

Public Employees' Retirement System of Mississippi

Five-year Strategic Plan

2023 – 2027

This plan submission is similar to years past. However, due to additional leadership changes and the pandemic, this plan is still under review. PERS leadership will continue to expand its efforts in strategic planning in the year ahead.

Comprehensive Mission Statement

The Mission of the Public Employees' Retirement System (PERS) is to provide secure benefits to members of our plans and consistently deliver quality service by meeting our customers' needs, operating efficiently and transparently, investing and managing assets prudently, and acting in the best interest of all members.

Philosophy

PERS is committed to administering our plans and programs with integrity, respect, accountability, and innovativeness. Our philosophy is to maintain the highest professional standards, provide quality service to our customers, and demonstrate courtesy and fairness to all individuals.

Relevant Statewide Goals and Benchmarks

Statewide Goal 1 – Government and Citizens:

Create an efficient government and an informed and engaged citizenry that helps to address social problems through the payment of taxes, the election of capable leaders at all levels of government, and participation in charitable organizations through contributions and volunteerism.

Relevant Benchmarks 1 – Cost of Government:

- Funded ratio of statewide pension systems.

Overview of the Agency 5-Year Strategic Plan *(FY 20 audited financial amounts)*

The System is responsible for providing pension benefits for all State and public education employees, sworn officers of the State Highway Patrol, elected members of the State Legislature, the President of the Senate and other public employees whose employers have elected to participate. The System is comprised of the Public Employees' Retirement System (PERS), the Mississippi Highway Safety Patrol Retirement System (MHSPRS), 19 closed municipal systems collectively referred to as the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS), and the Supplemental Legislative Retirement Plan (SLRP). Eligible employees of the institutions of higher learning may choose membership in the Optional Retirement Plan (ORP), a PERS administered plan, in lieu of membership in the PERS plan. The System also maintains oversight responsibility for participant benefit programs including the Mississippi Government Employees' Deferred Compensation Plan & Trust (MDC) and the Public Employees' Retirement System retiree insurance program.

Investing for the future of our participants is a long-term commitment and investment of the System's assets demand constant attention and specialized expertise. Member and employer contributions totaled \$1.8 billion in 2020, and the System paid \$2.9 billion in retirement benefits during the year. The difference between contributions and benefits paid was funded through the System's investments, emphasizing the importance of conscientious attention to investment policies. The Board of Trustees and staff continue to establish and operate under governing policies, which are founded upon sound fundamental investment principles. These policies focus on developing investment strategies, which preserve the long-term value of the pension trust fund while producing the resources needed to meet the System's future benefit obligations. To that end, the System continues to evaluate opportunities to diversify its overall investment portfolio to minimize risk and maximize investment returns.

PERS funding and sustainability have been the focus of attention over the past several years, in part due to increases in the total contribution rate from 17.0 percent in 2005 to 26.4 percent today. Based on its funding policy and on the recommendation of the Board's actuarial consultants, the Board voted at its June 2018 meeting to increase the employer contribution rate from 15.75 percent to 17.40 percent effective July 1, 2019. Using the employer contribution rate of 17.40 percent, the results of the 2020 projection study show that the plan will have a funded ratio of 67.6 percent in 2047.

In determining whether changes to the contribution rate are needed, the Board's funding policy uses a signal light approach requiring clear reporting and risk analysis of the following metrics: funded ratio, cash flow as a percentage of assets, and the PERS' fixed contribution rate as compared to the actuarially determined contribution rate. If any of the metrics moves to the red signal light status in conjunction with the annual valuation and projection reports, the

actuary will determine and recommend to the Board an employer contribution rate increase sufficient to move all three metrics back into the green signal light status.

The System continues to emphasize customer service as a high-priority initiative. In keeping with the System's mission statement, our focus on customer service mandates that we have sufficient resources to maintain a consistent, high quality level of service while continuing to evaluate new initiatives to improve overall services, all within a highly secure environment. Intertwined with our commitment to providing quality pension services is our dedication to effective cost management practices.

As always, we are conscientious in our efforts to contain costs and take the responsibility of fiduciary trust seriously.

With over 340,000 participants in the System in 2020, PERS is positioning itself to meet the needs of a changing public employee and retiree population. The projected ratio of retirees to active employees will increase over the next 10 years. In 2020, the System provided benefits for more than 112,000 retirees with another 67,000, or 44 percent of active members eligible to retire within 10 years. Plans are being made today to meet the needs of this changing population and enhance areas that support the System's ability to provide responsive, accessible, and quality service at the lowest possible cost. It is widely accepted that the System's pension benefit helps stimulate the local economies as retirees purchase goods and services, increasing profits and wages in the private sector and raising public sector revenues through taxes and fees.

