



POPULAR ANNUAL  
FINANCIAL REPORT  
*As of June 30, 2010*

December 21, 2010

Dear Members:

I am pleased to present the 2010 Popular Annual Financial Report (PAFR) of the Public Employees' Retirement System of Mississippi (the System). The 2010 year was a year of significant achievement for the System as we accomplished milestones in benefits administration and enhanced technology, all toward our mission of providing secure retirement benefits and outstanding service to our members. Despite a fragile economy and financial markets that continue to struggle with challenges in certain sectors, I am pleased to report that we remain well prepared to guarantee secure benefits while carefully safeguarding the retirement future of our members and retirees. We trust that each of you will find this report 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 2010. 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 2010 CAFR, contact the Public Employees' Retirement System, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or visit our website at [www.pers.state.ms.us](http://www.pers.state.ms.us).



The Public Employees' Retirement System of Mississippi is here to help give our members the ability to see and realize the possibilities of a secure retirement. 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,

A handwritten signature in black ink, appearing to read 'Pat Robertson', is written over a horizontal line.

Pat Robertson  
Executive Director

PERS IS COMMITTED TO  
PROVIDING SECURE  
RETIREMENT BENEFITS AND  
OUTSTANDING SERVICE TO  
ITS CURRENT AND FUTURE  
RETIREES.



## 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 157,900 to 165,644 with a total of 893 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.

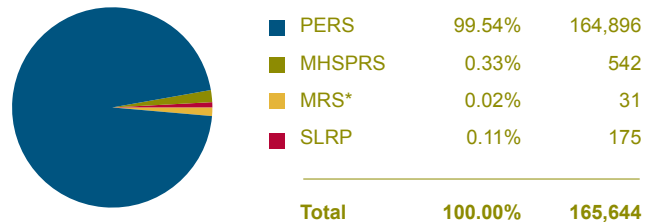
We are proud of our contribution to helping create secure retirement benefits for our retirees. Over the past five years, the total number of inactive and retired members has grown from 191,302 to 211,455, with a total retirement benefit payroll of \$1.6 billion. A combination of advances in technology, 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 377,099, an 8.0 percent increase over the past five years.

It is estimated that 22,428 PERS, MHSPRS, and SLRP members are currently eligible for retirement. By 2020, 74,649 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.

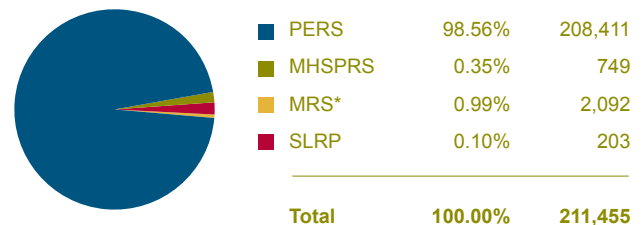
### Active Members by Plan

Fiscal Year Ending June 30, 2010



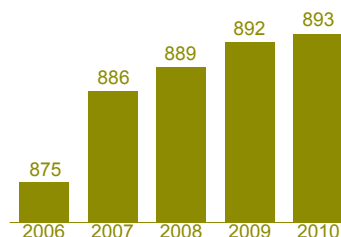
### Retired and Inactive Members by Plan

