Making

retirement

a reality for

50 years.

2002 Comprehensive

Annual Financial Report

A component unit of the

State of Mississippi for the

fiscal year ended June 30.

PERS

PUBLIC EMPLOYEES'
RETIREMENT SYSTEM
OF MISSISSIPPI

On the cover:

Lanny McKay, a Mississippi Development Authority employee, plans to write novels when he retires. **Sheila Cheatham** would like to spend her retirement with an organization that helps abused children. She is employed by Mississippi Worker's Compensation.

2002 Comprehensive Annual Financial Report
A Component Unit of the State of Mississippi

Frank Ready
Executive Director

Prepared by:
The Administrative Services Division
Public Employees' Retirement System
of Mississippi

PERS Building
429 Mississippi Street
Jackson, Mississippi
39201-1005

The Public Employees' Retirement System was founded in 1952 to provide public employees throughout Mississippi with a secure retirement benefit. Today, that same thought remains our single-minded focus. Over the past 50 years, we've never lost sight of the fact that, through your hard work and years of service, you have earned the right to enjoy your golden years. It belongs to you and it's our mandate to manage the assets responsibly. Without exception. So keep dreaming about retirement. We'll help make it a reality.

Celebrating

Fifty Years.

This year's report is dedicated

to the vision of the first PERS

executive director and board.

William R. Hough (left), served as the first Executive Secretary of PERS. G. Walton Thompson (above), was the first Chairman of the Board of Trustees. William Neville Jr. was Vice Chairman, and W.E. Groves was the actuary. Additional board members included H.A. Kroeze, R.E. Lane, and Elmer McCoy. H.T. Holmes, Arlie C. Warren, Newton James, J.M. Tubb, and Earl Evans Jr. were ex-officio members.

Table Of Contents

Introductory Section

Summary of Benefit Provisions Section

Financial Section

Investment Section

Actuarial Section

Statistical Section

PERS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI

PROVIDING SECURITY FOR YOUR FUTURE

PUBLIC EMPLOYEES' RETIREMENT SYSTEM BUILDING
429 MISSISSIPPI STREET
JACKSON, MISSISSIPPI
39201-1005
(601) 359-3589
1-800-444-PERS

December 17, 2002

Board of Trustees
Public Employees' Retirement System
429 Mississippi Street
Jackson MS 39201-1005

Dear Board Members:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System of Mississippi (System) for the fiscal year ended June 30, 2002. The 2001-02 fiscal year marked a milestone for the System – 50 years since the landmark legislation that established the pension system. During our years of operation, we have seen significant advances, continued to meet new challenges and celebrated numerous successes.

We trust that you and the members will find this CAFR helpful in understanding your public employees' retirement system, which continues to maintain a strong and positive financial future. The purpose of the System is to provide benefits for all State and public education employees, sworn officers of the State highway patrol, other public employees whose employers have elected to participate and elected members of the State Legislature and the president of the Senate. All services provided by the staff are performed in order to meet that objective.

The System is responsible for the administration of the Public Employees' Retirement System of Mississippi (PERS), which was established by legislation in 1952; the Mississippi Highway Safety Patrol Retirement System (MHSPRS), established in 1958; the Government Employees' Deferred Compensation Plan (GEDCP), established in 1973; the Supplemental Legislative Retirement Plan (SLRP), established in 1989; and the Municipal Retirement Systems (MRS), which came under the System's administration in 1987. In addition, the System provides for the administration of the Optional Retirement Plan (ORP), a defined contribution plan offered to certain members of the institutions of higher learning in the state.

During the fiscal year, we continued to develop and refine the System's Strategic Plan, which focuses on providing secure and comprehensive retirement benefits, quality customer service, and effective and efficient administration.

The final phase of a benefits enhancements package, which passed during the 1999 Legislative Session, was implemented. This phase increased the benefit formula to 2.0 percent for years of service through 25 and to 2.5 percent for all years of service greater than 25.

The first phase of the five year personnel plan provided nineteen new staff positions that have allowed the System to function in a more efficient manner and address the needs of the members in a more timely and accurate fashion. The System is continually striving to improve the efficiency and effectiveness of the operations and management through the use of technology and innovative techniques.

During the year, the System relocated to the AmSouth Plaza Building while the PERS Building is being expanded and remodeled to meet the needs of the staff and members. It is estimated that this project will be completed in the spring of 2004.

Financial Information

System management has prepared the financial statements included in this CAFR for the 2001-02 fiscal year and is responsible for the integrity and fairness of the data presented. The accounting policies followed in preparation of these financial statements conform to generally accepted accounting principles. Financial information presented throughout this CAFR is consistent with the financial statements.

Management is responsible for maintaining a system of adequate internal accounting controls. The controls are designed to provide reasonable assurance that transactions are executed in accordance with management's authorization and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. This system includes written policies and procedures and an internal audit department that reports to the Board. Discussion and analysis of net assets and related additions and deductions is presented in Management's Discussion & Analysis (MD&A) beginning on page 36.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such financial reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The System has received a Certificate of Achievement for the last fifteen years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.

Report Contents and Structure

The System is considered a component unit of the State of Mississippi for financial reporting purposes and, as such, the financial statements contained in this report are also included in the State of Mississippi Comprehensive Annual Financial Report. The report is divided into the following five sections:

- The Introductory Section, which contains the letter of transmittal, identification of the System's administrative organization and professional consultants, as well as, general information regarding the operations of the System;
- The Financial Section, which contains the opinion of the independent auditors, management's discussion and analysis, the financial statements, schedules, and supplementary financial information regarding the funds administered by the System;
- The Investment Section, which contains information pertaining to the management of the investments of the System;
- The Actuarial Section, which contains information regarding the financial condition and financial position of the retirement plans administered by the System; and
- The Statistical Section, which contains information regarding System participants and finances.

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. The administrative expenses of the System are budgeted on a modified cash basis. Although revenue is not appropriated from the State General Fund, the administrative budget is submitted to the Legislature on an annual basis for formal approval. Budgetary control is maintained by a formal allotment system consisting of two six-month terms. Administrative expenses of the System are processed in accordance with State statutes and the Department of Finance and Administration's regulations. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

Investment Activity

Proper funding and healthy long-term investment returns are essential to the financial soundness of the System. To this end, the System maintains a broadly diversified portfolio designed to minimize risk and maximize return over the long term.

The System's investment portfolio produced a total return, net of expenses, of negative 6.6 percent for the year ended June 30, 2002. For the cumulative five and ten year periods, the System has annualized returns of 4.5 percent and 8.6 percent, respectively.

At fair value, the investment portfolio mix at the end of fiscal year 2002 was 38.1 percent fixed income, 45.3 percent domestic equities, 16.0 percent international equities and 0.6 percent cash and cash equivalents. The System's investment outlook is long term, allowing the portfolio to take advantage of the favorable risk-return characteristics of equities by placing more emphasis on this category.

The Board utilizes external portfolio managers employing both passive (indexed) and active strategies. The portfolio is broadly diversified between equities and debt securities with additional diversification achieved through domestic and international investing.

See MD&A and Investment Section for more detailed analysis and information.

Funding

Funds are derived from the excess of additions, which include contributions and investment earnings, over deductions, which are comprised of benefits and administrative expenses. Funds are accumulated to meet future benefit obligations to retirees and beneficiaries. This accumulated balance is referred to as the "net assets held in trust for pension benefits" in the Statement of Fiduciary Net Assets in the Financial Section of this report. The actuarial accrued liability is not disclosed in the basic financial statements but is disclosed in the required supplementary information schedules immediately following the notes to the financial statements. These schedules show the actuarial value of assets, which is based on a five year smoothed valuation which recognizes the excess or shortfall of investment income over or under the actuarial assumed income of 8.0 percent over a five-year period.

During the year ended June 30, 2002, the funded ratio of PERS, which covers 319,594 participants, decreased from 87.5 percent to 83.4 percent. The funded ratio of SLRP, which covers 314 participants, decreased from 88.6 percent to 85.9 percent. The decreases in the funded ratios of these plans were primarily the result of unfavorable investment returns on an actuarial basis, as well as, benefit enhancements to the plans. The funded ratio of MHSPRS, which covers 1,193 participants, decreased from 103.6 percent to 92.2 percent as a result of unfavorable investment returns on an actuarial basis, benefit enhancements to the plan and a decrease in the number of active members. The funded ratio of MRS, which is based on valuation information as of September 30, 2001, increased from 67.6 percent to 68.7 percent, primarily as the result of favorable long-term investment returns. MRS covers 2,444 participants. Additional information regarding the financial condition of the pension trust funds can be found in the actuarial section of this report.

Conclusion

This report is a product of the combined efforts of the System's staff and advisors functioning under your leadership. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions and determining responsible stewardship for the assets contributed by the System's members and their employers. As in the past, the System received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditors can be found on page 35.

Copies of this report are provided to the Governor, State Auditor, and all member agencies. These agencies form the link between the System and its members, and their cooperation contributes significantly to the success of the System. We hope all recipients of this report find it informative and useful.

We would like to take this opportunity to express our gratitude to you, the staff, the advisors and other people who have worked so diligently to assure the continued successful operation of the System.

Respectfully submitted,

Pat Robertson, CPA
Deputy Director, Administrative Services

Frank Ready
Executive Director

Frank Ready

Executive Director

PERS Board of Trustees

Edward Lee Childress, Mary Hawkins Butler, Richard C. Miller, M.D.,
Fred M. Walker, Ed LeGrand, III, Jeanne R. Walker, Jan Larsen,
Virgil F. Belue, Marshall G. Bennett. Not pictured: Deborah F. Giles.

Professional Consultants

Fixed Income Advisors

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Telephone: (949) 720-6000

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45 Fremont Street, 17th Floor
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Telephone: (415) 597-2001

UBS Global Asset Management
(formerly Brinson Partners)
209 South LaSalle Street, 12th Floor
Chicago, Illinois 60604-1295
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Deutsche Asset Management, Inc.
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11825 North Pennsylvania
Carmel, Indiana 46032
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GeoCapital Corporation
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Fayez Sarofim & Company
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J.P. Morgan Investment Management, Inc.
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New York, New York 10036
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The Boston Company Asset
Management, LLC
One Boston Place, Suite 024-0131
Boston, Massachusetts 02108
Telephone: (617) 722-7322

Thomson, Horstmann & Bryant, Inc.
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Saddle Brook, New Jersey 07663
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Morgan Stanley Dean Witter
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Telephone: (212) 762-8735

Aeltus Investment Management, Inc.
10 Statehouse Square
Hartford, Connecticut 06103
Telephone: (860) 275-4642

Wellington Management Company, LLP
75 State Street
Boston, Massachusetts 02109
Telephone: (617) 951-5000

International Equity Advisors

Deutsche Asset Management, Inc.
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1325 Avenue of the Americas
New York, New York 10019
Telephone: (646) 557-1116

Lazard Asset Management
30 Rockefeller Plaza
New York, New York 10112-6300
Telephone: (212) 632-6000

Lombard Odier International
Portfolio Management, LTD
12 East 49th Street, 17th Floor
New York, New York 10017-1004
Telephone: (212) 753-4400

Putnam Investments
One Post Office Square
Boston, Massachusetts 02109
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Custodian – Investment Funds

State Street Bank & Trust Company
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North Quincy, Massachusetts 02171-2197
P. O. Box 1992
Boston, Massachusetts 02105-1992
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Actuary

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Auditor

KPMG LLP
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Callan Associates, Inc.
Six Concourse Parkway, Suite 2900
Atlanta, Georgia 30328
Telephone: (800) 522-9782

Legal Counsel

Office of the Attorney General
Margo Bowers
Special Assistant
450 High Street
P. O. Box 220
Jackson, Mississippi 39205
Telephone: (601) 359-3680


Certificate of Achievement for Excellence in Financial Reporting
Public Employees' Retirement System of Mississippi

