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PERS
of MISSISSIPPI

Report on the Annual Valuation of the Supplemental Legislative Retirement Plan of Mississippi

Prepared as of June 30, 2012

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CONSULTING, LLC
The experience and dedication you deserve

October 17, 2012

Board of Trustees
Public Employees' Retirement System of Mississippi
429 Mississippi Street
Jackson, MS 39201-1005

Ladies and Gentlemen:

Presented in this report are the results of the annual actuarial valuation of the Supplemental Legislative Retirement Plan of Mississippi. The purpose of the valuation was to measure the Plan's funding progress and to determine the unfunded accrued liability amortization period beginning July 1, 2012. The results may not be applicable for other purposes.

The date of the valuation was June 30, 2012.

The valuation was based upon data, furnished by the Executive Director and the PERS staff, concerning active, inactive and retired members along with pertinent financial information. While not verifying data at the source, the actuary performed tests for consistency and reasonableness. The complete cooperation of the PERS staff in furnishing materials requested is hereby acknowledged with appreciation.

Your attention is directed particularly to the presentation of contribution rates on page 1 and the comments on page 8.

To the best of our knowledge, this report is complete and accurate. The valuation was performed by, and under the supervision of, independent actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The valuation was prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board. We have reviewed the actuarial methods, including the asset valuation method, and continue to believe they are appropriate for the purpose of determining employer contribution levels.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the plan, and on actuarial assumptions that are, in the aggregate, internally consistent and reasonably based on the actual experience of the plan.

Respectfully submitted,

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REPORT ON THE ANNUAL VALUATION OF THE
SUPPLEMENTAL LEGISLATIVE RETIREMENT PLAN OF MISSISSIPPI
PREPARED AS OF JUNE 30, 2012

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. This report, prepared as of June 30, 2012, presents the results of the annual actuarial valuation of the Plan. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below. The current valuation and reported benefits amount reflect any benefit increases granted to retirees as of July 1, 2012. A contribution rate of 7.75% of active members' compensation for the 2013/2014 fiscal year would be needed in order to keep the anticipated accrued liability payment period within 30 years in accordance with GASB Statements 25 and 27.

SUMMARY OF PRINCIPAL RESULTS

VALUATION DATE	June 30, 2012	June 30, 2011
Active members included in valuation		
Number	175	174
Annual compensation	$ 6,871,757	$ 6,809,770
Retirees		
Number	173	147
Annual allowances	$ 1,046,672	$ 823,936
Assets		
Market related actuarial value	$ 13,268,000	$ 13,606,000
Market value	$ 13,169,000	$ 13,737,000
Unfunded accrued liability	$ 6,268,604	$ 4,999,301
Funded Ratio	67.9%	73.1%
Recommended employer contribution rate		
Normal	2.73%	2.56%
Accrued liability	5.02	4.84
Total	7.75%	7.40%
Anticipated accrued liability payment period	30.0 years	22.3 years
Unfunded accrued liability based on Market value of assets	$ 6,367,604	$ 4,868,301
Funded Ratio	67.4%	73.8%
Payment period	30.9 years	21.4 years

2. The valuation balance sheet showing the results of the valuation is given in Section III.

3. Comments on the valuation results are given in Section IV, comments on the experience and actuarial gains and losses during the valuation year are given in Section V and the rates of contribution payable by employers are given in Section VI.

4. There were no changes to the actuarial assumptions since the last valuation.

5. There were no changes to the benefit provisions since the last valuation.

6. Schedule A of this report presents the development of the actuarial value of assets. Schedule B details the actuarial assumptions and methods employed. Schedule C gives a summary of the benefit and contribution provisions of the plan.

7. The table on page 3 provides a ten-year history of some pertinent figures.

8. The valuation results are developed based upon the employer contribution rate of 7.75% of payroll. Governmental Accounting Standards Board Statement No. 27 requires employers to expense pension costs at the actuarially required contribution level, which is based on a maximum 30 year accrued liability payment period.