Fiscal Year Ending June 30, 2010

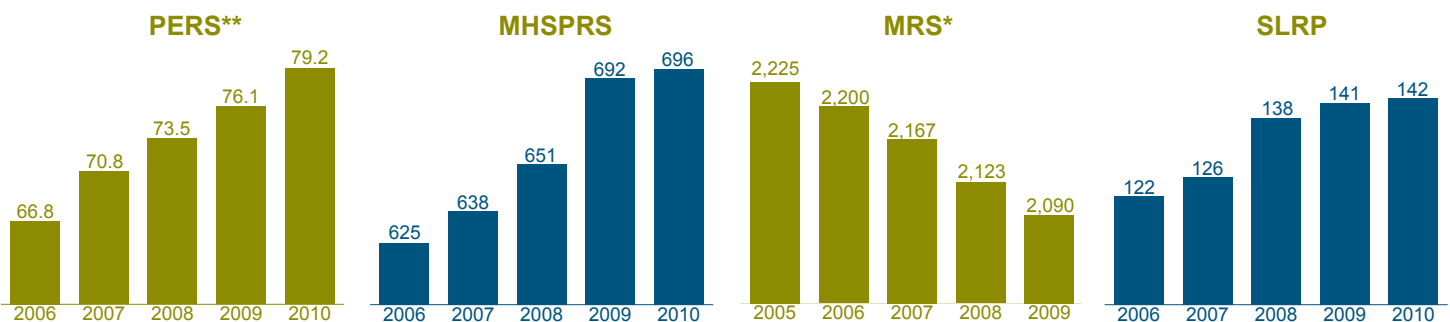


### Participating Employers

Fiscal Years Ending June 30



### Retiree Growth by Plan



## Summary of Participating Members - Fiscal Years Ending June 30

PERS Members	2006	2007	2008	2009	2010
Active vested	112,092	108,744	110,211	109,235	109,577
Active nonvested	45,999	54,060	55,522	57,887	55,319
Sub-total	158,091	162,804	165,733	167,122	164,896
Retirees/beneficiaries	66,757	70,756	73,540	76,143	79,168
Inactive members	117,711	123,130	126,008	126,524	129,243
Sub-total	184,468	193,886	199,548	202,667	208,411
<b>Total</b>	<b>342,559</b>	<b>356,690</b>	<b>365,281</b>	<b>369,789</b>	<b>373,307</b>

MHSPRS Members	2006	2007	2008	2009	2010
Active vested	473	453	423	412	387
Active nonvested	91	138	203	158	155
Sub-total	564	591	626	570	542
Retirees/beneficiaries	625	638	651	692	696
Inactive members	46	47	45	47	53
Sub-total	671	685	696	739	749
<b>Total</b>	<b>1,235</b>	<b>1,276</b>	<b>1,322</b>	<b>1,309</b>	<b>1,291</b>

MRS Members	2005	2006	2007	2008	2009
Active vested	60	49	42	35	31
Active nonvested	5	-	-	-	-
Sub-total	65	49	42	35	31
Retirees/beneficiaries	2,225	2,200	2,167	2,123	2,090
Inactive members	4	3	3	2	2
Sub-total	2,229	2,203	2,170	2,125	2,092
<b>Total</b>	<b>2,294</b>	<b>2,252</b>	<b>2,212</b>	<b>2,160</b>	<b>2,123</b>

SLRP Members	2006	2007	2008	2009	2010
Active vested	129	127	132	130	134
Active nonvested	44	48	43	44	41
Sub-total	173	175	175	174	175
Retirees/beneficiaries	122	126	138	141	142
Inactive members	57	59	71	67	61
Sub-total	179	185	209	208	203
<b>Total</b>	<b>352</b>	<b>360</b>	<b>384</b>	<b>382</b>	<b>378</b>

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.



AS THE YEARS PASS,  
YOU COME TO REALLY SEE  
THE IMPORTANCE OF A SAFE,  
SOUND RETIREMENT PLAN AND  
OF GOOD FRIENDS AND  
FAMILY.



## 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 2010 assets amounted to \$21.5 billion, and total 2010 liabilities were \$4.3 billion. Net assets of the defined benefit pension plans for 2010 totaled \$17.2 billion while 2009 net assets totaled \$15.5 billion. The chart at right illustrates the overall trend in net assets over the long term.

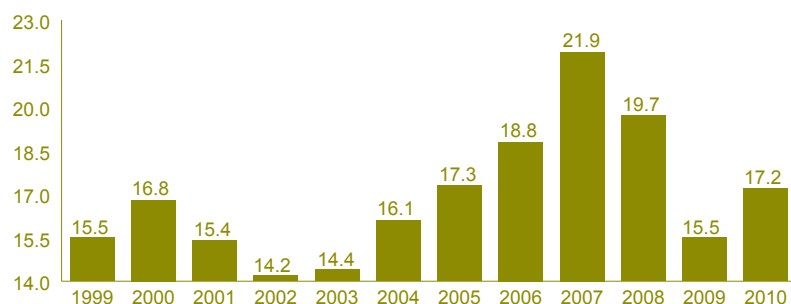
There are three primary sources of funding for the System: employer contributions, member contributions, and net investment income. Employer contributions totaled \$762.0 million for fiscal year 2010, an increase of \$21.5 million from fiscal year 2009. Member contributions totaled \$441.8 million, which amounted to an increase of \$5.2 million from fiscal year 2009. The increase in total contributions was due to an increase in the employer contribution rate for PERS.

