



POPULAR ANNUAL FINANCIAL REPORT

As of June 30, 2013

PLANNING FOR A STABLE FUTURE

committed to mississippi's generations



*A Letter From
Executive Director
Pat Robertson*

December 17, 2013

Dear Members and Retirees:

I am pleased to present the 2013 Popular Annual Financial Report (PAFR) of the Public Employees' Retirement System of Mississippi (System). In reflecting on 2013, I am encouraged by the accomplishments PERS has made in an improving global financial market. We faced significant challenges during the year and have finished 2013 with a solid performance, not only in investment earnings, but in

progress toward technology enhancements and improved customer service delivery systems. As we have since the System's inception in 1952, we remain steadfastly committed to providing a stable retirement to those Mississippians who have given their careers in public service and to offering responsive and efficient service to our members and retirees. I trust that this PAFR will help bring you a greater understanding of 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 2013.

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.ms.gov. For questions concerning any of the information presented in this report, contact the Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or visit us online.

Our mission is to help our members prepare for a solid, secure retirement. I am confident that the System will continue to provide secure benefits to our members, now and for their lifetime.

Sincerely,



MEMBERSHIP

The System administers four defined benefit retirement plans that guarantee a specified retirement payment beginning at a certain age and after a specified period of service according to each plan's provisions. The plans included in the System are the Public Employees' Retirement System of Mississippi (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 167,901 in fiscal year 2009 to a current count of 162,455 with a total of 897 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.

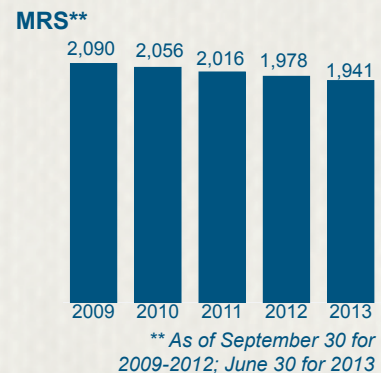
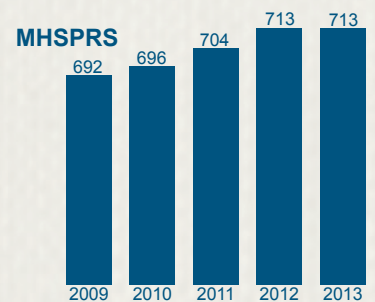
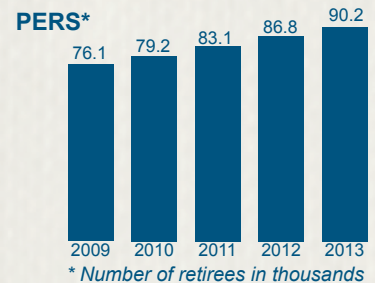
We are proud of our contribution to helping provide retirement security for our retirees. Since 2009, the total number of inactive and retired members has grown from 205,739 to 223,866, with a current annual retirement benefit payroll of \$2.0 billion. A combination of advances in technology, staff training, and improved vehicles of communication enables the System to assure that its participants are well informed and well served. The charts on page 3 illustrate active members, retirees and beneficiaries, and inactive members participating in the plans. Total membership in the System is 386,321, a 3.4 percent increase since fiscal year 2009.

Currently eligible for retirement are an estimated 22,532 PERS, MHSPRS, and SLRP members.

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
Strengthens
Mississippi's
Economy and
Creates New Jobs**

PERS pensions benefit everyone in the state by stimulating the economy through job creation and business development, just as they did for PERS retiree Craig Karlson, who started her own business in Greenville after retiring.



