



December 18, 2009

Dear Members:

I am pleased to submit the 2009 Popular Annual Financial Report of the Public Employees' Retirement System of Mississippi (System). During our years of operation, we have seen significant advances, continued to meet new challenges, and celebrated numerous successes. This year presented significant challenges related to financial market unpredictability. However, we have successfully overcome similar situations in the past and will continue to provide secure benefits and carefully safeguard the retirement of our members and retirees. We trust that you will find this presentation helpful in understanding your retirement system.

This report is a summary of our services, organization, funding, and investments, which are reported in detail in the Public Employees' Retirement System of Mississippi's Comprehensive Annual Financial Report (CAFR) for 2009. The CAFR is prepared and presented in conformity with generally accepted accounting principles. The Flexible Benefits Cafeteria Plan, an agency fund related to the System's employee health benefits, has been omitted from our summary report due to materiality. For questions concerning any of the information presented in this report or to request a 2009 CAFR, contact the Public Employees' Retirement System, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or visit our website at www.pers.state.ms.us.

The Public Employees' Retirement System of Mississippi is here to ensure that your retirement is everything it possibly can be. I am privileged to report on our progress this year and to look with you toward our future, confident that the System will continue to experience successful operation and provide secure benefits for our participants.

Sincerely,

Pat Robertson
Executive Director



Membership

The System administers four defined benefit retirement plans: the Public Employees' Retirement System (PERS), the Mississippi Highway Safety Patrol Retirement System (MHSPRS), the Municipal Retirement Systems and Fire and Police Disability and Relief Funds (MRS), and the Supplemental Legislative Retirement Plan (SLRP). These plans serve members from state and local government, public schools, community and junior colleges, universities, and other governmental units across the state. The total number of active members has risen over the past five years from 157,197 to 167,901 with a total of 892 participating employers.

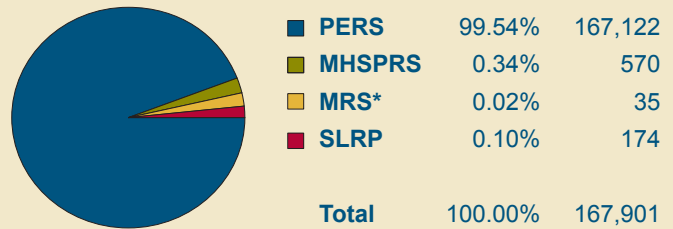
The System is constantly seeking improvements for serving its members and receives high marks for its efforts to provide quality assistance to each member and employer.

We are proud of our contribution to helping create secure retirement benefits for our retirees. Over the past five years, the total number of inactive and retired members has grown from 180,386 to 205,739, with a total retirement benefit payroll of \$1.52 billion. A combination of advances in technology, staff training enhancements, and improved vehicles of communication enable the System to assure that its participants are well informed and well served. The charts on this page illustrate active members, retirees and beneficiaries, and inactive members participating in the plans. Total membership in the System is 373,640, a 10.7 percent increase over the past five years.

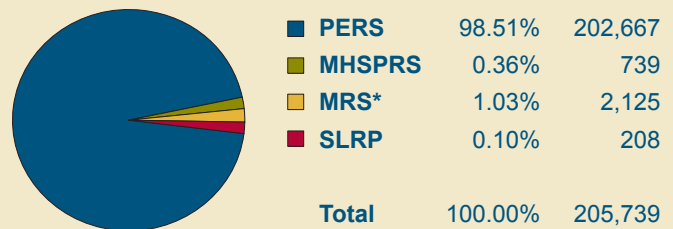
It is estimated that 22,186 PERS, MHSPRS, and SLRP members are currently eligible for retirement. By 2019, 74,699 members of these plans will be eligible for retirement.

Membership in the System is a condition of employment for PERS and MHSPRS. Membership in MRS was closed as of July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987.