9. All amounts shown prior to the 2004/2005 fiscal year were developed and/or reported by the prior actuarial firm.

Supplemental Legislative Retirement Plan of Mississippi

Comparative Schedule*

Valuation Date June 30	Active Members				Retired Lives				Valuation Results ($ thousands)		
	Number	Payroll ($ thousands)	Average Salary	% increase from previous year	Number	Active/ Retired Ratio	Annual Benefits** ($ thousands)	Benefits as % of Payroll	Accrued Liability	Valuation Assets	UAAL
2003	175	$6,289	$35,934	5.0%	85	2.1	$330.5	5.3%	$12,220	$10,196	$2,024
2004	175	5,794	33,109	(7.9)	106	1.7	480.3	8.3	12,934	10,323	2,611
2005	175	6,530	37,315	12.7	114	1.5	582.6	8.9	13,402	10,634	2,768
2006	173	6,354	36,726	(1.6)	122	1.4	629.2	9.9	14,064	11,620	2,444
2007	175	6,554	37,453	2.0	126	1.4	657.8	10.0	15,054	12,722	2,332
2008	175	6,753	38,588	3.0	138	1.3	754.8	11.2	15,615	13,412	2,203
2009	174	6,803	39,100	1.3	141	1.2	781.2	11.5	16,535	13,386	3,149
2010	175	6,605	37,743	(3.6)	142	1.2	792.7	12.0	17,081	13,241	3,840
2011	174	6,810	39,137	3.7	147	1.2	823.9	12.1	18,605	13,606	4,999
2012	175	6,872	39,267	0.3	173	1.0	1,046.7	15.2	19,537	13,268	6,269

*All amounts prior to 2005 reported by prior actuarial firm.
**Excluding COLA for years prior to 2005

SECTION II – MEMBERSHIP DATA

Data regarding the membership of the Plan for use as a basis for the valuation were furnished by the Plan's office. The following tables summarize the membership of the Plan as of June 30, 2012 upon which the valuation was based. Detailed tabulations of the data are given in Schedule D.

Active Members

Employers	Number of Employers	Number	Payroll	Group Averages Salary	Group Averages Age	Group Averages Benefit Service*
State Agencies	5	175	$ 6,871,757	$39,267	55.1	10.4

* Eligibility service is 15.3 years.

Of the 175 active members, 113 are vested and 62 are non-vested.

Retired Lives

Type of Benefit Payment	No.	Annual Benefits	Group Averages Benefit	Group Averages Age
Retirement	143	$871,000	$6,091	70.7
Disability	2	13,475	6,738	59.8
Survivor	28	162,197	5,793	67.3
Total in SLRP	173	$1,046,672	$6,050	70.0

Deferred Vested/Inactive Lives

Type of Member	No.	Deferred Benefits	Outstanding Balance
Deferred Vested – Benefit Included	48	$146,010	N/A
Deferred Vested – Missing Benefit	9	N/A	$141,922
Inactive	14	N/A	40,385
Total in SLRP	71	$146,010	$182,307

SECTION III – VALUATION BALANCE SHEET

The following valuation balance sheet shows the assets and liabilities of the retirement plan as of the current valuation date of June 30, 2012 and, for comparison purposes, as of the immediately preceding valuation date of June 30, 2011. The items shown in the balance sheet are present values actuarially determined as of the relevant valuation date. The development of the actuarial value of assets is presented in Schedule A.

VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE
SUPPLEMENTAL LEGISLATIVE RETIREMENT PLAN OF MISSISSIPPI

	JUNE 30, 2012	JUNE 30, 2011
ASSETS		
Current actuarial value of assets:		
Annuity Savings Account	$ 2,104,606	$ 2,641,603
Annuity Reserve	1,896,360	1,274,341
Employers' Accumulation Account	9,267,034	9,690,056
Total current assets	$ 13,268,000	$ 13,606,000
Future member contributions to Annuity Savings Account	$ 1,842,114	$ 1,419,812
Prospective contributions to Employer's Accumulation Account		
Normal contributions	$ 1,676,324	$ 1,211,573
Unfunded accrued liability contributions	6,268,604	4,999,301
Total prospective contributions	$ 7,944,928	$ 6,210,874
Total assets	$ 23,055,042	$ 21,236,686
LIABILITIES		
Present value of benefits payable on account of present retired members and beneficiaries	$ 11,428,426	$ 8,734,254
Present value of benefits payable on account of inactive members for service rendered before the valuation date	1,470,595	1,076,196
Present value of benefits payable on account of active members	$ 10,156,021	$ 11,426,236
Total liabilities	$ 23,055,042	$ 21,236,686

BREAKDOWN OF TOTAL AND ACCRUED LIABILITIES
AS OF JUNE 30, 2012

	Total Liability	Accrued Liability
Active Members		
Retirement	$ 8,475,625	$ 6,127,432
Death	706,392	348,840
Disability	254,588	29,169
Termination	719,416	132,142
Total	$ 10,156,021	$ 6,637,583
Retirees		
Retirement	$ 9,732,684	$ 9,732,684
Survivor	1,546,844	1,546,844
Disability	148,898	148,898
Total	$ 11,428,426	$ 11,428,426
Deferred Vested Members	1,105,982	1,105,982
Inactive Members	364,613	364,613
Total Actuarial Values	$ 23,055,042	$ 19,536,604
Actuarial Value of Assets		13,268,000
Unfunded Actuarial Accrued Liability		$ 6,268,604

SECTION IV – COMMENTS ON VALUATION

The valuation balance sheet gives the following information with respect to the funds of the Plan as of June 30, 2012.

Total Assets

The Annuity Savings Account is the fund to which are credited contributions made by members together with interest thereon. When a member retires, the amount of his or her accumulated contributions is transferred from the Annuity Savings Account to the Annuity Reserve. The Employer's Accumulation Account is the fund to which are credited employer contributions and investment income, and from which are paid all employer-provided benefits under the plan. The assets credited to the Annuity Savings Account as of the valuation date, which represent the accumulated contributions of members to that date, amounted to $2,104,606. The assets credited to the Annuity Reserve were $1,896,360 and the assets credited to the Employer's Accumulation Account totaled $9,267,034. Current actuarial assets as of the valuation date equaled the sum of these three funds, $13,268,000. Future member contributions to the Annuity Savings Account were valued to be $1,842,114. Prospective contributions to the Employer's Accumulation Account were calculated to be $7,944,928 of which $1,676,324 is attributable to service rendered after the valuation date (normal contributions) and $6,268,604 is attributable to service rendered before the valuation date (unfunded accrued liability contributions).

Therefore, the balance sheet shows the present value of current and future assets of the Plan to be $23,055,042 as of June 30, 2012.

Total Liabilities

The present value of benefits payable on account of presently retired members and beneficiaries totaled $11,428,426 as of the valuation date. The present value of future benefit payments on behalf of active members amounted to $10,156,021. In addition, the present value of benefits for inactive members, due to service rendered before the valuation date, was calculated to be $1,470,595.

Therefore, the balance sheet shows the present value for all prospective benefit payments under the Plan to be $23,055,042 as of June 30, 2012.

Section 25-11-307(1) of State law requires that active members contribute 3.00% of annual compensation to the Plan.

Section 25-11-307(2) requires that the State contribute a certain percentage of the annual compensation of members to cover the normal contributions and a certain percentage to cover the accrued liability contributions of the Plan. These individual contribution percentages are established in accordance with an actuarial valuation. The sum of these normal and accrued liability contributions would need to be increased from 7.40% to 7.75% of the annual compensation of all members in order to maintain the UAL amortization at 30 years.

