A Brief History:
Public Employees' Retirement System of Mississippi

Teachers' Retirement System of Mississippi (TRS)

The predecessor plan to the Public Employees' Retirement System of Mississippi (PERS) was created by House Bill 143, Laws of 1944. This bill was passed by the Legislature effective July 1, 1944, creating the Teachers' Retirement System of Mississippi (TRS), a pension plan for certificated teachers and administrators working in the state's public schools.

At retirement, the pension amount a retiree received was based on:

a) an annuity that was the actuarial equivalent of his or her accumulated contributions at the time of retirement (4 percent of pay withheld from the employee's check);

b) a supplementary annuity equal to the above annuity allowable at the time of retirement computed on the basis of additional contributions made by the employee prior to the date of retirement; and

c) an additional supplementary annuity equal to the annuity that would have been provided at the time of retirement for prior service had he or she made contributions during that time, not to exceed a sum of $500 per year.

In addition to member contributions, promised benefits were supported by legislative appropriation deposited in the state treasury.

In 1952, as the final push was being made for a new retirement system for state employees (see following section regarding the creation of PERS), the Mississippi Association of Educators (MAE) recognized that the new proposed system for other public employees would provide a much better benefit system for retiring educators. Therefore, MAE petitioned the Mississippi Legislature to abolish TRS and allow teachers and school administrative personnel to become members of the new system.

Active members (those still teaching) in the legacy system at that time were transferred to the newly formed PERS. Upon closure of the legacy system, benefits being paid to those already retired became an obligation of the state of Mississippi. Administration of the payment of benefits was transferred to the PERS Board of Trustees, which continued to pay benefits to TRS retirees from funds appropriated annually by the Legislature.

As part of the provisions of the closure of the old fund, recipients were given a 20 percent increase in their benefit with a minimum guaranteed benefit of $40 per month. Through the ensuing years, benefits to retirees of this legacy plan were increased by the Legislature from time to time to the point that, when the last recipient under this legacy plan died in June 2007, the monthly benefit was $900 per month.

Public Employees' Retirement System of Mississippi (PERS)

In 1950, employees of the former Mississippi Highway Department (now the Mississippi Department of Transportation) presented a bill to the Mississippi Legislature to establish a retirement system for the employees of the Mississippi Highway Department. After review and discussion, the Legislature informed the employees that it would be necessary to establish a retirement system for all full-time state employees and employees of the state universities – not just employees of the Highway Department. The Legislature requested that a broader retirement plan bill and an estimated cost for such a plan be brought back to them for consideration at the 1952 session.

Also in 1950, Congress passed a law amending the Federal Social Security Act (originally enacted August 14, 1935) to allow states a mechanism via a federal-state agreement to extend to employees of a state and its political subdivisions and instrumentalities, and to the dependents and survivors of such employees, the basic protection afforded to others by the old-age and survivors insurance system embodied in the Social Security Act. Embracing this opportunity, a group of state employees from various state agencies petitioned the Legislature at the 1952 Legislative Session for a two-part retirement system (i) Social Security coverage for employees of the state and its political subdivisions and their dependents and (ii) a supplemental system for additional state retirement and disability benefits for employees of the state and its political subdivisions. This supplemental part of the retirement benefit is known today as the Public Employees' Retirement System of Mississippi (PERS), a defined benefit plan receiving mandatory employee (member) and necessary employer (the state, city, county, or other political subdivision) contributions. Generally, except to those employees at the time coverage was initially offered, participation in the plan was a condition of employment. The employee and employer contributions plus investment earnings provide the source of funds for future benefits owed. A group of employees of the Mississippi Highway Department hired an actuary to determine the estimated contribution rates and other costs of the System.

In 1952, Senate Bill 273 was introduced by Senator Mitchell Robinson from Jackson. The bill passed the Senate by a vote of 47 to 0 and the House by a vote of 117 to 11. Governor Fielding Wright signed the bill into law April 15, 1952.

The plan automatically covered all state employees; employees of the state universities and community/junior colleges; public school teachers and administrative personnel; school employees other than teachers and school administrative personnel where a separate agreement had been executed; and all employees of a county, city, or other instrumentality, or juristic entity of the state, or county- or city-owned library, hospital, or public utility where an agreement was executed covering such employees in the supplemental retirement coverage.

The original 1952 law allowed local governments to enter into separate agreements to extend Social Security and retirement coverage to current employees who elected such coverage and for all future employees as a condition of employment. Some local employers chose Social Security coverage only without the supplemental retirement income coverage. The law provided that the political subdivisions of the state could exclude certain classes of employees from membership.

Early on, the Legislature appropriated money from the general fund to cover the System's operating costs for state government employers. Local employers were charged a 2 percent administrative fee to cover their portion of the System's operating costs. By 1984, PERS was using investment earnings to fund its operational expenses, and both the general fund appropriation and fee assessed on local employers to cover operating costs were discontinued.

