



Popular Annual Financial Report

As of June 30, 2011

December 20, 2011

Dear Members and Retirees:

I am pleased to present the 2011 Popular Annual Financial Report (PAFR) of the Public Employees' Retirement System of Mississippi (the System). Against the backdrop of an uncertain economy, we have been successful in extending our track record of continuous delivery of retirement benefits to tens of thousands of retired Mississippi public employees. Our complete commitment to providing secure benefits for life has led us to enhanced technology systems and pension plan changes that position PERS for sustained financial stability well into the future. But our accomplishments are not just an expression of our financial strength and ability to deliver retirement benefits. They confirm our strategy and solid commitment to long-term pension administration success. I am happy to report that we remain well prepared to provide secure benefits while carefully safeguarding the retirement futures 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 2011. The CAFR is prepared and presented in conformity with generally accepted accounting principles. The entire report may be found on the PERS website at www.pers.state.ms.us. For questions concerning any of the information presented in this report, contact the Public Employees' Retirement System, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or visit us online.



The Public Employees' Retirement System of Mississippi is here to help our members prepare for a solid, secure retirement. I am privileged to report on our progress this year and am confident that the System will continue to experience successful operation and provide secure benefits for our participants.

Sincerely,

Pat Robertson

Executive Director

**Benefiting You
Benefiting Mississippi**

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 changed from 163,619 in fiscal year 2007 to 162,392 with a total of 896 participating employers.

The System is constantly seeking innovative ways to serve 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 provide retirement security for our retirees. Since 2007, the total number of inactive and retired members has grown from 196,959 to 215,490, with an annual retirement benefit payroll of \$1.8 billion. A combination of

advances in technology, staff training, and improved vehicles of communication enables the System to assure that its participants are well informed and well served. The charts atop page 3 illustrate active members, retirees and beneficiaries, and inactive members participating in the plans. Total membership in the System is 377,882, a 4.8 percent increase since fiscal year 2007.

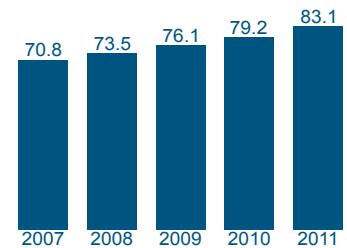
It is estimated that 22,268 PERS, MHSPRS, and SLRP members are currently eligible for retirement.

Membership in the System is a condition of covered public employment in Mississippi. 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.

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 become members.

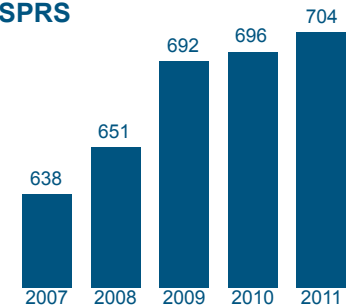
Retiree Growth by Plan Fiscal Years Ending June 30

PERS*

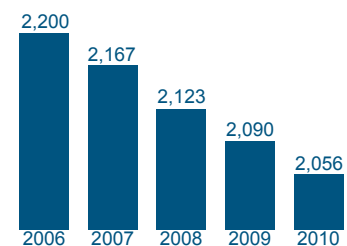


* Number of retirees in thousands

MHSPRS

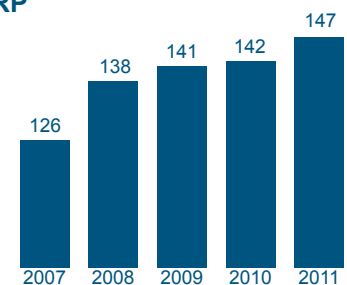


MRS**

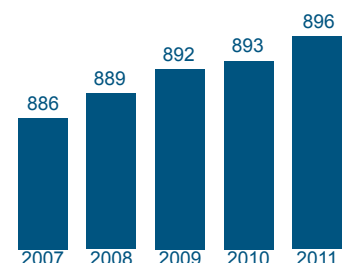


** As of September 30

SLRP



Participating Employers Fiscal Years Ending June 30

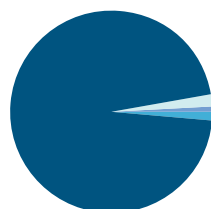


Fact 1

93 percent of PERS payments
remain in Mississippi,
benefiting local businesses and the
state economy.

