippi and keeps members abreast of important issues through local units in every county and newsletters. The organization also provides

scholarships to students who attend public Mississippi universities in the state and plan to become teachers in the state, and promotes efforts at the grassroots level by retired educators to provide mentoring and other services.

The primary effort to increase membership will be through the local units and through individual members, according to Mr. Ellard. “Our members contact people they know are retired educators.”

REPM membership is open to any retired educator, with annual dues of \$10. For information about membership or to contact the local REPM director, call Kay Lloyd at (601) 939-6059.

Jackson-Hinds retired educators meet six times a year

The Jackson-Hinds Chapter of Retired Education Personnel of Mississippi (REPM) meets six times a year at the Jackson Municipal Art Gallery, 839 North State Street, with a guest speaker and a program of interest

to retirees at each meeting.

“We would like to invite all retired educators to our meetings,” said Mary Johnson, Membership Chairman for the chapter.

The next meeting will be Friday,

November 10. All meetings begin at 9:30 a.m and last approximately 1½ hours. Registration is not required.

The other meetings are held in February, March, April, September and October.

Lump sum COLA payments will exceed \$219 million

It will be a Merry Christmas for more than 55,000 PERS retirees this year when the Retirement System makes lump sum Annual Adjustment payments totaling \$219.2 million. That's the total for PERS, the Supplemental Legislative Retirement Plan and the Mississippi Highway Safety Patrol Retirement System.

Checks will be mailed Thursday, December 14, 2006, to Annual Adjustment recipients who receive benefits by mail. For recipients who receive benefits by direct deposit, the Annual Adjustment (also called the COLA or 13th check) will be transmitted Friday, December 15, 2006.

To be eligible for an Annual Adjustment this year, a retiree must have begun receiving benefits no later than July 1, 2005. **Retirees who chose by irrevocable election to receive the Annual Adjustment in monthly installments will not receive a 13th check in December.**

Forms to receive the Annual Adjustment in monthly installments (Irrevocable Election Form — PERS Form 20) and for direct deposit (Direct Deposit Authorization — PERS Form 21) may be downloaded from the Forms Library on the PERS website (www.pers.state.ms.us) or may be obtained by calling PERS using one of the telephone numbers on the last

page of this newsletter.

Retirees will receive the same amount during the fiscal year whether they receive the Annual Adjustment in a lump sum or in monthly installments. Including retirees who receive the Annual Adjustment in monthly installments, PERS will provide payments totaling \$266.4 million to nearly 66,000 retirees during the current fiscal year (July 1, 2006-June 30 2007).

Refer to the table below for direct deposit and mailing dates for the next three months and for the lump sum COLA.

	Direct Deposit Date	Check Mailing Date
November 2006	Wednesday, Nov. 1	Tuesday, Oct. 31
December 2006	Friday, Dec. 1	Thursday, Nov. 30
Lump Sum COLA	Friday, Dec. 15	Thursday, Dec. 14
January 2007	Tuesday, Jan. 2	Friday, Dec. 29



All PERS retirees are eligible for MRPEA membership

The Mississippi Retired Public Employees' Association (MRPEA) is the only organization in the State of Mississippi that represents all public retirees.

"If you are a public retiree and you are not a member of this organization, you need to give serious consideration to joining," MRPEA President Dr. Billy Thames said. "We invite you to go to our website www.mrpea-inc.org to see what this organization is all about and how it represents you."

Dr. Thames pointed out that MRPEA sponsored the legislation in 1985 to protect the Retirement System by prohibiting the use of funds for any other purpose. "The leaders, back in those days, decided that this organization should continue to exist to serve as a watchdog for the

Retirement System."

Today the MRPEA Board of Directors works closely with the PERS Board and staff to see that the Retirement System is protected. "Dues are \$10 per year and every retiree can afford this amount," Dr. Thames said.

Member applications may be obtained from the website or by calling 1-866-819-0987 (toll free) and leaving a message. MRPEA will respond by mail or will telephone you as soon as possible. MRPEA has a part-time office manager who is not always available to answer telephone calls.

MRPEA membership is also open to active PERS members who want to keep up with what is going on in the retirement world.

MRPEA members invited to quarterly Board meetings

The Mississippi Retired Public Employees' Association (MRPEA) Board of Directors meets four times a year. All members are invited to the meetings, but are asked to make a reservations by calling MRPEA office

manager Pat Berry at 1-866-819-0987 (toll free) or (601) 919-0670 from the Jackson area.

The Board has scheduled 2007 meetings for January 15, April 16, July 16 and October 15. Locations of the

meetings have not been determined, but all will be in the Jackson area.

The Board is considering holding future Board meetings throughout the state. If the change is made, it would not be effective until 2008.

Visit the nation's best historic parks for \$10 a lifetime

GOLDEN AGE PASSPORT

Any resident of the United States age 62 or older is eligible to purchase a *Golden Age Passport* from the National Park Service. The Passport will allow members to receive a discount on park entrance fees for a lifetime.

The *Golden Age Passport* is valid at National Park Service, Bureau of Land Management, Corps of Engineers, Fish and Wildlife Service, Forest Service, and Tennessee Valley Authority sites.

If the park has a per vehicle entrance fee, the Passport admits the pass owner and any accompanying passengers in the vehicle. If there is a per person entrance fee, the Passport admits the pass owner, spouse and children.

It also allows the pass holder to receive a 50% discount on federal use fees charged for facilities and services. Such services include camping, swimming, parking, boat launching and specialized interpretive services.

A *Golden Age Passport* must be obtained in person at a federal area, such as a National Park, Wildlife Refuge,



Shiloh National Military Park in Tennessee, just north of Corinth, is one of the sites that can be visited with a Golden Age Passport or a Golden Access Passport.