The System posted net investment income of \$2.2 billion for 2010, compared a \$3.8 billion loss for 2009. Investment performance improved as the economy moved toward recovery.

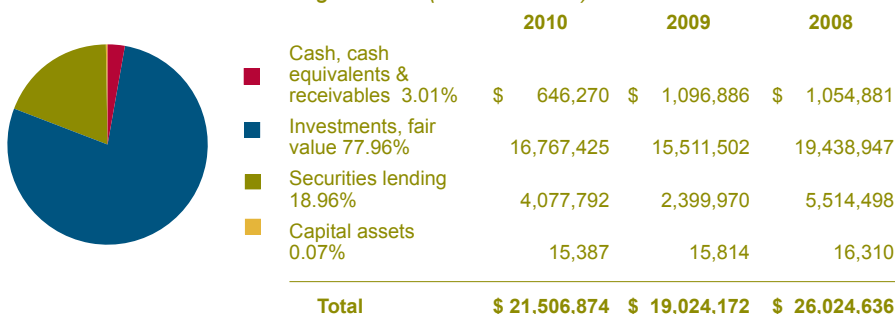
The System's primary expenses include payments of benefits to retirees and beneficiaries, refunds of contributions to former members, and the cost of administering the System. As shown in the bottom right table, the majority of expenses from 2010 are benefit payments to retirees and beneficiaries. These payments totaled more than \$1.6 billion for fiscal year 2010, an increase of \$118 million.

Refunds to former members were \$73.7 million for fiscal year 2010, compared to \$70.1 million for fiscal year 2009. The cost to administer the System for fiscal year 2010, which includes actuarial expenses, was \$12.2 million, a decrease of \$138 thousand from fiscal year 2009. This decrease was due to decreases in personal and contractual service costs during the year. Expenses for administration of the System are funded by ancillary income from investments.

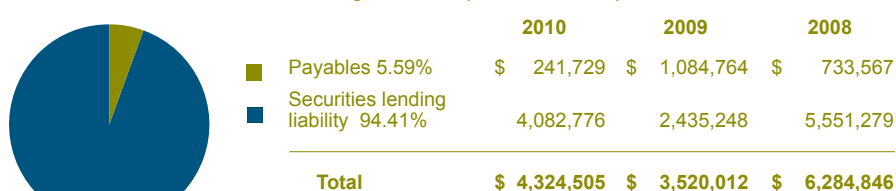
### Net Assets - Fiscal Years Ending June 30 (In Billions)



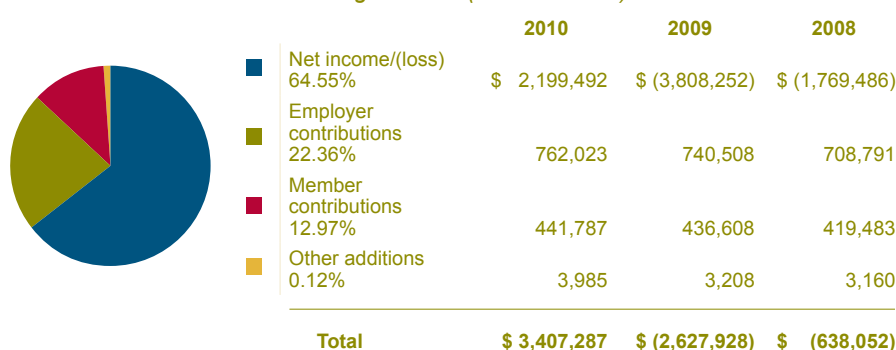
### Assets - Fiscal Years Ending June 30 (In Thousands)



### 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, 2010, with the exception of MRS, which is based on data as of September 30, 2009.

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. The charts show the UAAL period and percent funded for the last five fiscal years for each plan. Charts show a decrease in the percent funded for 2010. These results are attributed primarily to unfavorable investment performance in 2008 and 2009 brought on by 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 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, 2007. An employer rate of 12 percent became effective on July 1, 2009. An additional increase to 12.93 percent is scheduled for PERS, 35.21 percent for MHSPRS and 7.4 percent for SLRP beginning July 1, 2011. The member contribution rate for PERS changed for fiscal year 2011 from 7.25 percent to 9.00 percent. Member contribution rates remained unchanged at 7.25 percent for MHSPRS and 3.00 percent for SLRP.