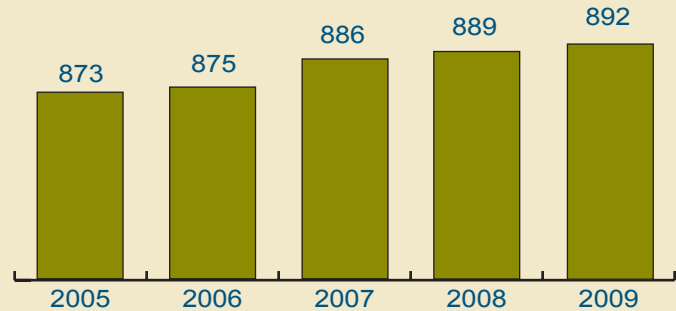
Active Members by Plan - Fiscal Year Ending June 30, 2009



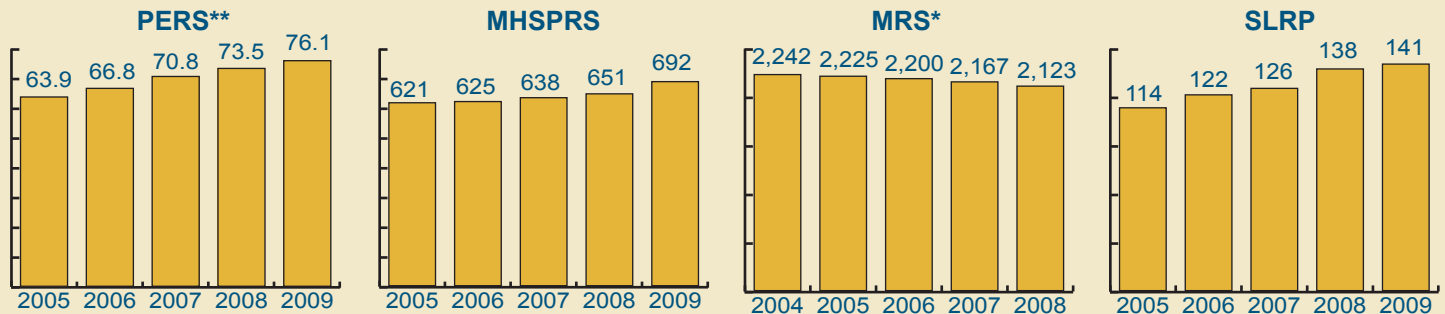
Retired and Inactive Members by Plan - Fiscal Year Ending June 30, 2009



Participating Employers - Fiscal Years Ending June 30



Retiree Growth by Plan



* As of September 30

** Number of retirees in thousands

Summary of Participating Members - Fiscal Years Ending June 30

PERS Members	2005	2006	2007	2008	2009
Active vested	111,603	112,092	108,744	110,211	109,235
Active nonvested	45,498	45,999	54,060	55,522	57,887
Sub-total	157,101	158,091	162,804	165,733	167,122
Retirees/beneficiaries	63,939	66,757	70,756	73,540	76,143
Inactive members	124,248	117,711	123,130	126,008	126,524
Sub-total	188,187	184,468	193,886	199,548	202,667
Total	345,288	342,559	356,690	365,281	369,789

MHSPRS Members	2005	2006	2007	2008	2009
Active vested	490	473	453	423	412
Active nonvested	50	91	138	203	158
Sub-total	540	564	591	626	570
Retirees/beneficiaries	621	625	638	651	692
Inactive members	66	46	47	45	47
Sub-total	687	671	685	696	739
Total	1,227	1,235	1,276	1,322	1,309

MRS Members	2004	2005	2006	2007	2008
Active vested	74	60	49	42	35
Active nonvested	10	5	-	-	-
Sub-total	84	65	49	42	35
Retirees/beneficiaries	2,242	2,225	2,200	2,167	2,123
Inactive members	4	4	3	3	2
Sub-total	2,246	2,229	2,203	2,170	2,125
Total	2,330	2,294	2,252	2,212	2,160

SLRP Members	2005	2006	2007	2008	2009
Active vested	133	129	127	132	130
Active nonvested	42	44	48	43	44
Sub-total	175	173	175	175	174
Retirees/beneficiaries	114	122	126	138	141
Inactive members	68	57	59	71	67
Sub-total	182	179	185	209	208
Total	357	352	360	384	382

Employees hired after MRS closing periods automatically become members of PERS. SLRP is a supplemental plan to the provisions of PERS for members of the state legislature. Those elected after July 1, 1989, automatically became members.

Dr. Marcus Chanay of Jackson State University looks forward to traveling once he reaches retirement.

Financial

The summaries of assets and liabilities show how much the System holds in resources and how much is owed. Investments make up the largest portion of net assets held in trust for pension benefits. Total 2009 assets amounted to \$19 billion, and total 2009 liabilities were \$3.5 billion. Net assets of the defined benefit pension plans for 2009 totaled \$15.5 billion while 2008 net assets totaled \$19.7 billion. The chart at right illustrates the overall trend in net assets over the long term.