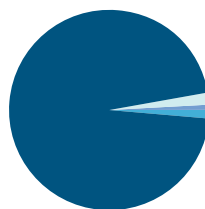
Source: PERS

Active Members by Plan
Fiscal Year Ending June 30, 2011



PERS	99.56%	161,676
MHSPPRS	0.32%	515
MRS*	0.02%	27
SLRP	0.10%	174
Total	100.00%	162,392

Retired and Inactive Members by Plan
Fiscal Year Ending June 30, 2011



PERS	98.60%	212,475
MHSPPRS	0.35%	750
MRS*	0.95%	2,058
SLRP	0.10%	207
Total	100.00%	215,490

* As of September 30

Summary of Participating Members - Fiscal Years Ending June 30

PERS Members	2007	2008	2009	2010	2011
Active vested	108,744	110,211	109,235	109,577	111,395
Active nonvested	54,060	55,522	57,887	55,319	50,281
Sub-total	162,804	165,733	167,122	164,896	161,676
Retirees/beneficiaries	70,756	73,540	76,143	79,168	83,115
Inactive members	123,130	126,008	126,524	129,243	129,360
Sub-total	193,886	199,548	202,667	208,411	212,475
Total	356,690	365,281	369,789	373,307	374,151

MHSPPRS Members	2007	2008	2009	2010	2011
Active vested	453	423	412	387	402
Active nonvested	138	203	158	155	113
Sub-total	591	626	570	542	515
Retirees/beneficiaries	638	651	692	696	704
Inactive members	47	45	47	53	46
Sub-total	685	696	739	749	750
Total	1,276	1,322	1,309	1,291	1,265

MRS Members*	2006	2007	2008	2009	2010
Active vested	49	42	35	31	27
Active nonvested	-	-	-	-	-
Sub-total	49	42	35	31	27
Retirees/beneficiaries	2,200	2,167	2,123	2,090	2,056
Inactive members	3	3	2	2	2
Sub-total	2,203	2,170	2,125	2,092	2,058
Total	2,252	2,212	2,160	2,123	2,085

SLRP Members	2007	2008	2009	2010	2011
Active vested	127	132	130	134	133
Active nonvested	48	43	44	41	41
Sub-total	175	175	174	175	174
Retirees/beneficiaries	126	138	141	142	147
Inactive members	59	71	67	61	60
Sub-total	185	209	208	203	207
Total	360	384	382	378	381

* As of September 30

Financial

The summaries of assets and liabilities show how much the System holds in resources and how much is owed. Total FY 2011 assets and liabilities were \$24.36 billion and \$3.50 billion, respectively. Net assets of the defined benefit pension plans for 2011 totaled \$20.8 billion while 2010 net assets totaled \$17.2 billion. Investments make up the largest portion of net assets, which are held in trust for pension benefits. Net assets result from the difference between total assets and total liabilities. The chart at right illustrates the overall trend in net assets over the long term.

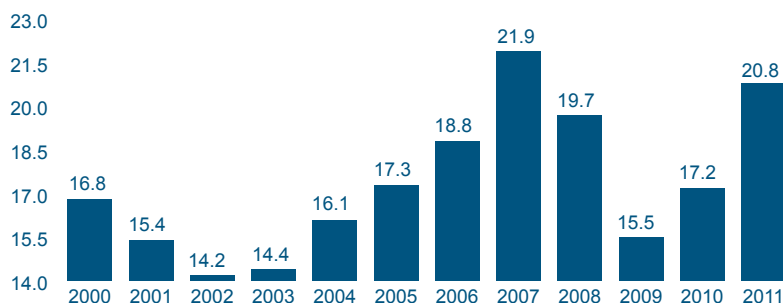
There are three primary sources of funding for the System: employer contributions, member contributions, and net investment income. Employer contributions totaled \$755.2 million for fiscal year 2011, a decrease of \$6.8 million from fiscal year 2010. Member contributions totaled \$535.6 million, an increase of \$93.8 million from fiscal year 2010. The increase in total contributions from \$1.2 billion to \$1.3 billion was due to an increase in the member contribution rate for PERS.

