



# POPULAR ANNUAL FINANCIAL REPORT

*As of June 30, 2017*

## GROWING MISSISSIPPI

*Rooted in Sound Stewardship. Dedicated to Serving Generations.*



*A Letter From  
Executive  
Director  
Pat Robertson*

*December 15, 2017*

Dear Members and Retirees:

I am pleased to present the 2017 Popular Annual Financial Report (PAFR) of the Public Employees' Retirement System of Mississippi (PERS). As we explore our roots in sound 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 2017. 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](http://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,

*Some of life's most valuable provisions can often  
be found in what may seem commonplace in the world.*

Trees play a leading role in a life well lived. And in Mississippi, where the stage is set with a wealth of magnificently giving native trees, life can be exceptional. Like the magnolia, the pecan, the oak, the cypress, and the sycamore, the Public Employees' Retirement System of Mississippi embodies graciousness, sustenance, longevity, protection, and resilience. We provide benefits for life to our members, which, in turn, help sustain local economies throughout the state. We stand strong in our role as fiduciaries and understand the strength needed to weather the ups and downs that come with funding a plan that provides for hundreds of thousands of Mississippians. Our job is to protect the retirement benefits of those who serve as our state's teachers, firefighters, police officers, librarians, doctors, professors, attorneys, elected officials, etc.

*Graciousness*

*Magnolia grandiflora (southern magnolia)*



# 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 162,455 in fiscal year 2013 to a current count of 153,032 with a total of 880 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 2013, the total number of inactive and retired members has decreased from 223,866 to 171,912, with a current annual retirement benefit payroll of \$2.5 billion. The overall reduction reflects an increase in retirees and a decrease in inactive members. 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 324,944. This is a 15.9 percent decrease since

fiscal year 2013.

Currently eligible for retirement are an estimated 20,679 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.

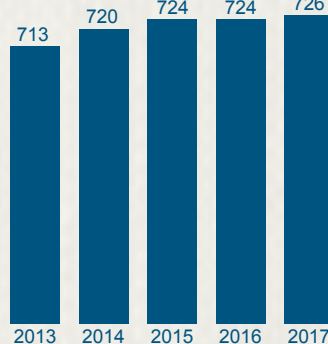
## Retiree Growth by Plan - Fiscal Years Ending June 30

### PERS\*

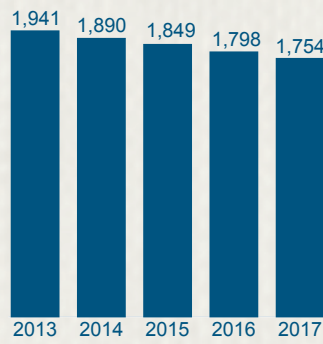


\* Number of retirees in thousands

### MHSPRS



### MRS\*\*



\*\* As of September 30 for 2013;  
June 30 for 2014 and forward

### SLRP



## Protection

*Taxodium distichum* (bald cypress)



### Active Members by Plan

Fiscal Year Ending June 30, 2017

PERS	99.57%	152,382
MHSPRS	0.31%	470
MRS	0.01%	6
SLRP	0.11%	174
<b>Total</b>	<b>100.00%</b>	<b>153,032</b>

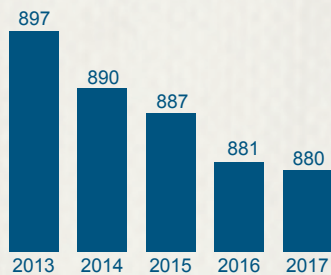
### Retired and Inactive Members by Plan

Fiscal Year Ending June 30, 2017

PERS	98.37%	169,112
MHSPRS	0.46%	785
MRS	1.02%	1,754
SLRP	0.15%	261
<b>Total</b>	<b>100.00%</b>	<b>171,912</b>

