

Forward

A Newsletter for PERS Retirees

Vol. 1 No. 2

Investments performed well during FY 2004

Reversing a trend from the previous three years, the markets enjoyed a strong performance during the fiscal year that ended June 30, 2004, resulting in a healthy return on investments for the Public Employees' Retirement System.

The year-end report from Callan Associates, PERS' financial consultant, showed a 14.59% return for the fiscal year, exceeding the 8% assumption rate used by PERS' actuary in determining future assets and liabilities.

PERS finished the fiscal year with assets totaling \$16,124,872,528, an increase of \$1.74 billion during the previous 12 months.

PERS' return was 3.47% for FY 2003 after negative returns for FY 2001 and FY 2002. But despite that downturn in the markets, the FY 2004 report shows that the annualized return over the last ten (10) fiscal years

is 9.10% due to strong returns during the 1990's. State Treasurer and PERS Board member Tate Reeves noted that PERS has been able to exceed its actuarial assumption over the ten-year period "through multiple market cycles."

Even with the strong performance for FY 2004, unfunded liability periods for PERS, the Mississippi Highway Safety Patrol Retirement System and the Supplemental Legislative Retirement Plan are expected to increase when the Board receives actuarial reports in October. PERS' actuary uses a five-year "smoothing" method for determining unfunded liability; the method takes into account the return for each of the last five fiscal years. Because of the three down years, the annualized return for the last five (5) years was only 2.21%.

PERS makes investments in accordance with an asset allocation plan adopted by the Board to maximize the return without undue risks. Invest-

PERS FY 2004 Investment Returns

<u>Investment</u>	<u>Return</u>
Domestic Equity	21.60%
International Equity	27.49%
Fixed Income	0.19%
Real Estate	20.26%
Total Return	14.59%

ment categories include domestic equity (stocks), international equity, fixed income (bonds), and real estate.

Diversification is especially important in periods when stocks do not perform well. During fiscal year 2003, PERS' overall positive return resulted mainly from a 10.90% return for fixed income.

Real estate, the newest investment classification for PERS, enjoyed a strong first year in FY 2004, with a return of 20.26%.

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Public Employees' Retirement System of Mississippi Board of Trustees

Fred Walker, Chairman
Dr. Virgil Belue
Dr. Lee Childress
Deborah Giles
Doug Hague



Jan Larsen
Ed LeGrand
Dr. Richard Miller
Tate Reeves
Jeanne Walker

Frank Ready, Executive Director

Forward is an official publication of the Public Employees' Retirement System of Mississippi published quarterly for retirees.

Front page article is good news for PERS

I would like to take this opportunity to comment on several of the articles in this issue of *Forward*.

The article on the front page details good news about the performance of PERS' investments during the fiscal year that ended June 30. A 14.59% return during the 12-month period was especially welcomed news after what has been described as the worst three-year period in the history of the stock market.

Unfortunately, that three-year downturn will continue to have a negative effect on PERS' unfunded liability for several years because PERS' actuary uses a five-year period in determining the unfunded liability. Rest assured that your Retirement System is and will remain financially sound and that your benefits will continue to be paid when and as they are due.

As noted on Page 3, the election for a Retiree Representative on the PERS Board of Trustees is upcoming.



**Executive
Director's
Column
by
Frank Ready**

The incumbent, Fred Walker, will retire after serving the Retirement System from the time of its establishment more than 50 years ago. His experience and leadership on the Board will certainly be missed.

Any member receiving monthly benefits from the Retirement System is eligible to qualify for the election.

PHOTOS OF THE INTERIOR and exterior of the newly renovated PERS Building are on Page 5. After more than two years of construction, we are back "home" and are very proud of our building. The expanded facility will allow us to improve our

service delivery to our growing membership.

We invite you to visit the PERS Building whenever you are in Jackson.

THE RETIREES' CORNER on the last page provides presidents of the three statewide retiree organizations an opportunity to promote participation in their organizations. Retirees have a stronger voice when they work together. Please consider joining one of the organizations.

BEGINNING WITH THE NEXT ISSUE, *Forward* will profile one of the thousands of outstanding public servants who are now retirees in a regular feature called Retiree Spotlight. You will enjoy reading about your fellow retirees and their accomplishments and contributions, both as employees and in retirement.