The PERS defined benefit plan is a contributory plan that requires each employee to contribute a certain percentage of his or her pay and each employer to pay the required percentage of payroll as determined by the actuary. The first contributions were made to the then supplemental retirement plan (PERS) in February 1953. The employer paid a contribution of 2.5 percent on the full salary of the employee. However, the employee paid 4 percent on covered compensation in excess of $100 per month. The original benefit formula promised benefits of 1.25 percent of average compensation per year for each year of covered service. At that time, the definition of average compensation was the average annual earned compensation for any period of 60 successive or consecutive months as an employee during which the earned compensation was the highest, less the sum of $1,200. While benefits were available at age 60 to members with at least 10 years of membership service or to anyone who was age 55 with at least 30 years of service, an early retirement penalty was assessed for retirement before the attainment of age 65.

Today, participating employees who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 for those employed before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of average compensation for each year of credited service up to and including 30 years (25 for those employed before July 1, 2011), plus 2.5 percent for each year of credited service over 30 years (25 for those employed before July 1, 2011). Today, average compensation is defined as the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. For members who entered the System before July 1, 2007, benefits vest upon completion of four years of membership service. For members who entered the System on or after July 1, 2007, benefits vest upon completion of eight years of membership service. PERS also provides certain death and disability benefits. In addition, a cost-of-living adjustment is paid to eligible retirees and beneficiaries. The first cost-of-living adjustment was paid in December 1966. After a number of changes over the years, the Cost-of-Living Adjustment (COLA) is now equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the retiree reaches age 60 (55 for those employed before July 1, 2011), plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the retiree turns age 60 (55 for those employed before

July 1, 2011). A member who terminates employment before becoming eligible to receive a retirement allowance may request a refund of his or her employee contributions.

Mississippi Highway Safety Patrol Retirement System (MHSPRS)

Initially, PERS covered all state employees, including law enforcement personnel of the state, counties, and municipalities. In 1958, the law enforcement officers of the Department of Public Safety (Highway Patrol) requested the Legislature establish a separate early retirement plan for the approximately 500 officers in the department due to the hazardous nature of their jobs. Upon enactment of the Mississippi Highway Safety Patrol Retirement System (MHSPRS), the member accounts of these employees were transferred from PERS to MHSPRS. Designed exclusively for sworn officers assigned to the highway safety patrol, the new plan provided higher benefits at an earlier age than those provided for other state employees under PERS.

Participating employees who have at least five years of membership service may retire at or after age 55 or regardless of age with at least 25 years of creditable service or at or with an actuarially reduced benefit at or after age 45 with at least 20 years of creditable service. Upon application, an eligible employee is entitled to an annual retirement allowance payable monthly for life in an amount equal to 2.5 percent of average compensation for each year of credited service not to exceed 100 percent of average compensation. Average compensation is the average of the employee’s earnings during the four highest consecutive compensated years of creditable service. A member may elect a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. MHSPRS also provides certain death and disability benefits. In addition, a COLA is paid to eligible retirees and beneficiaries. The first COLA was paid in December 1975. After a number of changes over the years, the COLA is now equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the retiree reaches age 60, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the retiree turns age 60. Members who terminate employment before becoming eligible to receive a retirement allowance may request a refund of employee contributions.

This plan is also financed by employee and employer contributions, as well as investment earnings on the fund. Additional funding is provided from the collection of certain motor vehicle report and driver’s license reinstatement fees.

Mississippi Government Employees’ Deferred Compensation Plan and Trust (MDC)

The State’s IRC Section 457 voluntary government employees’ deferred compensation plan was enacted into law in 1973 and originally placed under the oversight of the Office of the State Treasurer. Administration of the plan was transferred to the PERS Board of Trustees in 1974. This plan allows governmental employees the ability to voluntarily defer and invest a portion of their income until future years. While initially administered by PERS staff after the transfer of the plan to PERS, this defined contribution plan is now administered by a third-party administrator under the oversight of the PERS Board and staff. The plan has grown significantly over the years and offers a diversified portfolio of investment options to its participants, including lifecycle funds.

Municipal Retirement Systems (MRS)

Beginning in 1924, a series of general laws were enacted to authorize certain municipalities to create retirement systems for firemen, policemen, and certain general municipal employees. As a result of these laws, 17 municipalities created firemen's and policemen's disability and relief funds and two municipalities created general municipal employees' retirement systems. After years of funding and other administrative challenges, these 19 municipal plans were closed to new membership and their administration transferred to the PERS Board of Trustees in 1987 as the Municipal Retirement Systems (MRS). While these systems are contributory, the employer contribution to these funds is based on a millage assessment on taxable property within the municipality.

