

**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 2025 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, specifically changes to the newly implemented "Tier Five", during the 2026 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.

**Scope Limitation:** This report evaluates potential impacts of legislation passed during the 2025 and 2026 Legislative Sessions (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 2026 Legislative 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, 2025, two of the plan's metrics are at red signal-light status and one of the plan's metrics is at yellow signal-light status.**  
All three funding policy metric results increased from June 30, 2024, to June 30, 2025.
- **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 started in FY 2025.

## Tier Five Provisions

Sections 15 through 23 of House Bill 1 (2025 Regular Session) created a new tier in the PERS System for employees who became members of the System on or after March 1, 2026, which consists 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 is 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.

## Impact of 2025 House Bill 1 and 2026 House Bill 4073

### 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.

### Changes to Tier Five

During the 2026 Legislative Session, the Legislature adopted House Bill 4073, which made changes to the previously adopted Tier 5 provisions. These changes were made in response to concerns of some entities in the public sector as noted below.

## Investment Returns

For FY 2025, the PERS Board had investment management contracts for 66 portfolios and paid management fees to investment managers on 64 of these portfolios.

Having realized a market gain of approximately 11.66% in the PERS plan's combined investment portfolio, the market value of assets increased from approximately \$33.7 billion to \$36.2 billion during FY 2025, an increase of approximately \$2.5 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 regarding 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. House Bill 4073 was a step taken by the Legislature to mitigate such concerns and potential negative impacts.