If you know of a retiree deserving of recognition through the Retiree Spotlight, please contact PERS.

Who to contact about retiree insurance

Health and life insurance are available to PERS retirees through the state and through PERS.

State Sponsored Health Insurance Plan

Members enrolled in the State and School Employees' Health Insurance Plan as employees may elect to continue coverage after retirement. However, each member must apply through his or her employer for coverage as a retiree at the time of retirement.

PERS Sponsored Health Insurance Program

To protect Medicare-eligible retirees and their spouses who are not eligible for the State Sponsored Plan, the PERS Board of Trustees established the PERS Medicare Supplement Plan through Monumental Life Insurance Company.

Any eligible retiree may apply for coverage within 60 days of retirement or age 65, at any age if disabled and covered under Medicare Parts A and B, or, if Medicare-eligible, during an open enrollment period.

State Life Insurance

Eligible state and public school employees may enroll in the State and School Employees' Life Insurance Plan upon retirement to maintain insurance coverage.

PERS Life Insurance

The PERS Life Insurance Plan is a graded death benefit plan, with full payment of benefits in the fourth year of coverage. Any eligible retiree may enroll at retirement or during an open enrollment period, regardless of health.

Insurance Contact Numbers

Blue Cross Blue Shield of Mississippi
State and School Employees'
Health Insurance Plan
1-800-709-7881

Monumental Life Insurance Company
PERS Sponsored Medicare Supplement Plan
1-800-752-9797

**Mississippi Department of
Finance and Administration**
State and School Employees' Health
and Life Insurance Plans
Local: (601) 359-3411
Toll-free: 1-866-586-2781

Colonial Life & Accident Insurance Co.
PERS Sponsored Life Insurance Plan
1-800-845-7330

BOARD NEWS

Board schedules election for Retiree Representative

Board member and current Board Chairman Fred M. Walker has announced that he will retire when his current term ends April 30, 2005, ending more than half a century of service to the Retirement System, its members and retirees. An election will be held for the Board position representing retirees for a six-year term beginning May 1, 2005.

Mr. Walker joined PERS July 1, 1952, as assistant to William R. "Roddy" Hough, the first Executive Secretary. When Mr. Hough retired in 1972, Mr. Walker became Executive Secretary, a position he held until retiring in 1989. He continued serving retirees following his retirement, first as President of the Mississippi Retired Public Employees Association and then as a Retiree Representative on the Board since 1993.

NOTICES CONCERNING THE retiree election will be mailed Monday, November 1, 2004, to everyone who receives a monthly benefit from a



Fred Walker presided at the first Board meeting held in the new Board Room at the PERS Building.

retirement system administered by the PERS Board. Persons receiving monthly benefits may qualify for the election by filing petitions signed by at least 25 benefit recipients.

Any benefit recipient interested in being a candidate should contact PERS **after November 1, 2004**, to obtain a petition. Toll-free, call 1-800-444-7377, or from the Jackson area, please call (601) 359-3589.

The deadline for filing petitions at

the PERS Building is 5 p.m. Friday, December 3, 2004. Petitions received after the deadline will not be accepted, even if they are postmarked prior to the deadline.

Ballots will be mailed to all benefit recipients Wednesday, December 22, 2004. The deadline for returning ballots to PERS is 5 p.m., Monday, January 24, 2005. If no candidate receives a majority of votes cast in the first election, there will be a runoff between the two candidates receiving the largest number of votes.

PERS IS ALSO CONDUCTING an election for the Institutions of Higher Learning Representative for a six-year term beginning January 1, 2005. Two candidates qualified for the election. They are:

- Joyce Ann Dixon of Itta Bena, Assistant Vice President for Fiscal and Administrative Affairs at Mississippi Valley State University, and
- Dr. Richard C. Miller of Jackson, Distinguished Professor of Clinical Affairs at the University of Mississippi Medical Center.

Nonprofit Association can provide insurance coverage

Have you or someone you know been turned down for health insurance? If so the Mississippi Comprehensive Health Insurance Risk Pool Association may be able to help.

The Association is not an insurance company. Rather, it is a nonprofit legal entity created by the Mississippi Legislature to provide health and accident insurance to state residents who might not otherwise be able to obtain coverage.