### Participating Employers

Fiscal Years Ending June 30



### Summary of Participating Members

Fiscal Years Ending June 30

<b>PERS Members</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Active vested	96,321	89,256	83,583	82,370	81,151
Active nonvested	65,423	72,104	73,632	71,734	71,231
Sub-total	161,744	161,360	157,215	154,104	152,382
Retirees/beneficiaries	90,214	93,504	96,338	99,483	102,260
Inactive members	130,695	132,553	137,026	142,635	66,852
Sub-total	220,909	226,057	233,364	242,118	169,112
<b>Total</b>	<b>382,653</b>	<b>387,417</b>	<b>390,579</b>	<b>396,222</b>	<b>321,494</b>
<b>MHSPRS Members</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Active vested	466	443	418	393	424
Active nonvested	54	52	100	91	46
Sub-total	520	495	518	484	470
Retirees/beneficiaries	713	720	724	724	726
Inactive members	54	58	59	80	59
Sub-total	767	778	783	804	785
<b>Total</b>	<b>1,287</b>	<b>1,273</b>	<b>1,301</b>	<b>1,288</b>	<b>1,255</b>
<b>MRS Members*</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Active vested	16	14	11	8	6
Active nonvested	-	-	-	-	-
Sub-total	16	14	11	8	6
Retirees/beneficiaries	1,941	1,890	1,849	1,798	1,754
Inactive members	-	-	-	-	-
Sub-total	1,941	1,890	1,849	1,798	1,754
<b>Total</b>	<b>1,957</b>	<b>1,904</b>	<b>1,860</b>	<b>1,806</b>	<b>1,760</b>
<b>SLRP Members</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Active vested	106	104	103	109	112
Active nonvested	69	71	71	62	62
Sub-total	175	175	174	171	174
Retirees/beneficiaries	188	187	185	207	205
Inactive members	61	56	51	63	56
Sub-total	249	243	236	270	261
<b>Total</b>	<b>424</b>	<b>418</b>	<b>410</b>	<b>441</b>	<b>435</b>

\* As of September 30 for 2013; June 30 for 2014 and forward.



The summaries of assets and liabilities show how much the System holds in resources and how much is owed. Total fiscal year 2017 assets and liabilities were \$31.0 billion and \$3.9 billion, respectively, as displayed on page 5. Net position of the defined benefit pension plans for 2017 totaled \$27.1 billion while 2016 net position totaled \$24.6 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 2017, a decrease of \$2.9 million from fiscal year 2016. Member contributions totaled \$573.0 million, a decrease of \$2.5 million from fiscal year 2016. The decrease in contributions is due to a decline in active members. The System posted net investment income of \$3.5 billion for 2017, compared to \$134.0 million for 2016. The increase was primarily due to favorable investment performance with a 14.96 percent rate of return for fiscal year 2017 compared to 1.2 percent for fiscal year 2016.

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 2017 expenses were benefit payments, which totaled \$2.5 billion, an increase of \$111.0 million from 2016 due primarily to an increase in benefit recipients. Contribution refunds were \$114.0 million for fiscal year 2017, compared to \$113.0 million for fiscal year 2016. The cost to administer the System for fiscal year 2017 was \$17.6 million net of depreciation, which is \$1.9 million more than fiscal year 2016. Expenses for administration of the System are funded from the trust.

GASB Statement 67 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.

## Sustenance

*Carya illinoensis* (pecan)

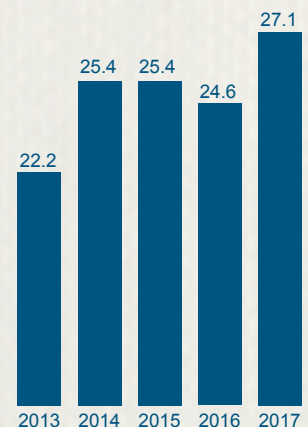
## Net Pension Liability for Employers

Fiscal Year Ending June 30, 2017  
(in millions)

