

Mississippi PERS

Benefit Scenarios - Revised with 2023 Valuation Results

Keeping PERS Fixed Contribution Rate at 22.40%



The PERS Board of Trustees voted on August 22, 2023, to phase in a previously approved employer contribution rate increase by 2 percent each state fiscal year beginning July 1, 2024, and thereafter until the rate reaches the amount recommended by the actuary and approved by the Board. This means the current rate of 17.40 percent of payroll will only increase to 19.40 percent for the next state fiscal year.

Also, following the recommendation of the actuary and others, the Board voted to lower the assumed rate of return from 7.55 percent to 7 percent effective with the valuation ending June 30, 2023. Based on the 2023 valuation and projections results using the 7 percent as the assumed rate of return, the actuary recommended at the December 19, 2023 Board Meeting to increase the employer contribution rate to 27.40 percent, phasing into it at 2 percent increments over the next 5 fiscal years. However, the Board has taken no action on this new recommendation and may not choose to act until the 22.40 percent employer rate is fully implemented.

Benefit scenarios (C - U) below are potential different COLA benefit structures (permanent or temporary) or other structures that may possibly keep the employer contribution rate at 22.40 percent without the need to increase it further unless there is further negative actuarial experience in upcoming valuations. Scenario A below is the baseline and current board-approved funding structure. Scenario B below is the actuary-recommended funding structure. All other scenarios keep the funding structure of Scenario A but try to match to the projected funding results of Scenario B. These concepts or any others may face political challenges, and any legal challenges (as well as any relevant federal laws) must be considered.

Projection Scenario	Projected Funded Ratio in 2047	Projected Unfunded Liability (UL) in 2047 (\$ in Millions)	Difference in Projected UL in 2047 from Scenario A (\$ in Millions)
(A) Current with 22.4% Contribution Phased In Over 3.0 years (2/2/1)	65.5%	\$26,979	N/A
(B) Current with 27.4% Contribution Phased In Over 5.0 years (2/2/2/2)	90.5%	\$7,456	\$19,523
<u>COLA Changes to All Current and All Future Retirees*</u>			
(C) Change Future COLA Growth from Compounding 3% to Simple 3.00%	77.1%	\$16,880	\$10,099
(D) Change Future COLA Growth from Compounding 3% to Simple 2.50%	89.5%	\$7,511	\$19,468
(E) Change Future COLA Growth from 3.00% to 2.25%	86.4%	\$9,861	\$17,118
(F) Change Future COLA Growth from 3.00% to 2.00%	94.1%	\$4,155	\$22,824
(G) COLA Moratorium for 3 Years now (Current) or from retirement (Future)	87.7%	\$9,200	\$17,779
<u>COLA Changes for Short-Term Period*</u>			
(H) Pause COLA Growth for the next 5 Years (2024-2028)	90.1%	\$7,673	\$19,306
(I) Pause COLA Growth every other year for the next 10 Years (2024-2033)	88.4%	\$8,924	\$18,055
(J) Alternate COLA Growth every other year (3.0%, 1.5%) for next 20 Years (2024-2043)	83.7%	\$12,259	\$14,720
(K) Temporary Reduction in COLA Growth to 1.5% for the next 10 years (2024-2033)	87.6%	\$9,520	\$17,459
<u>COLA Changes to Current and Future Active Members Only</u>			
(L) No COLA for first 5 years of retirement for those more than 5 years away from retirement	71.8%	\$20,725	\$6,254
(M) 1% COLA for first 5 years of retirement for those more than 5 years away from retirement	70.4%	\$22,009	\$4,970
(N) 1% COLA for first 5 Years of retirement for all actives	76.7%	\$17,049	\$9,930
(O) All actives must wait until age 60 to begin receiving COLA	73.1%	\$20,243	\$6,736
(P) All actives must wait until age 60 to begin receiving COLA and then COLA is 1% for first 5 years	81.7%	\$13,017	\$13,962
<u>Additional Contributions from State/Tier 5 Scenarios</u>			
(Q) Additional \$250 Million for the Next 5 Years	71.9%	\$21,953	\$5,026
(R) Implement Tier 5 and Additional \$550 Million Each Year for the next 5 years	80.2%	\$14,664	\$12,315
(S) Implement Tier 5 and Additional \$250 Million Each Year for the next 25 years	83.9%	\$11,904	\$15,075
(T) Pause COLA Growth for the next 5 years (2024-2028), Implement Tier 5, and Additional \$250 Million Each Year for the next 5 years*	98.2%	\$1,331	\$25,648
(U) Pause COLA Growth for the next 5 years (2024-2028), Implement Tier 5, and Additional \$315 Million Each Year for the next 5 years*	100.0%	\$24	\$26,955

* Scenarios C-G impact COLA growth to all current and all future retirees but Scenarios H-K and T-U only impact COLA growth to all current retirees and those future retirees retiring over the time period indicated.

Note: All scenarios are based on the 2023 valuation results and the adopted demographic assumptions from the 2022 experience study. Deterministic assumptions were used in the projection of the funded ratio and unfunded liabilities but future results will vary due to the actual experience over the projection period.

We reviewed the other actuarial metrics included in the PERS funding policy and did not feel they provided any additional information in determining the impact of the benefit structure scenarios than the projected funded ratio and unfunded accrued liability as shown above.