



Senate Education Committee

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Executive Director

September 15, 2021



Overview

Introduction and Overview

- Traditional DB pension plan established in 1952(Current form)
- Administer several other plans or systems
- 10-person Board of Trustees

Importance of PERS

- In terms of people (Teachers, nurses, public safety, others in public service; percent of state's population)
- In terms of dollars (Benefits payments in Mississippi, economic impact, state and local tax revenue)

Funded Ratio

- Approximately 61 percent
- Assets/liabilities

FY 21 Update

- Adjusted to effects of the pandemic
- FY 21 gross return of 32.71 percent, exceeded benchmark, very favorable comparisons to our peers
- Remember our long-term focus



PERS Key Information

As of June 30, 2020, unless otherwise noted

- **\$25,078 average annual benefit including Cost-of-Living Adjustment (PERS only)**
- **\$2.9 billion paid in benefits for fiscal year 2020 (PERS only)**
- **92 percent of benefits remain in MS (PERS only)**
- **Total System Membership = 341,759**
 - **Retirees = 112,441**
 - On average, PERS retirees spend 17.7 years in retirement.
 - For those who retire based on **service**, they retiree on average at age 57.2 with 30.3 years of service
 - For those who retire based on **age**, they retiree on average at age 61.8 with 15.2 years of service
 - 72 retirees are over age 100 (*Total System*)
 - **Inactives = 78,781**
 - **Actives = 150,537**
- **Funded Status of PERS plan = 61 percent**
- **Annualized 30-Year Rate of Return = 8.05 percent**
- **Unfunded Accrued Liability = \$19.0 billion**



Importance of Dollars and People

“Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Mississippi. Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person’s spending becomes another person’s income, creating a multiplier effect.

In 2018, expenditures stemming from state and local pensions supported...

- 21,761 jobs that paid \$854.7 million in wages and salaries
- \$3.3 billion in total economic output
- \$462.3 million in federal, state, and local tax revenues

... in the state of Mississippi.

Each dollar paid out in pension benefits supported \$1.19 in total economic activity in Mississippi.

Each dollar “invested” by Mississippi taxpayers in these plans supported \$4.50 in total economic activity in the state.”

Source: Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures published by the National Institute on Retirement Security