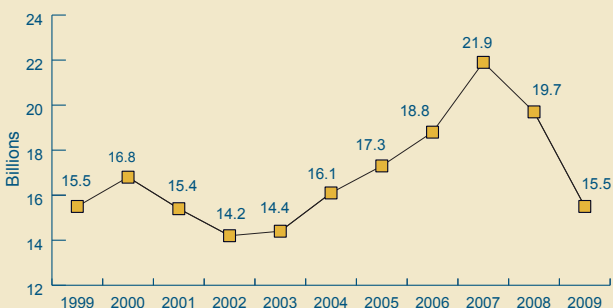
There are three primary sources of funding for the System: employer contributions, member contributions, and net investment income. Employer contributions totaled \$740.5 million for fiscal year 2009, an increase of \$31.7 million over fiscal year 2008. Member contributions totaled \$436.6 million, which amounted to an increase of \$17.1 million from fiscal year 2008. The increase in total contributions was due to an increase in the employer contribution rate for PERS, as well as a rise in the number of active members.

The System incurred a net investment loss of \$3.8 billion for 2009, compared a \$1.8 billion loss for 2008. Investment performance, which was significantly affected by financial market turmoil, was primarily responsible for the current year decline in the System's net assets.

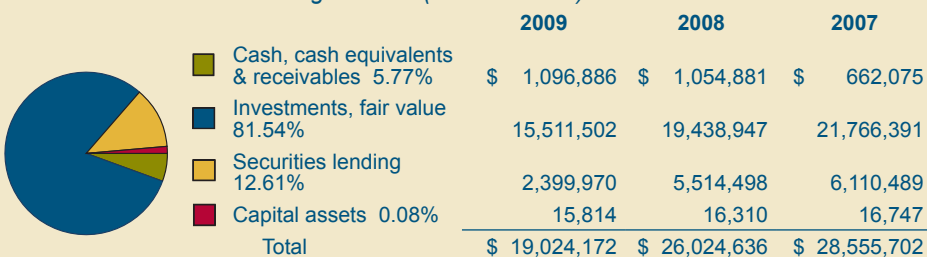
The System's primary expenses include payments of benefits to retirees and beneficiaries, refunds of contributions to former members, and the cost of administering the System. As shown in the bottom right table, the majority of expenses from 2009 are benefit payments to retirees and beneficiaries. These payments totaled more than \$1.5 billion for fiscal year 2009, an increase in payments of \$75 million.

Refunds to former members were \$70.1 million for fiscal year 2009, compared to \$72.8 million for fiscal year 2008. The cost to administer the System for fiscal year 2009, which includes actuarial expenses, was \$12.3 million, an increase of \$0.8 million from fiscal year 2008. This increase was due to increases in personal and contractual service costs during the year. Expenses for administration of the System are funded by ancillary income from investments.

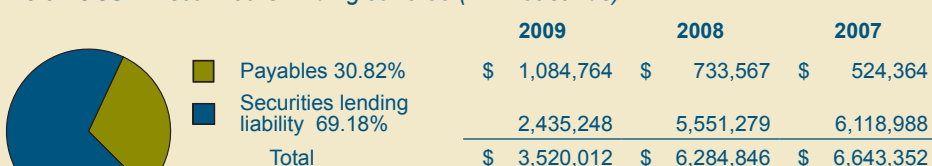
Net Assets - Fiscal Years Ending June 30



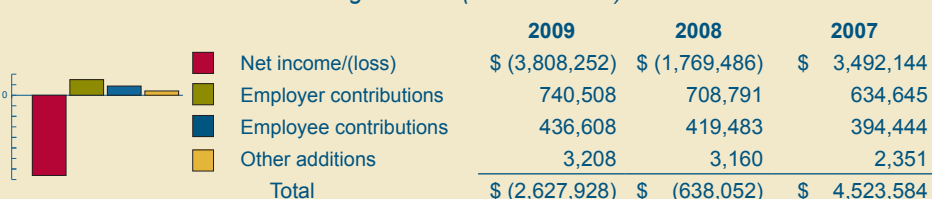
Assets - Fiscal Years Ending June 30 (In Thousands)