Administrative Staff

EXECUTIVE DIRECTOR
Frank Ready

Donna J. Edwards
Special Programs

Denise Owens-Mounger, JD, CLU, CRA
Special Assistant to Executive Director

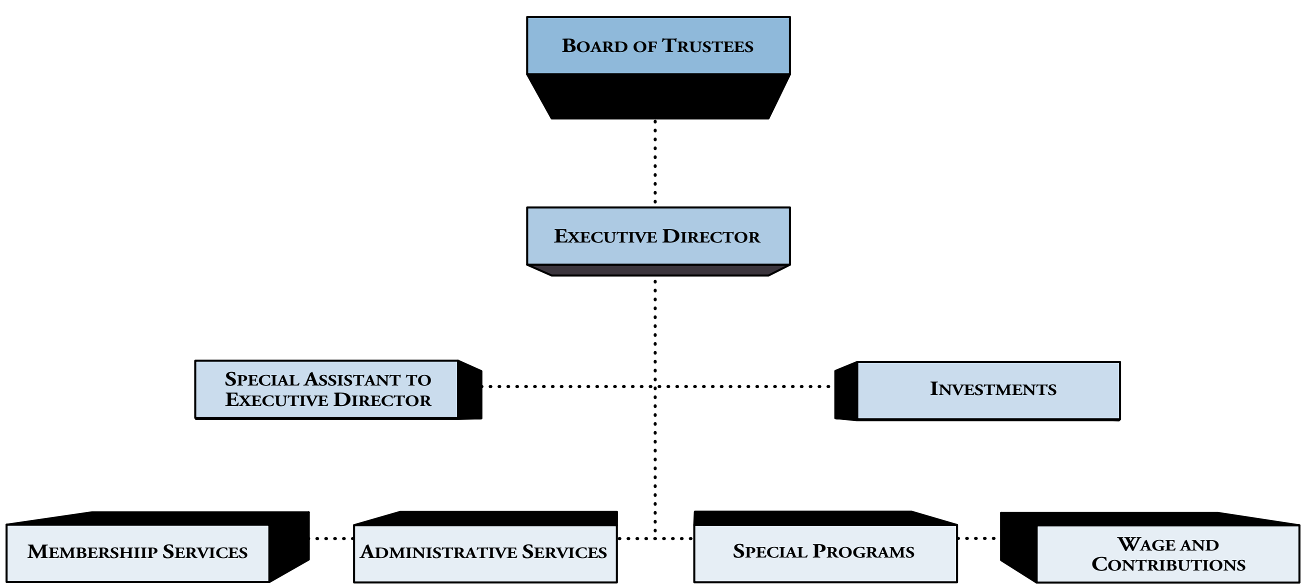
Robert J. Rhoads
Membership Services

Pat Robertson, CPA, CPM, CGFM, CRA
Administrative Services

Shirley Sessoms
Wage and Contributions

Lorrie Tingle, MBA, CPM
Chief Investment Officer

Organizational Chart

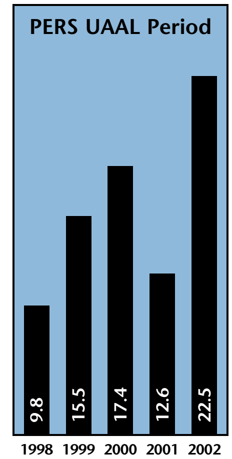


Summary of Benefit Provisions

Janis Watkins is the Flora Library branch manager. Janis plans to spend her retirement gardening, reading, playing piano, visiting family, and traveling within the United States.

Public Employees' Retirement System (PERS)

Summary of Benefit Provisions (See 2002 Legislative Highlights for new provisions)



The general administration and responsibility for the proper operation of the System, the adoption and promulgation of rules and regulations for efficient administration of the functions, and the execution of the provisions of the laws are vested in the Board of Trustees. The ten member Board is composed of the State Treasurer, who serves as an ex officio member, one member appointed by the Governor, six members elected by members of the System, and two members elected by retirees. The Lt. Governor and the Speaker of the House of Representatives may each appoint two members of their respective Houses to attend Board meetings in a non-voting capacity. The Executive Director is the Administrative Officer who, under the direction of the Board, supervises and administers the operating procedures and maintains records. The Board retains a qualified actuary, investment managers, an investment evaluation and asset allocation/investment policy consultant, and an investment custodian. The Attorney General furnishes legal services. All books, accounts, and records are public record except for individual member records. PERS' law provides that the System shall not disclose the name, address, or contents of any individual member record without the prior written consent of the individual to whom the record pertains.

Type of Benefit Plan

The Public Employees' Retirement System is a defined benefit program for the members and their families which complements Social Security and Medicare protection and which provides a retirement annuity with service, disability, and survivorship benefits. All payments due under the State Retirement Annuity provisions are guaranteed as obligations of the State of Mississippi.

Funding

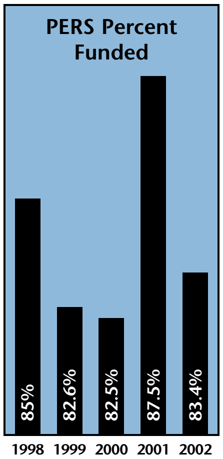
PERS is an actuarial reserve type benefit plan financed by the member contribution rate of 7.25 percent of annual earnings up to a maximum of $125,000 and by the employer contribution rate of 9.75 percent on the same earnings. The last actuarial valuation on June 30, 2002 used an 8 percent interest rate and a level percent of payroll amortization of the unfunded accrued liability. The result of the valuation indicates that the rate of contributions effective July 1, 2002 is adequate to meet the liabilities of the System and to fund the accrued liability in approximately 22.5 years.

Membership

The membership of the Public Employees' Retirement System is composed of the following: (1) employees and officials of the State, State universities, community and junior colleges, teachers and employees of the public school districts, and (2) employees and officials of the political subdivisions and juristic entities (counties, municipalities, public hospitals, libraries, etc.) which have executed an agreement with PERS to cover their employees. After approval of membership coverage for employees of a political subdivision, coverage is not subject to cancellation or termination by the political subdivision or instrumentality.

Credited Service

Upon meeting certain guidelines, a vested member may be eligible to establish credit for the following: (1) Prior Service which is service rendered prior to February 1, 1953; (2) Retroactive Service which was rendered between February 1, 1953 and the date coverage was extended to the employees of a political subdivision or the date an employee was enrolled as a member; (3) Military Service which is active duty service rendered in the Armed Forces of the United States during any period or qualified military service purchased under the provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA); (4) Out-of-State Service which is service rendered in another state as a public employee of such other state, or political subdivision, public education system or other state governmental instrumentality; (5) Professional Leave which is leave granted without compensation for professional purposes directly related to employment in State service; (6) Non-covered Mississippi public service that meets any of the specified conditions.



Vesting

A member who withdraws from State service prior to qualifying for a retirement allowance may leave membership contributions in PERS and qualify for a retirement allowance at age 60, provided he or she has at least four or more years of membership service credit.

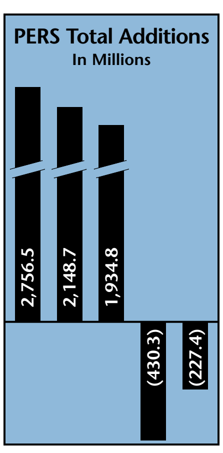
Service Retirement Benefits

A member qualifies for an annuity after 25 years of credited service, regardless of age, or with at least four years of membership service credit and attaining age 60. The formula prescribed is 1.875 percent of average compensation for each year of service, or fraction thereof, for the first 5 years, 2.0 percent for the next 20 years, and is 2.25 percent of average compensation for each year, or fraction of service, in excess of 25 years. Further improvements will be automatically implemented in phases when the System can absorb the cost. The formula for the first 25 years of service has been increasing from 1.875 percent of average compensation to 2 percent of average compensation in phases for years 21-25, 16-20, 11-15, 6-10, and 1-5. After all years below 25 are calculated based on the 2 percent formula multiplier, then all years above 25 will be increased to 2.375 percent and later to 2.5 percent of average compensation. Once these changes are fully implemented, all benefits will be calculated on 2 percent of average compensation for each year of service up to 25 years and 2.5 percent for each year thereafter. The benefits of any retired member or beneficiary are recalculated as each phase is implemented. A minimum payment of $10 per month for each year of credited service, is provided. Average compensation is the average of an employee's earnings during the four highest years of earned compensation reported in a fiscal or calendar year, or combination thereof which do not overlap, or the last 48 consecutive months of earned compensation reported. There are various optional plans available to the member to receive a monthly retirement allowance to protect a beneficiary. These optional plans are based on an actuarial equivalent and allow the member to receive a reduced benefit in order to provide benefits to a beneficiary.

Disability Retirement Benefits

If a member with at least four years of membership service credit becomes mentally or physically incapacitated from further performance of duty and such incapacity is likely to be permanent, the member may qualify for a disability annuity. A member who retires under the disability provisions may select an optional plan to provide protection and payments to a beneficiary. An Age Limited Plan and Tiered Disability Plan are available.

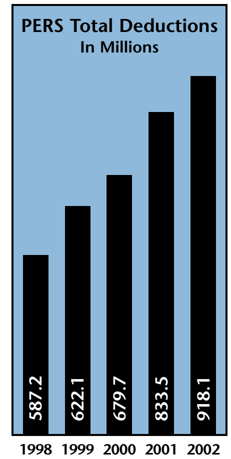
Members hired prior to July 1, 1992, who did not elect Tiered Disability Plan coverage and who are less than 60 years of age, are covered for a disability annuity under the Age Limited Plan. The annuity is based on the number of actual years of service credit plus those years that would have been obtained if the member had continued employment to age 60. The benefit is established by a formula of 1.875 percent of average compensation for each year of service, and a fraction thereof, for the first 5 years, 2.0 percent for the next 20 years, and 2.25 percent of average compensation for each year of service in excess of 25 years. Further enhancements to the formula will be automatically implemented when the System can absorb the cost.



Benefits under the Tiered Disability Plan are extended to members, regardless of age, who were hired on or after July 1, 1992. The Tiered Disability Plan also covers those employed prior to July 1, 1992, who elected to participate under the provisions of this Plan. The first level, a pre-determined temporary allowance period, guarantees the member a minimum benefit allowance under the maximum option equal to 40 percent of average compensation. A member may receive 50 percent of average compensation if he or she has one dependent child or 60 percent of average compensation if there are two or more dependent children. A child is considered a dependent until the earlier of marriage or age 19, or for life if the child is disabled. The dependent age is extended to age 23 if a child remains unmarried and a full-time student. The second level, or deferred allowance, is a lifetime benefit paid to the member at the end of the temporary allowance period. This benefit amount is guaranteed based on actual years of service before retirement plus credit for years under the temporary allowance period, with a maximum allowance of 40 percent of average compensation or actual accrued benefit, whichever is greater.

Disability or Death in Line of Duty Retirement Allowance

A retirement allowance is payable if a member becomes disabled or dies as a direct result of an accident or traumatic event occurring in the performance of duty, regardless of years of credited service. The member would qualify for a minimum disability allowance of 50 percent of average compensation. In the event of the member's death in the line of duty, the surviving spouse would receive 50 percent of the member's average compensation for life or until remarriage. In addition, one dependent child would receive 25 percent of the member's average compensation. If there is more than one child, an additional 25 percent of the member's average compensation would be paid. Such total amount (50 percent) would be shared equally by two or more dependent children.



Spouse or Dependent Child Benefits

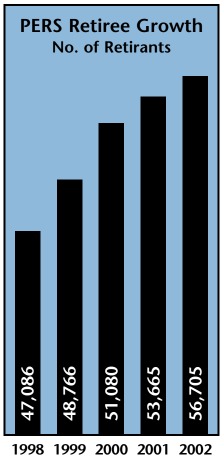
The spouse of a deceased member who had accumulated at least four years of membership service credit may be eligible to receive an allowance for life. A spouse must have been married to the member for at least one year prior to the member's death to qualify. The spouse may elect to receive a 100 percent joint and survivor annuity based on actual accrued service credit reduced by 3 percent for each year the member lacks in qualifying for full retirement benefits. This annuity is payable for life. Alternatively, the surviving spouse may choose to receive 20 percent of the deceased member's average compensation with a minimum benefit of $50 per month. This annuity is payable for life unless the spouse remarries prior to attaining age 60. In addition to the spousal benefit or in the absence of a spouse, each dependent child will receive the greater of 10 percent of the member's average compensation or $50 per month up to a maximum of 30 percent or $150 per month for three or more dependent children. A dependent child is one who is unmarried and under age 19, or unmarried, under age 23 and a full-time student. A child who is over the age limitation and disabled is also considered a dependent.