Active Members by Plan

Fiscal Year Ending
June 30, 2013

PERS	99.56%	161,744
MHSPRS	0.32%	520
MRS	0.01%	16
SLRP	0.11%	175
Total	100.00%	162,455

Retired and Inactive Members by Plan

Fiscal Year Ending
June 30, 2013

PERS	98.68%	220,909
MHSPRS	0.34%	767
MRS	0.87%	1,941
SLRP	0.11%	249
Total	100.00%	223,866

Participating Employers

Fiscal Years Ending June 30



Summary of Participating Members

Fiscal Years Ending June 30

PERS Members		2009	2010	2011	2012	2013
Active vested		109,235	109,577	111,395	104,319	96,321
Active nonvested		57,887	55,319	50,281	57,992	65,423
Sub-total		167,122	164,896	161,676	162,311	161,744
Retirees/beneficiaries		76,143	79,168	83,115	86,829	90,214
Inactive members		126,524	129,243	129,360	131,141	130,695
Sub-total		202,667	208,411	212,475	217,970	220,909
Total		369,789	373,307	374,151	380,281	382,653
MHSPRS Members		2009	2010	2011	2012	2013
Active vested		412	387	402	427	466
Active nonvested		158	155	113	120	54
Sub-total		570	542	515	547	520
Retirees/beneficiaries		692	696	704	713	713
Inactive members		47	53	46	54	54
Sub-total		739	749	750	767	767
Total		1,309	1,291	1,265	1,314	1,287
MRS Members*		2009	2010	2011	2012	2013
Active vested		31	27	25	21	16
Active nonvested		-	-	-	-	-
Sub-total		31	27	25	21	16
Retirees/beneficiaries		2,090	2,056	2,016	1,978	1,941
Inactive members		2	2	1	1	-
Sub-total		2,092	2,058	2,017	1,979	1,941
Total		2,123	2,085	2,042	2,000	1,957
SLRP Members		2009	2010	2011	2012	2013
Active vested		130	134	133	113	106
Active nonvested		44	41	41	62	69
Sub-total		174	175	174	175	175
Retirees/beneficiaries		141	142	147	173	188
Inactive members		67	61	60	71	61
Sub-total		208	203	207	244	249
Total		382	378	381	419	424

* As of September 30 for 2009-2012; June 30 for 2013

FINANCIAL

The summaries of assets and liabilities show how much the System holds in resources and how much is owed. Total fiscal year 2013 assets and liabilities were \$26.8 billion and \$4.6 billion, respectively. Net position of the defined benefit pension plans for 2013 totaled \$22.2 billion while 2012 net position totaled \$20.2 billion. Investments make up the largest portion of net position restricted for pension benefits. Net position results from the difference between total assets and total liabilities. The chart below illustrates the overall trend in net position 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 \$914.0 million for fiscal year 2013, an increase of \$112.4 million from fiscal year 2012. Member contributions totaled \$550.0 million, an increase of \$2.2 million from fiscal year 2012. The increase of \$114.6 million in total contributions over fiscal year 2012 was primarily due to an increase in the employer contribution rates for PERS and MHSPRS.

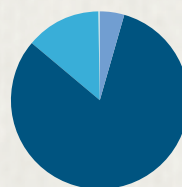
The System posted net investment income of \$2.6 billion for 2013, compared to \$60.9 million for 2012.

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 2013 were benefit payments to retirees and beneficiaries. These payments totaled \$2.0 billion for fiscal year 2013, an increase of \$102.8 million from 2012 resulting primarily from an increase in the number of benefit recipients.

Refunds to former members were \$108.5 million for fiscal year 2013, compared to \$93.4 million for fiscal year 2012. The cost to administer the System for fiscal year 2013 was \$14.9 million, an increase of \$474 thousand from fiscal year 2012. This increase was primarily due to increases in contractual services and personal services costs during the year. Expenses for administration of the System are funded from the trust.

Net Position

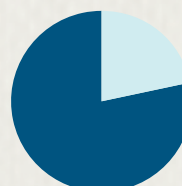
Fiscal Years Ending June 30
(in billions)



Assets

Fiscal Years Ending June 30
(in thousands)

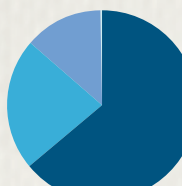
	2013	2012	2011
Cash, cash equivalents & receivables 4.46%	\$1,194,201	\$1,187,931	\$763,832
Investments, fair value 81.90%	21,947,427	19,578,388	20,314,222
Securities lending* 13.54%	3,629,635	3,597,774	3,223,611
Capital assets 0.10%	27,419	22,190	19,494
Total	\$26,798,682	\$24,386,283	\$24,321,159



