



POPULAR ANNUAL FINANCIAL REPORT

As of June 30, 2016

JOURNEY OF STEWARDSHIP/SERVICE TO MISSISSIPPI

Years of commitment. Decades of service.



*A Letter From
Executive Director
Pat Robertson
December 13, 2016*

Dear Members and Retirees:

I am pleased to present the 2016 Popular Annual Financial Report (PAFR) of the Public Employees' Retirement System of Mississippi (PERS). As we continue our journey of stewardship and service to our members and retirees, we are ever mindful of our mission to provide secure benefits and a quality

service experience to those who have spent their careers in public service. Our lasting commitment to serve our members spans decades and will continue as we share the journey to advance the financial security of our members and retirees.

This report is a summary of our services, organization, financial results, and investments, which are reported in detail in the PERS Comprehensive Annual Financial Report (CAFR) for 2016. The CAFR is prepared and presented in conformity with generally accepted accounting principles. The Flexible Benefit Cafeteria Plan, an agency fund related to the System's employee

health benefits, has been omitted from our summary due to its immateriality. The summary report also contains abbreviated note disclosures.

Detailed information about the System can be found in the CAFR located at www.pers.ms.gov. For questions concerning any of the information presented in this report, contact PERS, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or visit us online.

Sincerely,

*One should never underestimate the steady march of simple steps
and the power of the passing of time.*

What began as part of a humble footpath home more than 200 years ago for boatmen from the Ohio valley is today the 444-mile long Natchez Trace Parkway that winds from Natchez, Mississippi, to Nashville, Tennessee.

Like the Trace, retiring from a career in public service is all about the journey to reach a well-earned destination. The Public Employees' Retirement System of Mississippi is proud to serve the men and women of this state who spend their workdays helping others. We follow our own journey across time and in a determined direction so that, after a long and meaningful journey of dedicated public service, each of these men and women can enjoy a secure retirement.

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 163,058 in fiscal year 2012 to a current count of 154,767 with a total of 881 participating employers.

The System seeks innovative ways to serve its members and strives to provide quality assistance to each member and employer.

We are proud of our contribution to helping provide retirement security for our retirees. Since 2012, the total number of inactive and retired members has grown from 220,998 to 244,990, with a current annual retirement benefit payroll of \$2.4 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 399,757. This is a 4.1 percent increase since fiscal year 2012.

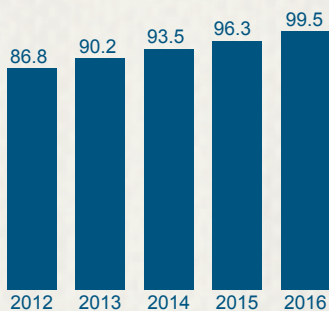
Currently eligible for retirement are an estimated 16,152 PERS, MHSPRS, and SLRP members.

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.

Eligible 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.

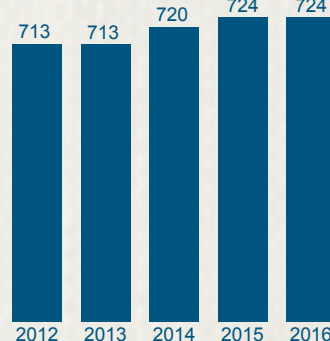
Retiree Growth by Plan - Fiscal Years Ending June 30

