



# Legislative Committee Meeting Agenda

Wednesday, December 18, 2024

11:15 A.M.

(or immediately following the Administrative Committee)

I. [2025 PERS Legislation and Upcoming Legislative Session](#)  
(*Intended Outcome – TBD*)

II. Other

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**Legislative**

**Committee Members:**

Mr. George Dale, *Committee Chair*  
Mr. Bill Benson  
State Treasurer David McRae  
Dr. Brian Rutledge  
Mr. Terrance Yarbrough

Mr. Kelly Breland, *Board Chair*

# Public Employees' Retirement System of Mississippi Tier 5 Analysis



Ed Koebel, EA, FCA, MAAA  
CEO and Consulting Actuary

2/14

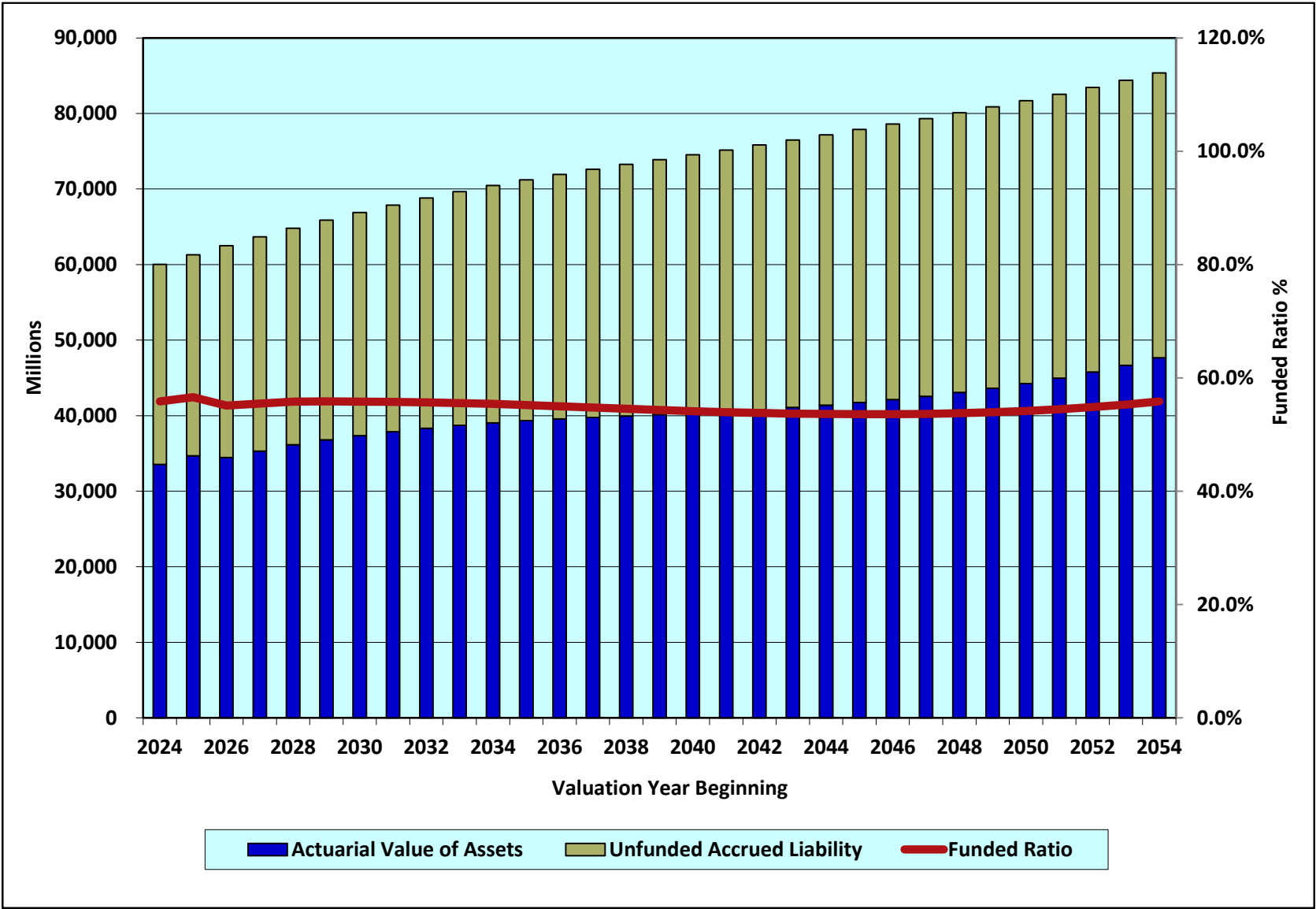


**CavMac**  
Actuarial Consulting Services

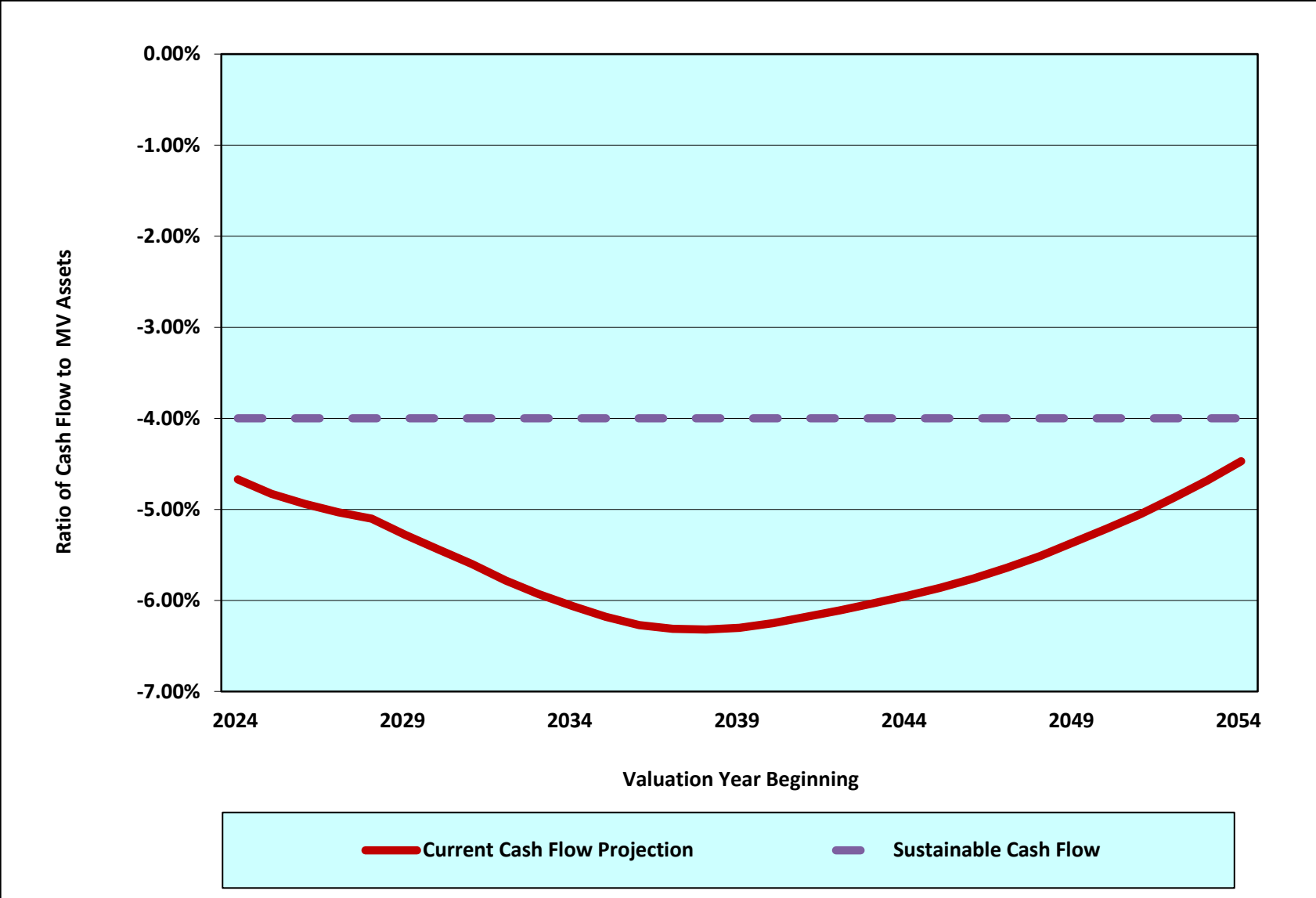
- **Projections based on all assumptions and methods used in the 2024 valuation, except as otherwise noted**
- **Active membership remains at approximately 146,000 employees**
- **Assumes 7.00% investment return in all future years**
- **Assumes Statutory Contribution Rate is phased-in to 19.90% of payroll as set by Legislature, except as otherwise noted**