The System posted net investment income of \$4.3 billion for 2011, compared to \$2.2 billion for 2010.

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 2011 were benefit payments to retirees and beneficiaries. These payments totaled nearly \$1.8 billion for fiscal year 2011, an increase of \$153 million from 2010.

Refunds to former members were \$88.4 million for fiscal year 2011, compared to \$73.7 million for fiscal year 2010. The cost to administer the System for fiscal year 2011 was \$13.0 million, an increase of \$861 thousand from fiscal year 2010. This increase was due to increases in contractual services and commodities cost during the year. Expenses for administration of the System are funded from the trust.

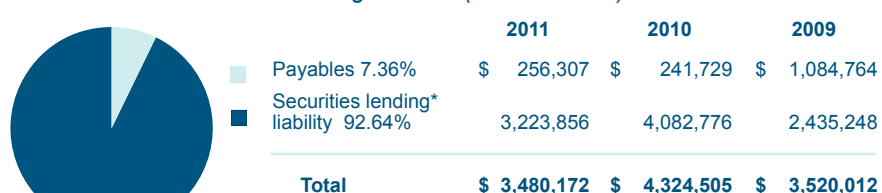
Net Assets - Fiscal Years Ending June 30 (In Billions)



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)



*The System uses a securities lending program to lend its securities to broker-dealers with an agreement to return the collateral for the same securities in the future.

Fact 2

14 percent of the state's total workforce are PERS active members, all of whom provide essential public services in communities throughout Mississippi.

Source: Based on data from PERS and 2009 reports from the US Department of Commerce Bureau of Economic Analysis

Funding

Actuarial valuations are performed on an annual basis for all defined benefit plans administered by the System. Valuations are based on information as of June 30, 2011, with the exception of MRS, which is based on data as of September 30, 2010.

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) amortization 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 current and future retirees and beneficiaries and the amount of assets held by the System. The UAAL amortization period is the number of years it would take to completely pay the System's projected benefit obligation. The funded ratio (as shown in the charts to the right) represents the amount of the System's actuarial accrued liability that is covered by the actuarial value of assets, expressed as a percentage.

The Governmental Accounting Standards Board (GASB) requires a maximum amortization period for the

UAAL of not more than 30 years. The charts at right show the UAAL period and percent funded for the last five fiscal years for each plan. The charts show a decrease in the percent funded for 2011. These results are attributed primarily to unfavorable investment performance in 2008 and 2009 brought on by economic declines in the global financial market. However, PERS investments are diversified to help mitigate the effects of an unsteady financial market and a lagging economy.

To further mitigate the effects of the down market, the Board of Trustees has implemented increases in the employer contribution rate over the past several years, bringing the PERS employer contribution rate to 12.93 percent of earned compensation, MHSPRS to 35.21 percent, and SLRP to 7.40 percent effective January 1, 2012.

The member contribution rate for PERS also 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.