PERS*

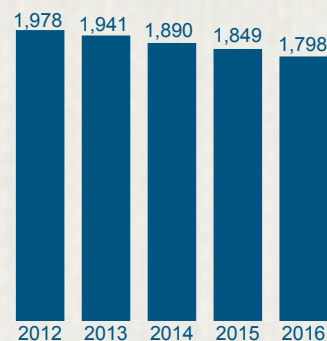


* Number of retirees in thousands

MHSPRS



MRS**



** As of September 30 for 2012;
June 30 for 2013 and forward

SLRP



Active Members by Plan

Fiscal Year Ending June 30, 2016

PERS	99.57%	154,104
MHSPRS	0.31%	484
MRS	0.01%	8
SLRP	0.11%	171
Total	100.00%	154,767

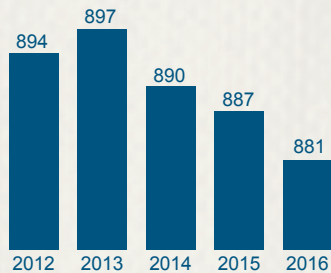
Retired and Inactive Members by Plan

Fiscal Year Ending June 30, 2016

PERS	98.83%	242,118
MHSPRS	0.33%	804
MRS	0.73%	1,798
SLRP	0.11%	270
Total	100.00%	244,990

Participating Employers

Fiscal Years Ending June 30



Summary of Participating Members

Fiscal Years Ending June 30

PERS Members	2012	2013	2014	2015	2016
Active vested	104,319	96,321	89,256	83,583	82,370
Active nonvested	57,992	65,423	72,104	73,632	71,734
Sub-total	162,311	161,744	161,360	157,215	154,104
Retirees/beneficiaries	86,829	90,214	93,504	96,338	99,483
Inactive members	131,141	130,695	132,553	137,026	142,635
Sub-total	217,970	220,909	226,057	233,364	242,118
Total	380,281	382,653	387,417	390,579	396,222
MHSPRS Members	2012	2013	2014	2015	2016
Active vested	427	466	443	418	393
Active nonvested	120	54	52	100	91
Sub-total	547	520	495	518	484
Retirees/beneficiaries	713	713	720	724	724
Inactive members	54	54	58	59	80
Sub-total	767	767	778	783	804
Total	1,314	1,287	1,273	1,301	1,288
MRS Members*	2012	2013	2014	2015	2016
Active vested	25	16	14	11	8
Active nonvested	-	-	-	-	-
Sub-total	25	16	14	11	8
Retirees/beneficiaries	2,016	1,941	1,890	1,849	1,798
Inactive members	1	-	-	-	-
Sub-total	2,017	1,941	1,890	1,849	1,798
Total	2,042	1,957	1,904	1,860	1,806
SLRP Members	2012	2013	2014	2015	2016
Active vested	113	106	104	103	109
Active nonvested	62	69	71	71	62
Sub-total	175	175	175	174	171
Retirees/beneficiaries	173	188	187	185	207
Inactive members	71	61	56	51	63
Sub-total	244	249	243	236	270
Total	419	424	418	410	441

* As of September 30 for 2012; June 30 for 2013 and forward.

FINANCIAL

The summaries of assets and liabilities show how much the System holds in resources and how much is owed. Total fiscal year 2016 Assets and Liabilities were \$28.8 billion and \$4.1 billion, respectively, as displayed on page 5. Net position of the defined benefit pension plans for 2016 totaled \$24.6 billion while 2015 net position totaled \$25.4 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 a five-year period. Net position represents the net assets accumulated to pay the present and future benefits of members and retirees.

The three primary sources of System funding are employer contributions, member contributions, and net

investment income. Employer contributions totaled \$1.1 billion for fiscal year 2016, an increase of \$25.0 million from fiscal year 2015. Member contributions totaled \$575.0 million, an increase of \$14.9 million from fiscal year 2015. The System posted net investment income of \$134.0 million for 2016, compared to \$844.0 million for 2015. The decrease was primarily due to volatile market conditions as evidenced by a point-in-time investment rate of return of 1.2 percent for fiscal year 2016 compared to a 3.4 percent rate of return for fiscal year 2015.

The System's primary expenses include benefit payments, refunds of contributions to former members, and the cost of administering the System. As shown on page 5 in the bottom table, the majority of 2016 expenses

were benefit payments, which totaled \$2.4 billion and were an increase of \$149.3 million from 2015 due primarily to an increase in benefit recipients. Contribution refunds were \$113.0 million for fiscal year 2016, compared to \$119.6 million for fiscal year 2015. The cost to administer the System for fiscal year 2016 was \$16.3 million, \$1.6 million more than fiscal year 2015. Expenses for administration of the System are funded from the trust.

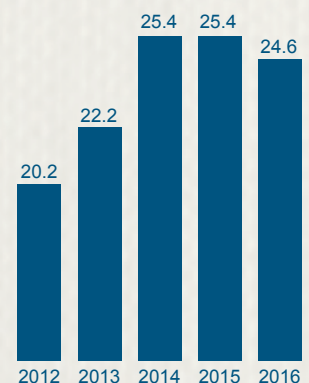
The System adopted GASB Statement No. 67 for the year ending June 30, 2014. This statement requires presentation of components of the net pension liability of the employers to plan members for benefits provided through cost-sharing and single employers. GASB Statement 67 is an accounting measure of liability and does not correspond to funding measures.