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

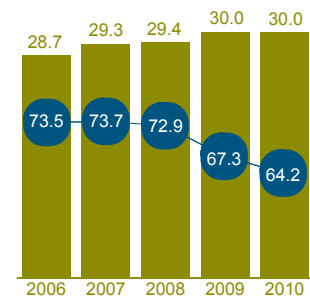
## Employer Contribution Percentage Rates

Fiscal Year	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

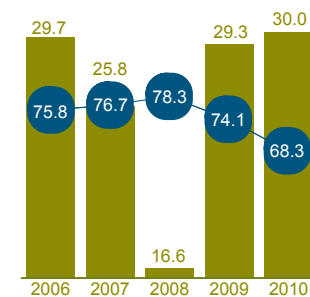
## UAAL Period Graphs

■ UAAL Period    ● Percent Funded

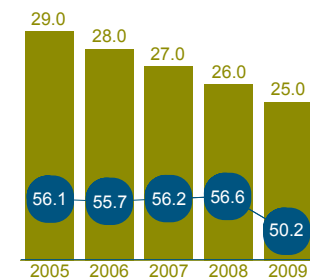
### PERS



### MHSPRS

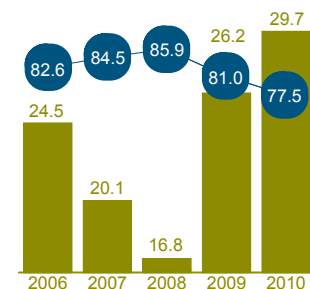


### MRS\*



\* As of September 30

### SLRP



IN TIMES LIKE THESE,  
IT'S IMPORTANT  
TO FEEL SECURE,  
SO YOU CAN FOCUS  
ON WHAT'S  
AHEAD.



## 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 2010 were \$16.8 billion, an increase of \$1.3 billion from fiscal year 2009. Net investment income was \$2.2 billion compared to net investment loss of \$3.8 billion at fiscal year end 2009.

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 2010, asset allocation was 47.8 percent U.S. equity, 19.5 percent non-U.S. equity, 1.4 percent global equity, 23.4 percent U.S. debt securities, 2.0 percent non-U.S. debt securities, 4.6 percent real estate investments, and 0.7 percent for cash and equivalents. Absolute return strategies were 0.1 percent and private equity was 0.5 percent. The System's asset allocation decisions are based on liability requirements and guidelines established by the Mississippi Code of 1972. At year end, 29 investment firms were managing 38 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.

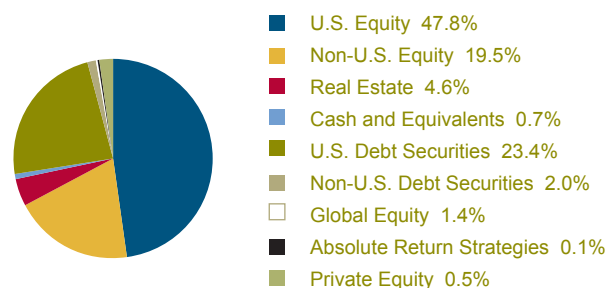
The System experienced a 14.1 percent investment return this year, which exceeded the plan's benchmark return of 13.2 percent. The System operates on a long-term investment strategy resulting in a five-year rate of return of 2.1 percent, 10-year rate of 2.3 percent, and a 30-year rate of 8.7 percent.

### Total Investments Last 10 Fiscal Years (In Thousands)

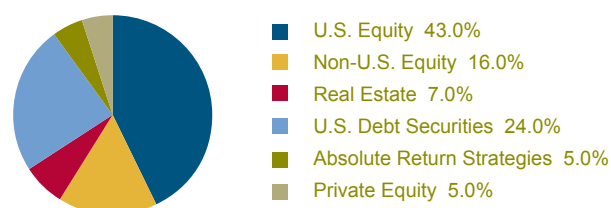
2001	\$17,240,581	2005	\$19,928,584	2009	\$17,911,472
2002	\$16,144,889	2006	\$23,852,219	2010	\$20,845,217
2003	\$16,688,465	2007	\$27,876,880		
2004	\$18,192,261	2008	\$24,953,445		