The System has adopted a Mission Statement, a Vision Statement, and identified the agency's values, as well as established goals, objectives, and strategies that will continue to maximize the staffing, technological, and educational resources of our organization in the most cost-effective manner. PERS continuously studies and evaluates aspects of the System's service to participants and its operations. As an organization, we intend to monitor progress and develop modifications as we mature and advance toward higher levels of excellence in pension benefits administration.

The System draws on technology solutions tailored to meet the demands of our growing and changing population. Document imaging and electronic reporting of wages and contributions allow our organization to swiftly respond to participants and offer user friendly, yet secure, access to essential information. In 2015, the System implemented a next generation pension

administration system, the Mississippi Automated Retirement System (MARS). In March 2018, we completed a system software and partial hardware upgrade, which allowed more functionality to our internal users and are currently implementing required operating software upgrades to maintain support under our licensing agreements. We continue to evaluate improvements in technology to ensure safety and security of data and efficiency and timeliness of operations.

As an agency, PERS intends to be responsive to state and federal legislative and judicial actions and to be adaptable in an ever changing environment. To that end, PERS maintains a review process for regulatory changes, such as Internal Revenue Code amendments, Governmental Accounting Standards Board pronouncements, and state legislative initiatives.

Several studies indicate that organizations offering pensions attract forward-looking employees who value future pension benefits and may be more productive, as stated in an article from the Center for Retirement Research. PERS is committed to providing secure benefits and quality customer service to help recruit and retain a quality workforce within the public sector.

One of the priorities of the System is recruiting and retaining quality professional staff that can accomplish the goals and objectives of a complex and highly technical organization such as PERS. In order to provide the timely services expected and deserved by our membership, it is imperative to focus on the human capital component of providing those services.

It is part of the Board's responsibility to optimize and maintain the trust fund assets. This responsibility includes engaging expert professionals such as actuarial and investment consultants, independent auditors, medical doctors for disability retirement applications, custodial bank and cash management banking service providers, as well as software support providers. The Board's responsibility as a fiduciary of the trust fund is to ensure the stability of the System.

In summary, PERS is administrative in nature and is affected by many factors beyond its control such as changes in the number of active members, the number and timing of members who choose to retire, and volatility of global financial markets, which directly impacts the fair value of PERS investment portfolio and funding. The PERS Board of Trustees and staff work diligently to mitigate such factors and manage their outcome through such methods as actuarial analysis, staffing, diversification of investment types, development of target asset class allocations, and establishing and maintaining sufficient technology resources.

External/Internal Assessment

The following factors may influence PERS' results relative to its targeted performance goals:

- Changes in legislative and regulatory requirements could have an impact on the PERS plans.
- Budget and funding adequacy is critical to the successful operation of PERS.
- Recruiting and retaining a qualified professional staff is central to the achievement of PERS mission and the realization of its goals.
- Demographic changes, such as changes in retirement, withdrawals, or mortality rates, may have an effect on actuarial results for the plans.
- Investment earnings of PERS are dependent upon global financial market performance and may result in lower funding ratios during periods of unfavorable investment performance over the short term.
- Investment earnings may influence the employer contribution rate and funding progress.
- Changes in technology provide an opportunity for PERS to service a growing number of customers more efficiently.
- The length of time members take to provide all required documents (birth certificate, etc.) directly impacts the time between the initial retirement application and completion of the retirement process.

Internal Management Systems

The staff produces monthly reports that track established performance indicators and measurements for review by management. Staff reports are also reviewed by the Board of Trustees at bimonthly Board meetings. In addition to performance measures, PERS produces annual financial statements, audited by an independent accounting firm, which are included in the agency's Annual Comprehensive Financial Report (ACFR). PERS also prepares a Popular Annual Financial Report (PAFR), which is a companion financial information summary report to the ACFR. PERS measures funding progress and adequacy of actuarial assumptions for the defined benefit plans through annual actuarial valuations and biennial experience studies, with a periodic actuarial audit to ensure appropriate methodology is used by the actuary.

PERS' internal audit group conducts audits of member employers to ensure compliance with payroll contribution and reporting requirements. This work includes identifying errors and compliance issues, as well as recommendations for corrective action with respect to data reported to PERS. It covers topics such as return-to-work issues, eligibility, complete reporting,

and maximum earnings limit errors. This work is another step taken by PERS to ensure that complete and accurate data is reported and that PERS policies and procedures are maintained within the employer/plan relationship.

Agency Goals, Objectives, Strategies and Measures by Program FY 2023 - 2027

Goal A: Pension Plan Stability

Provide stable and secure retirement benefits to those in public service. Section 25-11-2 for PERS, Section 25-13-1 for MHSPRS, and Section 25-11-301 for SLRP of the Miss. Code Ann. (1972, as amended) establish the purpose for which the plans were created. The Municipal Retirement Systems and Fire and Police Disability and Relief Fund was authorized and benefit provisions established by Miss. Code Ann. Section 21-29-1 et seq, Articles 1,3,5, and 7 (1972, as amended). MDC and ORP were authorized by Section 25-14-5 and Section 25-11-401 of the Miss. Code Ann. (1972, as amended), respectively.

