

Public Employees' Retirement System of Mississippi

Five-year Strategic Plan

2026 –2030

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 23 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), the Supplemental

Legislative Retirement Plan (SLRP) and 19 closed municipal systems collectively referred to as the Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS). 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 \$ 2.0 billion in 2023, and the System paid \$ 3.3 billion in retirement benefits during the year. The difference between contributions and benefits paid was funded from the System's investments. The investment portfolio experienced an annual return rate of 7.76 percent for the fiscal year, emphasizing the importance of conscientious attention to investment policies which include a long-term approach and diversified investment portfolio. The Board of Trustees and staff continue to establish and operate under governing policies, which are founded upon prudent and 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. However, due to the nature of the stock market, those investments often move with the global market, reacting to events both globally and domestically which impact the entirety of the marketplace, including the PERS investment portfolio.

PERS funding and sustainability have been the focus of attention over the past several years, in part due to increases in the total combined employer and employee contribution rate from 17.0 percent in 2005 to 26.9 percent today. Based on its funding policy and on the recommendation of the Board's actuarial consultants, the Board voted previously to gradually increase the employer contribution rate from 17.40 percent to 22.40 percent. Recent legislation has changed the amount and implementation of the employer contribution rate which is currently 17.9 percent effective July 1, 2024.

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.

PERS ended fiscal year 2023 with over 361,000 participants in the System with the projected ratio of retirees to active employees expected to increase over the next 10 years. In 2023, the System provided benefits for more than 118,000 retirees with another 65,000 or 44 percent of active members eligible to retire within 10 years. Of the \$3.3 billion in retirement benefits paid during fiscal year 2023, approximately 92 percent (\$3 billion) stayed in Mississippi. These steady and dependable benefits provide a strong and locally disseminated economic stimulus to communities throughout the state.

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. In 2015, the System implemented a next generation pension administration system, the Mississippi Automated Retirement System (MARS). In March 2018 and again in April 2022, we completed a system software and partial hardware upgrades, which allowed more functionality to our internal users. We are currently implementing ongoing required operating software upgrades to maintain support under our licensing agreements, as well as a hardware refresh for all environments. A platform upgrade is scheduled to be completed by December 2024. We continue to evaluate and implement 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.

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. 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. The positive impact of SEC2 is greatly appreciated and has been a good first step forward in allowing us to attract and maintain personnel with the requisite skills to work with the complexity of the PERS operations – whether working through the underlying actuarial math of a service credit purchase with a member or accounting for \$32 billion in investments. However, hiring at competitive salaries continues to be a challenge in the current job market.

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 or withdrawal patterns or mortality rates, may influence 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 but come at a high cost in system design and maintenance.
- 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' audit work includes 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 2026 – 2030

Goal A: Pension Plan Stability

Provide stable and secure retirement benefits to those in public service. Sections 25-11-3 and 25-11-101 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: Actual 30-year annualized rate of return compared to the actuarially assumed long-term rate of return of 7.00 percent.

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: 30-year annualized rate of return on investments.

Efficiency: 30-year annualized rate of return as a percentage of 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 2023 is for FY 2022.

A.1.2. Strategy:

Monitor and evaluate the PERS plan's funding adequacy and sustainability through actuarial methodology, utilizing a funding policy with key metrics with a long-term goal of 100% funding.

Output: projected funded ratio in 2047

Output: projected net cash flow (contributions less payments to retirees and beneficiaries) as a percentage of assets during the projection period

Output: ratio of actuarially determined contributions to the current fixed contribution rate.

Efficiency: change in projected funded ratio in 2047

Efficiency: projected net cash flow (contributions less payments to retirees and beneficiaries) as a percentage of assets during the projection period

Efficiency: ratio of actuarially determined contributions to the current fixed contribution rate compared to the 100 percent target ratio.

Explanatory:

If any one of the key metrics fall a prescribed amount below the target outcome in conjunction with the annual valuation report and the projection report, the actuary will determine and recommend to the Board an employer contribution rate increase to consider that is sufficient to get all three metrics back into the acceptable range. The employer contribution rate increase would be effective for the July 1st, 18 months following the completion of the projection report (e.g., if the projection report in 2023 deems an increase to be considered, then it would be effective for July 1, 2025).

Goal B: Pension Administration

Offer responsive and efficient service to our members and retirees. Sections 25-11-3 and 25-11-101 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 and 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

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 payment of monthly retiree benefits.

B.2.1. Strategy:

Track and evaluate timeliness of benefit payments.

Output: Number and dollar amount of monthly benefit payments paid on the first of the month for that month.

Efficiency: % of total benefit payments made (# and \$) to total required to be paid

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. Statute requires that on the receipt of all required documentation, benefits be paid on the first day of the month for that month.