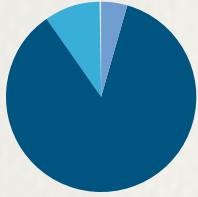
	PERS	MHSPRS	SLRP
<b>Total Pension Liability</b>	\$43,166	\$498	\$21
<b>Fiduciary Net Position</b>	(26,543)	(342)	(17)
<b>Net Pension Liability</b>	\$16,623	\$156	\$4

## Net Position

Fiscal Years Ending June 30  
(in billions)

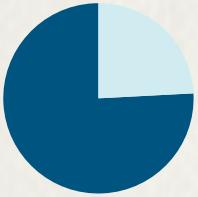






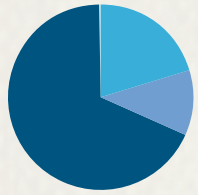
**Assets - Fiscal Years Ending June 30**  
(in thousands)

	2017	2016	2015
Cash, cash equivalents & receivables 4.50%	\$1,392,908	\$1,472,475	\$2,685,369
Investments, fair value 85.86%	26,592,048	23,938,414	24,735,121
Securities lending * 9.55%	2,959,706	3,320,112	2,758,617
Capital assets 0.09%	26,865	35,140	32,292
<b>Total</b>	<b>\$30,971,527</b>	<b>\$28,766,141</b>	<b>\$30,211,399</b>



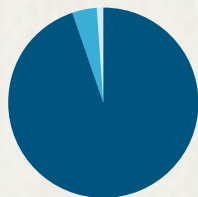
**Liabilities - Fiscal Years Ending June 30**  
(in thousands)

	2017	2016	2015
Payables 24.44%	\$955,714	\$830,412	\$2,036,224
Securities lending liability* 75.56%	2,955,085	3,318,706	2,758,970
<b>Total</b>	<b>\$3,910,799</b>	<b>\$4,149,118</b>	<b>\$4,795,194</b>



**Revenues - Fiscal Years Ending June 30**  
(in thousands)

	2017	2016	2015
Employers 20.51%	\$1,052,147	\$1,055,072	\$1,030,028
Members 11.16%	572,456	574,963	560,099
Investment income 68.32%	3,503,512	133,536	844,722
Other 0.01%	36	35	75
<b>Total</b>	<b>\$5,128,151</b>	<b>\$1,763,606</b>	<b>\$2,434,924</b>



**Expenses - Fiscal Years Ending June 30**  
(in thousands)

	2017	2016	2015
Benefits 94.78%	\$2,544,382	\$2,433,505	\$2,284,168
Refunds 4.24%	113,868	113,010	119,557
Administrative 0.98%	26,196	16,273	14,690
<b>Total</b>	<b>\$2,684,446</b>	<b>\$2,562,788</b>	<b>\$2,418,415</b>

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



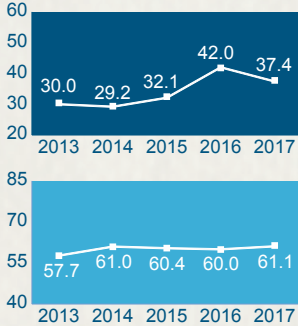
# FUNDING

## UAAL Period Graphs

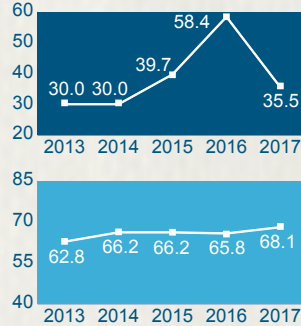
Fiscal Years Ending June 30

■ UAAL Period (in years)  
■ Percent Funded

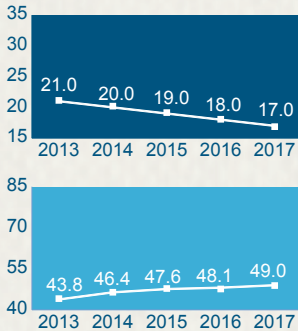
### PERS



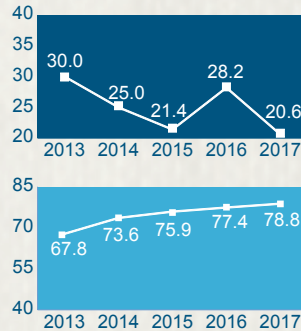
### MHSPRS



### MRS\*



### SLRP



\* As of September 30 for 2013; June 30 for 2014 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, 2017.