Advanced Selection of Option

A member who has accumulated 25 or more years of credited service, regardless of age, or who has accumulated four or more years of membership service and attained at least age 60, is eligible to make advanced application for optional settlement to pay a retirement allowance to a beneficiary in the event of death prior to actual retirement. This choice would afford the beneficiary protection to receive monthly benefits during the member's later employment years in the event of the member's death prior to actual retirement. The member retains the right to change the beneficiary or option at actual retirement.

Options

PERS offers several types of optional payment plans from which a retiring member may choose to receive a service or disability retirement allowance. Benefit amounts vary depending upon the protection afforded a beneficiary at the death of the retiree. The types of options include: (1) straight life annuity or prorated annuity providing the greatest monthly benefit to the retiree with a guarantee of any unused contributions payable to a beneficiary upon the death of the retiree. In the event a retiree selects the straight life annuity and marries after retirement, a request may be made no earlier than the date of marriage for benefit recalculation under the 100 percent or 50 percent joint and survivor option to provide survivor benefits to the new spouse. Recalculation from a straight life annuity to a joint and survivor option requires recovery of the difference in benefits actually received and the benefits that would have been received, had the retiree initially selected the joint and survivor option. This recalculation is effective on the first of the month following notification to the System; (2) 100 percent or 50 percent joint and survivor annuity with benefits payable to the retiree for life and to a named beneficiary or beneficiaries for life upon the death of the retiree. If the beneficiary under this option dies or is the retiree's spouse and the marriage is dissolved after the member retires, the retiree may notify the System of such event and have benefits recalculated under straight life annuity provisions. In the event the retiree marries again, an application may be made for benefit recalculation under the 100 percent or 50 percent joint and survivor option to provide benefits to a new spouse after the death of the retiree; (3) lifetime benefits to the retiree with beneficiary payments guaranteed for a period of 10, 15 or 20 years from the date of the member's retirement. Upon the death of the member and last designated beneficiary prior to the expiration



of the guaranteed number of years certain, the actuarial equivalent of the remaining payments will be paid to the designated beneficiary, or if none, to an heir in the order prescribed by PERS' law; (4) a leveling provision described as Option 4C whereby a member who retires before age 62 may choose to receive an increased retirement allowance from PERS prior to age 62 based on an estimated benefit from Social Security at age 62 with a reduced allowance from PERS beginning at age 62 when the member becomes eligible to receive Social Security benefits; and, (5) a partial lump-sum option with reduced monthly benefits at retirement available to a member who has at least 28 years of creditable service or is at least age 63 with 4 years of service. PERS will take the "base" maximum benefit and provide the retiree with the option of taking a partial lump-sum distribution equal to either 12, 24, or 36 times the "base" maximum monthly benefit. With each lump-sum amount, the base maximum monthly benefit will be actuarially reduced, with the reduction calculated using new option factors for each of the lump-sum distribution amounts (i.e., 12, 24, or 36) and the age of the member at the time of retirement. This reduction will create a reduced maximum benefit. A member selecting the partial lump-sum option, may also select any of the regular options except Option 1 and Option 4C. This option is only available to first time service retirees. Option 4C and the partial lump-sum option are not available to a disability retiree.

PERS is authorized to appoint a representative payee when the System is either unable to process benefit payments or continue to pay benefits to a member or beneficiary due to that individual's legal incapacity because of mental or physical impairments. PERS will designate someone in the absence of a legal guardian or custodian or valid durable power of attorney who can apply for or receive benefits on behalf of the incapacitated person. If a member is unmarried and is legally incapable of applying for benefits, the representative payee must apply for maximum benefits for the member. If the member is married and is legally incapable of applying for benefits, the representative payee must apply for 100 percent joint and survivor benefits for the member and spouse.

A retiree or beneficiary may irrevocably waive all or part of any benefits from PERS.

Cost of Living

A cost-of-living payment shall be made to eligible service, disability, and beneficiary retirees in an annual lump sum payment on December 15. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. A reemployed retiree will be able to include all full fiscal years in retirement for purposes of calculating the new annual adjustment, and not just the fiscal years in retirement since the last retirement. A beneficiary's additional benefit under the new calculation is based on the member's age and full fiscal years in retirement as if the member had lived. A prorated portion of the annual adjustment will be paid to the beneficiary or estate of any member or beneficiary who is receiving the annual adjustment in a lump sum, but who dies between July 1 and December 1, in those cases where no more monthly benefits will be paid after the member's or beneficiary's death. The prorated portion will be equal to the amount that such recipient would have received had he or she elected to receive the annual adjustment for the year on a monthly basis. Benefit recipients may irrevocably elect to have the cost-of-living payment made in 12 equal monthly installments. This election must be made no less than 30 days before July 1 of the year in which such installment payments are to begin.

Special Payment Provision

In the case of funds owed at the death of a member, or payments owed at the death of a deceased retiree where benefits cease at the retiree's death, where there is no surviving designated beneficiary, the payment will be made to the heirs or estate of the member or retiree in the following order:

1. the surviving spouse of the member/retiree;
2. any children of the member/retiree or their descendants, per stirpes;
3. the brothers and/or sisters of the member/retiree or their descendants, per stirpes;
4. the parents of the member/retiree;
5. the executor or administrator on behalf of the member/retiree's estate;
6. the persons entitled by law to distribution of the member/retiree's estate.

For unpaid COLA or other benefits due to a deceased beneficiary, payment will be made to the heirs or estate of the beneficiary in the following order:

1. the surviving spouse of the beneficiary;
2. any children of the beneficiary or their descendants, per stirpes;
3. the brothers and/or sisters of the beneficiary or their descendants, per stirpes;
4. the parents of the beneficiary;
5. the executor or administrator on behalf of the beneficiary's estate;
6. the persons entitled by law to distribution of the beneficiary's estate.

Refund of Contributions

Upon severance of employment in State service, a member may obtain a refund of accumulated contributions plus interest. Upon returning to State service, a member is immediately eligible to repay the withdrawn contributions plus interest. However, such amounts cannot be used in any benefit calculations until the member has accrued four years of membership credit subsequent to re-entering covered state service. In the event of death of a member prior to retirement, the accumulated contributions will be paid to the designated beneficiary upon request, unless the surviving spouse and/or dependent children are eligible for benefits as provided by statute, or the member has filed an Advanced Application.

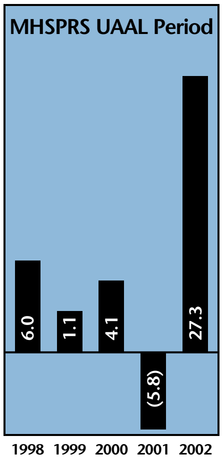
Portability

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 now allows pension funds to be rolled to and from a number of retirement plans for which such transactions were previously prohibited, provided the plan allows for receipt of such funds. PERS' law has been amended to allow for such transfers and rollovers as allowed under federal law. The system can accept eligible rollover distributions or direct transfers from other qualified plans for the purposes of repaying a refund or purchasing optional service credit. The Board of Trustees has adopted rules conditioning the acceptance of rollovers or transfers, based on the receipt of other plan information necessary to enable the System to determine the eligibility of any transferred funds for special tax treatment.

Mississippi Highway Safety Patrol Retirement System (MHSPRS)

Summary of Benefit Provisions (See 2002 Legislative Highlights for new provisions)

An Administrative Board composed of the Commissioner of the Department of Public Safety, four active members elected from the membership of the Mississippi Highway Safety Patrol Retirement System, and one retired member elected by the retired members, is authorized and empowered to make any and all regulations necessary for the efficient, orderly, and successful operation of the Retirement Act. The Board of Trustees of the Public Employees' Retirement System maintains all records and is responsible for the management of all funds.



Type of Benefit Plan

The Mississippi Highway Safety Patrol Retirement System is a defined benefit program designed to provide more liberal benefits for highway patrol officers due to the dangerous nature of their employment and to supplement Social Security and Medicare benefits.

Funding

MHSPRS is an actuarial reserve type benefit plan financed by the members who presently pay 6.5 percent of annual earnings and by the Mississippi Highway Safety Patrol which currently pays a contribution rate of 26.16 percent on the same earnings. The last actuarial valuation on June 30, 2002 used an 8 percent interest rate and a level percent of payroll amortization of the unfunded accrued liability. The result of the valuation indicates that the rate of contributions, effective July 1, 2002, is adequate to meet the liabilities of MHSPRS and to fund the accrued liability in approximately 27.3 years.

Membership

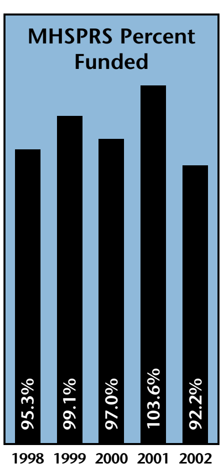
The membership of the Mississippi Highway Safety Patrol Retirement System includes officers of the Mississippi Highway Safety Patrol and Mississippi Bureau of Narcotics who have completed a course of instruction in an authorized Highway Patrol training school on general law enforcement and who serve as sworn officers of the Highway Patrol or Mississippi Bureau of Narcotics in the enforcement of the laws of the State of Mississippi. Membership also includes any former uniformed Highway Patrol Officer who had at least two years of prior service and who was disabled by wounds or accident in the line of duty. Membership in MHSPRS is compulsory for officers as a condition of employment from the effective date of employment or completion of the authorized Highway Patrol training school.

Vesting

Any member who withdraws from service prior to attaining age 55 with at least five years of service may leave the employee membership contributions in MHSPRS and qualify for a retirement allowance at age 55.

Service Retirement Benefits

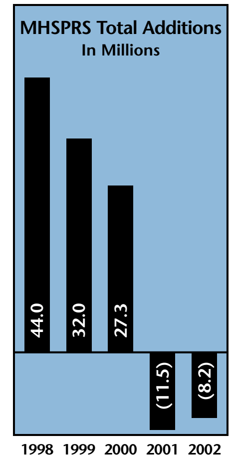
A member after reaching age 55 who has completed at least five years of credited service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age, is entitled to receive a retirement allowance upon withdrawal from service. The allowance is equal to 2.5 percent of average compensation during the four highest consecutive years of earnings for each year of service reduced 3 percent for each year of age below 55 years or 3 percent for each year under 25 years of service, whichever is less. A retiree will receive a minimum payment of not less than $15 per month for each year of credited service. Upon retirement, the annuity shall not exceed 100 percent of the average compensation, regardless of the years of service. There are various optional plans available to the member to receive a monthly retirement allowance which will protect a beneficiary. If the member and beneficiary die before having received in benefits an amount equal to the total of the contribution and accrued interest of the member at the time of death, the balance will be refunded to the designated beneficiary or by statutory succession.



Disability Retirement Benefits

A member must be less than age 55 and have at least ten (10) years of credited service to be eligible for regular disability benefits. The disability retirement allowance equals 50 percent of average salary for the two years immediately preceding the retirement of a member. Disability retirement benefits are payable to the disabled member for life. A member who retires under disability provisions may select an optional plan to provide benefit payments to a beneficiary.

Spouse Benefits



Upon the death of a Highway Patrol Officer who has five years of service credit, the spouse and dependent children receive all benefits payable to the patrol officer as if he had retired at the time of death. Such benefits payable to the spouse would cease upon remarriage, but the benefits payable to each child would continue until age 19, or longer if a child is disabled. The age for dependent children to qualify for benefits increases to age 23 if they remain unmarried and full-time students.