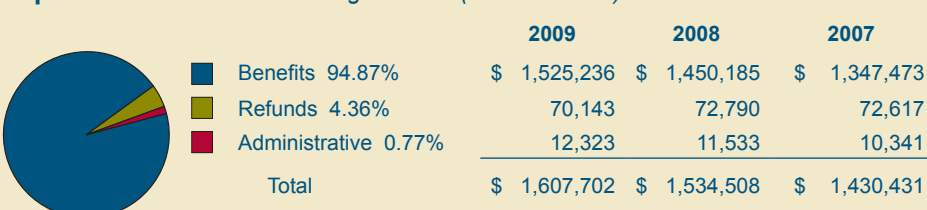
Liabilities - Fiscal Years Ending June 30 (In Thousands)



Revenues - Fiscal Years Ending June 30 (In Thousands)



Expenses - Fiscal Years Ending June 30 (In Thousands)



Funding

Actuarial valuations are performed on an annual basis for all retirement plans administered by the System. Valuations are based on information as of June 30, 2009, with the exception of MRS, which is based on data as of September 30, 2008.

Funds are accumulated to meet future benefit payments to retirees and beneficiaries. This accumulated balance is referred to as the “net assets held in trust for pension benefits.” The unfunded actuarial accrued liability (UAAL) period graphs shown at right depict the anticipated UAAL period for each plan within the System. In general terms, the UAAL is the difference between benefit payments owed to retirees and beneficiaries, present and future, and the amount of net assets held by the System. The UAAL period is the number of years it would take to completely pay the System’s benefit obligation. The funded ratio represents the amount of the System’s actuarial accrued liability that is covered by the actuarial value of assets, expressed as a percentage.

Accounting standards require a maximum amortization period for the UAAL of not more than 30 years, effective for fiscal year 2007 and beyond. The charts show the UAAL period and percent funded for the last five fiscal years for each plan. Most charts show a decrease in the percent funded for 2009, as well as an increase in the UAAL period over which the unfunded liability can be amortized. These results are attributed primarily to unfavorable investment performance as a result of economic declines in the global financial market. All investors, including PERS, have experienced the recent results of dramatic market volatility. However, PERS investments are well diversified to mitigate the effects of an unsteady financial market and a lagging economy.

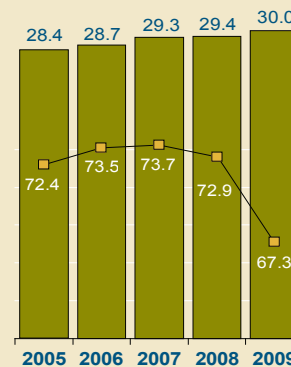
The Board of Trustees implemented increases in the employer contribution rate from 9.75 percent to 10.75 percent

Employer Contribution Percentage Rates

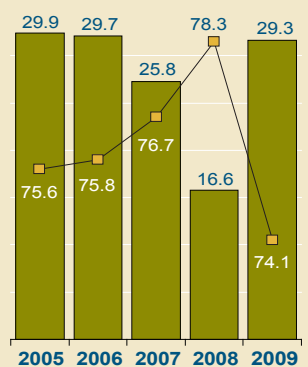
	2004	2005	2006	2007	2008	2009	2010
PERS	9.75	9.75	10.75	11.30	11.85	11.85	12.00
MHSPRS	28.16	28.16	28.16	30.30	30.30	30.30	30.30
SLRP	6.33	6.33	6.33	6.65	6.65	6.65	6.65

UAAL Period Graphs

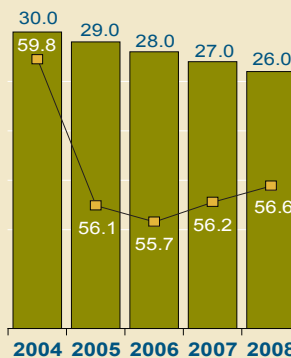
PERS



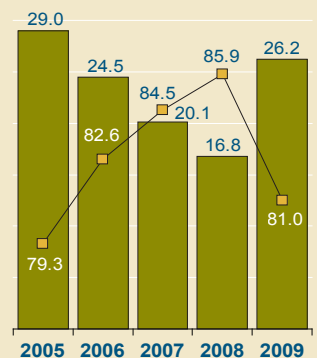
MHSPRS



MRS*



SLRP



* As of September 30

in fiscal year 2006 and to 11.3 percent in 2007 in order to position PERS for the future. The employer contribution rate for PERS was raised to 11.85 percent effective July 1, 2008. An employer rate of 12 percent became effective on July 1, 2009, with an additional increase to 13.56 percent scheduled for July 1, 2010. Employer contribution rates for MHSPRS and SLRP are 30.30 percent and 6.65 percent, respectively, with both rates effective on July 1, 2006. Employee contribution rates are 7.25 percent for PERS and MHSPRS and 3 percent for SLRP.