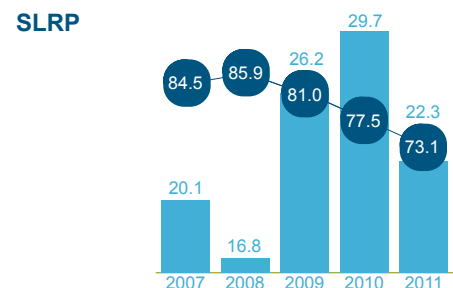
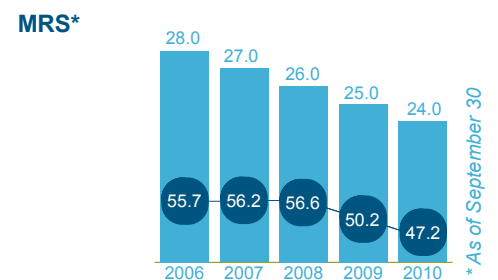
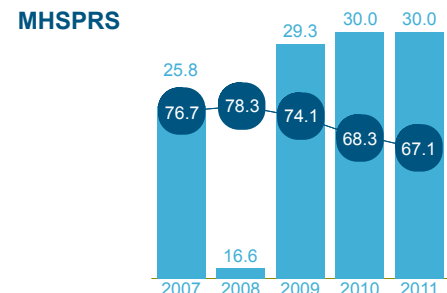
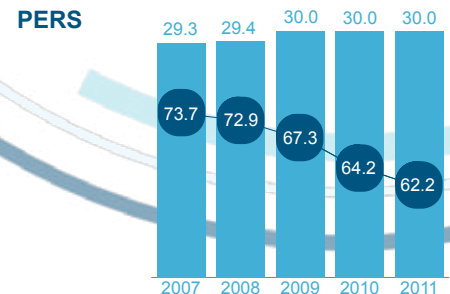
Member and employer contribution rates vary among the individual municipalities of MRS.

Employer Contribution Percentage Rates

Fiscal Year	2006	2007	2008	2009	2010	2011
PERS	10.75	11.30	11.85	11.85	12.00	12.00
MHSPRS	28.16	30.30	30.30	30.30	30.30	30.30
SLRP	6.33	6.65	6.65	6.65	6.65	6.65

UAAL Period Graphs Fiscal Years Ending June 30

■ UAAL Period ● Percent Funded



Fact 3

The average annual PERS benefit, around \$19,000, provides income to meet basic needs in retirement, helping many Mississippians avoid poverty and public assistance.

Source: PERS

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 is designed to help provide funding for current and future pension obligations.

Investments before securities lending activities for 2011 were \$20.3 billion, an increase of \$3.5 billion from fiscal year 2010. Net investment income was \$4.3 billion compared to \$2.2 billion at fiscal year end 2010.

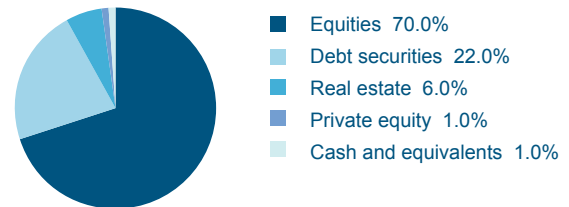
One of the most critical decisions made by the System is that of the long-term asset allocation policy for the investment portfolio. In fiscal year 2011, the target asset allocation was 52.5 percent equities, 27.5 percent debt

securities, and 10.0 percent real estate investments. Absolute return strategies were 5.0 percent and private equity was 5.0 percent. The System's asset allocation decisions are based on liability requirements and guidelines established by the Mississippi Code of 1972. At year end, 33 investment firms were managing 43 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 and the System's chief investment officer.

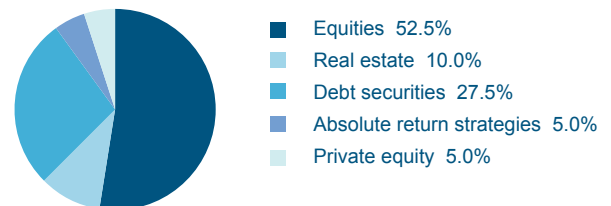
The System experienced a 25.4 percent investment return this year, which exceeded the plan's benchmark return of 21.7 percent.

The System operates on a long-term investment strategy resulting in a five-year rate of return of 4.7 percent, 10-year rate of 5.4 percent, and a 30-year rate of 9.9 percent.