Participating MRS employees may retire regardless of age with at least 20 years of creditable service. Upon application, an eligible employee is entitled to an annual retirement allowance payable monthly for life in an amount equal to 50 percent of his or her average monthly base salary and longevity pay with an additional 1.7 percent for each year of credited service over 20 years not to exceed 66.67 percent (87 percent for the city of Clinton) of average pay. Average monthly base salary and longevity pay is the monthly average for the last six months of service. Certain employers provide a minimum monthly retirement allowance. These municipal systems also provide certain death and disability benefits. Members who terminate employment prior to becoming eligible to receive a retirement allowance may request a refund of employee contributions. Benefits for each of the municipal retirement plans may vary slightly based on local and private legislation, particularly in the area of cost-of-living adjustments.

These plans are funded by employee and employer contributions, in addition to investment earnings on the fund. Employees covered by MRS are required to contribute amounts varying from 7 percent to 10 percent of their covered salary, depending on the actuarial soundness of their respective plans. Each employer contributes the remaining amounts necessary to finance the promised benefits to employees of its system based on millage rate assessments.

Supplemental Legislative Retirement Plan (SLRP)

Effective July 1, 1989, the Mississippi Legislature enacted a Supplemental Legislative Retirement Plan (SLRP) for members of the State Legislature and the President of the Senate (Lieutenant Governor). The plan was designed to supplement the benefits provided to members of the Legislature by PERS. Those serving when SLRP became effective had 30 days to waive membership. Those elected after July 1, 1989, automatically became members.

Like PERS, SLRP is a defined benefit plan, and, though members of SLRP are also mandatory members of PERS, SLRP is funded by employee and employer contributions separate from those made to PERS. Eligibility for benefits is determined by eligibility requirements in PERS. The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS determined by credited service and salary as an elected senator or representative in the Mississippi Legislature or as President of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. Members who terminate coverage prior to becoming eligible for a retirement allowance may request a refund of employee contributions. Retirees and beneficiaries of SLRP also receive a COLA calculated identically to those provided to PERS retirees and beneficiaries.

Optional Retirement Plan (ORP)

Effective July 1, 1990, the Mississippi Legislature established the Optional Retirement Plan (ORP) to help attract qualified and talented institutions of higher learning faculty who might be participating in similar plans in another state. This defined contribution 401(a) plan, which is available to eligible teaching and administrative faculty at the state's universities, is designed to be portable and transferable to accommodate university faculty who move from one state to another throughout their careers. New employees are allowed to choose to participate in ORP within 30 days of employment. If he or she does not elect to participate, he or she is automatically enrolled in PERS.

The employee and employer make the same contributions on behalf of those participating in ORP as for those who participate in PERS. However, a portion of the employer contribution is allocated to PERS as an administrative fee to offset the unfunded accrued liability and the cost of administering ORP. The remaining employer contributions plus the employee contributions are credited to the participant's account and invested as directed by the participant in one or more of the authorized ORP investment vehicles.

Board of Trustees Overview

All of the aforementioned public pension plans are under the administration of the 10-member PERS Board of Trustees. The Board is responsible for establishing policies governing general administration and for the proper operation of all the plans under its purview including a Retiree Insurance Program. These programs are collectively referred to as the "System."

The Board is composed of:

- State Treasurer – Serves as an ex officio member
- Gubernatorial Appointee – serves a four-year term
- Eight Members Elected to Staggered Six-Year Terms by the Following Constituent Members:
  - County Employees
  - Municipal Employees
  - Institutions of Higher Learning Employees
  - Public School / Community College Employees

- State Employees (two representatives)
- Retirees (two representatives)

The Board, in conjunction with staff, works to ensure the financial security of the benefits promised to the public employees of the state of Mississippi. All assets, proceeds, and income of the System are held in trust for the exclusive purpose of providing benefit payments, refunds, and administrative expenses of the System under the management of the Board. Board members have a fiduciary duty to manage and invest these funds in the manner provided by law. The Board contracts with investment managers to invest and manage the assets of the System. The Board sets the asset allocation of the fund's investments and then hires the investment managers who actually invest the funds.

The Board administers the laws governing the various benefit plans, establishes rules and regulations, sets policy, addresses federal issues, recommends benefit changes when necessary, and works with both state and federal legislative bodies. It hears actuarial reports annually on the funding of the System, and adjusts, as necessary, various assumptions used to ensure that the various plans are properly funded.

The Board meets regularly on the fourth Tuesday of February, April, June, August, and October and the third Tuesday of December. Additional meetings may be held, depending upon the activities of the System.

The Board has six standing committees:

- Investment Committee,
- Defined Contribution Committee,
- Administrative Committee,
- Audit Committee,
- Claims Committee, and
- Legislative Committee.

The Investment and Defined Contribution committees meet on the day preceding the regularly scheduled Board meeting. Other committees generally meet the morning of the regularly scheduled Board meeting, as called by the Board chair based on need and may be scheduled more often. Board members serve on committees as assigned by the Board chair. The Claims Committee, which serves as an appeals panel following an appeal from a final administrative decision of the executive director, is scheduled to meet the fourth Tuesday of each month in which no regular Board meeting is scheduled. The meetings of the Claims Committee sitting as an appeal panel are held only when an outstanding administrative appeal needs to be heard.

PERS
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