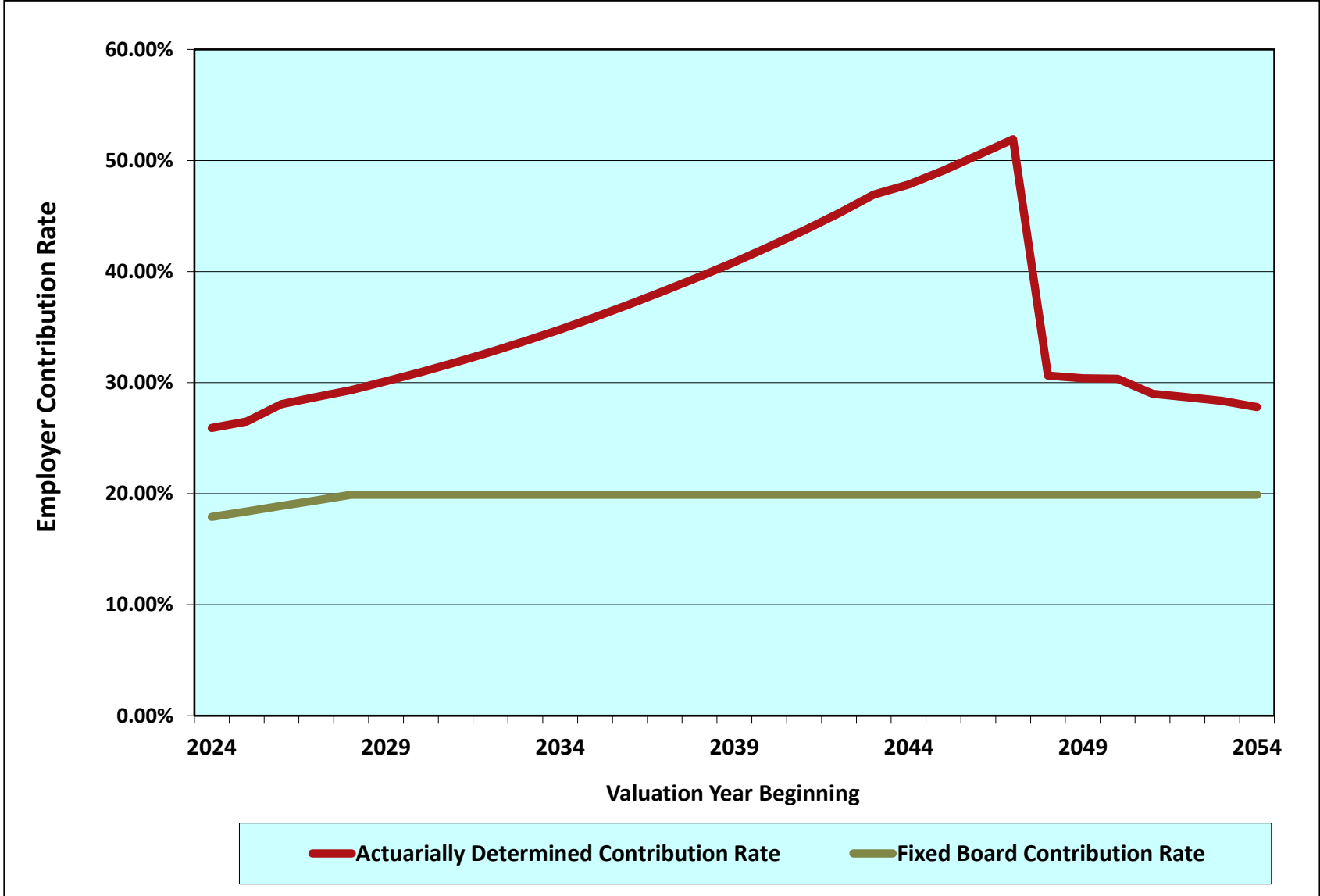
# 30-Year Projection of Funded Ratio Based on June 30, 2024 Valuation Results - PERS