Employee and employer contribution rates vary among the individual municipalities of MRS.

Master Sergeant Tammy Hall plans to indulge in some spa time after retiring from the Mississippi Highway Patrol.

Investments

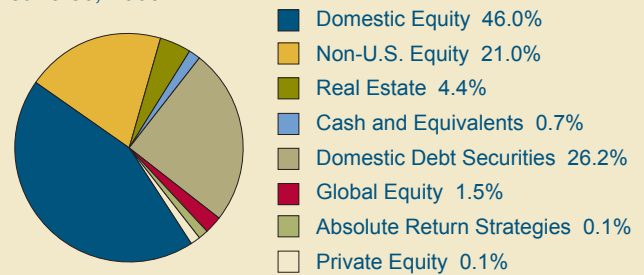
The System manages investments with prudent care, constant attention, specialized expertise, and a concern for the financial security of its membership. By maintaining a broadly diversified portfolio designed to minimize risk and maximize return over the long term, the System's investment program works to ensure that adequate funding for all current and future pension obligations is available.

Investments before securities lending activities for 2009 were \$15.5 billion, a decrease of \$3.9 billion from fiscal year 2008. Net investment loss was \$3.8 billion compared to net investment loss of \$1.8 billion at fiscal year end 2008.

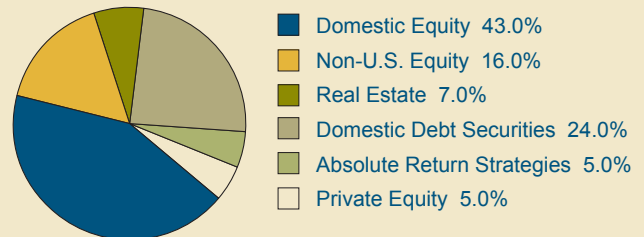
One of the most critical decisions made by the System is that of the long-term asset allocation policy for the investment portfolio. In fiscal year 2009, asset allocation was 46.0 percent domestic equities, 21 percent non-U.S. equity, 1.5 percent global equity, 26.2 percent domestic debt securities, 4.4 percent real estate investments, and 0.7 percent cash and equivalents. Absolute Return Strategies and Private Equity were each allocated 0.1 percent of the total portfolio. Both asset classes were initially funded in fiscal year 2009. The System's asset allocation decisions are based on liability requirements and guidelines established by the Mississippi Code of 1972. At year end, 28 investment advisors were managing 32 portfolios for defined benefit pension plans. Portfolio performance is carefully monitored by the Board of Trustees with the assistance of an investment management consulting firm.

The System experienced negative investment returns this year due to volatility in the global financial markets. The System operates on a long-term investment strategy resulting in a five-year rate of return of 1.4 percent, 10-year rate of 1.8 percent, and a 29-year rate of 8.5 percent.

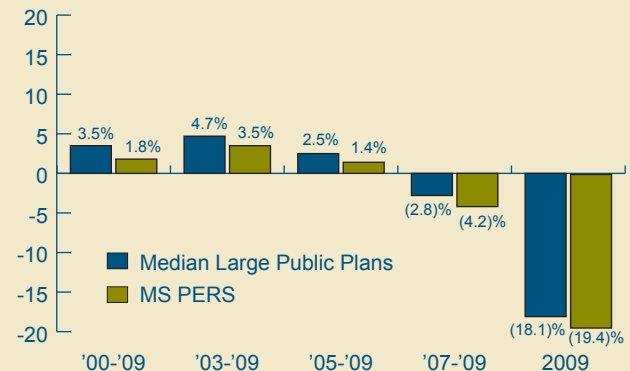
Asset Allocation at Fair Value - Fiscal Year Ending June 30, 2009



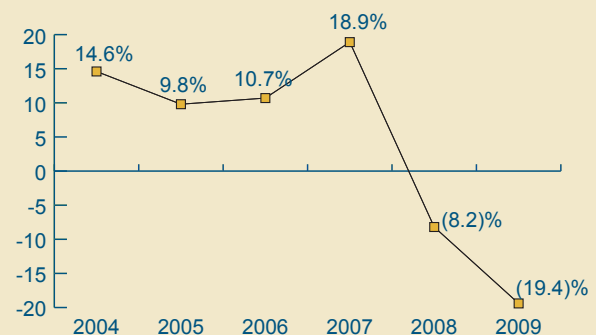
Long-Term Target Asset Allocation



Large Public Plans: Annualized Rates of Return



Defined Benefit Plans Total Rates of Return



Total Investments Last 10 Fiscal Years (In Thousands)