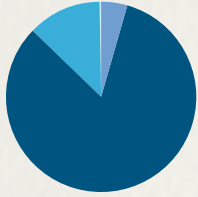


Net Pension Liability for Employers Fiscal Year Ending June 30, 2016 (in millions)

	PERS	MHSPRS	SLRP
Total Pension Liability	\$41,998	\$494	\$21
Fiduciary Net Position	(24,135)	(312)	(16)
Net Pension Liability	\$17,863	\$182	\$5

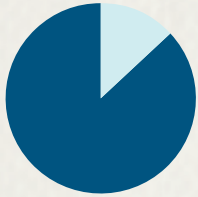
Net Position Fiscal Years Ending June 30 (in billions)





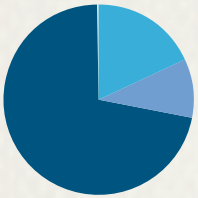
Assets - Fiscal Years Ending June 30
(in thousands)

	2016	2015	2014
Cash, cash equivalents & receivables 5.12%	\$1,472,475	\$2,685,369	\$1,337,794
Investments, fair value 83.22%	23,938,414	24,735,121	24,600,195
Securities lending * 11.54%	3,320,112	2,758,617	3,722,096
Capital assets 0.12%	35,140	32,292	30,321
Total	\$28,766,141	\$30,211,399	\$29,690,406



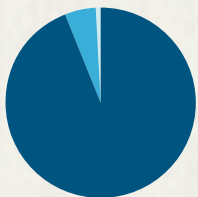
Liabilities - Fiscal Years Ending June 30
(in thousands)

	2016	2015	2014
Payables 20.01%	\$830,412	\$2,036,224	\$569,569
Securities lending liability* 79.99%	3,318,706	2,758,970	3,721,141
Total	\$4,149,118	\$4,795,194	\$4,290,710



Revenues - Fiscal Years Ending June 30
(in thousands)

	2016	2015	2014
Employers 59.82%	\$1,055,072	\$1,030,028	\$1,004,025
Members 32.60%	574,963	560,099	551,777
Investment income 7.57%	133,536	844,722	3,988,361
Other 0.01%	35	75	268
Total	\$1,763,606	\$2,434,924	\$5,544,431



Expenses - Fiscal Years Ending June 30
(in thousands)

	2016	2015	2014
Benefits 94.96%	\$2,433,505	\$2,284,168	\$2,164,293
Refunds 4.41%	113,010	119,557	121,599
Administrative 0.63%	16,273	14,690	14,232
Total	\$2,562,788	\$2,418,415	\$2,300,124

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

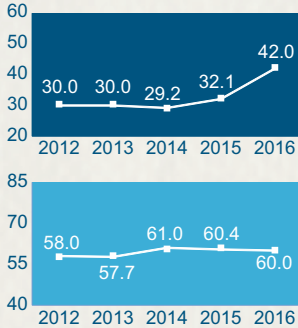
FUNDING

UAAL Period Graphs

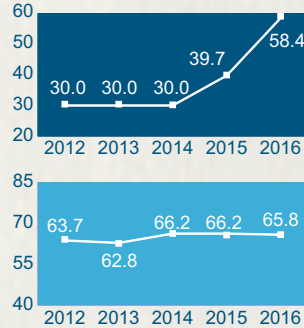
Fiscal Years Ending June 30

■ UAAL Period (in years)
■ Percent Funded

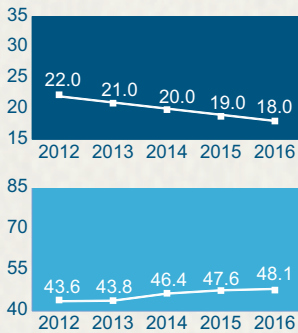
PERS



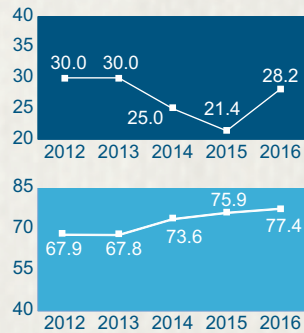
MHSPRS



MRS*



SLRP



* As of September 30 for 2012; June 30 for 2013 and forward

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, 2016.

Funds are accumulated to meet future benefit payments to retirees and beneficiaries. This accumulated balance is referred to as the "net position restricted for pensions." The unfunded actuarial accrued liability (UAAL) amortization period graphs shown at left 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 fully fund the System's projected benefit obligation. The funded ratio (as shown in the charts to the left) represents the amount of the System's actuarial accrued liability that is covered by the actuarial value of assets, expressed as a percentage.

The charts at left show each plan's UAAL period and funded ratio for the last five fiscal years. PERS and MHSPRS experienced a Percent Funded decrease while both MRS and SLRP increased. Variations are primarily due to changes in the individual plan's actuarial assumptions and are also affected by actuarial gains and losses from prior years. Investment gains and losses relative to the assumed rate of return of 7.75 percent are recognized, or smoothed, in equal increments in the current year and each of the succeeding four years. PERS investments are diversified to help mitigate the effects of a volatile financial market and a fragile economy.

Based on the Board's funding policy, employer contribution rates of 15.75 percent for PERS, 37.0 percent for MHSPRS, and 7.4 percent for SLRP continue in effect. 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, as well as other information, varies among the individual municipalities of MRS, an agent multi-employer plan.