Liabilities

Fiscal Years Ending June 30
(in thousands)

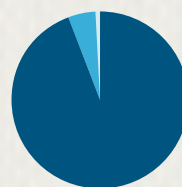
	2013	2012	2011
Payables 21.82%	\$1,013,316	\$568,972	\$256,307
Securities lending* liability 78.18%	3,629,977	3,596,835	3,223,865
Total	\$4,643,293	\$4,165,807	\$3,480,172



Revenues

Fiscal Years Ending June 30
(in thousands)

	2013	2012	2011
Employers 22.36%	\$914,020	\$801,651	\$755,220
Members 13.46%	550,047	547,860	535,649
Investment income 64.10%	2,619,919	60,926	4,262,327
Other 0.08%	3,462	3,255	3,438
Total	\$4,087,448	\$1,413,692	\$5,556,634



Expenses

Fiscal Years Ending June 30
(in thousands)

	2013	2012	2011
Benefits 94.27%	\$2,029,121	\$1,926,368	\$1,796,532
Refunds 5.04%	108,536	93,431	88,438
Administrative 0.69%	14,878	14,404	13,046
Total	\$2,152,535	\$2,034,203	\$1,898,016

* PERS makes short-term loans of securities to broker-dealers to generate incremental revenues from its portfolios.

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, 2013. Actuarial valuations of MRS assets and benefit obligations were previously performed annually as of September 30. However, to facilitate the implementation of new Governmental Accounting Standards Board (GASB) statements, the valuation date for MRS was changed in 2013 to June 30.

Funds are accumulated to meet future benefit payments to retirees and beneficiaries. This accumulated balance is referred to as the “net position restricted 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.

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 2013. These results are attributed primarily to recognition of investment losses in 2009 smoothed over a five-year period, as well as unfavorable investment performance for 2012. Investment gains and losses relative to the assumed rate of return of 8.0 percent are recognized, or smoothed, in equal increments in each of the succeeding five years. PERS investments are diversified to help mitigate the effects of an unsteady financial market and a fragile economy.

The Board of Trustees adopted a revised funding policy to position PERS at more than 80 percent funded by 2042 and stabilize contribution rates with a focus on a declining amortization period. Based on the revised funding policy, the Board approved an employer contribution rate of

15.75 percent for PERS and a continued rate of 37.0 percent for MHSPRS and 7.4 percent for SLRP. In addition, the contribution of certain fees was increased toward employer contributions of the MHSPRS. Employee contributions remain constant at 9.0 percent for PERS, 7.25 percent for MHSPRS, and 3.0 percent for SLRP.

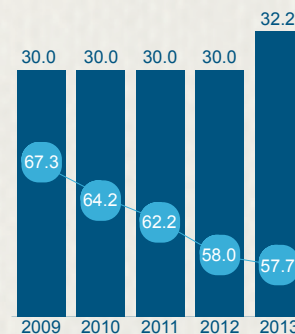
Member and employer contribution rates vary among the individual municipalities of MRS.

UAAL Period Graphs

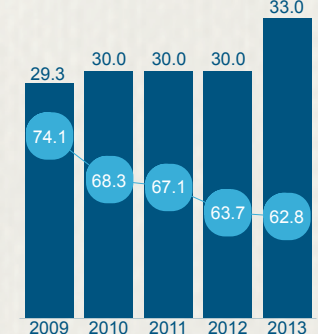
Fiscal Years Ending June 30

■ UAAL Period
● Percent Funded

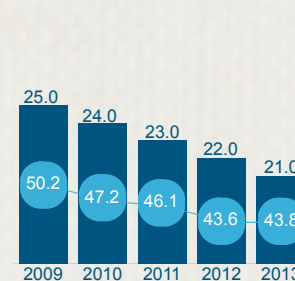
PERS



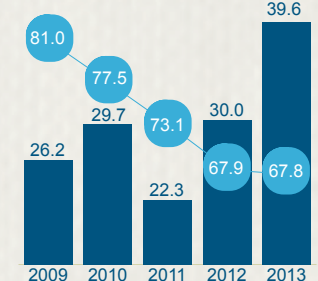
MHSPRS



MRS*



SLRP



* As of September 30 for 2009-2013; June 30 for 2013

Employer Contribution Percentage Rates

Fiscal Year	2008	2009	2010	2011	2012*	2013
PERS	11.85	11.85	12.00	12.00	12.93	14.26
MHSPRS	30.30	30.30	30.30	30.30	35.21	37.00
SLRP	6.65	6.65	6.65	6.65	7.40	7.40