# 30-Year Projection of Negative Cash Flow Based on June 30, 2024 Valuation Results - PERS



# 30-Year Projection of ADC and FCR Based on June 30, 2024 Valuation Results - PERS



# PERS Tier 5 Comparison

Plan Specifications	Current PERS Tier 4	Potential State-Sponsored Hybrid Plan
Type of Plan	Pure Defined Benefit (DB)	Hybrid of DB and Defined Contribution (DC)
Employee Contribution Rates	9%	9% (4% into DB Plan, 5% into DC Plan)
DB Multiplier	2% for first 30 years of service, plus 2.5% for service above 30 years	1% for all service
Vesting Eligibility	8 years	8 years
Unreduced Retirement Eligibility	30 years of service or 65&8	62&30 or 65&8
Final Average Salary Definition	4 highest years	8 highest consecutive years
Sick Leave and Military Service	Included in Eligibility	Not Included in Eligibility
Cost-of-Living Adjustments (COLAs)	3% Simple COLA to Age 60 and then 3% Compounding COLA thereafter	No Guaranteed COLA (Ad hoc approved by Board or Legislature - TBD)
Partial Lump Sum Option (PLSO)	Option available with 33 years of service	No Option
Defined Contribution Employer Match	N/A	None
DC Plan Vesting	N/A	Immediately

- What is the impact of member's benefits?
  - Pay at Retirement = \$60,000
  - Service at Retirement = 30 years

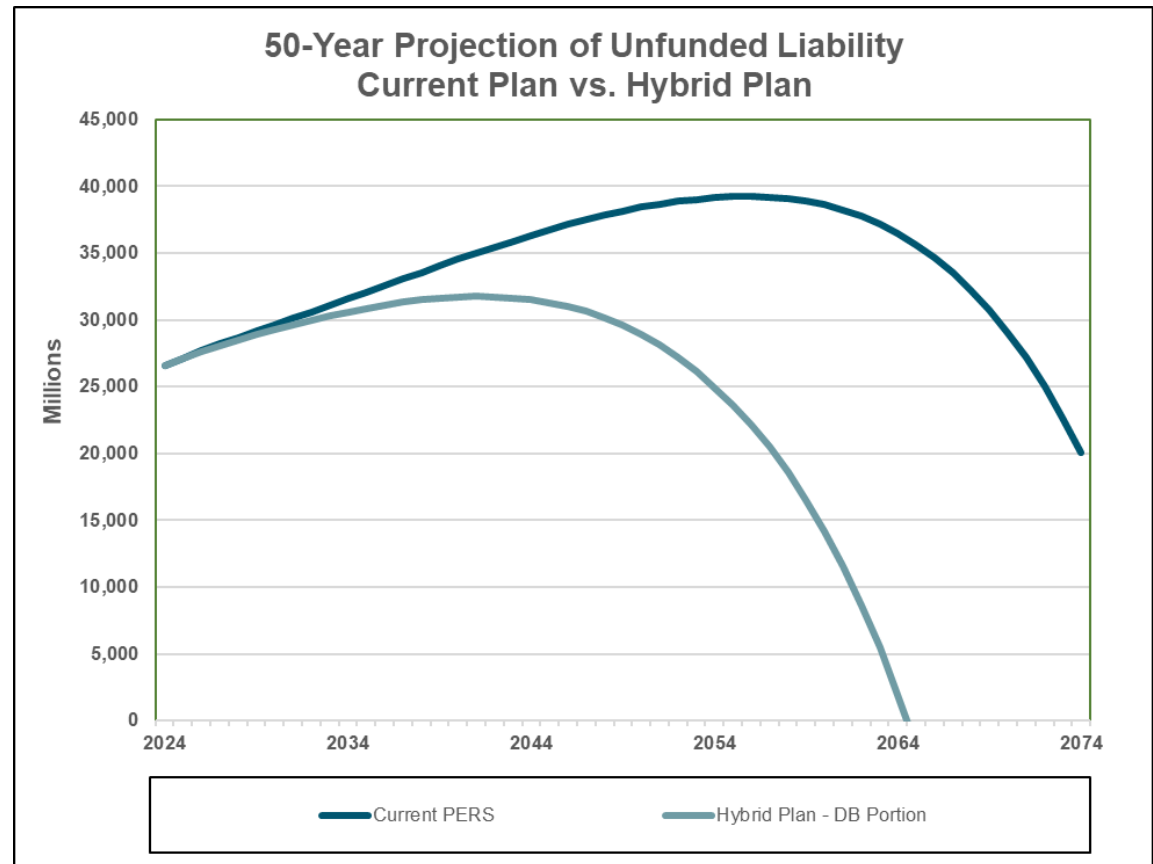
Sample Benefit Formula	Current PERS Tier 4	Potential State-Sponsored Hybrid (5% DC Interest)	Potential State-Sponsored Hybrid (7% DC Interest)
Final Average Salary at Retirement	\$57,700	\$54,850	\$54,850
Annual DB Plan Benefit at Retirement	\$34,620	\$16,455	\$16,455
Estimated DC Account Balance at Retirement	\$0	\$130,500	\$181,100
Annuitized DC Plan Benefit at Retirement	\$0	\$11,500	\$16,000
Estimated Social Security Benefit at Retirement	\$18,000	\$18,000	\$18,000
Total Benefit at Retirement	\$52,620	\$45,955	\$50,455
Replacement Ratio of Pay at Retirement	87.7%	76.6%	84.1%