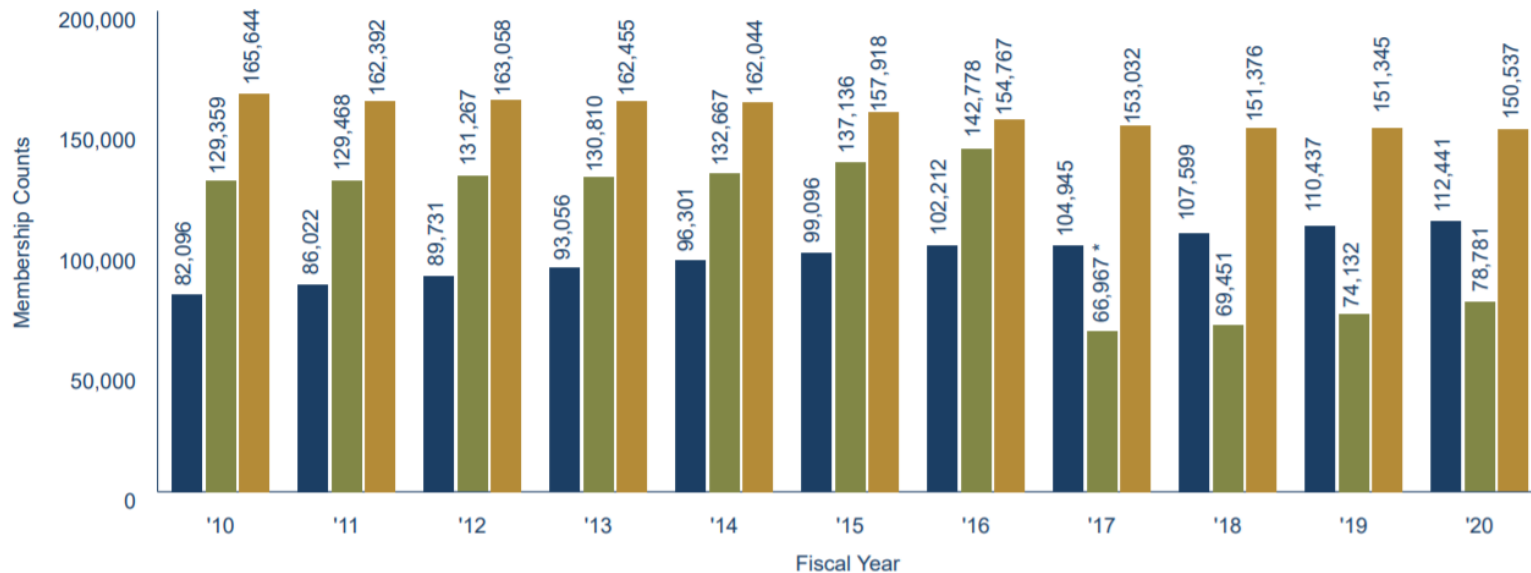
PERS Membership

Mississippi has more than 262,978 working and retired state and local government employees. The active membership of PERS comprises 13.8 percent of Mississippi's workforce.

PERS is just one piece of the overall human resources package used to recruit and retain the quality workforce that is critical to the sound delivery of public services.

Total System Membership = 341,759

■ Retirees ■ Inactive Members ■ Active Members

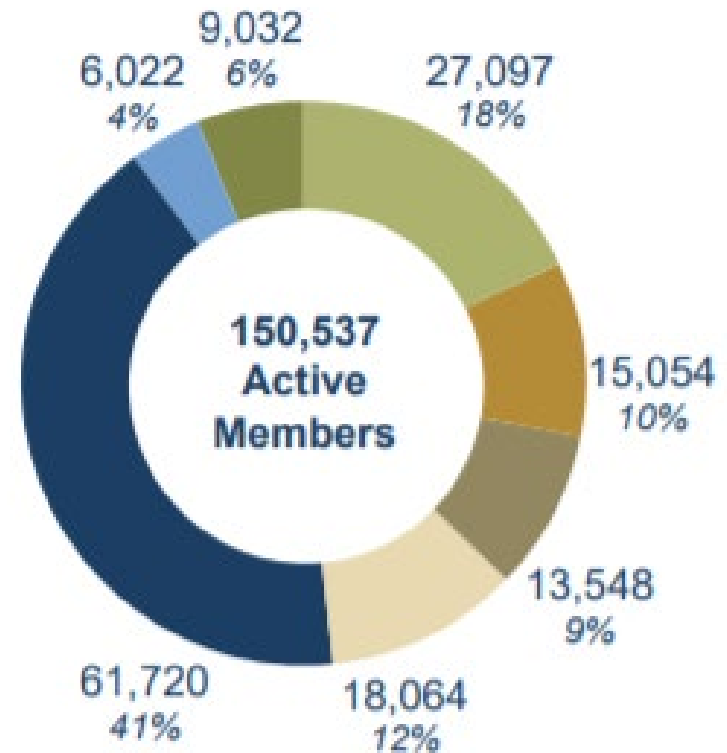
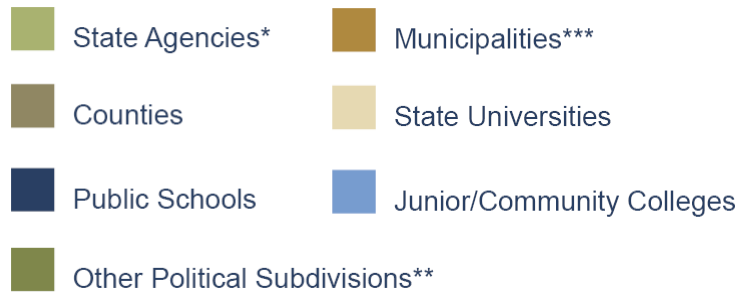


* Individual inactive accounts with small residual or zero balances removed from totals. No actuarial valuation measurements affected.



Total System Active Members

June 30, 2020



The current average annual PERS benefit including the Cost-of-Living Adjustment is \$25,078 with \$2.9 billion paid in total retirement benefits for fiscal year 2020.