The primary reasons for the increase in the employer contribution rate are the continued recognition of the investment losses from the 2008 and 2009 fiscal years and the investment loss for the 2012 fiscal year. In addition, since the overall payroll growth rate was less than expected, it has caused upward pressure on the contribution rate attributed to the unfunded accrued liability.

SECTION V – DERIVATION OF EXPERIENCE GAINS AND LOSSES

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain/(loss) for the year ended June 30, 2012 is shown below.

			$ Thousands
(1)	UAAL* as of June 30, 2011	$	4,999.3
(2)	Total normal cost from last valuation		378.6
(3)	Total contributions		696.0
(4)	Interest accrual: (1) x .080 + [[(2) – (3)] x .0392]		387.5
(5)	Expected UAAL before changes: (1) + (2) – (3) + (4)		5,069.4
(6)	Change due to plan amendments		0.0
(7)	Change due to actuarial assumptions or methods		0.0
(8)	Expected UAAL after changes: (5) + (6) + (7)		5,069.4
(9)	Actual UAAL as of June 30, 2012		6,268.6
(10)	Gain/(loss): (8) – (9)	$	(1,199.2)
(11)	Gain/(loss) as percent of actuarial accrued liabilities at start of year ($18,605.3)		(6.4)%

*Unfunded actuarial accrued liability.

Valuation Date June 30	Actuarial Gain/(Loss) as a % of Beginning Accrued Liabilities
2007	1.0%
2008	0.9
2009	(3.0)
2010	(3.8)
2011	(6.1)
2012	(6.4)

SECTION VI – REQUIRED CONTRIBUTION RATES

The valuation balance sheet gives the basis for determining the percentage rates for contributions to be made by employers to the Retirement Plan. The following table shows the rates of contribution payable by employers as determined from the present valuation for the 2013/2014 fiscal year.

Contribution for	2013/2014 Fiscal Year	2012/2013 Fiscal Year
Normal Cost:		
Service retirement benefits	4.34%	4.08%
Disability benefits	0.30	0.29
Survivor benefits	0.39	0.38
Total	5.03%	4.75%
Member Contributions:	3.00%	3.00%
Less future refunds	(0.70)	(0.81)
Available for benefits	2.30%	2.19%
Employer Normal Cost	2.73%	2.56%
Unfunded Actuarial Accrued Liabilities (30.0 year level % of payroll amortization*)	5.02	4.84
Total Computed Employer Contribution Rate	7.75%	7.40%

*Amortization period a year ago was 22.3 years.

The components of the change in the computed Employer Contribution Rate are as follows:

Previously Reported Employer Rate	7.40%
Change due to:	
Actuarial experience	0.35
Assumption changes	0.00
Plan amendments	0.00
Method change	0.00
Computed Employer Rate	7.75%

SECTION VII – CASH FLOW PROJECTION

Regular actuarial valuations measure the Retirement Plan's present financial position and contributions adequacy by calculating and financing the liabilities created by the present benefit program. This process involves discounting to present values the future benefit payments on behalf of present active and retired members and their survivors. However, valuations do not produce information regarding future changes in the makeup of the covered group or the amounts of benefits to be paid or investment income to be received – actuarial projections do.

Whereas valuations provide a snapshot of the retirement plan as of a given date, projections provide a moving picture. Projected active and retired groups are developed from year to year by the application of assumptions regarding pre-retirement withdrawal from service, retirements, deaths, disabilities, and the addition of new members. Projected information regarding the retired life group leads to assumed future benefit payout. Combining future benefit payments with assumed contributions and expected investment earnings produces the net cash flow of the Plan each year, and thus end of year asset levels.

Projections are used for many purposes. Among them are (i) developing cash flow patterns for investment policy and asset mix consideration, (ii) exploring the effect of alternative assumptions about future experience, (iii) analyzing the impact on plan funding progress of changes in the workforce, and (iv) examining the potential effect of changes in benefits on plan financial activity.

