PEER MISSISSIPPI
Joint Legislative Committee on Performance Evaluation and Expenditure Review

2024 Update on Financial Soundness of the Public Employees' Retirement System

Report Highlights

July 29, 2025

SUMMARY: The PEER Committee, under the authority found in MISS. CODE ANN. § 5-3-51 (1972) et seq., carried out the statutorily required review of the financial condition of the Public Employees' Retirement System of Mississippi (PERS). This 2024 report includes an update on the financial soundness of PERS, sustainability of the PERS plan funding policy, and an update on changes made to PERS, the Supplemental Legislative Retirement Plan (SLRP), and the Optional Retirement Plan (ORP) during the 2025 Legislative Session.

BACKGROUND

The Public Employee's Retirement System of Mississippi (PERS) is a defined benefit retirement plan for a majority of employees (and/or their beneficiaries) of state agencies, counties, cities, colleges and universities, public school districts, and other participating political subdivisions. State law requires PEER to report annually to the Legislature on the financial soundness of PERS.

The PERS system is under the administration of the 10-member PERS Board of Trustees, which has a primary responsibility of ensuring adequate funding of the plans it administers. One way the Board accomplishes this task is by setting contribution rates for employers participating in the plan. For assistance in setting these rates, the PERS Board receives actuarial reports annually and works with independent actuarial advisers to develop comprehensive models that are used to project the financial position of the various plans. These models include components such as investment return assumptions, wage inflation assumptions, retirement tables, and retiree mortality tables.

Each of these components must work in concert with the others for the PERS plan to maintain financial soundness. Underperformance in any one area can cause additional stress on other components and can lead to underperformance of the PERS plan as a whole.

During the 2025 Regular Session, the Legislature passed House Bill 1, which created a "Fifth Tier" for new employees hired into covered positions and further made significant changes to the Supplemental Legislative Retirement Program and the Optional Retirement Plan.

Scope Limitation: This report evaluates potential impacts of legislation passed during the 2025 Legislative Session (i.e., House Bill 1). Numbers and information attributed to actuarial reports in this review have not been recalculated to account for the impact of legislation passed during the 2025 Regular Session.

KEY FINDINGS

- **In 2024 and 2025, the Legislature made significant changes to the PERS plan.**
  Currently, actuarial projections show promising potential for reducing plan liabilities over time. This promise is predicated upon the plan(s) meeting all actuarial assumptions, including investment returns, which are not under the control of PERS or state policy makers.

- **For the past five fiscal years, the PERS average payroll increase has been above the projected annual rate of wage increase; however, over the past 10 fiscal years, it has been below the projected rate.**
  Less-than-expected payroll growth can increase the amortization period of the unfunded actuarial accrued liability (UAAL). However, the upward pressure on the UAAL may be partially or totally offset due to the decrease in the number of future liabilities resulting from a lower payroll amount than assumed in the actuarial model.

- **Based on the results of the evaluation metrics in the funding policy as of June 30, 2024, two of the plan's metrics are at red signal-light status and one the of the plan's metrics is at yellow signal-light status.**
  All three funding policy metric results declined from June 30, 2023, to June 30, 2024.

- **In its 2024 Regular Session, the Legislature assumed responsibility for setting the PERS plan's employer contribution rate and created a statutorily mandated plan for increasing the PERS plan's employer contribution rate to 19.90% by FY 2029.**
  The statutorily mandated funding plan will increase the PERS plan's employer contribution rate from 17.40% to 19.90% through 0.5% increases over a period of five fiscal years (FY 2025 through FY 2029). The mandated rate adjustment plan is slated to start in FY 2025.

Tier Five Provisions

Sections 15 through 23 of House Bill 1 (2025 Regular Session) create a new tier in the PERS System for employees becoming members of the System on or after March 1, 2026, which will consist of a defined benefit component and a defined contribution plan component meeting the requirements of Section 401(a) of the Internal Revenue Code.

Section 23 of House Bill 1 amends MISS. CODE ANN. Section 25-11-123 (1972) to provide that:

- For any employee who became a member of the system on or after March 1, 2026, the employee's contribution will be 9% of earned compensation, with 4% of such earned compensation amount to be deposited into the annuity savings account, and 5% of such earned compensation to be deposited into the employee's defined contribution account authorized in Section 15 of the bill.
- For each member who became a member of the System on or after March 1, 2026, except as provided in Section 15 of the bill, the employer's monthly payment will be applied to the system's accrued liability contribution fund.

Changes to the Supplemental Legislative Retirement Plan

The Supplemental Legislative Retirement Plan (SLRP) is a defined benefit retirement plan for the benefit of eligible Mississippi State Legislators and the President of the Senate. Members of SLRP are also members of PERS. Contributions are made by the members and their employers (i.e., Mississippi Senate and House of Representatives) to both plans.

House Bill 1 closes new SLRP membership. This means that all newly elected members of the State Legislature and the President of the Senate (i.e., the Lieutenant Governor) elected after March 1, 2026, will no longer be eligible for membership in SLRP and will only be members of the new Tier Five of the PERS plan.

Changes to the Optional Retirement Plan

The Optional Retirement Plan (ORP) was established by the Legislature in 1990 to attract qualified and talented institutions of higher learning faculty. This defined contribution plan is designed to be portable and transferable to accommodate university faculty who move from one state to another throughout their careers.

House Bill 1 creates a new payment structure for existing ORP members and a new benefit tier for new members of ORP.

Impact of House Bill 1

Impact of the Addition of Tier Five

Actuarial analysis shows that the adoption of Tier Five will generate cost savings from the reduction of future liabilities. However, it is worth noting that under the new Tier Five, employees are required to shoulder more of the burden for the cost of their retirement benefits (i.e., approximately 75% under Tier Five as compared to 73% under the current PERS structure).

Closing SLRP

The closing of SLRP to new members which have the effect of reducing future liabilities to the plan but will increase costs for the plan in the short-term.

Changes to the ORP

Actuary projections assume that future employment levels in ORP will remain at current levels (approximately 5,000) and are based on current payroll of $510 million.

Investment Returns

For FY 2024, the PERS Board had investment management contracts for 63 portfolios and paid management fees to investment managers on 60 of these portfolios.

Having realized a market gain of approximately 10.78% in the PERS plan's combined investment portfolio, the market value of assets increased from approximately $32 billion to $33.7 billion during FY 2024, an increase of approximately $1.7 billion.

Summary and Conclusions

While actuarial projections show promising potential for reducing plan liabilities over time, a cautionary note relates to the impact the Tier Five changes could have on PERS. An article published in April 2025, by the Jackson Clarion-Ledger notes that some entities in the public sector are concerned that changes in benefits could impact an employee's decision to commence a career in public service or remain in public service. Further, there could be an issue to funding for the plan in the future. Employees choosing or not choosing to begin work, or remain working, in state government positions could impact both wage growth and the active member to retiree ratio.

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