Objective A.1

Promote the financial soundness and sustainability of the System.

Outcome: Change in the assumed long-term rate of return.

Outcome: Progress toward an increased funded ratio.

A.1.1. Strategy:

Monitor and evaluate the defined benefit plan's investment allocation and investment manager performance on a quarterly and annual basis.

Output: Compare the 30-year annualized rate of return on investments to the actuarially assumed rate of return of 7.75 percent.

Efficiency: Percent of the 30-year annualized rate of return above the actuarially assumed rate of return (See Explanatory).

Explanatory: Fulfilling the security of pension benefits requires a long-term view. A long-term annualized rate of return which meets or exceeds the assumed rate of return indicates affordability of the plans. For the purpose of measuring this output, reporting of actual measurements of the 30-year annualized rate of return is delayed one year due to the August receipt of the investment consultant's report. For example, ACTUAL 2021 is for FY 2020. When the actual rate of return exceeds the assumed 7.75 percent rate of return, the PERS funding policy calls for a decrease in the assumed rate to a target rate consistent with the actuary's recommendation in their most recent

experience study. The amount of the decrease ranges from 5 to 20 basis points based on how much the actual rate of return exceeds the assumed rate.

A.1.2. Strategy:

Monitor and evaluate the PERS plan's adequacy and affordability through actuarial methodology.

Output: PERS funded ratio equal to or greater than the actuarially projected funded ratios as stated in the annual *Report on Thirty Year Projections of the Mississippi Retirement Systems*. (Statewide Strategic Plan)

Efficiency: Incremental progress toward a 100 percent funded ratio for the plan by 2047, maintaining a stable employer contribution rate, as stated in the PERS funding policy (change measured beginning with 57.7 percent funded as of FY 2013).

Explanatory: Due to the nature of public plan operation and short-term volatility in financial markets, annual fluctuations in the plans' funded status and the unfunded accrued liability commonly occur. The *Report on Thirty Year Projections of the Mississippi Retirement Systems* includes an actuarially determined incremental forecast of funded status at multi-year intervals over a 30-year period. For the purpose of measuring this output, reporting of actual measurements of the funded ratio is delayed one year due to December receipt of actuarial valuations. For example, ACTUAL 2020 is for FY 2019.

Goal B: Pension Administration

Offer responsive and efficient service to our members and retirees. Section 25-11-2 for PERS, Section 25-13-1 for MHSPRS, and Section 25-11-301 for SLRP of the Miss. Code Ann. (1972, as amended) establish the purpose for which the plans were created. The Municipal Retirement Systems and Fire and Police Disability and Relief Fund was authorized and benefit provisions established by Miss. Code Ann. Section 21-29-1 et seq, Articles 1,3,5, and 7 (1972, as amended). MDC and ORP were authorized by Section 25-14-5 and Section 25-11-401 of the Miss. Code Ann. (1972, as amended), respectively.

Objective B.1.

Deliver useful pension benefit information to members.

Outcome: Provide sources for current pension services information to PERS agencies, members, and retirees.

B.1.1. Strategy:

Provide accurate and accessible information to our members and agencies about the benefits available from the System through educational seminars and sessions.

Output: Number of pre-retirement and retirement seminars and agency training sessions conducted for agencies and members.

Efficiency: Number attending pre-retirement/retirement seminars and agency training sessions.

Explanatory: Other sources of providing pension services information include a web-based pension benefit calculator, web-accessible forms, and links to other informational websites via the PERS website. PERS also uses annual financial reports, member statements, handbooks, newsletters, and guides as informational resources located on our website.

Objective B.2.**Provide efficient and timely processing of pension benefit requests and payments.**

Outcome: Meet targets for completing the number of estimate requests and refund requests processed, number of counseling sessions conducted, and number of physical monthly retiree benefit payments issued at the most economical cost.

B.2.1. Strategy:

Track and evaluate processing of pension benefit requests and payments.

Output: Number of estimate requests processed.

Output: Number of individual counseling sessions.

Output: Number of refund requests processed.

Output: Number of retirees receiving physical benefit checks issued per month.

Efficiency: Ratio of processed estimate requests to target completions for Actual, Estimated, and Projected.

Efficiency: Ratio of counseling sessions conducted to target completions for Actual, Estimated, and Projected.

Efficiency: Ratio of refund requests to target completions for Actual, Estimated, and Projected.

Efficiency: Percent of retirees receiving physical check benefit payments to target.

Explanation: Retirement requests require the customer to submit various documents. Complete processing may be delayed pending receipt of required documents from the customer or employing agency. Electronic payments to retirees cost significantly less to process/deliver and are more secure for the customer than physical checks mailed to a street address.