



Financial Statements  
June 30, 2019

# Municipal Retirement Systems and Fire and Police Disability and Relief Fund



## Independent Auditor's Report

To the Board of Trustees  
Municipal Retirement Systems and Fire and Police Disability and Relief Fund  
Jackson, Mississippi

### Report on the Financial Statements

We have audited the accompanying Schedule of Changes in Fiduciary Net Position by Employer (the Schedule) of the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (the Plan), and the related footnotes to the Schedule, which includes the fiduciary net position as of June 30, 2019, and the changes in fiduciary net position of the year then ended. We have also audited the fiduciary net position of each individual employer as of June 30, 2019, and the changes in fiduciary net position of each individual employer for the year then ended, included in the accompany Schedule. The Public Employees' Retirement System of Mississippi (the System) is the administrator of the Plan.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on the fiduciary net position and the changes in fiduciary net position included in the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fiduciary net position and the changes in fiduciary net position included in the Schedule are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and the changes in fiduciary net position included in the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the fiduciary net position and the changes in fiduciary net position included in the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the Schedule referred to above presents fairly, in all material respects, the change in fiduciary net position of the Plan for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of each individual employer as of June 30, 2019, and the changes in fiduciary net position of each individual employer for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Correction of Error**

As discussed in Note 3 to the financial statements, certain errors resulting in understatements of amounts previously reported for net investment income and ending net position as of June 30, 2018, were discovered by management of the Plan during the current year. Accordingly, the Plan has restated the previously reported net position to account for this error. Our opinion is not modified with respect to this matter.

### **Other Matter**

We have audited, in accordance with auditing standards general accepted in the United States of America, the financial statements of the Public Employees' Retirement System of Mississippi as of and for the year ended June 30, 2019, and our report thereon, dated November 27, 2019, expressed an unmodified opinion on those financial statements.

Our report is intended solely for the information and use of the management of the Plan, the Board of Trustees of the System, the participating employers in the Plan and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
November 27, 2019

**Municipal Retirement Systems and Fire and Police Disability and Relief Fund**  
Schedule of Changes in Fiduciary Net Position by Employer  
Year Ended June 30, 2019  
(Amounts in Thousands)

	Member contribution	Employer contribution	Net investment income	Total additions	Retirement annuities	Administrative fees	Total deductions	Net increase (decrease)	Beginning of year net position restricted for pensions (as restated)	End of year net position restricted for pensions
Biloxi	\$ -	\$ 489	\$ 488	\$ 977	\$ 211	\$ 10	\$ 221	\$ 756	\$ 6,370	\$ 7,126
Biloxi Fire and Police	-	878	95	973	1,943	18	1,961	(988)	2,565	1,577
Clarksdale	-	368	90	458	629	7	636	(178)	1,457	1,279
Clinton	8	222	539	769	833	4	837	(68)	8,992	8,924
Columbus	-	1,106	67	1,173	1,143	22	1,165	8	978	986
Greenville	-	557	196	753	961	11	972	(219)	3,024	2,805
Greenwood	4	447	195	646	749	9	758	(112)	2,928	2,816
Gulfport	-	1,060	544	1,604	1,870	21	1,891	(287)	9,318	9,031
Hattiesburg	3	1,407	1,241	2,651	3,381	28	3,409	(758)	21,279	20,521
Jackson	-	5,570	3,101	8,671	11,705	111	11,816	(3,145)	54,464	51,319
Laurel	-	788	297	1,085	1,021	16	1,037	48	4,256	4,304
McComb	-	302	66	368	318	6	324	44	920	964
Meridian	-	354	222	576	704	7	711	(135)	3,326	3,191
Meridian Fire and Police	-	977	566	1,543	1,687	20	1,707	(164)	9,527	9,363
Natchez	-	546	126	672	696	11	707	(35)	1,877	1,842
Pascagoula	-	762	512	1,274	1,290	15	1,305	(31)	7,423	7,392
Tupelo	-	808	364	1,172	1,448	16	1,464	(292)	5,522	5,230
Vicksburg	-	294	570	864	2,111	6	2,117	(1,253)	10,669	9,416
Yazoo City	-	179	18	197	235	4	239	(42)	419	377
<b>Totals</b>	<b>\$ 15</b>	<b>\$ 17,114</b>	<b>\$ 9,297</b>	<b>\$ 26,426</b>	<b>\$ 32,935</b>	<b>\$ 342</b>	<b>\$ 33,277</b>	<b>\$ (6,851)</b>	<b>\$ 155,314</b>	<b>\$ 148,463</b>

## **Note 1 - Plan Description**

The Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS or the Plan) is an agent multiple-employer defined benefit pension plan comprised of municipal employee plans from around the State of Mississippi for municipal employees, firefighters, and police officers serving in the participating municipalities. The Public Employees' Retirement System of Mississippi (PERS), in coordination with the governing authorities of the respective municipalities, has administered these plans since July 1, 1987.