To be eligible for coverage from the Association, an individual **must:**

- have an automatically rejectable health condition, or during the 12 months prior to applying for coverage from the Association have been rejected by a licensed insurance company, nonprofit health care services plan or HMO for

coverage substantially similar to the Association coverage without material underwriting restriction at a rate equal to or less than the Association plan rate;

- have been a legal resident of Mississippi for six consecutive months prior to application for coverage by the Association;
- not be eligible for Medicare or Medicaid benefits;
- not be receiving health care benefits under any federal or state program;
- not have received \$500,000 in benefits from the Association or any organization similar to the Association; and
- not have substantially similar coverage under another contract or policy.

An application for coverage may be obtained through any insurance agent licensed by the State of Mississippi to write health insurance or by calling the Association at 1-888-820-9400 (toll free). From the Jackson area, call (601) 899-9967.

Rates for coverage are based upon age and the amount of the medical and pharmacy deductible chosen. For additional information, refer to the Mississippi Department of Insurance website at www.doi.state.ms.us.

The Mississippi Comprehensive Health Insurance Risk Pool Association is not connected in any way with the State Sponsored Health Insurance Plan or the PERS Sponsored Health Insurance Program available to PERS retirees.

MUNICIPAL SYSTEMS

Five cities remove 'remarriage penalty'

City administrators in five cities that have Municipal Retirement Systems administered by the PERS Board have adopted resolutions allowing spouses to continue receiving survivor benefits after remarriage.

Resolutions have been adopted by Clarksdale, McComb, Meridian, Vicksburg and Yazoo City.

The Mississippi Legislature approved Senate Bill 2659 this year eliminating the "remarriage penalty" which terminated certain survivor benefits when the spouse remarried. The legislation provided that governing bodies for the cities have the option to adopt a resolution approving the continuation or reinstatement of the benefits, provided the systems remain actuarially sound following the change.

Any surviving spouse who has had benefits from a Municipal System in one of the five cities listed above terminated as a result of remarriage may apply for reinstatement of monthly benefits. Contact PERS to apply for reinstatement of benefits.

Benefits will be reinstated from the date of application forward but not retroactively. Spouses currently receiving survivor benefits from these five Municipal Systems may remarry without loss of benefits and will not have to apply for continuation of benefits.

SB 2659 ALSO ELIMINATED REMARRIAGE penalties under PERS and the Mississippi Highway Safety Patrol Retirement System (MHSPRS).

For PERS, the penalty was removed from killed-on-the-job spouse benefits where the spouse receives 50% of the deceased member's average compensation and from the automatic spouse benefits where the spouse receives 20% of the deceased member's average compensation. For MHSPRS, the termination of spouse benefits upon remarriage was eliminated.

Surviving PERS and MHSPRS spouses who had benefits terminated under these remarriage provisions may apply to PERS for their reinstatement.

Contact PERS before returning to employment under Regulation 34

If you are considering a return to employment with an agency covered by the Public Employees' Retirement System, be sure to contact PERS so that you do not jeopardize your monthly benefits. Under Regulation 34, you may return to covered employment without an interruption in benefits under the following circumstances:

- 1) For a period of time not to exceed one-half (½) of the normal working days for the position in any fiscal year during which the retiree will receive no

more than one-half (½) of the salary in effect for the position at the time of employment, or

- 2) For a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of twenty-five percent (25%) of the retiree's average compensation.

Regulation 34 is available on the PERS' website at www.pers.state.ms.us and can be downloaded. Click "Employer Services" and "Selected Regulations."

Social Security Commissioner: 'Benefits are secure'

The 2004 report to Congress from the Social Security Board of Trustees stating that future funding is "problematic" was accompanied by a reassurance from Commissioner Jo Anne Barnhart.

"I want to assure those already receiving Social Security benefits — as well as those who are close to retirement — that your benefits are secure," she said. "Reaching agreement on an appropriate solution to Social Security's long-term financing challenges will require Congress and the President working together in a bipartisan manner."

The Trustees also released "A Message to the Public." It stated: "The fundamentals of the financial status of Social Security and Medicare remain problematic under the intermediate economic and demographic assumptions.