Projection results are useful in demonstrating changing relationships among key elements affecting plan financial activity. For example: how benefits payable and plan assets will grow in future decades. Projections are not predictions of specific future events and do not provide numeric precision in absolute terms. For instance, cash flow projected to occur 10 years in the future will not be exact (except by coincidence), but understanding the changed relationship between future benefit payout and future investment income can be very useful.

The following projections assume an 8% investment return and salary increases of 4.25% each year in the future. In addition, the employer and employee contribution rates are assumed to remain at the 2012 valuation results for all years beginning in 2013 fiscal year.

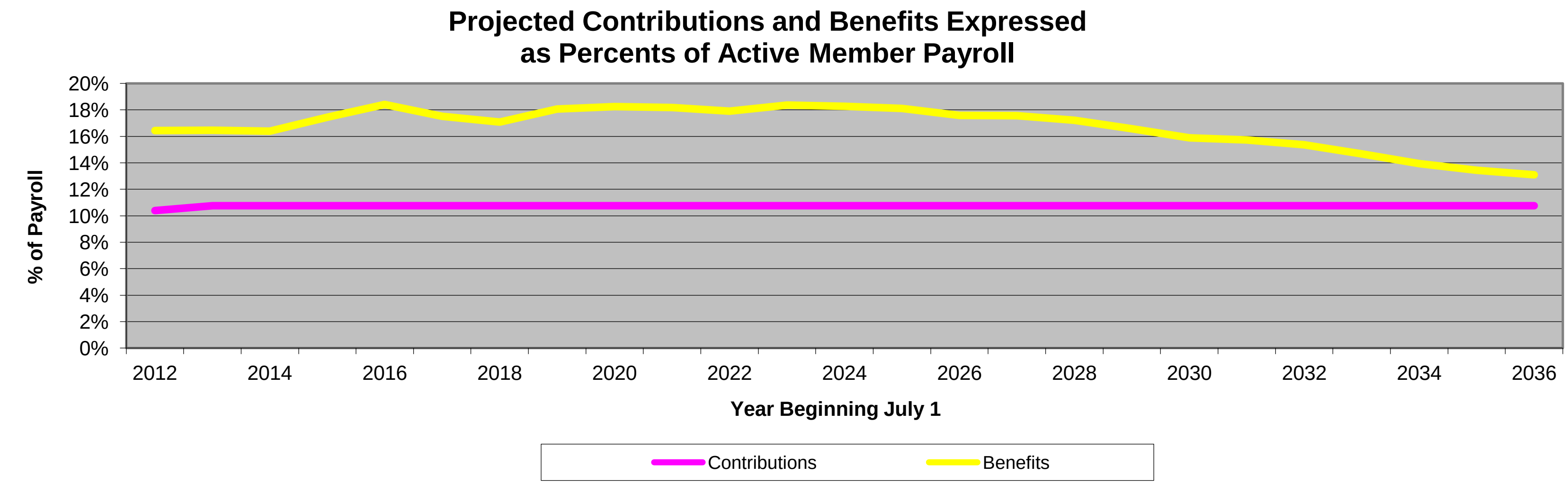
Mississippi Supplemental Legislative Retirement Plan

