

LOOKING FORWARD



Executive Director's Column by Pat Robertson

Comparing public pensions like comparing apples to oranges

When it comes to day-to-day activities, we all like to make comparisons; however, while

it may seem a simple exercise, time and teachings have shown that comparisons made without proper context or that lack measurable parallels can create confusion and can lead to inaccurate assumptions.

This is particularly true when it comes to pensions. While what happens in some cities in California may be interesting and informative, it has little relevance to someone living in small-town Mississippi. And while what happens in Detroit is noteworthy and may be the topic of lots of media coverage, it really does not affect us here. What does matter is how the Public Employees' Retirement System of Mississippi (PERS) performs as an independent retirement system responsible to the taxpayers of Mississippi and to the members we serve. Just as an apple and an orange are two fruits with vastly different compositions and tastes, public retirement systems provide pensions but vary greatly in structure and operations.

The fallout from the city of Detroit's bankruptcy filing earlier this year has further fueled the national debate on the cost versus the benefit of public pensions—a debate that continues to

trickle down from the national level to the state level. And, while many point to Detroit's pensions as the reason for their troubles, looking deeper into the details reveals this is not the case. As this translates to Mississippi, it is important to remember that neither PERS nor the State is in a position of fiscal stress. Mississippi, as a sovereign entity, cannot file bankruptcy and has been faithful in funding the contributions necessary to pay the promised benefits.

If we, hypothetically, stopped earning income right now, on an actuarial basis, we would have almost 58 percent (61 percent at market value) of the funds needed to pay benefits for life to our 380,000 members, even those who are decades away from retirement.

PERS' funded status is calculated annually by our actuaries and monitored by the PERS Board to ensure our continued financial stability. Calculations by others do not always provide the same perspective and may include generalities when used to compare one plan to another. Our focus is on our plan, not on how it compares to another state. Just as comparing the amount you owe on your mortgage to what your neighbor owes does not provide relevant information as to your financial status, neither does comparing one pension plan to another.

Our focus at PERS is ensuring our long-term ability to meet our obligations to our members now and in the future, not on how we compare to others. We have always had that focus. We will continue to keep that focus.

The Board of Trustees adopted a funding policy establishing a fixed contribution rate with the primary focus on the long-term stability of the plan, providing a road map for the future.

PERS has emerged from the Great Recession with assets in excess of \$22 billion as of June 30, above our pre-recession high in 2007 of \$21.8 billion, and our rate of return for fiscal year 2013 was 13.4 percent. This year, we received contributions of \$1.5 billion and had net investment income of \$2.6 billion; while at the same time, we paid \$2 billion in benefits (money that helps provide retirement security to thousands and simultaneously stimulates the economy statewide).

We expect public pensions to continue to get a lot of attention, both at the local level and nationally. However, we are confident that we have developed a road map to put PERS in the financial position to ensure we will continue to meet our obligations to our members, and we refuse to let apples-to-oranges comparisons define us.



Great-West Financial selected as new MDC third-party administrator

The PERS Board of Trustees has selected Great-West FinancialSM as the new third-party administrator for the Mississippi Government Employees Deferred Compensation Plan & Trust (MDC), replacing Systematized Benefits



Administrators, Inc. (SBA). The current investment options will remain the same with the transition in third-party administration from SBA to Great-West Financial.

The MDC third-party administrator enrolls participants, maintains individual accounts and other records, disburses benefits to participants and beneficiaries, and offers education services.

After conducting an extensive selection process for a service provider for MDC earlier this year, the Board selected

Great-West Financial based on the proposed scope and quality of services to plan participants.

Great-West Financial is a business unit of Great-West Life & Annuity Insurance Company and provides services to multiple retirement plan market segments.

Under administration by Great-West Financial, MDC will offer a fully transactional website and telephone service available 24/7, live client support from 8 a.m. to 7 p.m. Monday through Friday, online tools for managing retirement savings, educational materials and online tools to help with retirement planning, local retirement plan counselors to conduct group and individual meetings, and a walk-in office located in Jackson.

During the transition, which is scheduled to take place in January 2014, participants' money will remain invested and regular contributions will continue for active participants. Detailed information about the transition and any necessary action on participants' parts will be communicated in a comprehensive transition bulletin that will be mailed to participants in December.

Offered through the state and administered by PERS, MDC is a voluntary supplemental retirement savings plan authorized under Section 457 of the Internal Revenue Code and is available to all state employees, elected officials, employees of participating political subdivisions, and independent contractors of the state or its participating political subdivisions.



Make plans to attend one of the informational meetings that will be hosted by Great-West Financial. Details about these meetings will be in the transition bulletin, as well as provided to all employers and listed on the PERS website.

PERS re-launches website with new look, new address, easier navigation

The PERS website has re-launched with a fresh new look, updated format, and new web address.

The PERS website is one of the most convenient and valuable tools for our employers, members, and retirees to reference information, access forms, and calculate benefit estimates. The updated site now resides at www.pers.ms.gov but features all the same useful information found on the former site.

The redesign offers a more inviting web experience that marries the established PERS identity with the unique online needs of members, retirees, and employers.