2000	\$18,445,976
2001	\$17,240,581
2002	\$16,144,889
2003	\$16,688,465
2004	\$18,192,261
2005	\$19,928,584
2006	\$23,852,219
2007	\$27,876,880
2008	\$24,953,445
2009	\$17,911,472

When nurse practitioner Chris Watkins retires from Mississippi State Hospital, he plans to spend quality time in the great outdoors.

Government Employees' Mississippi Deferred Compensation Plan & Trust

PERS offers the Government Employees' Mississippi Deferred Compensation Plan & Trust (MDC) to any employee, elected official, or independent contractor of the state of Mississippi or its political subdivisions. MDC is a supplemental retirement savings plan, also classified as a defined contribution plan, regulated under Section 457 of the Internal Revenue Code. It offers two tax advantages. The first advantage is that current income taxes are reduced because the participant's compensation is partially deferred. No federal income taxes are due on the deferred amount until withdrawal, which usually occurs at retirement when the participant is in a lower tax bracket. The second advantage is that any interest and/or earnings are also tax deferred until withdrawal.

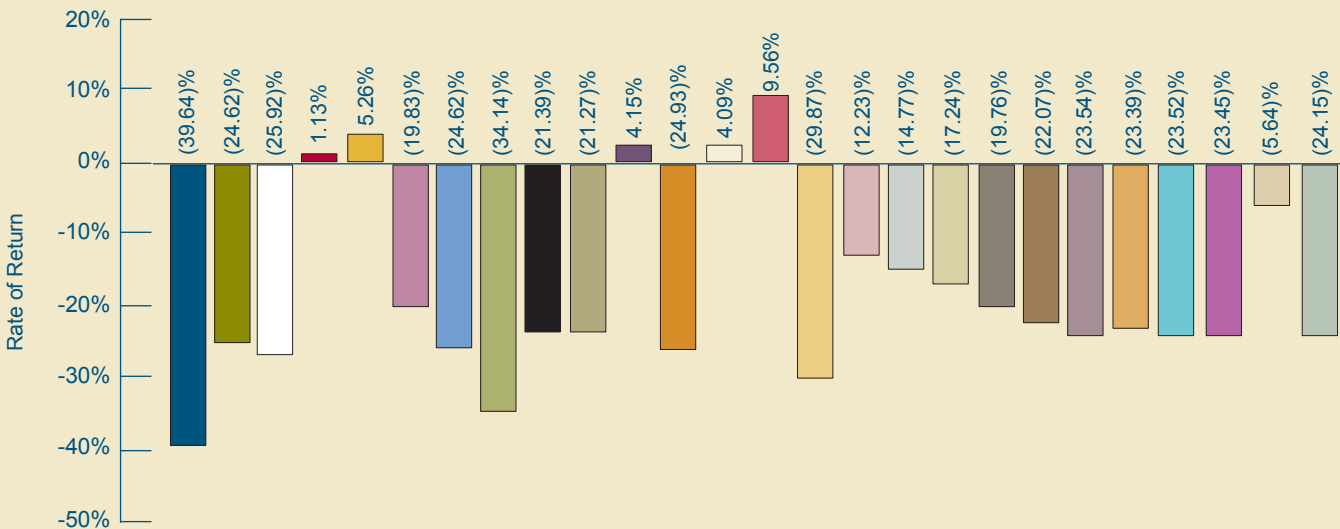
A participant may defer as little as \$25 per month with a monthly maintenance fee of \$2.25. The participant is eligible to receive payment(s) from the plan at termination, retirement, death, or

unforeseeable emergency, or contributions can be rolled over to the System for purchase of eligible service credit. By June 30, 2009, total investments were \$969 thousand. During the year, more than \$83.1 million was contributed to the plan by 39,802 participants.

The PERS Board of Trustees has selected a variety of investment options from which a participant may choose. Below is a graph listing the investment options and their annual rates of return. Rate of return is not applicable for Conseco Life Insurance Company.