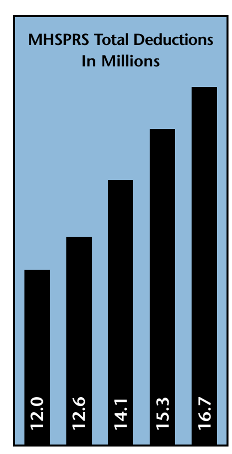
Upon the death of a Highway Patrol Officer killed in the line of duty, the spouse receives benefits equal to 50 percent of average compensation. In addition, a retirement allowance equal to 25 percent of average compensation for one dependent child shall be paid or 50 percent of average compensation for two or more dependent children. Such benefits payable to the spouse would cease upon remarriage, but the benefits payable to each child would continue until age 19, or longer if a child is disabled. The age for dependent children to qualify for benefits increases to age 23 if they remain unmarried and full-time students.

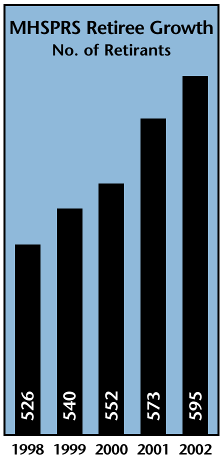
Advanced Selection of Option

A member who has accumulated 25 or more years of credited service, regardless of age, or who has accumulated 20 or more years of credited service and reached the age of 45, or has accumulated five or more years of credited service and reached the age of 55, is eligible to make advanced application for optional settlement to pay a retirement allowance to a beneficiary in the event of death prior to actual retirement. This choice would afford the beneficiary protection during the member's later employment years. The member retains the right to change the beneficiary or option at actual retirement.

Options

MHSPRS has several types of optional payment plans from which a retiring member may choose to receive a service or disability retirement allowance. The benefit amounts vary depending upon the protection afforded a beneficiary at the death of the retiree. The types of options include: (1) straight life annuity or prorated annuity providing the greatest monthly benefit to the retiree with a guarantee of any unused contributions payable to a beneficiary upon the death of the retiree. In the event a retiree selects the straight life annuity and marries after retirement, a request may be made no earlier than the date of marriage for benefit recalculation under the 100 percent or 50 percent joint and survivor option to provide survivor benefits to the new spouse. Recalculation from a straight life annuity to a joint and survivor option requires recovery of the difference in benefits actually received and the benefits that would have been received, had the retiree initially selected the joint and survivor option. This recalculation is effective on the first of the month following notification to the System; (2) 100 percent or 50 percent joint and survivor annuity with benefits payable to the retiree for life and to a named beneficiary or beneficiaries for life upon the death of the retiree. If the beneficiary under designated joint and survivor options dies, or is the retiree's spouse and the marriage is dissolved after the member retires, the retiree may notify the System of such event and have benefits recalculated under straight life annuity provisions. In the event the retiree marries again, an application may be made for benefit recalculation under the 100 percent or 50 percent joint and survivor option to provide benefits to a new spouse after the death of the retiree; (3) lifetime benefits to the retiree with beneficiary payments guaranteed for a period of 10, 15 or 20 years from the date of the member's retirement; (4) a leveling provision described as Option 4C whereby a member who retires before age 62 may choose to receive an increased retirement allowance from MHSPRS prior to age 62 based on an estimated benefit receivable from Social Security at age 62 with a reduced allowance from MHSPRS at age 62 when the member becomes eligible to receive Social Security benefits; (5) if the retiree did not select any of the above options at retirement, an automatic survivorship option paying benefits to the retiree for life with 50 percent of the retiree benefit payable to a spouse upon the death of the retiree as well as an additional 25 percent benefit payable to a dependent child until age 19 or 50 percent payable to two or more children. The age for dependent children to qualify for benefits increases to age 23 if they





remain unmarried and full-time students; and (6) a partial lump-sum option with reduced monthly benefits is available to a member who is eligible for an unreduced retirement benefit. Under this option, PERS will take the "base" maximum benefit and provide the retiree with the option of taking a partial lump-sum distribution equal to either 12, 24, or 36 times the "base" maximum monthly benefit. With each lump-sum amount, the base maximum monthly benefit will be actuarially reduced, with the reduction calculated using new option factors for each of the lump-sum distribution amounts (i.e., 12, 24, or 36) and the age of the member at the time of retirement. This reduction will create a reduced maximum benefit. A member selecting the partial lump-sum option, may also select any of the regular options except Option 1 and Option 4C. Option 4C and the partial lump-sum option are not available to a disability retiree.

Cost of Living

Patrol officers who have retired and their beneficiaries who are receiving a retirement allowance on December 1, receive an annual lump sum cost-of-living payment. The base amount of the payment is based upon the annualized benefit payment, the number of full fiscal years retired, and is now guaranteed at 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. The Board may grant an additional percentage in increments of 1/4 percent, up to a maximum of 1.5 percent, if there are sufficient investment earnings in excess of the accrued actuarial liabilities in reserves for retired members and beneficiaries. A prorated portion of the annual adjustments (COLA) will be paid to the beneficiary or estate of any member or beneficiary who is receiving the annual adjustment in a lump sum, but who dies between July 1 and December 1, in those cases where monthly benefits terminated at the death of the retiree or beneficiary. Benefit recipients may irrevocably elect to have the cumulative base portion of the cost-of-living payment made in 12 equal monthly installments. Any additional discretionary amount granted by the Board would continue to be paid on December 15. This election must be made no less than 30 days before July 1 of the year in which such installment payments are to begin. Alternatively, benefit recipients may irrevocably elect to receive the cost-of-living payment in 2 to 6 monthly installments, beginning in January. This election must be made no less than 30 days before January of the year in which such installment payments are to begin.

Special Payment Provision

In the case of funds owed at the death of a member, or payments owed at the death of a deceased retiree where benefits cease at the retiree's death, and where there is no surviving designated beneficiary, the payment will be made to the heirs or estate of the member or retiree in the following order:

1. the surviving spouse of the member/retiree;
2. any children of the member/retiree or their descendants, per stirpes;
3. the brothers and/or sisters of the member/retiree or their descendants, per stirpes;
4. the parents of the member/retiree;
5. the executor or administrator on behalf of the member/retiree's estate;
6. the persons entitled by law to distribution of the member/retiree's estate.

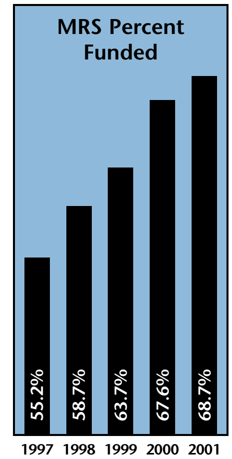
For unpaid COLA or other benefits due to a deceased beneficiary, payment will be made to the heirs or estate of the beneficiary in the following order:

1. the surviving spouse of the beneficiary;
2. any children of the beneficiary or their descendants, per stirpes;
3. the brothers and/or sisters of the beneficiary or their descendants, per stirpes;

4. the parents of the beneficiary;

5. the executor or administrator on behalf of the beneficiary's estate;

6. the persons entitled by law to distribution of the beneficiary's estate.



Refund of Contributions

In the event a member ceases to work for the Mississippi Highway Safety Patrol and does not qualify for any benefits under any provisions of the Plan, the member can request a refund of accumulated employee contributions in MHSPRS. Upon returning to service, a member is immediately eligible to repay the withdrawn contributions plus interest. However, such amounts cannot be used in any benefit calculations until the member has accrued five years of membership credit subsequent to re-entering membership. In the event of death prior to qualification for retirement benefits, the contributions are payable, upon request, to the designated beneficiary or estate of the deceased member.

Portability

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 now allows pension funds to be rolled to and from a number of retirement plans for which such transactions were previously prohibited, provided the plan allows for receipt of such funds. MHSPRS' law has been amended to allow for such transfers and rollovers as allowed under federal law. The system can accept eligible rollover distributions or direct transfers from other qualified plans for the purposes of repaying a refund or purchasing optional service credit. The Board of Trustees has adopted rules conditioning the acceptance of rollovers or transfers, based on the receipt of other plan information necessary to enable the System to determine the eligibility of any transferred funds for special tax treatment.

Transfer of Membership

In the event a member is transferred from duties with the Mississippi Highway Safety Patrol to duties that are not covered by MHSPRS or to another agency covered by PERS, the member would be eligible for membership in PERS and could transfer from MHSPRS to an account in PERS sufficient funds to qualify for full credit for the years of service with MHSPRS.

Municipal Retirement Systems (MRS)

Summary of Benefit Provisions (See 2002 Legislative Highlights for new provisions)

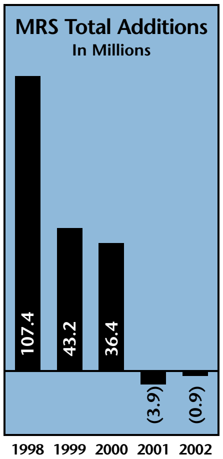
Senate Bill No. 2602, 1987 Session, authorized the Public Employees' Retirement System to administer 19 Municipal and Fire and Police Disability and Relief Funds, effective July 1, 1987. These systems were established and are regulated by Articles 1, 3, 5 and 7 of Chapter 29 of Title 21 of the Mississippi Code of 1972. The Board of Trustees of the Public Employees' Retirement System is responsible for the general administration of MRS.

Type of Benefit Plan

The Municipal Retirement Systems were designed to provide retirement benefits for municipal employees as well as firefighters and police officers of certain municipalities. MRS were fully closed to new members July 1, 1976, except for Clinton and Hattiesburg, which were closed on July 1, 1987.

Funding

The Municipal Retirement Systems are actuarial reserve type benefit plans financed by the members who currently pay between 7 percent and 10 percent of their salaries as employee contributions. Each municipality levies between .49 mills and 9.19 mills of assessed valuation as employer contributions to support MRS.



Membership

The membership of the Municipal Retirement Systems consists of municipal employees in two systems (Article 1) and firefighters and police officers in 17 systems (Articles 3 and 5).

Service Retirement Benefits

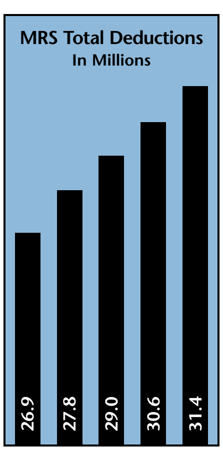
For each System, a member who has completed 20 years of service regardless of age may retire with monthly benefits equal to 50 percent of average compensation for the final six months of employment. Any quarter year over 20 years entitles the member to an additional .425 percent of average compensation. Upon retirement, the aggregate amount of each employee's annuity shall not exceed 66.67 percent of average compensation.

Spouse and Dependent Child Benefits

Under Articles 1, 3 and 5, survivor benefits are payable to the spouse and/or dependent children of any fireman or policeman who dies in service after having worked no less than five years. The non-duty related death benefit is payable to the spouse for use by the spouse and dependent children of the member in an amount equal to 2.5 percent of average compensation for the first 20 years of credited service plus 1.7 percent for each year over 20 years up to a maximum of 66.67 percent. Such benefits payable to the spouse would cease upon remarriage, but the benefit may continue for a dependent child or children as long as the child or children continue to meet the statutory definition of "dependent child." The five year service requirement is waived in cases where a fireman or policeman belonging to systems governed under Article 3 and 5 is killed in the line of duty, however, the benefit amount is the same. Spouses and/or dependent children of General Municipal employees under Article 1, who are killed in the line of duty, receive a benefit equal to 50 percent of the monthly salary received by the member prior to death. In the event of death of a member of a Municipal Retirement System or a retiree after retirement, the monthly benefits payable to the spouse is divided and paid to or for the benefit of a dependent child or children of the deceased member or retiree and the spouse as follows: an amount equal to 10 percent for one dependent child, 20 percent for two dependent children or 30 percent for three or more dependent children shall be paid to or for the benefit of the dependent children with the remainder paid to the spouse. If there are more than three dependent children, when the oldest child ceases to qualify, the dependent child benefits will be redistributed among the remaining dependent children. Benefits may be paid to the surviving parent or lawful custodian of such child or children for the use and benefit of the children without necessity of appointment of a guardianship.

Disability Retirement Benefits

The duty related disability allowance equals 50 percent of monthly salary at the time of injury. Non-duty related disability allowance requires five years service and equals 2.5 percent of the monthly salary for each year of service. Disability retirement benefits are payable to the disabled member for life with survivorship benefits payable to the spouse and dependent children at the death of a disabled member.