With easily identifiable navigation panels on the home page for members, retirees, and employers and streamlined content throughout the site, the redesign allows guests to find desired content more readily and improves content clarity and readability.

We hope you find the new website adds value to your online experience with PERS. Please be sure to update any links or bookmarks to our new site address.



2013 Brief PERS Legislative Summary

House Bill 369 - Approved by Governor April 17
Coverage - Mississippi Charter Schools Act of 2013 codified:

- To prohibit employees in charter schools from participating in PERS; but
- To allow employees in charter schools to participate in retirement and other benefits programs made available by their employer.

House Bill 1174 - Approved by Governor March 20
Definition of Earned Compensation - Amends Miss. Code Ann. § 25-11-103(k):

- To prospectively exclude the value of maintenance (employer-provided housing, utilities, meals) from earned compensation and to grandfather those who have maintenance reported to PERS as earned compensation as of June 30, 2013;
- To clarify that employer-paid health and life insurance premiums for an employee are not earned compensation, whether taxable or nontaxable to the employee;
- To prospectively exclude performance-based incentive payments from earned compensation; and
- To clarify that in-kind benefits are not reportable to PERS as earned compensation.

Visit PERS online for a full listing of recent PERS legislation.

Upcoming State Holidays

PERS will be closed to observe the following holidays:

Thanksgiving November 28 and 29
Christmas..... December 24 and 25
New Year's Day January 1

PERS Facts & Figures updated for FY '13

Recently updated with data from fiscal year 2013, PERS Facts & Figures includes key information and statistics about System membership, assets, investments, and actuarial data. Using easy-to-read charts, graphs, and maps, provides information about PERS' financial state.

Visit the Publications page on the PERS website to view.



PERS misconceptions dispelled

With a total system membership of more than 380,000, misconceptions about PERS are more than likely to surface, especially when speculation and misinformation arise about retirement security and benefit structure. We dispel two common misconceptions below.

Misconception

I just became eligible to retire. If I retire now, I can lock into my benefits, including my Cost-of-Living Adjustment (COLA). My benefit structure and payments will never change, and laws passed after I retire will not affect my PERS benefits.

Reality

While changes to retiree benefits are unlikely, the Mississippi Legislature has the power to enact laws that may affect the retirement benefits of PERS retirees. PERS retirees are not exempt from potential changes now or down the road.

When you retire is solely your discretion; but, the longer you work, the higher your benefit could be. Each year that you work in covered service beyond the minimum 25 or 30 (based on your retirement tier) increases your Service Credit Factor (used to calculate your monthly benefit) by 2.5 percent. Plus, any pay raises during these years could increase your average compensation (also used to calculate your monthly benefit), thereby further increasing your monthly benefit. These increases also positively affect the base upon which your COLA is calculated.

Misconception

I am a vested member, but I no longer work in nor do I plan to return to PERS-covered service. The longer I postpone retirement after I become eligible, the more my PERS account will grow, which will mean a higher benefit for me when I finally decide to retire.

Reality

Your PERS benefit payments are not based on the balance of your account but rather a formula that determines your benefits based on years of service, average compensation, and your retirement tier. If you are eligible to retire and do not plan to return to covered service, you will need to consider that waiting to draw retirement shortens the time you will draw benefits, thus decreasing the potential benefits you could receive over your lifetime.

PERS encourages you to contact us any time you have a question about the System or your benefits. To directly address your concerns and answer your questions, call the PERS Customer Service Center at 800-444-7377 or 601-359-3589 Monday through Friday, 8 a.m. to 5 p.m.

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Disclosure

This newsletter contains general information about your retirement system and is not a legal reference. For detailed explanations about all PERS retirement plans, call the PERS office or visit us online.

PERS guides help in navigating the retirement system, process

PERS offers five guides to help navigate each phase of the retirement process. These guides may be found on the Publications page of the PERS website, or use a QR code reader app on your smart phone to scan the codes below to take you directly to the corresponding guide.

PERS New Member Guide provides a basic overview of retirement planning and a general explanation of PERS membership.



PERS Pre-Retirement Guide provides a retirement-planning overview for mid-career and retirement-eligible PERS members. It also gives information about requesting



account audits, seeking eligible service credit, deciding how long to work before retiring, staying informed, submitting an *Advanced Application*, and participating in Mississippi Deferred Compensation.

PERS Service Retirement Guide provides insight to the retirement process for individuals filing for service retirement. Along with giving details about



the Partial Lump Sum Option, COLA, and insurance offerings, this guide outlines the service retirement application process and lists roles and responsibilities for the applicant, the employer, and PERS.

PERS Disability Retirement Guide provides insight to the retirement process for individuals making a disability retirement claim. Along with

giving details about duty-related and non-duty-related disability, this guide outlines the disability retirement application process and lists roles and responsibilities for the applicant, the employer, and PERS.



PERS Survivor Retirement Guide provides details to the process for individuals (both spouse and dependent children) filing for survivor retirement benefits. It outlines the differences between the duty-related and non-duty-related death of a member, as well as explains the importance of vesting. This guide also lists roles and responsibilities for the applicant, the employer, and PERS during the process.