* Includes MHSPRS and SLRP

** Includes hospitals, libraries, and other juristic entities

*** Includes MRS



Benefit Determination

- **Service Retirement Benefit Formula**
Service Credit Factor x Average Compensation = Maximum Annual Benefit
- **Service Credit Factor (if you were hired on or before June 30, 2011)**
 - 2% of Average Compensation per year up to 25.00 years of creditable service
PLUS
 - 2.5% of Average Compensation per year for each year of creditable service over 25.00
- **Service Credit Factor (if you were hired on or after July 1, 2011)**
 - 2% of Average Compensation per year up to 30.00 years of creditable service
PLUS
 - 2.5% of Average Compensation per year for each year of creditable service over 30.00



Average Compensation

- **4 highest years of salary**
 - 4 highest fiscal years, or
 - 4 highest calendar years, or
 - 4 highest calendar and fiscal years that do not overlap, or
 - Final 48 months of earned compensation prior to termination of employment.
 - Payment by Employer for Accumulated Unused Leave (where available)

PERS

$$\frac{\text{Highest 4 Years} + \text{Leave Payment}}{4} = \text{Average Compensation}$$



Vesting – How

- 4 years of membership service* if you were hired on or before June 30, 2007 (*member is vested after 4 years*).
- 8 years of membership service* if you were hired on or after July 1, 2007 (*member is vested after 8 years*).

* “Membership Service” means service as an employee in a covered position rendered while a contributing member of the retirement system.



PERS Retirement Eligibility

Service Retirement Requirements

- 25 years of *creditable* service, regardless of age, (if you were hired on or before June 30, 2011)
- 30 years of *creditable* service, regardless of age, (if you were hired on or after July 1, 2011)

OR

- Vested status – 4 (if hired before June 30, 2007) or 8 years (if hired after July 1, 2007) of *membership* service - at age 60.



Retirement Tiers

Tier	Hire/Entry Date	Vesting Period	Retirement Eligibility	Service Retirement Formula	PLSO Eligibility	Non-Duty Related Disability Retirement
1	June 30, 1992, or earlier	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Age-Limited Plan, unless elected coverage under Tiered Disability Plan
2	July 1, 1992, through June 30, 2007	4 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age or age 63 and vested	Tiered Disability Plan
3	July 1, 2007, through June 30, 2011	8 years	25 years at any age or age 60 and vested	2 percent per year for up to 25 years, plus 2.5 percent per year for each year over 25; Minimum monthly benefit under Maximum Retirement Allowance Option of \$10 per month for each year of service	28 years at any age	Tiered Disability Plan
4	July 1, 2011, or later	8 years	30 years at any age or age 60 and vested	2 percent per year for up to 30 years, plus 2.5 percent per year for each year over 30, with an actuarial reduction for each year of creditable service below 30 or for each year in age below age 65, whichever is less; No minimum monthly benefit	33 years at any age	Tiered Disability Plan



Comparison to Other States

- Depends on what aspect of the plan one is comparing
- Each state is different; each plan is different
- Funded ratio
- Benefits
- Contributions



Mississippi Deferred Compensation

PERS is the Administrator for the Mississippi Deferred Compensation Plan and Trust, IRC § 457 supplementary defined contribution plan available to participating employers

- Established in 1973
- 39,787 participants
- \$1.9 billion in net assets
- Counties and cities may provide an employer match
- Independent contractors, e.g., Medicaid providers, may participate



Mississippi Deferred Compensation

Benefits of MDC

- Tax-deferred savings
- Convenient payroll deduction
- Education, planning tools, and support
- Local MDC Retirement Plan Advisors
- Wide array of investment options
- Lower administrative fees