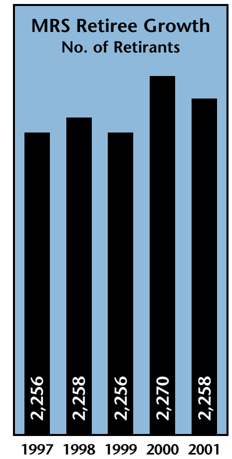


Survivorship Benefits

Upon the death of any retired member receiving service or disability benefits, the spouse or dependent child or children will receive 100 percent of the benefit which the retiree was receiving until the spouse remarries or the dependent child reaches age 18, or age 23 if a full-time student. In the event of death of a member of a Municipal Retirement System or a retiree after retirement, the monthly benefits payable to the spouse is divided and paid to or for the benefit of a dependent child or children of the deceased member or retiree and the spouse as follows: an amount equal to 10 percent for one dependent child, 20 percent for two dependent children or 30 percent for three or more dependent children shall be paid to or for the benefit of the dependent children with the remainder paid to the spouse. If there are more than three dependent children, when the oldest child ceases to qualify, the dependent child benefits will be redistributed among the remaining dependent children. Benefits may be paid to the surviving parent or lawful custodian of such child or children for the use and benefit of the children without necessity of appointment of a guardianship.

Refund of Contributions

In the event that a member terminates employment and does not have 20 years of service, the member may request a refund of accumulated employee contributions in MRS.



Portability

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 now allows pension funds to be rolled to and from a number of retirement plans for which such transactions were previously prohibited, provided the plan allows for receipt of such funds. MRS' law has been amended to allow for such transfers and rollovers as allowed under federal law. The system can accept eligible rollover distributions or direct transfers from other qualified plans for the purposes of repaying a refund or purchasing optional service credit. The Board of Trustees has adopted rules conditioning the acceptance of rollovers or transfers, based on the receipt of other plan information necessary to enable the System to determine the eligibility of any transferred funds for special tax treatment.

Supplemental Legislative Retirement Plan (SLRP)

Summary of Benefit Provisions (See 2002 Legislative Highlights for new provisions)

House Bill No. 301, 1989 Session, authorized the Public Employees' Retirement System to administer the Supplemental Legislative Retirement Plan. The Board of Trustees of the Public Employees' Retirement System maintains all of the records and is responsible for the management of all funds.

Type of Benefit Plan

The Supplemental Legislative Retirement Plan is designed to provide a supplemental retirement allowance for elected members of the State Legislature and the President of the Senate and their beneficiaries. Benefit provisions and requirements under SLRP are the same as under PERS unless clearly stated otherwise in the law.

Funding

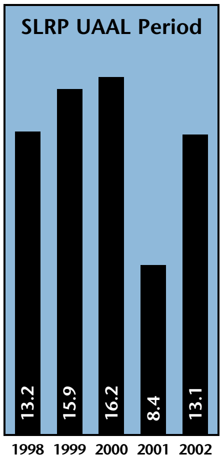
SLRP is an actuarial reserve type benefit plan financed by the members who currently pay 3 percent of all remuneration received up to $125,000, except mileage allowance, and the State Legislative Agency which pays a contribution rate of 6.33 percent. The last actuarial valuation on June 30, 2002, used an 8 percent interest rate and a level percent of payroll amortization of the unfunded accrued liability. The result of the valuation indicates that the rate of contributions effective July 1, 2002, is adequate to meet the liabilities of the System and to fund the accrued liability in approximately 13.1 years.

Membership

SLRP includes all members of the State Legislature and the President of the Senate who were serving in the capacity of elected officials and elected to participate when the plan became effective July 1, 1989. All members of the State Legislature and the president of the Senate who are elected after July 1, 1989, are included.

Retirement Allowance

The retirement allowance from SLRP consists of 50 percent of the PERS retirement allowance determined by credited service and covered wages as an elected Senator or Representative of the State Legislature or as President of the Senate. However, in no case shall the aggregate amount of the retirement allowance from SLRP and PERS for legislative service or service as President of the Senate exceed 100 percent of average compensation.



Refund of Contributions

Upon severance of employment in State service, a member may obtain a refund of accumulated contributions plus interest. Upon returning to legislative service, a member is immediately eligible to repay withdrawn contributions plus interest. However, such amounts cannot be used in any benefit calculations until the member has accrued four years of membership credit subsequent to reentering membership. If the member, whose spouse and/or children are not entitled to a retirement allowance, dies prior to retirement, the accumulated contributions will be paid to the designated beneficiary upon request.

Portability

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 now allows pension funds to be rolled to and from a number of retirement plans for which such transactions were previously prohibited, provided the plan allows for receipt of such funds. SLRP's law has been amended to allow for such transfers and rollovers as allowed under federal law. The system can accept eligible rollover distributions or direct transfers from other qualified plans for the purposes of repaying a refund or purchasing optional service credit. The Board of Trustees has adopted rules conditioning the acceptance of rollovers or transfers, based on the receipt of other plan information necessary to enable the System to determine the eligibility of any transferred funds for special tax treatment.

Government Employees' Deferred Compensation Plan of Mississippi (GEDCP)

Summary of Benefit Provisions

The Government Employees' Deferred Compensation Plan is a voluntary, tax-deferred retirement plan designed to supplement State Service Retirement, Social Security, other retirement plans and savings. The Plan, offered by the Public Employees' Retirement System, provides tax-deferred savings opportunities for all permanent employees, elected officials or independent contractors of the State of Mississippi and State political subdivisions.

The Year In Review

At fiscal year end, total investments in the Plan reached $577 million, a decrease of 4 percent from the previous year. Over $51 million was contributed to the Plan during the year by a total of 33,691 participants.

Brief History

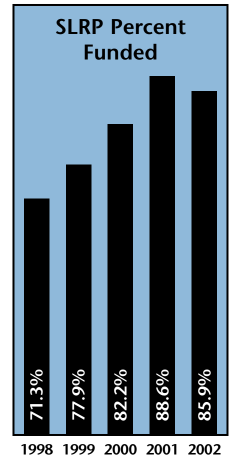
The Mississippi Legislative Session of 1974 designated the administration of the Government Employees' Deferred Compensation Plan to the Public Employees' Retirement System. The legislation allowed the purchase of any investments authorized by the System, investment in funds maintained by a corporate trustee, and life insurance with fixed or variable annuities. The Plan was then presented to State employees.

Congress enacted the Revenue Act of 1978, which provided a statutory basis for the Government Employees' Deferred Compensation Plan (Section 457 IRC). This legislation imposed a limitation on the amount of income an employee may defer and allowed participants within four years of retirement to defer higher amounts, under special catch-up provisions.

The Technical Corrections and Miscellaneous Revenue Act of 1988 provides that funds cannot be withdrawn from the Plan earlier than when the participant separates from service or is faced with an unforeseeable emergency.

In 1986, the Board of Trustees reviewed alternative ways of administering the GEDCP. The Board conducted an extensive review of third party administrators through a competitive bidding process before contracting with Systematized Benefits Administrators, Inc. (SBA). Today, SBA continues to administer the Plan. All aspects of the GEDCP were previously managed by the PERS staff.

On August 2, 1996, Congress passed H.R. 3448, the Small Business Job Protection Act of 1996. The Act included several provisions pertaining to IRC Section 457 Plans, however, due to recent changes in federal legislation, only the following two provisions currently apply:



1) In-service distributions — permitted on a one-time basis for accounts that do not exceed $3,500 (Taxpayer Relief Act of 1997 increased amount to $5,000), provided the account has been inactive for at least two years.

2) All assets held in trust — for Section 457 Plans of state and local governments, effective January 1, 1999, all assets must be held in a trust, custodial account or annuity contract for the exclusive benefit of participants and beneficiaries.

Congress passed the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) on May 26, 2001, and President Bush signed it into law June 7, 2001. EGTRRA contains the following changes for the GEDCP:

1) The maximum annual contribution amount is increased from 25 percent of adjusted gross includible compensation or $8,500, to 100 percent or $11,000 for 2002, $12,000 for 2003, $13,000 for 2004, $14,000 for 2005, and $15,000 for 2006.

2) The annual contribution is no longer reduced for contributions made to other retirement plans (e.g. 403(b), or 401(k) plans).

3) The "retirement catch-up" provision, available during the three years prior to normal retirement is increased from $15,000 per year to $22,000 for 2002, $24,000 for 2003, $26,000 for 2004, $28,000 for 2005, and $30,000 for 2006.

4) Participants who are at least age 50 can contribute their normal maximum amount plus an additional $1,000 for 2002, $2,000 for 2003, $3,000 for 2004, $4,000 for 2005, and $5,000 for 2006.

5) At retirement or separation from service, rollovers to/from IRAs, 403(b), 401(k) and government 457 plans are permitted.

6) Amounts accumulated in the GEDCP may be transferred to PERS for the purchase of service credit.

7) Effective January 2002, distribution requirements will be the same as all other retirement plans and IRAs, which allows for increased flexibility in both the timing and manner of those distributions. Elections are no longer irrevocable.

Accounts

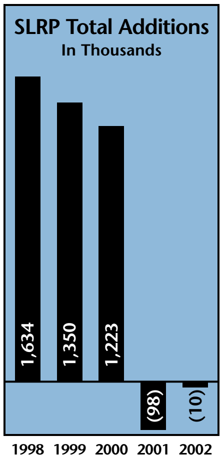
GEDCP offers a variety of investment options to give participants an opportunity to customize the plan to their individual specifications. Investment advisors used by GEDCP are companies with established reputations in their fields of expertise.

Conseco Life Insurance Company

New enrollment in the life insurance option was closed October 1990. Lamar Life Insurance Company continues to carry the coverage for participants with an existing policy. Lamar Life was acquired by Life Partners Group, Inc. In 1995, Life Partners was purchased by Conseco, Inc., a financial services holding company in Carmel, Indiana. Conseco had been an initial investor in Life Partners at its founding in 1990. Conseco Life is rated B by A.M. Best Company. The cash surrender value of all life insurance policies on June 30, 2002, was $633,000.

Barclays Global Investors, N.A.

The GEDCP offers an Intermediate Government/Corporate Bond Fund, an Equity Index Fund, and a Money Market Fund. The Intermediate Government/Corporate Bond Fund, with maturities of one to ten years, posted a return of 8.20 percent and had a fair value of $17,461,000. The Equity Index Fund, a S&P 500 Index fund, had a fiscal year return of negative 17.98 percent and a fair value of $25,873,000. Barclays Money Market Fund, which invests in a broad range of high-quality, short-term instruments, had a return of 2.67 percent with assets of $10,360,000.



Fayez Sarofim & Company

Fayez Sarofim & Company, one of the largest independent investment managers in the country, is the investment advisor for the Fayez Sarofim Common Stock Fund. The portfolio is broadly diversified with holdings in 48 companies representing 16 industry sectors.

The fund had a return for the fiscal year ended June 30, 2002 of negative 12.41 percent and a fair value of $107,151,000.

Nationwide Corporation

Nationwide Life Insurance Company is part of the Nationwide Insurance Enterprise with combined assets of more than $113 billion. The Nationwide Insurance Enterprise maintains a strong position in many markets including variable annuities, and life, auto, property casualty, and homeowners insurance. Nationwide Life has an AA rating from Standard and Poor's, an Aa3 from Moody's, and an A+ rating from A.M. Best.

The Nationwide Fixed Account guarantees principal and interest with a minimum annual interest guarantee established for each calendar year. This account credited an average annual effective yield of 5.87 percent for the fiscal year with an ending account value of $22,417,000.

T. Rowe Price International Stock Fund

This fund is managed by T. Rowe Price International Funds, Inc. and has been offered by GEDCP since July 1, 1991.

The fund's objective is to seek long-term growth of capital through investments primarily in common stocks of established, non-U.S. companies. At the end of the fiscal year, the fund had a return of negative 10.23 percent and a fair value of $19,891,000.

ING Life Insurance and Annuity Company

ING Life Insurance and Annuity Company (ILIAC) is a wholly owned subsidiary of ING, whose ultimate parent is ING Groep N.V. On December 13, 2000, the Aetna Financial Services organization was acquired by ING Groep N.V.