*Beginning January 1, 2012

PERS retiree Juliet Huam knows her PERS pension is secure and dependable, so she can spend her retirement doing what she loves, which includes serving others by knitting and volunteering in the Jackson Metro area.

PERS Members Give Back to Their Community and State



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.

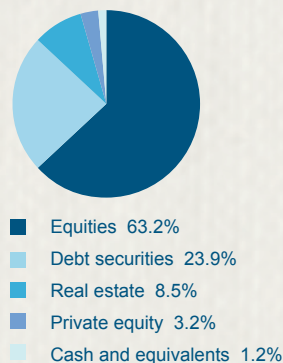
Investments before securities lending activities for 2013 were \$21.9 billion, an increase of \$2.4 billion from fiscal year 2012. Net investment income was \$2.6 billion compared to \$61.0 million at fiscal year end 2012.

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 2013, 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, 39 investment firms were managing 52 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.

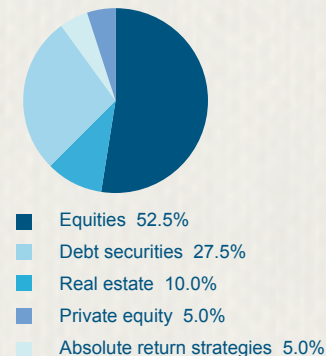
The System experienced a 13.4 percent investment return this year, which was above the plan's benchmark return of 11.5 percent. The System operates on a long-term investment strategy resulting in a five-year rate of return of 5.6 percent, 10-year rate of 7.2 percent, and a 30-year rate of 9.1 percent.

Asset Allocation at Fair Value

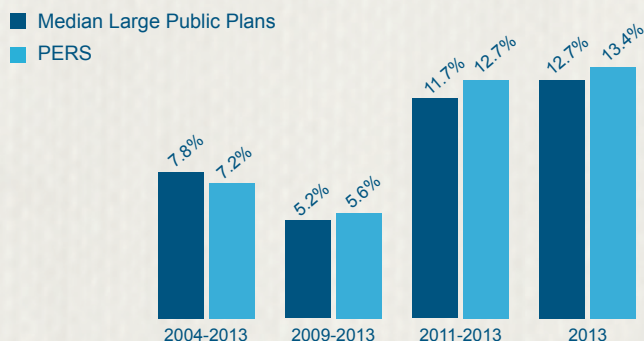
Fiscal Year Ending June 30, 2013



Long-Term Target Asset Allocation

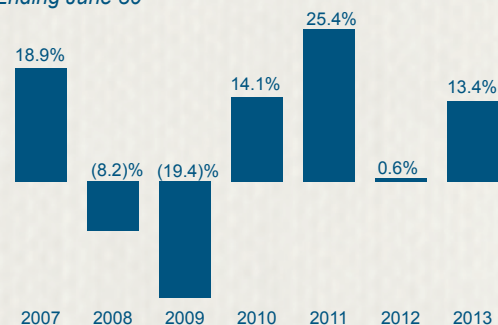


Large Public Plans: Annualized Rates of Return



Defined Benefit Plans Total Rates of Return

Fiscal Years Ending June 30



Total Investments: Past 10 Fiscal Years

(in thousands)

2004	\$18,192,261	2009	\$17,911,472
2005	\$19,928,584	2010	\$20,845,217
2006	\$23,852,219	2011	\$23,537,833
2007	\$27,876,880	2012	\$23,176,162
2008	\$24,953,445	2013	\$25,577,062

*PERS
Helps Recruit
and Maintain
a Quality Public
Workforce*

PERS' defined benefit retirement plan attracts talented and passionate people like Pisgah High School's 2013 Teacher of the Year Jay Levy, who spend their careers making Mississippi a great place to live.

