

Public Employees' Retirement System of Mississippi

Five-year Strategic Plan

2020 – 2024

Due to recent leadership changes effective July 1, 2018, this plan is very much a transitional submission similar to years past. PERS leadership will be will be further evaluating this information and expanding 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:

To 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 17 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. PERS member and employer contributions totaled \$1.6 billion in 2017 and the System paid \$2.5 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 an increase in the total contribution rate from 17.0 percent in 2004 to 24.75 percent today. In order to provide stability and predictability in the budgeting process while also improving the overall funded status of the plan, the Board voted to increase the employer contribution rate from 15.75 percent to 17.40 percent effective July 1, 2019. As a result of this increase, based on current information and assumptions, PERS is projected to be approximately 100 percent funded in 2047. The 2016 Projection Study indicated a projected funded ratio of 62.6%. The 2017 funded position of 61.1 percent was below the projection. In determining whether increases or decreases are needed in the contribution rate, the revised 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 actuarially determined contribution. If

any one of the metrics moves to the red signal light status in conjunction with the annual valuation report and projection report, 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 the continuous evaluation of new initiatives that will improve overall services. Intertwined with our commitment to quality pension services is our dedication to designing and implementing cost management measures to efficiently and effectively provide pension benefits to all participants. As always, we are conscientious in our efforts to contain costs and take the responsibility of fiduciary trust seriously.

With over 324,000 participants in the System in 2017, 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 dramatically over the next 10 years. In 2017, the System provided benefits for more than 104,000 retirees and there were another 71,000, or 47 percent of active members who would be eligible to retire within 10 years. Plans are being made today to meet the needs of this changing population and enhance those areas which 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 payments help keep older retirees from public assistance and stimulate the local economies as retirees purchase goods and services, increasing profits and wages in the private sector, and raising revenue from taxes and fees in the public sector.

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, electronic filing of forms, electronic reporting of wages and contributions, and future expanded use of the website allow our organization to swiftly respond to participants and offer user friendly, yet secure, access to essential

information. A Technology Steering Committee, with staff members representing each functional area of the organization, is in place to focus on the line-of-business processes.

Going forward, the committee will serve to assess the System's technology component in relation to all PERS business activities. Its purpose will be to identify technology needs of the organization, review existing technology to maximize its potential, make recommendations that enhance integration of technology in all aspects of our business, research available technology solutions, and provide oversight and direction on major technology initiatives. In connection with the Technology Steering Committee's assessment, the System implemented the next generation of the pension administration system, our new integrated information technology business solution, the Mississippi Automated Retirement System (MARS). The initial phase of the pension administration system replacement began in 2010 and the project was deployed in July 2015, followed by a 12-month warranty period. As of March 2018, we have completed a system software and partial hardware upgrade which allows more functionality to our internal users. Additionally, the PERS benefit calculators have been updated on the PERS website allowing our external users 24-hour access to estimate retirement dates and benefits. The revised refund payback calculator is still under development and is expected to be launched when MyPERS self-service launches in the future.

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 support 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. As the economy improves, it is becoming more challenging to recruit and retain staff. This is due in part to an aging workforce and higher salaries now being offered in the private sector. We are now losing staff to higher salaries in the private sector and to other agencies after investing the time and expense to train them. We have experienced significant challenges getting professionals to interview for certain positions based on the salary we can offer. Five of the seven executive staff members at PERS of MS can retire now or within five years and 54.5 percent of our senior staff members are eligible to retire within five years. 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 Comprehensive Annual Financial Report (CAFR). PERS also prepares a Popular Annual Financial Report (PAFR) which is a companion financial information summary report to the CAFR. 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 has recently established an Employer Audit Group that will conduct employer-level field audits. This group is responsible for identifying errors and compliance issues, as well as recommending remedial measures with respect to data reported to PERS such as return-to-work issues, eligibility, complete reporting, and maximum earnings limit errors. This group continues to progress toward ensuring 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 2020 - 2024

Goal A: Pension Plan Stability

To 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 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. Reporting of actual measurements of the funded ratio is delayed one year due to October receipt of actuarial valuations.

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% 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. Reporting of actual measurements of the funded ratio is delayed one year due to October receipt of actuarial valuations. For example, ACTUAL 2018 is for FY 2017.

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 along with future capabilities for member/retiree self-service 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.