The ING Fixed Account-457/401 had an asset value of $222,315,000 with an average annual effective yield of 5.94 percent. The ING VP Growth and Income Portfolio return was negative 20.42 percent with an account value of $79,830,000. The Guaranteed Accumulation Account and Long-term Option were closed to new investments April 1, 1997. As of June 30, 2002, the Long-term Option had an account value of $239.

Fidelity Management & Research Company

Fidelity Investments is the largest mutual fund company in the country, and is known as an innovative provider of high-quality financial services to individuals and institutions. Fidelity was added as an investment manager to the GEDCP in late January 1994.

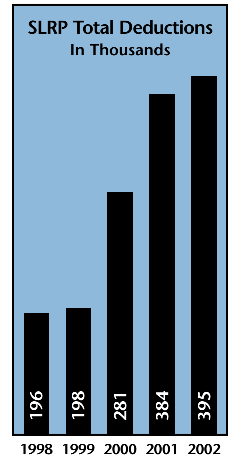
The Fidelity Asset Allocation Fund diversifies across stocks, bonds and short-term instruments in the domestic, as well as the international market. The fund had an account value at June 30, 2002, of $23,851,000 and a return of negative 8.43 percent.

The Boston Company

The Boston Company Premier Value Fund became available for participant contributions October 1, 1997. The fund seeks long-term growth by investing in the common stocks of small to medium size companies. At fiscal year end, the fund had an account value of $42,651,000 and an average annual return of negative 30.39 percent.

GE Institutional Equity Fund

Added to the plan March 1, 2000, the GE Institutional Value Equity Fund invests primarily in equity securities of large U.S. companies that are undervalued by the market but have solid growth prospects. A company may be undervalued for reasons such as market overreaction to recent company, industry, or economic problems. Stock selection is key to the performance of the fund. The fund may be appropriate for investors seeking long-term growth of capital and future income. The GE Institutional Value Equity Fund is one of the GE Institutional Funds. The GE Institutional Funds are similar to the GE Funds, which are sold to retail customers; however, the GE Institutional Funds have lower operating expenses. The fund's fair value, as of June 30, 2002, was $4,646,000 with a rate of return of negative 11.54 percent.



2002 Legislative Highlights

The 2002 Legislative Session ended with the Mississippi Legislature making substantial changes to the law affecting the Public Employees' Retirement System and all the Systems that it administers. The legislation passed, which affects the Public Employees' Retirement System, Mississippi Highway Safety Patrol Retirement System, and Municipal Retirement Systems, is contained in House Bills Number 1148, 1386, and 594, and Senate Bills Number 2570 and 2868. House Bill Number 396 affects the City of Columbus and House Bill Number 1053 affects the City of Jackson Fire and Police Disability and Relief Fund. Senate Bill Number 3123 impacts the City of Vicksburg. All legislation is effective July 1, 2002, unless otherwise noted.

Public Employees' Retirement System

House Bill Number 1148 – Main Bill

Section 25-11-111.1 – Codifies a new section to require the direct deposit of retirement checks unless a demonstrated hardship is created. This requirement is effective for members who retire on or after January 1, 2003.

Section 25-11-103 – Amends the maximum compensation on which retirement contributions can be made and benefits calculated thereon from $125,000 to $150,000.

Section 25-11-105 – Amends this section to require that any person employed to provide professional services to a governmental entity shall become a member of the System on the same basis as any other regular covered employee; grandfathers those covered on July 1, 2002 as long as he/she serves in that position.

Section 25-11-109 – Modifies this section to allow military service credit for pre-1972 service in the Commissioned Corps of the United States Public Health Service at no cost to the member. This amendment is effective for those members retiring on or after July 1, 2002. This section is also amended to clarify that a member has a maximum of 5 years after returning to his/her employer from qualifying military service to purchase time under Uniformed Services Employment and Reemployment Rights Act (USERRA).

Section 25-11-112 – Amends this section to assure that a pro-rated share of the lump-sum COLA will be paid if a benefit terminates before December 1 of the fiscal year. Also, allows the Board to grant a change in the manner the COLA is paid if a hardship is shown. Additionally, if a member who has previously received a COLA retires again, the member's additional benefit shall be re-instated immediately.

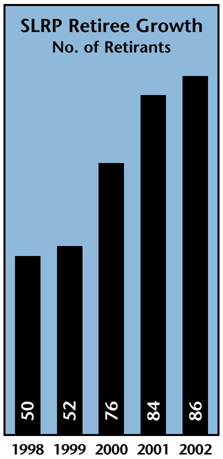
Section 25-11-113 – Amends to provide that a member who is or becomes eligible for a service retirement allowance while pursuing a disability retirement allowance may elect to receive the retirement allowance pending a disability determination.

Section 25-11-115 – Eliminates Option 4C (Social Security Leveling), effective July 1, 2004. Additionally, members who elect to receive a retirement benefit while pursuing disability would not be eligible for Option 4C or Option 6 (Partial Lump Sum Option).

Section 25-11-120 – Allows the Disability Appeals Committee to defer a decision for additional medical information or evaluation.

Section 25-11-127 – Revises the re-employment section to remove conflicting and/or confusing language. In addition, it allows a retiree who is or becomes a county or municipal elected official to receive compensation for the elected position in an amount not to exceed 25 percent of the retiree's average compensation, while continuing to receive his/her retirement allowance.

Section 25-11-309 – Eliminates the 100 percent of compensation limitation when combining PERS & SLRP benefits, and instead, subjects the benefit payment amounts to the IRS limitations.



Senate Bill Number 2570 – Portability Provisions

Amends Sections 25-11-117, 25-11-118, 25-11-311, 25-11-312, 25-13-21, 25-13-22, and 25-29-316. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001 now allows pension funds to be rolled to and from a number of retirement plans for which such transactions were previously prohibited, provided the plan allows for receipt of such funds. This Bill, which was effective upon passage March 14, 2002, amends plans administered by PERS to allow for maximum portability as permitted by federal law.

House Bill Number 1386 – Retiree Health Insurance Plan

Codifies Section 25-11-143:

Establishes a Retiree Health Insurance Plan to be available to all Mississippi public employees retired from systems administered by PERS to include the Municipal Systems, Highway Safety Patrol, Supplemental Legislative Retirement Plan, Optional Retirement Plan, and PERS. Coverage will be mandatory for all employers covered by the above plans.

This Plan is effective on July 1 of the year following the year in which the Board determines and the Board Actuary certifies that the employer's contribution rate to PERS can be reduced by 1 percent without causing the unfunded accrued actuarial liability amortization period to exceed twenty (20) years.

The Board will have flexibility in plan design; however, initially the State Plan would be used as the design for the Retiree Health Insurance Plan.

Each retiree will be responsible for the cost of his/her health insurance premium. However, the premium cost will be subsidized by 2 percent for each year of service credit the member had at retirement to a maximum of 60 percent.

The proposed subsidy of 2 percent times the number of years of service credit will be pre-funded by requiring that all covered employers contribute a percentage of payroll into the Retiree Health Insurance Plan fund. The estimated cost to the employer of this subsidy is 2.5 percent of payroll, the cost of which will be offset by a 1 percent reduction in retirement contributions.

Mississippi Highway Safety Patrol Retirement System

House Bill Number 1148

Section 25-13-11.1 – The same legislation detailed for PERS above in 25-11-111.1, regarding direct deposit of retirement benefits, was codified as Section 25-13-11.1, which is applicable to the Mississippi Highway Safety Patrol Retirement System.

Section 25-13-16 – Eliminates Option 4C (Social Security Leveling), effective July 1, 2004.

Section 25-13-17 – As in PERS' law, this amendment clarifies that a member has a maximum of 5 years after returning to employment from qualifying military service to purchase time under USERRA.

Senate Bill Number 2868

Section 25-13-12 – Changes the method of calculating the COLA to that similar to PERS:

Deletes the provision that provides a base COLA benefit of 2.5 percent of the retirement allowance for each full fiscal year of retirement, plus up to 1.5 percent additional if the return on investments allows.

Replaces that formula with one that would provide a guaranteed 3 percent COLA for each full fiscal year retired with the 3 percent beginning to compound in the year in which the retiree reaches age 60.

Provides a plan for gradually reducing the age of compounding to age 55 as the plan can absorb the cost without causing the unfunded accrued liability period to exceed 20 years.

Provides a prorated benefit to anyone receiving a COLA in a lump sum whose benefit ceases prior to December 1 whether due to death, cessation of benefits due to return to employment, remarriage, or change in dependent status.

Allows PERS flexibility in changing the manner in which the COLA is paid from lump sum to monthly or vice versa if the member can demonstrate financial hardship.

Provides an eleven-month window of opportunity for retirees to change their COLA election from monthly to lump sum for any reason.

House Bill Number 594 – Disability Vesting

Section 25-13-9 – The primary focus of the Bill is to modify the vesting period in the MHSPRS for disability benefits. The vesting period for service retirement and death benefits was lowered from 10 years to 5 years in 1986. However, the vesting period for non-duty related disability benefits remained at 10 years. This Bill establishes the minimum vesting period for all benefits under the MHSPRS as 5 years.

The Bill also clarifies that the PERS medical board may make a finding of disability based on an evaluation of medical evidence which may include a physical examination by the medical board.

Municipal Retirement Systems

House Bill Number 1148

Section 21-29-325 – The same legislation detailed for PERS above in 25-11-111.1, regarding direct deposit of retirement benefits, was codified as Section 21-29-325, applicable to the Municipal Retirement Systems.

Section 21-29-301 – As in PERS' law, this amendment clarifies that a member has a maximum of 5 years after returning to employment from qualifying military service to purchase time under USERRA.

House Bill Number 396 – City of Columbus

This Bill provides that the governing authorities of the City of Columbus may provide for a minimum monthly benefit of not less than $500.00 per month to retirees and beneficiaries of the City of Columbus Disability and Relief Fund for Firemen and Policemen. This Bill is effective July 1, 2002.

In order to implement this increased minimum benefit, a) the governing authorities, as supported by the advisory board of the disability and relief fund, must adopt a resolution specifying the amount of the minimum benefit, and b) the actuary must certify that the fund will remain actuarially sound if the proposed minimum monthly benefits are provided.

House Bill Number 1053 – Jackson Enhanced COLA Bill

Section 21-29-247 – Modifies this section to provide that from and after March 1, 2002, all persons who are receiving a retirement or disability benefit or who become able to do so may be entitled to an increase in benefits based on the cost-of-living index up to a cumulative additional 7.5 percent of benefits. This increase is in addition to the current COLA set at a maximum of 12 percent. This additional 7.5 percent cumulative cost-of-living increase also applies to those receiving the minimum benefit.

These additional benefits may not be provided unless the Fund is actuarially sound and will remain actuarially sound based on a statement from the actuary.

The Bill requires that the governing authorities of the Municipality adopt a resolution to provide for the increase and transmit the resolution to the Board of Trustees. It also requires a resolution by the Advisory Board of the Fund supporting the increase.

Senate Bill Number 3123 – Vicksburg Enhanced Minimum Benefit and COLA Bill

Senate Bill 3123 amends Chapter 899, Local and Private Laws of 1988, as amended by Chapter 857, Local and Private Laws of 1992, as amended by Chapter 904, Local and Private Laws of 2000; the Bill also amends Chapter 911, Local and Private Laws of 1992.

The Bill allows the City of Vicksburg to transfer sufficient funds from the general fund of the City to provide for the payment of minimum monthly benefits of not less than $750.00 per month to all current and future retirees/beneficiaries receiving benefits under the Fund. Such increased minimum benefits can be paid when the governing authorities of the City have adopted the appropriate resolutions and have transferred sufficient additional monies to fund the increase.

In addition, the Bill provides that the COLA benefits will be calculated on the basis of (a) the annual percentage change in each fiscal year of the CPI, not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year retired after June 30, 1991, and through June 30, 2001, that the member has drawn benefits, and (b) 2.5 percent of the annual retirement allowance for each full fiscal year retired after June 30, 2001 that he/she draws such benefits.

Payment of these additional benefits shall not be made unless the fund is actuarially sound and will remain so if the additional payments are made. Payments are also contingent on the governing authorities adopting a resolution for such, as supported by the Advisory Board, and receipt of certification of soundness by the actuary. This Bill was effective upon passage on April 5, 2002.