Plan Funding

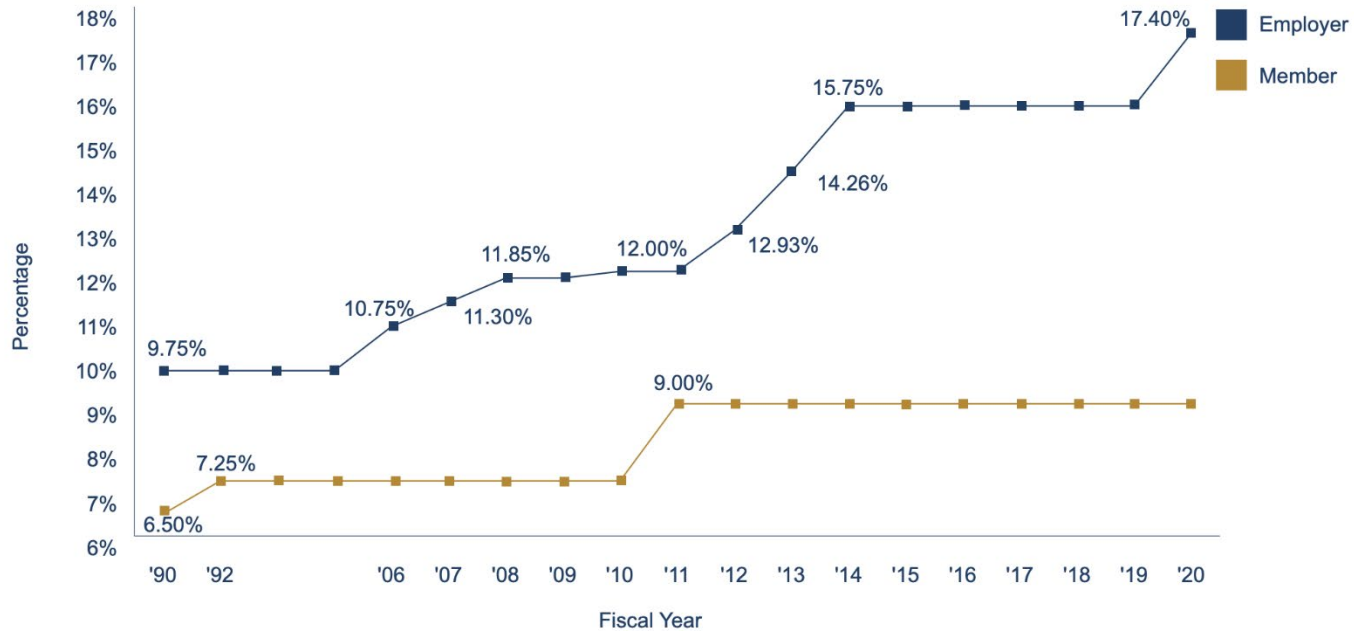
$$\mathbf{C + I = B + E}$$

Contributions + Interest = Benefits + Expenses



Employer & Employee Contributions

Board voted August 24, 2021, to retain 17.4 percent employer rate through FY 2023



Effective Date	1/1/90	7/1/91	7/1/05	7/1/06	7/1/07	7/1/09	7/1/10	1/1/12	7/1/12	7/1/13	7/1/19
	FY '90	FY '92	FY '06	FY '07	FY '08	FY '10	FY '11	FY '12	FY '13	FY '14	FY '20
Employer Rate	9.75%	9.75%	10.75%	11.30%	11.85%	12.00%	12.00%	12.93%	14.26%	15.75%	17.40%
Member Rate	6.50%	7.25%	7.25%	7.25%	7.25%	7.25%	9.00%	9.00%	9.00%	9.00%	9.00%