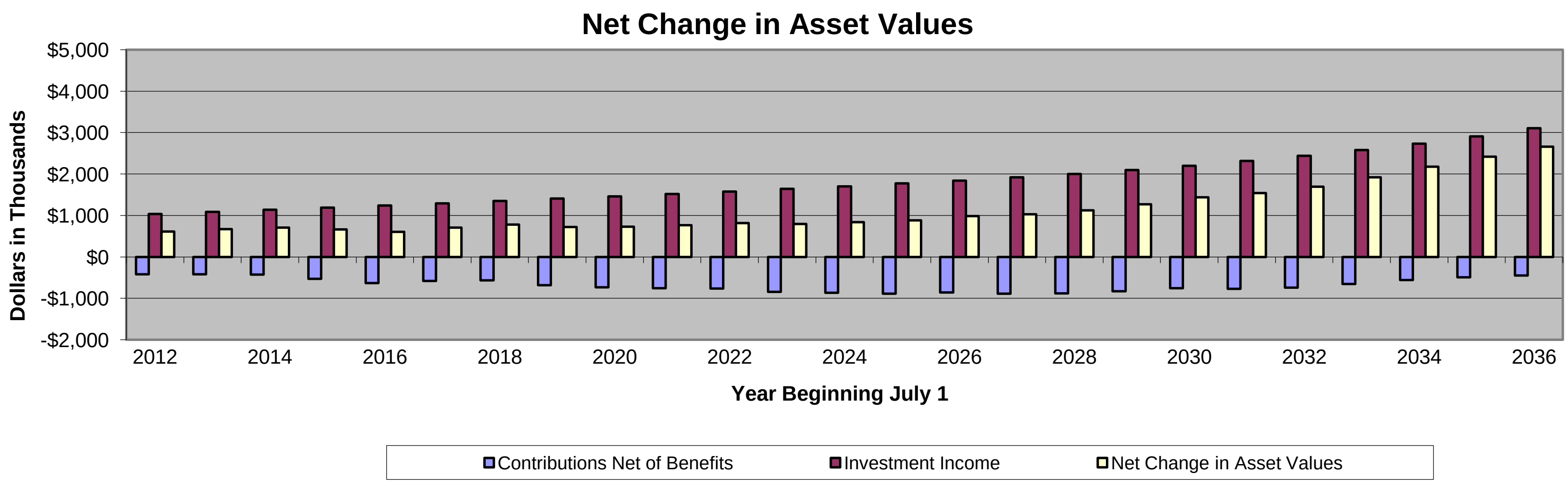
Twenty-five Year Cash Flow Projection

Year	Valuation Payroll	Market Value of Assets Balance July 1	Contributions	Projected Benefit Payments	Expected Investment Return	Cash Flow	Market Value of Assets Balance June 30
2012	$7,009,192	$13,169,000	$728,956	$1,151,908	$1,036,602	$613,650	$13,782,650
2013	7,307,083	13,782,650	785,511	1,203,184	1,085,905	668,232	14,450,882
2014	7,617,634	14,450,882	818,896	1,248,709	1,138,878	709,065	15,159,947
2015	7,941,383	15,159,947	853,699	1,385,043	1,191,542	660,198	15,820,145
2016	8,278,892	15,820,145	889,981	1,524,798	1,240,219	605,402	16,425,547
2017	8,630,745	16,425,547	927,805	1,511,510	1,290,696	706,991	17,132,538
2018	8,997,552	17,132,538	967,237	1,535,773	1,347,862	779,326	17,911,863
2019	9,379,948	17,911,863	1,008,344	1,693,907	1,405,527	719,964	18,631,827
2020	9,778,596	18,631,827	1,051,199	1,785,013	1,461,194	727,380	19,359,206
2021	10,194,186	19,359,206	1,095,875	1,852,425	1,518,474	761,924	20,121,131
2022	10,627,439	20,121,131	1,142,450	1,903,705	1,579,240	817,985	20,939,116
2023	11,079,105	20,939,116	1,191,004	2,035,102	1,641,365	797,267	21,736,383
2024	11,549,967	21,736,383	1,241,621	2,109,421	1,704,199	836,399	22,572,782
2025	12,040,841	22,572,782	1,294,390	2,179,996	1,770,398	884,792	23,457,574
2026	12,552,577	23,457,574	1,349,402	2,206,192	1,842,334	985,544	24,443,119
2027	13,086,062	24,443,119	1,406,752	2,296,868	1,919,845	1,029,729	25,472,847
2028	13,642,220	25,472,847	1,466,539	2,347,374	2,002,594	1,121,759	26,594,607
2029	14,222,014	26,594,607	1,528,867	2,357,331	2,094,430	1,265,966	27,860,573
2030	14,826,450	27,860,573	1,593,843	2,354,200	2,198,432	1,438,075	29,298,647
2031	15,456,574	29,298,647	1,661,582	2,432,786	2,313,044	1,541,840	30,840,487
2032	16,113,478	30,840,487	1,732,199	2,477,021	2,437,446	1,692,624	32,533,111
2033	16,798,301	32,533,111	1,805,817	2,463,481	2,576,342	1,918,678	34,451,789
2034	17,512,229	34,451,789	1,882,565	2,441,291	2,733,794	2,175,068	36,626,858
2035	18,256,499	36,626,858	1,962,574	2,452,991	2,910,532	2,420,115	39,046,972
2036	19,032,400	39,046,972	2,045,983	2,493,188	3,105,870	2,658,665	41,705,637