### Asset Allocation at Fair Value

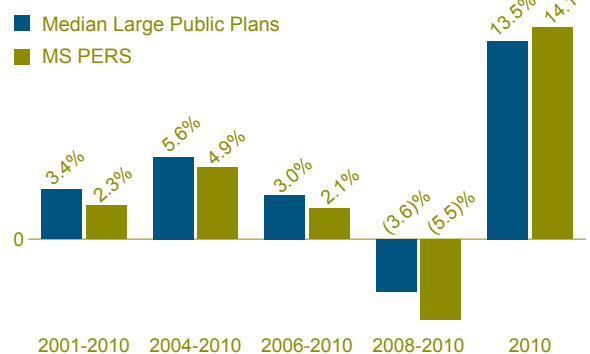
Fiscal Year Ending June 30, 2010



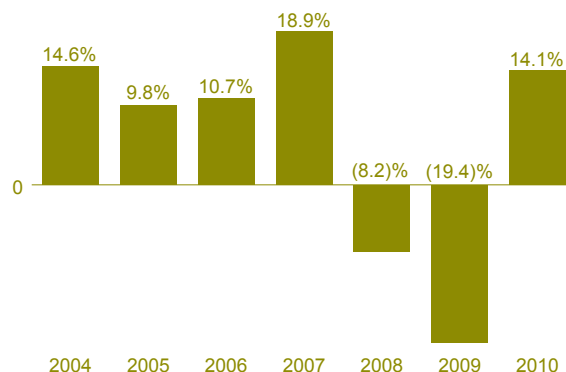
### Long-Term Target Asset Allocation



### Large Public Plans: Annualized Rates of Return



### Defined Benefit Plans Total Rates of Return



WHILE YOU'RE  
LOOKING AT THE  
BIG PICTURE,  
IT'S GOOD TO KNOW  
SOMEONE'S TAKING CARE  
OF THE DETAILS.



## 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.

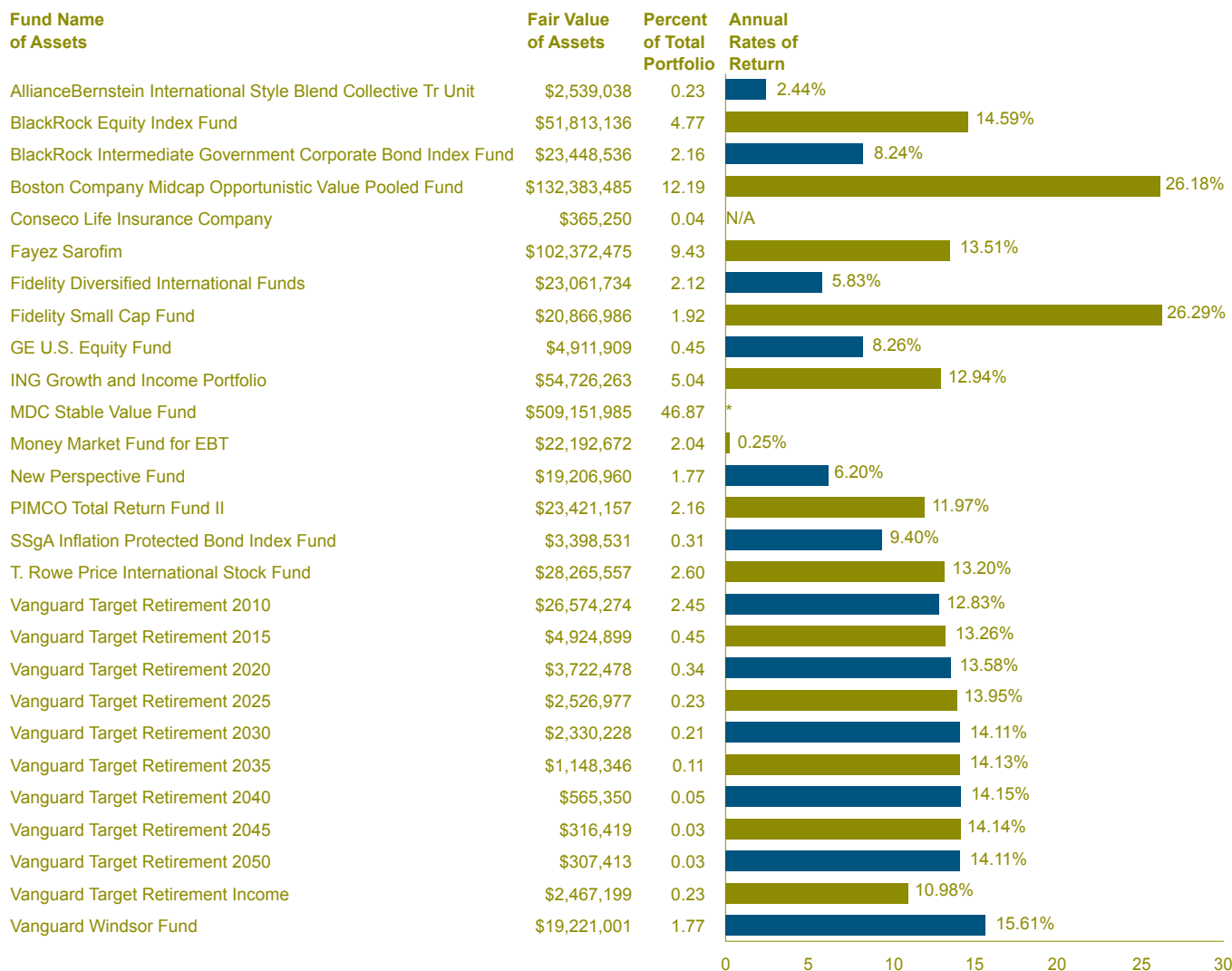
A participant may defer as little as \$25 per month with a monthly maintenance fee of \$2.25. The participant is eligible to receive payment(s) from the plan at termination, retirement, death, or unforeseeable emergency, or contributions can be rolled over