MDC participants can access their account information at www.mdcplan.com or by telephone 24 hours a day, seven days a week through Systematized Benefits Administrators, Inc. at 601-364-9350 or 800-846-4551.

Defined Contribution Plan - Rates of Return - Fiscal Year Ending June 30, 2009



Funds as a Percent of Total Portfolio

AllianceBernstein International	0.29%	PIMCO Total Return Fund II	1.74%
American New Perspective Fund	1.67%	T. Rowe Price International Stock Fund	2.48%
Barclays Global Equity Index Fund	4.61%	State Street Global Advisors TIPS**	0.17%
Barclays Money Market Fund	2.48%	Vanguard Target Retirement 2010	2.38%
Barclays Intermediate Government/Corporate Bond Fund	2.20%	Vanguard Target Retirement 2015	0.36%
Boston Company Premier Value Fund	10.58%	Vanguard Target Retirement 2020	0.30%
Conseco Life Insurance Company*	N/A 0.04%	Vanguard Target Retirement 2025	0.17%
Fayeze Sarofim Common Stock Fund	9.45%	Vanguard Target Retirement 2030	0.11%
Fidelity Diversified International Fund	2.27%	Vanguard Target Retirement 2035	0.07%
Fidelity Small Cap Fund	1.34%	Vanguard Target Retirement 2040	0.02%
GE U.S. Equity Fund	0.39%	Vanguard Target Retirement 2045	0.02%
ING Fixed Account	39.01%	Vanguard Target Retirement 2050	0.03%
ING VP Growth and Income Portfolio	5.38%	Vanguard Target Retirement Income	0.23%
Nationwide Fixed Account	10.72%	Vanguard Windsor Fund	1.49%

* Return is not shown because it is not applicable for Conseco Life Insurance Company.

** Return is not shown since fund has been included in MDC plan investment options less than one year.

Participant Resources

Retirement Education Seminars

Retirement Education Seminars are full-day seminars held throughout the state to assist members with planning for retirement. Presenters include representatives from Social Security, the Mississippi Government Employees' Deferred Compensation Plan & Trust (MDC) and PERS. Schedules and registration are available at www.pers.state.ms.us.

Focus Sessions

Focus Sessions are small group presentations that offer assistance to members planning for retirement. Each member receives an estimate of benefits and detailed information on retirement options. Schedules and registration are available at www.pers.state.ms.us.

Agency Training

Agency training seminars are held annually to provide information to agency personnel who are responsible for PERS benefit administration and reporting. Schedules, topics, and registration are posted at www.pers.state.ms.us.

PERS on the Move

PERS on the Move seminars are held during or after office hours to provide members with information regarding PERS and MDC. These presentations are conducted by PERS staff and hosted by employers. Schedules are posted at www.pers.state.ms.us.

Member Statements

Active and inactive members are provided statements that include account balances, years of service, designated beneficiaries, and estimates of benefits. These statements are mailed annually.

Newsletters

Our member newsletter, *Looking Forward*, and our retiree newsletter, *Forward*, are excellent resources for information about PERS and retirement living. Electronic and audio versions of the newsletters are available at www.pers.state.ms.us.

Member Handbooks

Member Handbooks include information about PERS, its administered programs, retirement benefits, retirement options, and important contact information. Handbooks are available by request or can be downloaded from www.pers.state.ms.us.

Customer Service Center

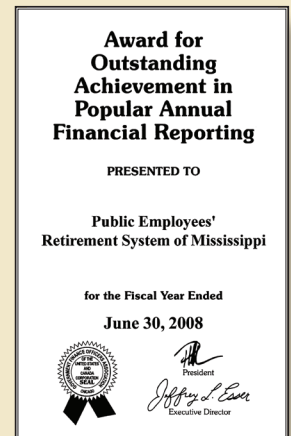
PERS' Customer Service Center analysts assist callers with questions and concerns in a prompt, courteous manner. The center is open from 8 a.m. to 5 p.m. every weekday with the exception of state holidays.

PERS Website

Our website, www.pers.state.ms.us, provides an array of information and services to members, retirees, and the public.

GFOA Award for Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Public Employees' Retirement System of Mississippi for its Popular Annual Financial Report for the fiscal year ended June 30, 2008. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.



In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Public Employees' Retirement System of Mississippi has received a Popular Award for the last six consecutive fiscal years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



*To be a grandmother is
Jamelia Young's perfect
retirement after the Jackson/
Hinds Library System.*