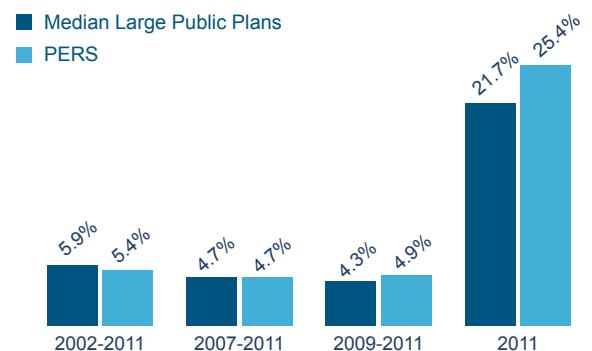
Asset Allocation at Fair Value Fiscal Year Ending June 30, 2011



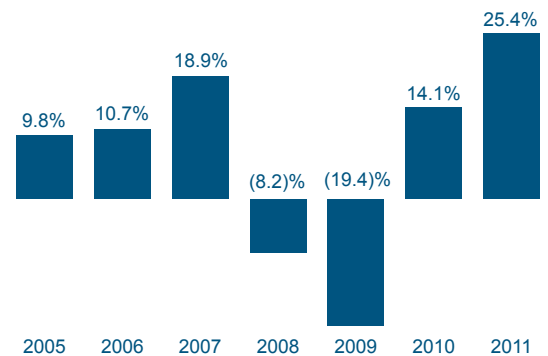
Long-Term Target Asset Allocation



Large Public Plans: Annualized Rates of Return



Defined Benefit Plans Total Rates of Return Fiscal Years Ending June 30



Total Investments: Last 10 Fiscal Years (In Thousands)

2002	\$16,144,889	2007	\$27,876,880
2003	\$16,688,465	2008	\$24,953,445
2004	\$18,192,261	2009	\$17,911,472
2005	\$19,928,584	2010	\$20,845,217
2006	\$23,852,219	2011	\$23,537,833

Mississippi Deferred Compensation

Mississippi Deferred Compensation (MDC) is available 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 §457 of the Internal Revenue Code. With this plan, not only are earnings tax deferred until withdrawal, current income taxes are reduced because compensation is partially deferred. No federal income taxes are due on the deferred amount until withdrawal, which usually occurs at retirement when the participant may be in a lower tax bracket.