- The ultimate cost of any of these plan designs is the total normal cost rate at the 7.00% assumption
- Total normal cost rate is the value of a given year's expected benefit accruals for every active member summed together and divided by that year's expected payroll
- All the Tier 5 design options result in a lower total normal cost rate compared to the current Tier 4 design

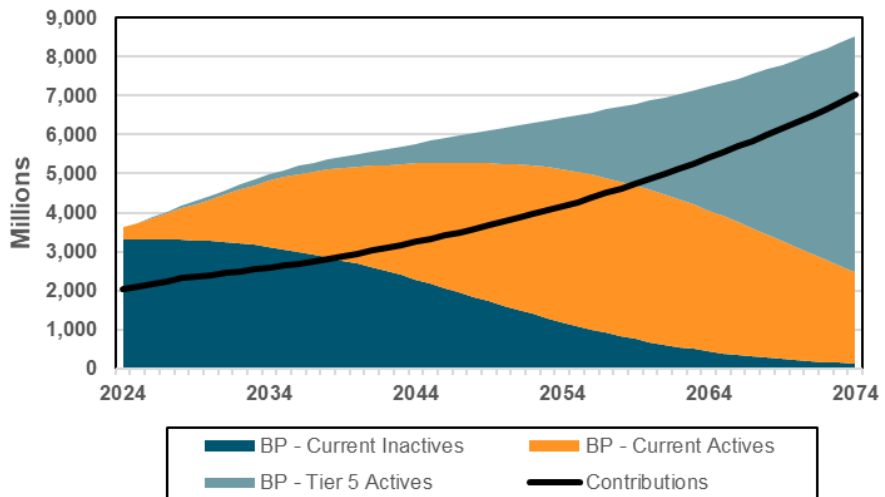
Tier 5 Design	Total Normal Cost (NC) Rate	Employee Contribution Rate	Ultimate Employer NC Rate	Amount of FCR to Pay Down UAAL
Current PERS Tier 4	12.26%	9.00%	3.26%	16.64%
Potential State-Sponsored Hybrid Plan	5.25%	4.00%	1.25%	18.65%

- This graph shows the growth of the Unfunded Liability over the next few decades
- The decline in the latter part of the graph is due to the cash flow increasing and the impact that more of the Statutory Contribution is going to pay down the Unfunded Liability faster
- Since the Hybrid Plan has a smaller employer normal cost, it pays down the Unfunded Liability faster