Financials

E.C. Frazier, an MDA property manager, envisions spending his retirement years traveling with his wife, being involved with his church, and working as a volunteer in the community.

KPMG

Suite 1100
One Jackson Place
188 East Capitol Street
Jackson, MS 39201

Independent Auditors' Report

The Board of Trustees
Public Employees' Retirement System of Mississippi:

We have audited the accompanying statement of fiduciary net assets of the Public Employees' Retirement System of Mississippi (the System), a component unit of the State of Mississippi, as of June 30, 2002, and the related statement of changes in fiduciary net assets. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of fiduciary net assets of the System as of June 30, 2002, and the related statement of changes in fiduciary net assets for the year then ended, present fairly, in all material respects, the plan net assets of the System as of June 30, 2002, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the basic financial statements, the System has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34*, Statement No. 38, *Certain Financial Statement Note Disclosures,* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* for the year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2002, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 36 through 44 and the schedules of funding progress and employer contributions (pages 61 to 62) are not required parts of the basic financial statements but are supplementary information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 on pages 64 through 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 28, 2002

KPMG LLP

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Public Employees' Retirement Systems' (System) financial position and performance for the year ended June 30, 2002. It is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal, included in the Introductory Section, and the financial statements and other information which are presented in the Financial Section of this Comprehensive Annual Financial Report.

The System is primarily responsible for administering retirement benefits for all State and public education employees, sworn officers of the State highway patrol, other public employees whose employers have elected to participate and elected members of the State Legislature and the president of the Senate. The System is comprised of seven funds, including four defined benefit pension systems: the Public Employees' Retirement System (PERS), the Mississippi Highway Safety Patrol Retirement System (MHSPRS), the Municipal Retirement Systems (MRS) and the Supplemental Legislative Retirement Plan (SLRP). The System also is responsible for the administration of two defined contribution plans: the Government Employees' Deferred Compensation Plan (GEDCP), a supplemental retirement savings plan, and the Optional Retirement Plan (ORP), an optional plan offered to certain members of the institutions of higher learning. As explained in note 2 to the basic financial statements, ORP is not part of the System's reporting entity. These funds, with the exception of ORP, are defined as pension (and other employee benefit) trust funds, which are fiduciary funds. The remaining fund is the Flexible Benefits Cafeteria Plan (FBCP), which is an agency fund. Throughout this discussion and analysis units of measure (i.e. billions, millions, thousands) are approximate, being rounded up or down to the nearest tenth of the respective unit value.

Financial Highlights

- **The net assets of the defined benefit plans administered by the System decreased by $1.2 billion, or 7.8 percent. The decrease was primarily the result of unfavorable investment returns and an increase in benefit payments due to benefit enhancements enacted by H.B. 472 (1999 Statutes), as well as, an increase in the number of benefit recipients.**

- **The rate of return on investments of the defined benefit plans administered by the System during fiscal year 2002 was negative 6.6 percent compared with fiscal year 2001 rate of return of negative 7.1 percent. The negative return was due primarily to poor performance in the world equity markets.**

- **The defined benefit plans administered by the System were actuarially funded at an average of 87.4 percent as of June 30, 2002, an increase over the comparative average of 83.2 percent as of June 30, 2001.**

- **The GEDCP net assets decreased $24.1 million during fiscal year 2002 primarily because of investment losses due to unfavorable investment returns. The total decrease was significantly offset by an increase in participant contributions.**

- **The GEDCP rates of return for investment options ranged from a high of 8.2 percent to a low of negative 30.4 percent compared to prior year investment option returns of a high of 32.4 percent and a low of negative 27.8 percent.**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial reporting which is comprised of the following components:

(1) basic financial statements,

(2) notes to the basic financial statements,

(3) required supplementary information, and

(4) other supplementary schedules.

Collectively, this information presents the net assets held in trust for pension benefits for each of the funds administered by the System as of June 30, 2002. This financial information also summarizes the changes in net assets held in trust for pension benefits for the year then ended. The information in each of these components is briefly summarized as follows:

(1) **Basic Financial Statements.** As of June 30, 2002, financial statements are presented for the fiduciary funds administered by the System. Fiduciary funds are used to account for resources held for the benefit of parties outside of the System. Fiduciary funds include pension trust funds such as PERS, MHSPRS, MRS, SLRP and GEDCP, as well as an agency fund, the FBCP. A statement of fiduciary net assets and a statement of changes in fiduciary net assets are presented for the fiduciary funds as of June 30, 2002 and for the year then ended. These financial statements reflect the resources available to pay benefits to members, including retirees and beneficiaries, as of year-end, as well as the changes in those resources during the year.

(2) **Notes to the Basic Financial Statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Information in the notes to the basic financial statements is described below.

- Note 1 provides a general description of the System, as well as a concise description of each of the funds administered by the System. Information regarding employer and member participation in the pension plans administered by the System is also provided.
- Note 2 provides a summary of significant accounting policies, including the basis of accounting for each of the fund types, investment accounting policies, management's use of estimates, information regarding the implementation of new accounting pronouncements, and other significant accounting policies.
- Note 3 describes investments, including investing authority, investment risk categorizations, and additional information about cash, securities lending, and derivatives.
- Note 4 provides a summary of the capital assets of the System including depreciation and net holding amounts.
- Note 5 provides a summary of due to/due from other funds.
- Note 6 provides information about the funding status and progress for the defined benefit plans administered by the System.
- Note 7 provides information about contributions to the defined benefit systems administered by the System.
- Note 8 describes required supplementary information.

(3) **Required Supplementary Information.** The required supplementary information consists of two schedules and related notes concerning actuarial information, funded status and required contributions of the defined benefit pension systems administered by the System.

(4) **Other Supplementary Schedules.** Other schedules include detailed information on administrative expenses incurred by the System, investment and other professional services expenses incurred, as well as, the due to balances for the individual municipal retirement plans.

Financial Analysis of the Systems – Defined Benefit Plans

Investments

The investment assets of the defined benefit plans administered by the System are combined in a commingled investment pool as authorized by State statute. Each system owns an equity position in the pool and receives proportionate investment income from the pool in accordance with respective ownership percentage. Each system's allocated share of each type of investment in the pool is shown in the Statement of Fiduciary Net Assets of each respective system. Investment gains or losses are reported in the Statement of Changes in Fiduciary Net Assets of each retirement system. The rate of return on investments is therefore approximately the same for each of the systems.

Systems Total Investments

At June 30, 2002, the System's total investments approximated $14.2 billion, a decrease of $1.4 billion from fiscal year 2001 investment totals. The combined investment portfolio experienced a return of negative 6.6 percent compared with median large public plan return of negative 5.5 percent.* Investment results over time compared with the System benchmarks are presented on page 73 in the Investment Section.

**Callan Associates Public Plan Sponsor Large Fund Universe*

Equity Securities

At June 30, 2002, the System held $8.5 billion in U.S. and international equity securities, a decrease of $1.5 billion from fiscal year 2001. U.S. equity and international equity securities had negative returns of 15.9 percent and 10.3 percent respectively, for the 2002 fiscal year, compared to the System benchmark returns of negative 17.2 percent and negative 10.3 percent respectively.

Fixed Income Securities

At June 30, 2002, the System held $5.5 billion in U.S. fixed income securities, an increase of $115.8 million from fiscal year 2001. Fixed income securities returned 9.2 percent compared with the System benchmark return of 8.6 percent.

Short-Term Securities

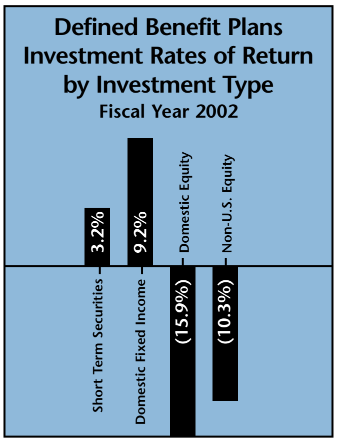
At June 30, 2002, the System held $124.2 million in short-term investments, an increase of $27.8 million from fiscal year 2001. Short-term investments returned 3.2 percent for the 2002 fiscal year.

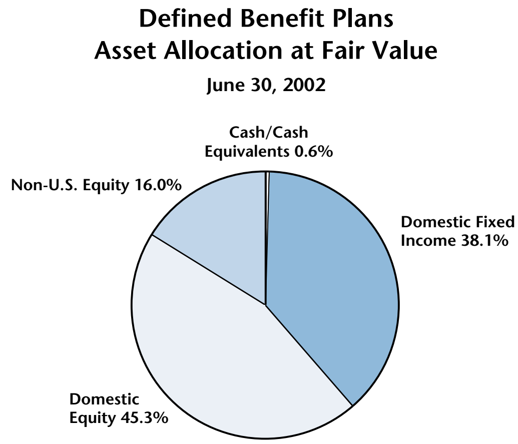
Securities Lending

The System earns additional investment income by lending investment securities to broker/dealers. This is done on a pooled basis by the System's custodial bank, State Street Bank and Trust Company (SSB). The broker/dealers provide collateral to SSB and generally use the borrowed securities to cover short sales and failed trades. SSB invests the cash collateral in order to earn interest. For the 2002 fiscal year, net securities lending income to the System amounted to $8.1 million, a decrease of $1.2 million over fiscal year 2001. The decrease in securities lending revenue for fiscal year 2002 represents mainly a decrease in demand by broker/dealers to borrow available securities.

Capital Assets

Capital asset expenditures consist primarily of office furniture and equipment, as well as technology upgrades and initiatives. During the fiscal year, the System began a renovation project of property it owns that is located at 301 North President Street. This renovation will be completed in August 2002. Additionally, renovation of the existing PERS building located at 429 Mississippi Street is scheduled to begin December 2002, with a planned completion date of March 2004. Capital asset activity during the fiscal year was not significant.





Analysis of Individual Systems – Defined Benefit Plans

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) provides retirement benefits to all State of Mississippi public employees, public education employees, other public employees whose employers have elected to participate, and elected members of the State Legislature and the president of the Senate. Benefits of the system are funded by member and employer contributions and by earnings on investments. The system net assets held in trust for benefits at June 30, 2002 amounted to $13.8 billion, a decrease of $1.1 billion (7.7 percent) from $14.9 billion at June 30, 2001.

Additions to PERS net assets held in trust for benefits include employer and member contributions and investment income. For the 2002 fiscal year, member and employer contributions increased from those of fiscal year 2001 from $728.5 million to $745.7 million or an increase of $17.2 million (2.4 percent). Contributions increased because the number of currently employed members increased. PERS recognized a net investment loss of $973.7 million for the 2002 fiscal year, compared with a net investment loss of $1.2 billion for the 2001 fiscal year. The investment loss was mainly due to unfavorable investment returns.

Deductions from PERS net assets held in trust for benefits include mainly retirement and beneficiary benefits and administrative expenses. For the 2002 fiscal year, benefits amounted to $847.7 million, an increase of $88.4 million (11.6 percent) over the 2001 fiscal year. The increase in benefit payments was due to an increase in the benefit recipients, as well as benefit enhancements enacted by H.B. 472 (1999 Statutes). For the 2002 fiscal year, the costs of administering the System amounted to $8.3 million, a decrease of $549 thousand (6.2 percent) from fiscal year 2001. The decrease in administrative expenses was due to a decrease in the amount of expenditures for contractual services and commodities.

An actuarial valuation of PERS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2002, the funded status of the system decreased to 83.4 percent from 87.5 percent at June 30, 2001. The amount by which the PERS actuarial assets were less than actuarial benefit liabilities was $3.4 billion at June 30, 2002, compared with $2.3 billion at June 30, 2001. This decrease in funded status relates primarily to unfavorable investment returns on an actuarial basis, benefit enhancements enacted by H.B. 472 (1999 Statutes), and the assumed active member payroll increasing at a rate less than the actuarial assumption.