National Forest, etc. where an entrance fee is charged. Proof of age and residency, such as a driver's license or birth certificate, must be presented at the time of purchase.

GOLDEN ACCESS PASSPORT

A *Golden Access Passport* is a free, lifetime admission pass issued to U.S. citizens regardless of age who are

permanently disabled or blind. It admits the pass owner and accompanying passengers in a private vehicle and provides a 50% discount on federal use fees. At parks with individual fees, the pass admits the pass owner, spouse, parents and children.

A *Golden Access Passport* must be obtained in person and with proof of eligibility at a federal area where an entrance fee is charged.

Q&A

Frequently asked questions from PERS retirees

1-800-444-7377 (toll free)

(601) 359-3589 (Jackson area)

Q. How can I change my federal income tax withholding?

A. To change the withholding, complete and submit a PERS Form 17, Certificate of Withholding Preference, to the PERS Payroll Department. You may request this form by calling PERS or you may print the form through our website

Q. How do I obtain verification of my retirement benefits?

A. You may request this information by calling PERS or by submitting a letter requesting the information to PERS, 429 Mississippi Street, Jackson, MS 39201-1005. Due to the Privacy Act, we are unable to release any specific information about member accounts over the telephone.

We will respond to your request in writing. To have the information faxed,



Betty Anderson is one of the analysts in the PERS Information Center who are available to answer your questions from 8 a.m. to 5 p.m. Monday through Friday.

we require a written request to be faxed or mailed to us with your name, Social Security number, signature, specific directions for us to fax a "Benefit

Verification Letter," and the fax number to which you wish the information faxed.

Q. When will I receive my annual income tax statement (IRS Form 1099R) from PERS?

A. Generally, this form is mailed to all benefit recipients the fourth week of January. If you do not receive your copy early in February, you may obtain a duplicate form by calling PERS.

Q. How do I change my mailing address?

A. You may change your mailing address by submitting a PERS Form 1C, Change of Information. You may obtain this form by calling the PERS office, or you may print this form through our website Forms Library.

**PERS retirees reside in all 50 states...
but most call Mississippi home**



Five states with the most PERS retirees

MISSISSIPPI	65,383
TENNESSEE	968
ALABAMA	756
LOUISIANA	532
FLORIDA	512

PERS retirees live in all 50 states, the District of Columbia, the Virgin Islands and nine foreign countries. But more than 92 percent (65,383 as of the June 2006 payroll) still call the Magnolia State their home.

At the opposite end of the scale, only one retiree each lives in Delaware, North Dakota, Rhode Island and Vermont.

Mexico is home to three retirees, Greece to two and Australia, Costa Rica, France, Norway, the Philippines, Thailand and the United Arab Emirates one each. There is also one resident of the Virgin Islands, a U.S. territory.

Refer to the map above to find out how many retirees reside in each state and the District of Columbia.

Ten Mississippi counties with the most PERS retirees

HINDS	7,488
RANKIN	3,584
HARRISON	2,999
JACKSON	2,310
MADISON	1,928
LAUDERDALE	1,920
OKTIBBEHA	1,912
JONES	1,851
LEE	1,483
LAMAR	1,448

Retiree Profile

Teacher pay raise was Mrs. Lester's first 'victory' as a lobbyist

Most legislators know Marguerite Lester quite well. For more than three decades, she has been a regular at the State Capitol during legislative sessions, lobbying on behalf of the interests of public education, teachers and retirees.

"When I started with the Mississippi Education Association, Barbara Loper was the lobbyist. The staff helped her," Mrs. Lester said of her employment with the organization that lasted 12 years.

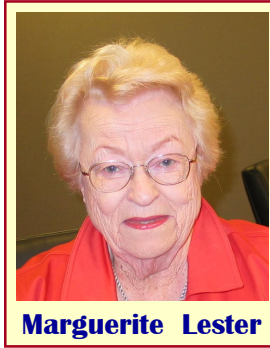
The late Charlie Johnson, the association's Executive Director, introduced Mrs. Lester to lobbying on behalf of public employees in Mississippi. "He would call and tell me what to do."

She fondly remembers a lobbying effort involving telephone calls to legislators and teachers throughout the state in support of a teacher pay raise approved by the Legislature.

"(Gov.) Bill Waller wanted to veto the bill. Mr. Johnson sent us home to use our phones so they could call from the office. We had people lined up in the halls making calls.

"The Governor had a press conference scheduled to announce the veto. Then a spokesperson came out and said he had signed the bill. That was our first big victory after I started with the association."

Since retiring from the Mississippi Education Association, Mrs. Lester has continued her lobbying efforts on behalf of



Marguerite Lester

retirees as Legislative Committee Co-Chairman for Retired Education Personnel of Mississippi (formerly the Mississippi Retired Teachers Association).

Mrs. Lester is a native of the Mississippi Delta, the daughter of a cotton farmer. She attended Stephens College in Missouri, graduated from Ole Miss, then married and lived in Memphis.

"When my husband died, I had three little boys, 10, 8 and 2. I had to find work."

She relocated to Jackson where her sister lived, received her teaching certificate from Belhaven College and taught home economics for 10 years in Jackson at the high school and middle school levels.

"It was wonderful to see the faces of the girls when they came up with new ideas," she said of her students.

Her sons have remained in Mississippi. Bill is Chairman of the Arts Department at Delta State University, Bob is in the automobile business in Jackson and John is employed with Verizon in Clinton. She has six grandchildren and five great grandchildren.

Mrs. Lester would like to see all retired educators who receive PERS benefits join Retired Education Personnel of Mississippi and participate in efforts on behalf of retirees. "If they get the benefits, they should be part of the effort," she said. "The more members we have, the stronger we will be."

**429 Mississippi Street
Jackson, Mississippi 39201-1005**

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