DEFERRED COMP

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, 2013, total investments were \$1.4 billion. During the fiscal year, more than \$76.3 million was contributed to the plan by 39,476 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 PERS Board of Trustees has selected Great-West FinancialSM as the new third-party administrator for MDC, replacing Systematized Benefits Administrators, Inc. (SBA). The current investment options will remain the same with the transition in third-party administration from SBA to Great-West Financial. The transition is scheduled to take place in January 2014. For more information, visit www.mdcplan.com.

Defined Contribution Plan - Investment Summary - Fiscal Year Ending June 30, 2013

Fund Name of Assets	Fair Value of Assets	Percent of Total Portfolio	Annual Rates of Return
American Funds New Perspective Fund	\$32,118,166	2.26	19.95%
BNY Mellon EB US Real Estate Securities Fund	\$142,902	0.01	*
BlackRock Equity Index Fund	\$165,756,885	11.65	20.61%
BlackRock EAFE Equity Index	\$972,372	0.07	18.79%
BlackRock US Debt Index Fund - Class T	\$21,724,075	1.53	(0.61)%
Boston Company Midcap Opportunistic Value Pooled Fund	\$210,849,529	14.81	32.63%
Conseco Life Insurance Company	\$335,074	0.02	N/A
Fayez Sarofim	\$153,921,442	10.81	12.18%
MDC Stable Value Fund	\$561,103,296	39.42	1.88%
Money Market Fund for EBT	\$24,728,521	1.74	0.30%
PIMCO Total Return Fund II - Institutional Class	\$34,922,070	2.45	0.22%
RBC Small Cap Core Fund - Class I	\$30,105,361	2.11	*
SSgA Inflation Protected Bond Index Fund - Class C	\$11,984,665	0.84	(4.86)%
T. Rowe Price International Stock Fund	\$61,666,487	4.33	12.64%
Vanguard Target Retirement 2010	\$30,853,206	2.17	7.14%
Vanguard Target Retirement 2015	\$10,755,085	0.76	9.63%
Vanguard Target Retirement 2020	\$8,768,498	0.62	11.48%
Vanguard Target Retirement 2025	\$6,148,584	0.43	12.96%
Vanguard Target Retirement 2030	\$4,714,440	0.33	14.55%
Vanguard Target Retirement 2035	\$3,803,800	0.27	16.00%
Vanguard Target Retirement 2040	\$1,397,991	0.10	16.86%
Vanguard Target Retirement 2045	\$919,145	0.06	16.84%
Vanguard Target Retirement 2050	\$823,547	0.06	16.84%
Vanguard Target Retirement 2055	\$190,650	0.01	16.85%
Vanguard Target Retirement Income	\$4,383,120	0.31	4.52%
Vanguard Windsor Fund	\$40,259,324	2.83	30.13%

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

RESOURCES

PERS Website

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

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 online.

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 online.

Agency Training

Annual agency training seminars provide information to personnel responsible for benefits administration and reporting. Schedules, topics, and registration are posted online.

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. Visit us online to request a seminar.

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 online. Audio versions are available through the National Federation of the Blind of Mississippi.

Member Handbooks

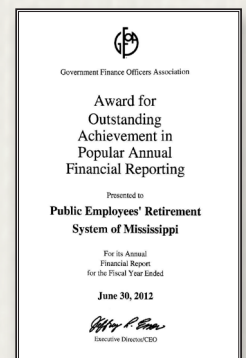
Member Handbooks include information about PERS, its administered programs, retirement benefits, retirement options, and important contact information. Handbooks are available by request or can be downloaded from the PERS' website.

Customer Service Center

PERS' Customer Service Center analysts assist callers with questions and concerns in a prompt, courteous manner. The center, 800-444-7377 or 601-359-3589, is open from 8 a.m. to 5 p.m. every weekday with the exception of state holidays.

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, 2012. 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 ten 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.



PERS retiree Norweida Roberts is a second generation teacher; her daughter Felecia (a PERS member) is the third. PERS pensions give families like Norweida's and Felecia's, confidence about retirement, for the ones they love and for themselves.