# Projection of Benefit Payments

Current Plan with COLA - 50 Years  
Projection of Cash Flow



## Comparison of Current Plan to Hybrid Option

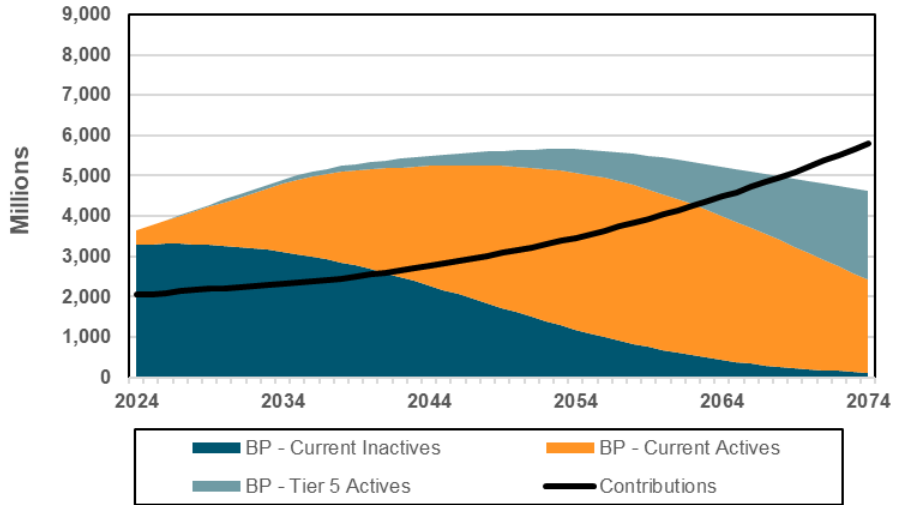
Current PERS Plan  
Guaranteed COLAs  
continue to increase BPs



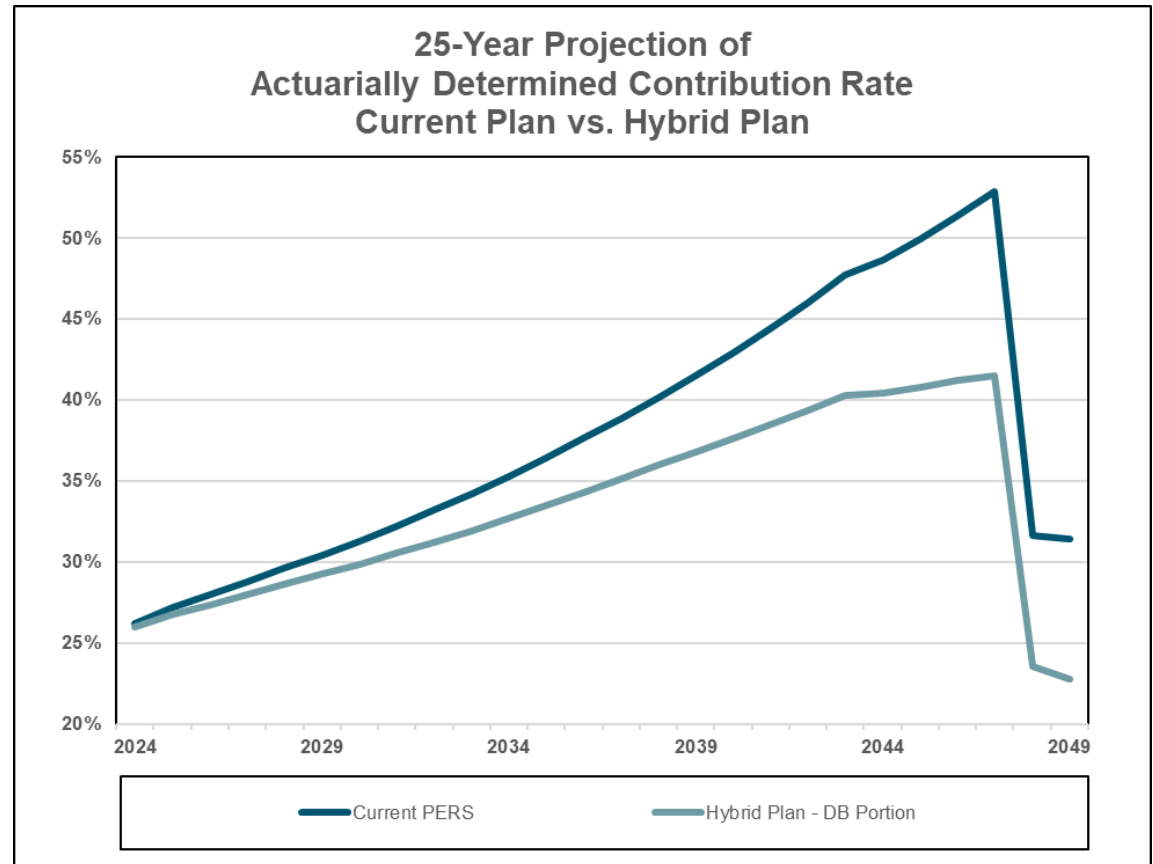
Hybrid Tier 5  
BPs are much lower as  
expected but projection only  
shows DB portion of benefit