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. The charts indicate an increase in the percent funded for 2017. 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 also diversified to help mitigate the effects of a volatile financial market.

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.

## Longevity

*Quercus virginiana* (southern live oak)

## Employer Contribution Percentage Rates

Fiscal Year	2012*	2013	2014	2015	2016	2017
PERS	12.93	14.26	15.75	15.75	15.75	15.75
MHSPRS	35.21	37.00	37.00	37.00	37.00	37.00
SLRP	7.40	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.

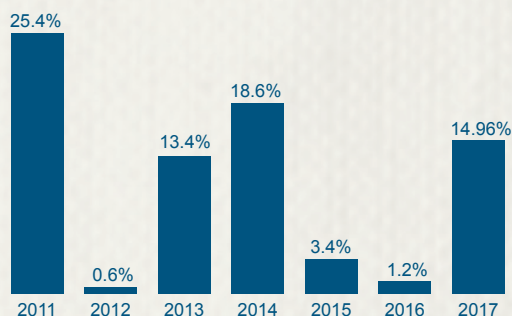
Investments before securities lending activities for 2017 were \$26.6 billion, an increase of \$2.7 billion from fiscal year 2016. Net investment income was \$3.5 billion compared to \$134 million at fiscal year end 2016.

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 2017, 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 55 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 14.96 percent investment return this year, which was more than the plan's benchmark return of 13.88 percent. The System operates on a long-term investment strategy resulting in a five-year rate of return of 10.08 percent, 10-year rate of 5.58 percent, and a 30-year rate of 8.34 percent.

## Defined Benefit Plans Total Rates of Return

Fiscal Years Ending June 30



## Total Investments: Past 10 Fiscal Years (in thousands)

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
2012	\$23,176,162	2017	\$29,551,754

## Asset Allocation at Fair Value

Fiscal Year Ending June 30, 2017

Equities.....	63.0%
Debt securities.....	19.0%
Real estate .....	10.0%
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

■ Median Large Public Plans

■ PERS



## Performance Benchmark

Fiscal Year Ending June 30, 2017

Total Plans	MS PERS Combined Return	14.96%
	MS PERS Policy Target Return	13.88%
	Public Funds >\$10 Billion Median	13.30%
Debt Securities	Debt Securities Managers Composite	2.39%
	Barclays Aggregate Index	(0.31)%
	Fixed Income Custom Benchmark	0.29%
Domestic Equity	Domestic Equity Managers Composite	19.08%
	Russell 3000 Index	18.51%
	Domestic Equity Custom Benchmark	18.53%
International Equity	International Equity Managers Composite	22.30%
	International Equity Benchmark	20.43%
	International Equity Custom Benchmark	22.29%
Global Equity	Global Equity Managers Composite	20.25%
	Global Equity Benchmark	19.01%
Real Estate	Commingled Funds and Reits Composite	6.76%
	Real Estate Benchmark	6.97%
Private Equity	Private Equity Composite	20.12%
	Private Equity Benchmark	20.90%



# RESOURCES

## Website and Call Center

Our website, [www.pers.ms.gov](http://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

### Pre-Retirement Full Day 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** presentations 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,

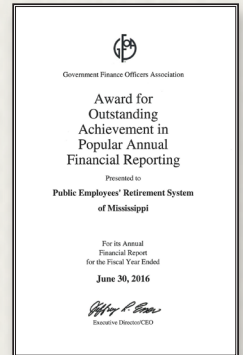
and important contact information. Handbooks and guides are available by request or from [www.pers.ms.gov](http://www.pers.ms.gov).

## 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, 2016. 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 14 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.



## Resilience

*Platanus occidentalis* (American sycamore)