Membership in the two general municipal employee plans and the 17 fire and police disability and relief systems under MRS was granted to all municipal employees, fire fighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. All MRS plans were closed to new members by July 1, 1987. Eligible employees hired after July 1, 1987, automatically become members of PERS. Members covered by MRS are required to contribute varying amounts of their salary, depending on the actuarial soundness of their respective plans. Each employer contributes the remaining amounts necessary to finance participation of its own employees in MRS.

Plan provisions are established by Mississippi Code Ann. § 21-29-1 et seq., Articles 1, 3, 5, and 7, (1972, as amended), and annual local and private legislation. Statutes may be amended only by the Mississippi Legislature.

The Plan is included in the PERS Comprehensive Annual Financial Report (CAFR) as part of the pension trust funds. The System's most recent CAFR for the year ended June 30, 2019 should be read in conjunction with these financial statements.

### **Administration of the Plan**

The Plan is administered as an agent multiple-employer defined benefit pension plan by PERS, in coordination with the governing authorities of the respective municipalities.

### **Contribution Requirements**

Each plan has an established employee contribution rate. Employer contributions in each municipality are paid through an annual millage rate on the assessed property values in that municipality. These millage rates are determined through reviews of each plan's benefit structure during the MRS annual actuarial valuation and certifications by the actuary as to the funding level required of each participating municipality.

Service credit is awarded for employment in a covered position based on the number of months a member works during a fiscal year. All wages and contributions must be properly reported before service credit can be awarded.

### **Description of the Benefit Terms**

Regardless of age, participating employees who retire with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50.0 percent of their average monthly compensation and to an additional 1.7 percent for each year of creditable service beyond 20 years, not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the MRS plans is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of membership service. MRS plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a full refund of employee contributions. Members covered by MRS do not receive interest on their accumulated contributions. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

The retirees and beneficiaries of MRS plans with provisions for a Cost-of-Living Adjustment (COLA) who are receiving a retirement allowance on July 1 of each fiscal year may be entitled to a COLA. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt a COLA other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2019, the total COLAs for MRS plans were \$5,500,000.

### **Note 2 - Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The Schedule of Changes in Fiduciary Net Position by Employer (the Schedule) is prepared on the accrual basis of accounting based on the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Member and employer contributions are recognized as revenue when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

#### **Investment Income**

Investment income is recognized when earned, and includes an estimate for the fair value of investments. Net investment income credited to each employer is allocated to each employer based on the employer's balance of Fiduciary Net Position. Please refer to the Plan's financial statements as of and for the year ended June 30, 2019, for further information pertaining to the methods used to estimate the fair value of the Plan's investments.

#### **Administrative Fees**

Employers of MRS contribute an administrative fee to the System equal to 2.0 percent of the Plan's respective employer contributions. For the year ended June 30, 2019, administrative fees were \$342,279 in total for MRS.

# Municipal Retirement Systems and Fire and Police Disability and Relief Fund

Notes to Financial Statement

June 30, 2019

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## Use of Estimates

The preparation of the Schedule in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts and fiduciary net position at the date of the Schedule. Actual results could differ from these estimates.

## Note 3 - Restatement

During the year ended June 30, 2019, management identified certain items that were reported incorrectly in the schedule of changes in fiduciary net position by employer for the year ended June 30, 2019. Net investment income amounts for 7 of the employers were understated by the amounts noted below, which resulted in an understatement of ending net position for June 30, 2018. These errors have been corrected by restating the beginning net position for each of these employers.

	As Previously Reported (in thousands)	Correction of an Error (in thousands)	As Adjusted (in thousands)
Net position restricted for pensions, June 30, 2018			
Biloxi Fire and Police	\$ 2,543	\$ 22	\$ 2,565
Clinton	8,913	79	8,992
Gulfport	9,236	82	9,318
Hattiesburg	21,093	186	21,279
Jackson	53,986	478	54,464
Meridian Fire and Police	9,444	83	9,527
Vicksburg	10,576	93	10,669