Normal Cost Vs. Unfunded Accrued Liability

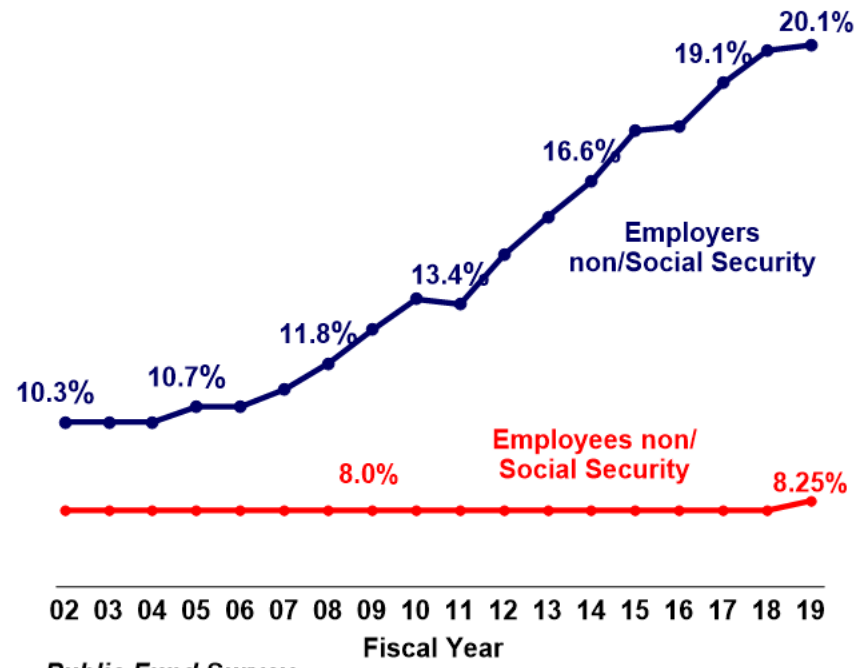
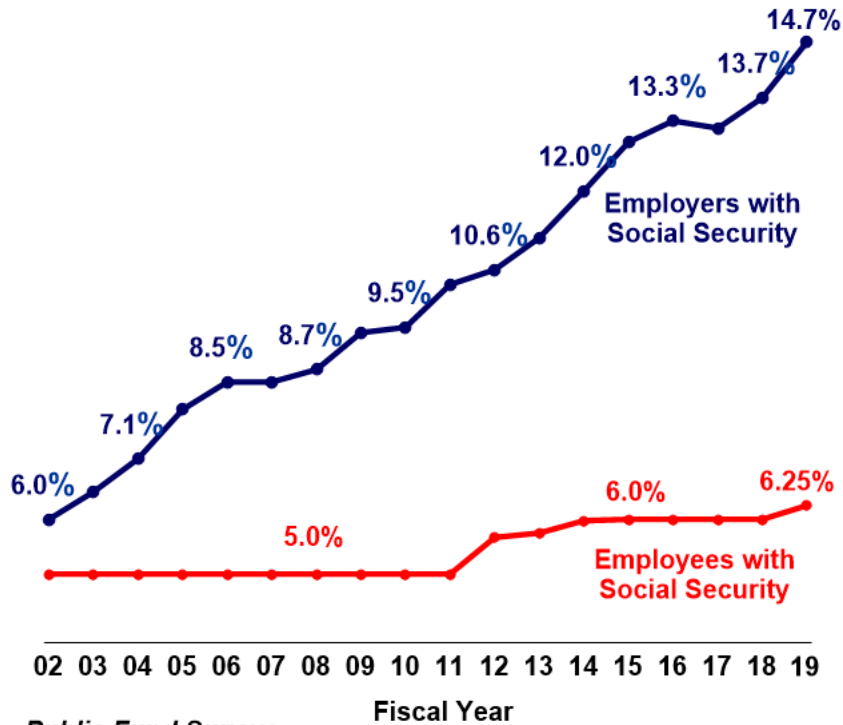
Normal Cost: Active members of PERS accrue new future retirement benefits each year. The annual cost of providing those future benefits is called the normal cost. The normal cost is determined by an actuary through the use of assumptions regarding salaries, how long a member will work, mortality rates, inflation, investment returns, and other plan assumptions. The actuaries project the cost of future benefits and estimate the percentage of current payroll necessary to pay for the future benefits.

Unfunded Accrued Liability: The difference between the actuarial accrued liability and valuation of assets.

Based on 2020 valuation reports, the cost of future PERS retirement benefits is an estimated 10.34 percent of the current payroll. The entire portion of the member's 9 percent contribution is dedicated to the normal cost of the plan. The employer's 17.4 percent contribution pays for the remaining portion of the normal cost (1.34 percent) and the plan's unfunded actuarial accrued liability (16.06 percent, the cost for the benefits projected to be paid to current and future retirees).



Changes in Median Employer and Employee Contribution Rates



Public Fund Survey
Nov-20

Public Fund Survey
Nov-20

Source: National Association of State Retirement Administrators



Questions?