"Though highly challenging, the financial difficulties facing Social Security and Medicare are not insurmount-

able. But we must take action to address them in a timely manner. The sooner they are addressed, the more varied and less disruptive can be their solutions."

The Trustees report that the annual cost of Social Security benefits currently represents 4.3% of Gross Domestic Product (GDP), and will increase to 6.6% over the next 75 years. Due to rising health care costs, the problem is far more acute for Medicare, according to the Trustees. Without changes, the cost of benefits is projected to increase from the current 2.7% of GDP to nearly 14% in 2078.

The Trustees conclude by stating, "Although Social Security's financial problem is serious, it did not worsen over the past year and is far more manageable than Medicare's. We believe that continued national dialogue about, and timely action on, financial reform of Medicare and Social Security are imperative."

Retirement System returns to PERS Building



PERS has returned to the PERS Building at the corner of Mississippi and President Streets, across from the State Capitol. The building was expanded to meet the needs of a growing membership, with the exterior (left) designed to compliment other building in the historic Capitol Complex. Visitor parking is available on the second level of the new parking garage. Visitors may enter the garage from President Street.

The Investment Committee of the PERS Board held the first meeting in the new Board Room one week after PERS moved in (top).

FY 2005 COLA payments will exceed \$200 million

The PERS Payroll Department has estimated that 60,125 benefit recipients of the Public Employees' Retirement System, the Mississippi Highway Safety Patrol Retirement System (MHSPRS), and the Supplemental Legislative Retirement Plan (SLRP) will receive Cost-of-Living Adjustment (COLA) payments totaling \$220,229,899 during the fiscal year that began July 1,

2004.

All eligible recipients should have received a notification of their fiscal year COLA amount. If you expect to receive a COLA this fiscal year but have not received notification, you should contact PERS.

To be eligible for a COLA during the current fiscal year, a retiree must have begun receiving monthly benefits no later than July 1, 2003.

Projected COLA payments during fiscal year 2005 for each retirement system administered by the PERS Board

System	Recipients	Total Benefits
PERS	59,450	\$215.4 million
MHSPRS	592	\$4.75 million
SLRP	83	\$72,169

Contact PERS for special assistance

The Public Employees' Retirement System is committed to providing services to all retirees and members, including those with disabilities. Special assistance is available for retirees and members who are visually handicapped or have hearing impairments.

Forward is available on tape for retirees with visual handicaps.

If you know of any retiree who needs **Forward** on tape, contact PERS using one of the telephone numbers on the last page of this newsletter.

If you have a hearing disability and would like to visit the PERS office, contact the Retirement System to arrange for an interpreter.

Notify PERS in writing if your address changes

Even if you receive benefits by direct deposit, we need to know when your address changes to assure that you will continue receiving **Forward**, your IRS Form 1099-R at tax time, and other important information.

Please notify PERS **in writing** whenever your address changes.

Increased membership will strengthen retiree associations

The presidents of three statewide organizations for retirees say increased membership and participation is needed to enhance their efforts to help the Public Employees' Retirement System and its retirees.



Anita Toler



Glenn Norwood



Walter Tucker

from PERS when you are a member of an organization like the Mississippi Retired Public Employees Association," MRPEA President Anita Toler said. "This voice is most effective when

the Legislature is in session and bills are being discussed."

"These organizations benefit retirees by working diligently to protect benefits," PERS Executive Director Frank Ready said. "But they could do even more for retirees and PERS with greater participation."

REPM President Glenn Norwood said, "All the retirement organizations work in concert to support and improve our Retirement System. But we need the support of everyone."

Anyone who receives a monthly benefit from PERS is eligible for membership in the Mississippi Retired Public Employees Association (MRPEA). Any retired educator is eligible for membership in Retired Education Personnel of Mississippi (REPM). All retired Highway Patrol troopers are members of the Mississippi Highway Patrol Retired Troopers Association (MHPRTA).

MHPRTA President Walter Tucker said, "We need all retired troopers to be participants. We not only work to get things through the Legislature that benefit the Association, but we also support the Mississippi Highway Patrol with its needs."

"You are the voice of everyone who gets a check

Annual dues for each organization are \$10. Contact MRPEA by calling 1-866-819-0987 (toll free) or (601) 919-0670 from the Jackson area. For REPM, the telephone number is (601) 939-6059.

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