Mississippi Supplemental Legislative Retirement Plan

Twenty-five Year Cash Flow Projection Based on Valuation Assumptions





SECTION VIII – SUPPLEMENTAL DISCLOSURE INFORMATION

1. Statement Nos. 25 and 27 of the Governmental Accounting Standards Board (GASB) set forth certain items of information to be disclosed in the financial statements of the Plan and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF JUNE 30, 2012

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	173
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	71
Active Participants	175
Total	419

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2) – (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4)/(5)
06/30/2003	$10,196,000	$12,219,519	83.4%	$2,023,519	$6,288,514	32.2%
06/30/2004*	10,323,000	12,934,100	79.8	2,611,100	5,794,099	45.1
06/30/2005#	10,634,000	13,401,595	79.3	2,767,595	6,530,045	42.4
06/30/2006	11,620,000	14,063,614	82.6	2,443,614	6,353,542	38.5
06/30/2007	12,722,000	15,053,526	84.5	2,331,526	6,554,229	35.6
06/30/2008*	13,412,000	15,614,687	85.9	2,202,687	6,752,960	32.6
06/30/2009#	13,386,000	16,534,870	81.0	3,148,870	6,803,339	46.3
06/30/2010	13,241,000	17,081,278	77.5	3,840,278	6,605,037	58.1
06/30/2011#	13,606,000	18,605,301	73.1	4,999,301	6,809,770	73.4
06/30/2012	13,268,000	19,536,604	67.9	6,268,604	6,871,757	91.2

* After change in benefit provisions.
\# After change in actuarial assumptions.

As can be seen from the table above, the funded ratio has declined over the 10-year period. This is due in large part to the less than expected investment returns over the 10-year span. The open 30-year amortization period during the latter half of the time period contributed to the decline.

3. The annual required contribution (ARC) of the employer as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below. The accrued liability rate is based on amortization of the unfunded actuarial accrued liability of $6,268,604 over a period of 30.0 years from the valuation date.

Annual Required Contribution (ARC)		
Valuation Date June 30	**2012**	**2011**
For Fiscal Year	2013/2014	2012/2013
UAL Payment Period (years)	30.0	22.3
Annual Required Contribution % of Payroll	7.75%	7.40%

4. Additional information as of June 30, 2012 follows.

Valuation date	6/30/2012
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30.0 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases#	4.50%
Cost-of-living adjustments	3.00%
*Includes price inflation at	3.50%
# Includes wage inflation at	4.25%

Schedule of Employer Contributions

Fiscal Year Ending June 30	Valuation date June 30	Annual Required Contribution	Percentage Contributed
2004	2002	$398,063	100.0%
2005	2003	366,766	100.0
2006	2004	413,352	100.0
2007	2005	422,511	100.0
2008	2006	435,856	100.0
2009	2007	449,072	100.0
2010	2008	452,422	100.0
2011	2009	464,334	100.0
2012	2010	503,923	100.0
2013	2011	508,510	