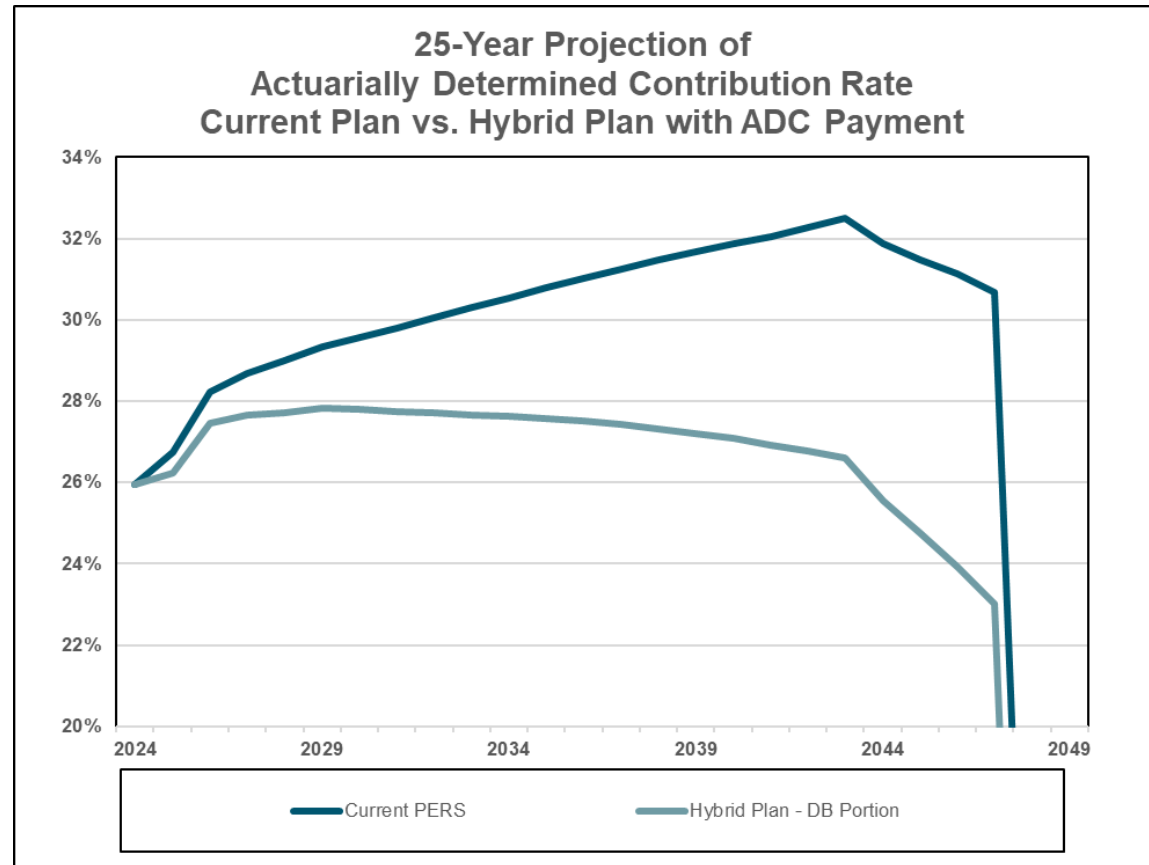
Hybrid Plan - 50 Years  
Projection of Cash Flow



- As can be seen in the graph, if PERS is still contributed at the Statutory Rates passed by the Legislature, the Actuarially Determined Contribution (ADC) is expected to increase under both scenarios as contribution losses impact the Unfunded Liability
- However, if more funding is provided to PERS, this graph will look very different (see next slide)



- This graph assumes that the contribution for PERS is changed to the ADC Payment Method that the Board recently adopted
- As you can see from the graph, more funding results in lower calculated ADC payment rates for PERS under either Plan design





THANK  
YOU