Employer Contribution Percentage Rates

Fiscal Year	2011	2012*	2013	2014	2015	2016
PERS	12.00	12.93	14.26	15.75	15.75	15.75
MHSPRS	30.30	35.21	37.00	37.00	37.00	37.00
SLRP	6.65	7.40	7.40	7.40	7.40	7.40

* Beginning January 1, 2012

INVESTMENTS

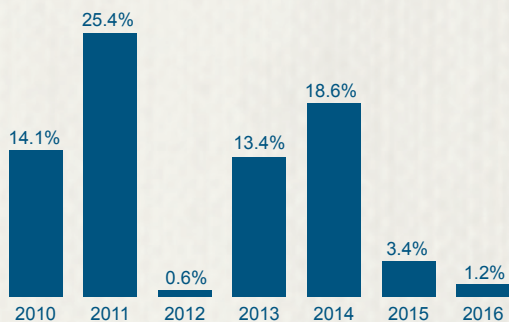
The System manages investments with prudent care, constant attention, specialized expertise, and a concern for the financial security of its membership. By maintaining a broadly diversified portfolio designed to minimize risk and maximize return over the long term, the System's investment program is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

Investments before securities lending activities for 2016 were \$23.9 billion, a decrease of \$79.7 million from fiscal year 2015. Net investment income was \$134 million compared to \$845 million at fiscal year end 2015.

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 2016, the target asset allocation was 61.0 percent equities, 20.0 percent debt securities, and 10.0 percent real estate investments. Private equity was 8.0 percent. Cash and equivalents were 1.0 percent. The System's asset allocation decisions are based on liability requirements and guidelines established by the Mississippi Code of 1972. At year end, 40 investment firms were managing 53 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 1.2 percent investment return this year, which was more than the plan's benchmark return of 0.8 percent. The System operates on a long-term investment strategy resulting in a five-year rate of return of 7.2 percent, 10-year rate of 5.9 percent, and a 30-year rate of 8.2 percent.

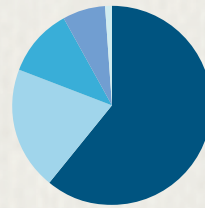
Defined Benefit Plans Total Rates of Return Fiscal Years Ending June 30



Total Investments: Past 10 Fiscal Years (in thousands)

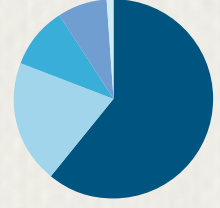
2007	\$27,876,880	2012	\$23,176,162
2008	\$24,953,445	2013	\$25,577,062
2009	\$17,911,472	2014	\$28,322,291
2010	\$20,845,217	2015	\$27,493,738
2011	\$23,537,833	2016	\$27,258,526

Asset Allocation at Fair Value Fiscal Year Ending June 30, 2016



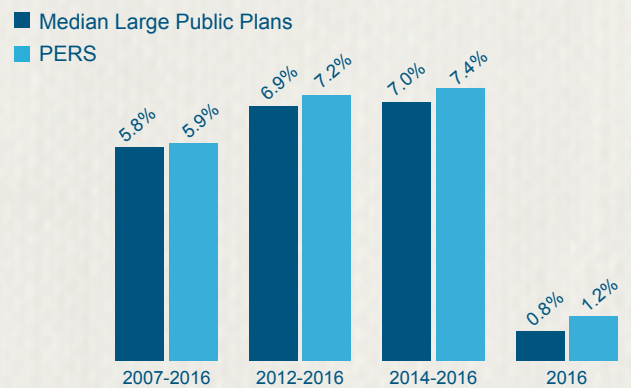
Equities	61.0%
Debt securities	20.0%
Real estate	11.0%
Private equity	7.0%
Cash and equivalents	1.0%

Long-Term Target Asset Allocation



Equities	61.0%
Debt securities	20.0%
Real estate	10.0%
Private equity	8.0%
Cash and Equivalents	1.0%

Large Public Plans: Annualized Rates of Return



RESOURCES

Website and Call Center

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

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.

Education Opportunities

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.

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.

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.

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

Printed Materials

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

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.

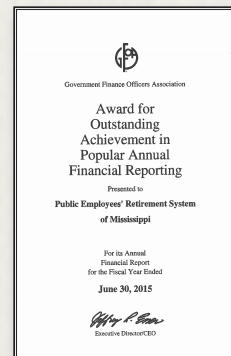
Member handbooks and guides include information about PERS, its administered programs, retirement benefits, retirement options, and important contact information. Handbooks and guides are available by request or from www.pers.ms.gov.

Award-Winning Report

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 that ended June 30, 2015. 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 13 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.



Scenic photography of the Natchez Trace Parkway
© Marc Muench