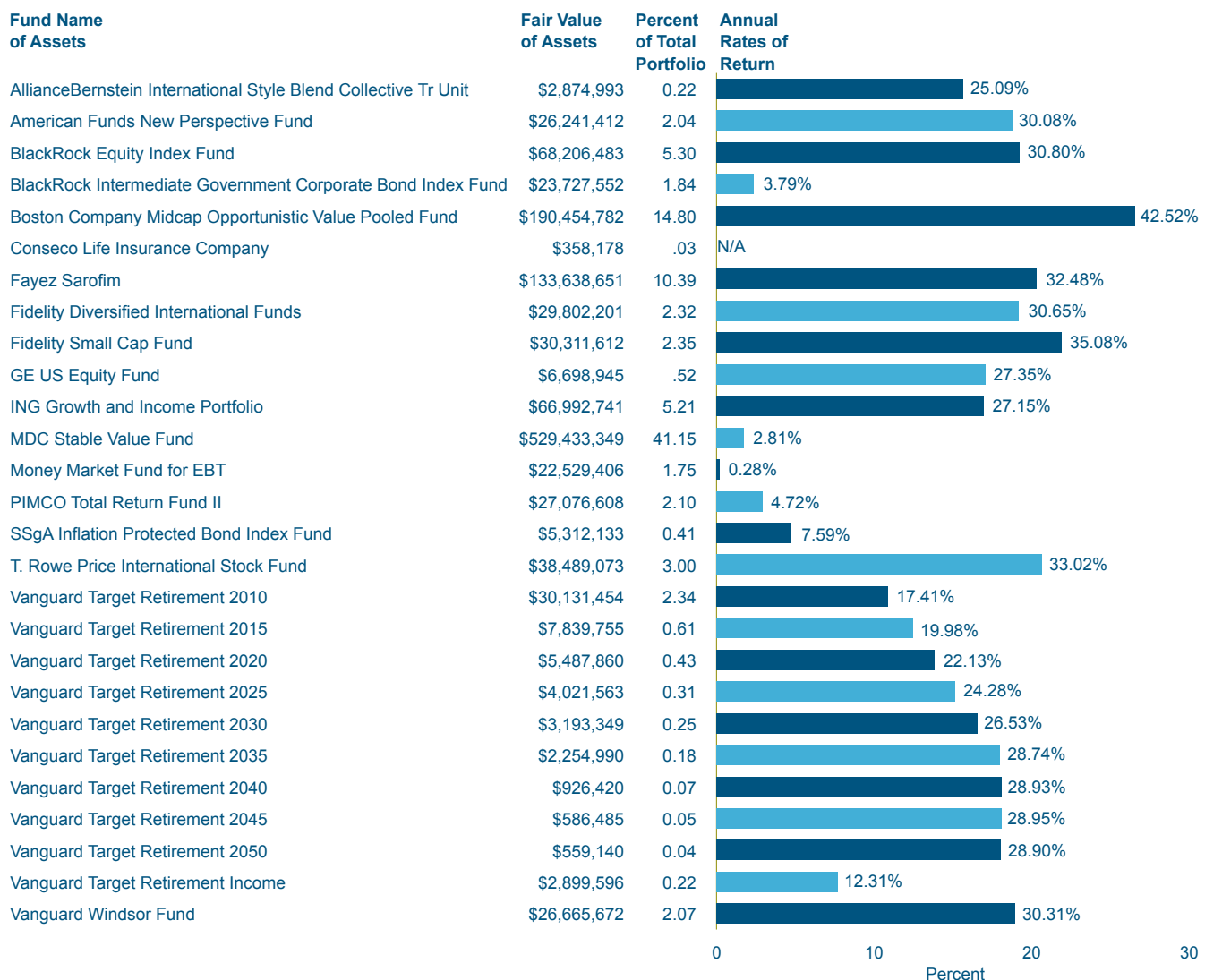
A participant may defer as little as \$25 per month with a monthly maintenance fee of \$2.25. The participant is eligible to receive payment(s) from the plan at termination of employment, retirement, death, or unforeseen emergency, or contributions may be rolled over to the System for purchase of eligible service credit. By June 30, 2011, total investments were \$1.3 billion. During the fiscal year, more than \$87.4 million was contributed to the plan by 40,125 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 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, 2011



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, Mississippi Deferred Compensation (MDC), and PERS. Schedules and registration are available at 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.

Agency Training

Annual agency training seminars provide information to personnel responsible for benefits administration and reporting. Schedules, topics, and registration are posted at www.pers.state.ms.us.

Member Statements

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

PERS on the Move

Hosted by employers, PERS on the Move seminars are held during or after office hours to provide members with information regarding PERS and MDC. Request forms are posted at www.pers.state.ms.us.

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. 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.

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.

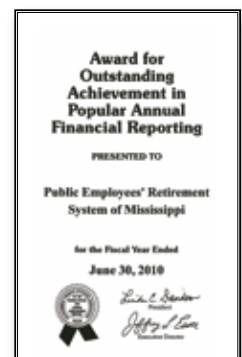
GFOA Award for Popular Annual Financial Reporting

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 PERS for its Popular Annual Financial Report for the fiscal year ended June 30, 2010.

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 only one year. PERS has received a Popular Award for the last eight 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.



Fact 4

Each dollar invested in these plans by Mississippians has supported more than \$5 in total economic activity in that state.

Source: National Institute on Retirement Security, 2009 Pensionomics: Measuring the Economic Impact of State and Local Pension Plans