to the System for purchase of eligible service credit. By June 30, 2010, total investments were \$1.1 billion. During the year, more than \$86.9 million was contributed to the plan by 40,036 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.

The MDC office is located at 4450 Old Canton Road, Suite 107, Jackson, MS 39211. The office is open each business day from 8 a.m. to 5 p.m. Participants may call the office at 800-846-4551 or 601-364-9350. MDC participants may check balances and execute certain transactions 24 hours a day online at [www.mdcplan.com](http://www.mdcplan.com) or by calling 800-892-4352. Both online and telephone account access are password protected.

### Defined Contribution Plan - Investment Summary - Fiscal Year Ending June 30, 2010



\* Return is not shown because it has been included for less than one year.



## Participant Resources

### Retirement Education Seminars

Full-day Retirement Education Seminars are held throughout the state to assist members with retirement planning. Topics include Social Security, the Mississippi Government Employees' Deferred Compensation Plan & Trust (MDC), and PERS. Schedules and registration are available at [www.pers.state.ms.us](http://www.pers.state.ms.us).

### Focus Sessions

Small group Focus Sessions assist members with retirement planning by providing each individual with an estimate of benefits and detailed information on retirement options. Schedules and registration are available at [www.pers.state.ms.us](http://www.pers.state.ms.us).

### Agency Training

Annual agency training seminars provide information to personnel responsible for benefit administration and reporting. Schedules, topics, and registration are posted at [www.pers.state.ms.us](http://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](http://www.pers.state.ms.us).

### Member Statements

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

### Newsletters

Our member, retiree, and employer newsletters provide pertinent information to constituents about their retirement plans and System. Electronic versions of the newsletters are available at [www.pers.state.ms.us](http://www.pers.state.ms.us). Audio versions are available through the National Federation of the Blind of Mississippi.

### 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](http://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

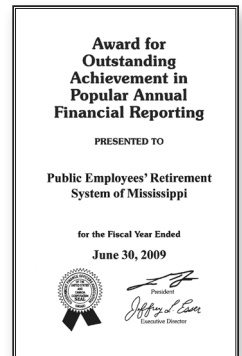
Our website, [www.pers.state.ms.us](http://www.pers.state.ms.us), provides an array of information and services to members, retirees, and the public.

### 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 PERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. 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. PERS has received a Popular Award for the last seven 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.



AFTER A CAREER OF  
CONTRIBUTING TO PERS,  
YOU'RE BETTER ABLE  
TO TURN RETIREMENT INTO  
WHATEVER YOU ENVISION  
YOURS TO BE.