Net Assets – Defined Benefit Plans
June 30
(In Thousands)

	PERS 2002	PERS 2001	MHSPRS 2002	MHSPRS 2001
Assets:				
Cash, cash equivalents, and receivables	$ 1,123,464	$ 640,882	$ 16,617	$ 9,316
Investments at fair value	13,716,300	15,004,719	214,765	241,949
Invested securities lending collateral	1,922,947	1,673,750	30,295	27,125
Capital assets	4,251	3,694	–	–
Total assets	16,766,962	17,323,045	261,677	278,390
Liabilities:				
Investment accounts and other payables	1,054,175	704,723	16,477	11,266
Securities lending liability	1,912,071	1,672,124	30,124	27,098
Total liabilities	2,966,246	2,376,847	46,601	38,364
Total net assets	$ 13,800,716	$ 14,946,198	$ 215,076	$ 240,026

Changes in Net Assets – Defined Benefit Plans
Year Ended June 30
(In Thousands)

	PERS 2002	PERS 2001	MHSPRS 2002	MHSPRS 2001
Additions:				
Contributions	$ 745,685	$ 728,538	$ 7,128	$ 7,293
Investment loss	(973,690)	(1,159,509)	(15,340)	(18,868)
Other revenues	598	646	–	28
Total	(227,407)	(430,325)	(8,212)	(11,547)
Deductions:				
Pension benefits	847,655	759,282	16,558	15,166
Refunds	62,126	65,370	66	62
Administrative and other expenses	8,294	8,843	114	117
Total	918,075	833,495	16,738	15,345
Decrease in net assets	$(1,145,482)	$ (1,263,820)	$ (24,950)	$ (26,892)

Mississippi Highway Safety Patrol Retirement System

The Mississippi Highway Safety Patrol Retirement System (MHSPRS) provides retirement benefits to sworn officers of the Mississippi Highway Safety Patrol. Benefits of MHSPRS are funded by member and employer contributions and by earnings on investments. MHSPRS net assets held in trust for benefits at June 30, 2002 amounted to $215.1 million, a decrease of $24.9 million (10.4 percent) from $240.0 million at June 30, 2001.

Additions to MHSPRS net assets held in trust for benefits include employer and member contributions and investment income. For the 2002 fiscal year, member and employer contributions decreased $165 thousand (2.3 percent) from those of fiscal year 2001 from $7.3 million to $7.1 million. Contributions decreased because the number of active members decreased. MHSPRS recognized a net investment loss of $15.3 million for the 2002 fiscal year compared with net investment loss of $18.9 million for the 2001 fiscal year. The investment loss was mainly due to unfavorable investment returns.

Net Assets – Defined Benefit Plans
June 30
(In Thousands)

MRS		SLRP		Eliminations	Total Defined Benefit Pension Plans		Total Percent
2002	2001	2002	2001	2002	2002	2001	Change
$ 17,437	$ 10,234	$ 618	$ 326	$ (7)	$ 1,158,129	$ 660,758	75.3%
220,374	255,023	7,993	8,476	–	14,159,432	15,510,167	(8.7)%
31,088	28,589	1,127	950	–	1,985,457	1,730,414	14.7%
–	–	–	–	–	4,251	3,694	15.1%
268,899	293,846	9,738	9,752	(7)	17,307,269	17,905,033	(3.3)%
16,872	11,909	615	396	(7)	1,088,132	728,294	49.4%
30,911	28,561	1,121	949	–	1,974,227	1,728,732	14.2%
47,783	40,470	1,736	1,345	(7)	3,062,359	2,457,026	24.6%
$ 221,116	$ 253,376	$ 8,002	$ 8,407	$ –	$ 14,244,910	$ 15,448,007	(7.8)%

Changes in Net Assets – Defined Benefit Plans
Year Ended June 30
(In Thousands)

MRS		SLRP		Eliminations	Total Defined Benefit Pension Plans		Total Percent
2002	2001	2002	2001	2002	2002	2001	Change
$ 14,852	$ 15,954	$ 560	$ 563	$ –	$ 768,225	$ 752,348	2.1%
(15,741)	(19,886)	(570)	(661)	–	(1,005,341)	(1,198,924)	16.1%
–	–	–	–	(529)	69	674	(89.8)%
(889)	(3,932)	(10)	(98)	(529)	(237,047)	(445,902)	46.8%
30,964	29,986	386	361	–	895,563	804,795	11.3%
–	135	1	16	–	62,193	65,583	(5.2)%
407	429	8	7	(529)	8,294	9,396	(11.7)%
31,371	30,550	395	384	(529)	966,050	879,774	9.8%
$ (32,260)	$ (34,482)	$ (405)	$ (482)	$ –	$ (1,203,097)	$ (1,325,676)	9.2%

Deductions from MHSPRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2002 fiscal year, benefits amounted to $16.6 million, an increase of $1.4 million (9.2 percent) over the 2001 fiscal year. The increase in benefit payments was due to an increased number of benefit recipients and benefit enhancements. For the 2002 fiscal year, MHSPRS transferred $114 thousand to PERS to offset the cost of administration, a decrease of $3.0 thousand (2.6 percent) from fiscal year 2001.

An actuarial valuation of MHSPRS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2002, the funded status of the system decreased to 92.2 percent from 103.6 percent at June 30, 2001. The amount by which the MHSPRS actuarial assets were less than actuarial benefit liabilities was $22.3 million at June 30, 2002, compared with excess assets of $9.1 million at June 30, 2001. The decrease in the funded status relates primarily to unfavorable investment returns on an actuarial basis, benefit enhancements, and a decrease in the number of active members.

Municipal Retirement Systems

Two municipal retirement systems and seventeen fire and police disability and relief systems comprise the Municipal Retirement Systems (MRS). Seventeen of these separate systems provide retirement benefits to municipal employees, fire fighters and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Membership in the other two systems was extended until July 1, 1987. The financial positions of these systems have been aggregated for financial reporting purposes. Individual system information is included with the specific municipality's comprehensive annual financial report. Benefits of MRS are funded by member and employer contributions, and by earnings on investments. MRS net assets held in trust for benefits at June 30, 2002 amounted to $221.1 million, a decrease of $32.3 million (12.7 percent) from $253.4 million at June 30, 2001.

Additions to MRS net assets held in trust for benefits consist of employer and member contributions and investment income. For the 2002 fiscal year, member and employer contributions decreased $1.1 million (6.9 percent) from those of fiscal year 2001 from $16.0 million to $14.9 million. Contributions decreased because the number of active members decreased. MRS recognized a net investment loss of $15.7 million for the 2002 fiscal year compared with a net investment loss of $19.9 million for the 2001 fiscal year. The investment loss was mainly due to unfavorable investment returns.

Deductions from MRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2002 fiscal year, benefits amounted to $31.0 million, an increase of $1.0 million (3.3 percent) over the 2001 fiscal year. The increase in benefit payments was due to benefit enhancements. For the 2002 fiscal year, MRS transferred $407 thousand to PERS to offset the cost of administration, a decrease of $22 thousand (5.1 percent) from fiscal year 2001.

An actuarial valuation of MRS assets and benefit obligations is performed annually as of September 30. The funded status of MRS, as of September 30, 2001, increased to 68.7 percent from 67.6 percent at September 30, 2000. The amount by which the MRS actuarial assets were less than actuarial benefit liabilities was $119.5 million at September 30, 2001, compared with $121.3 million at September 30, 2000. The increase in the funded status relates primarily to favorable investment returns on an actuarial basis.

Supplemental Legislative Retirement Plan

The Supplemental Legislative Retirement Plan (SLRP) provides supplemental retirement benefits to all elected members of the State Legislature and the president of the Senate. Benefits of SLRP are funded by member and employer contributions and by earnings on investments. SLRP net assets held in trust for benefits at June 30, 2002 amounted to $8.0 million, a decrease of $405 thousand (4.8 percent) from $8.4 million at June 30, 2001.

Additions to SLRP net assets held in trust for benefits include employer and member contributions and investment income. For the 2002 fiscal year, member and employer contributions decreased $3 thousand (0.5 percent) from those of fiscal year 2001 from $563 thousand to $560 thousand. Contributions decreased because reported salaries decreased. SLRP recognized a net investment loss of $570 thousand for the 2002 fiscal year, compared with a net investment loss of $661 thousand for the 2001 fiscal year. The investment loss was mainly due to unfavorable investment returns.

Deductions from SLRP net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2002 fiscal year, benefits amounted to $386 thousand, an increase of $25 thousand (6.9 percent) over the 2001 fiscal year. The increase in benefit payments was due to an increase in the benefit recipients, as well as benefit enhancements enacted by H.B. 472 (1999 Statutes). For the 2002 fiscal year, SLRP transferred $8 thousand to PERS to offset the cost of administration, an increase of $1 thousand (14.3 percent) from fiscal year 2001.

An actuarial valuation of SLRP assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2002, the funded status of the system decreased to 85.9 percent from 88.6 percent at June 30, 2001. The amount by which the SLRP actuarial assets were under actuarial benefit liabilities was $1.6 million at June 30, 2002, compared with $1.2 million at June 30, 2001. The decrease in the funded status relates primarily to unfavorable investment returns on an actuarial basis and benefit enhancements enacted by H.B. 472 (1999 Statutes).

Actuarial Valuations and Funding Progress

An actuarial valuation of each of the defined benefit plans administered by the System is performed annually as of June 30, with the exception of MRS, which is performed as of September 30. The funded status of each of the systems is shown in the Schedules of Funding Progress on pages 61 and 62. Funding ratios range from a high of 92.2 percent to a low of 68.7 percent. This table shows the funding ratios for the last six fiscal years. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial benefit liabilities. The funding ratio decline is a result of the overall negative investment performance, as well as benefit enhancements. The full impact of the investment market downturn during 2000 and 2001 is not yet reflected in the funding status. This is due to the fact that the actuarial value of assets is based on a five year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial assumed income of 8.0 percent over a five-year period. At June 30, 2002, the actuarial value of assets exceeded the market value of assets by $3.1 billion compared with the market value of assets exceeding the actuarial value of assets by $1.3 billion at June 30, 2001.

Net Assets – IRC 457 Plan
June 30
(In Thousands)

	IRC 457 Plan GEDCP 2002	2001	Percent Change
Assets:			
Cash, cash equivalents, and receivables	$ 5,368	$ 5,058	6.1 %
Investments at fair value	577,079	601,532	(4.1)%
Total assets	582,447	606,590	(4.0)%
Liabilities:			
Investment accounts and other payables	169	172	(1.7)%
Total liabilities	169	172	(1.7)%
Total net assets	$ 582,278	$ 606,418	(4.0)%

Changes in Net Assets – IRC 457 Plan
Year ended June 30
(In Thousands)

	IRC 457 Plan GEDCP 2002	2001	Percent Change
Additions:			
Contributions	$ 51,417	$ 48,487	6.0 %
Investment income (loss)	(51,750)	(30,587)	(69.2)%
Total	(333)	17,900	(101.9)%
Deductions:			
Pension benefits	23,807	20,368	16.9 %
Administrative expenses	-	-	-
Total	23,807	20,368	16.9 %
Decrease in net assets	$ (24,140)	$ (2,468)	(878.1)%

Defined Contribution Plans

457 Defined Contribution Plan

The 457 Plan is established under Section 457 of the Internal Revenue Code. This plan provides supplemental retirement benefits for plan participants. The plan is funded by contributions and by investment earnings. The plan net assets held in trust for benefits at June 30, 2002 amounted to $582.3 million, a decrease of $24.1 million (4.0 percent) from net assets of $606.4 million at June 30, 2001.

Additions to the 457 Plan net assets held in trust for benefits include contributions and investment income. For the 2002 fiscal year, contributions increased from those of the 2001 fiscal year from $48.5 million to $51.4 million or an increase of $2.9 million (6.0 percent). Contributions increased because of increased participation. The plan recognized a net investment loss of $51.8 million for the 2002 fiscal year compared with a net investment loss of $30.6 million for the 2001 fiscal year. The net investment loss was a result of unfavorable investment returns.

Deductions from the 457 Plan net assets include payments to participants and beneficiaries. For the 2002 fiscal year, payments amounted to $23.8 million, an increase of $3.4 million (16.9 percent) over the 2001 fiscal year. The increase in payments was due to an increase in the number of withdrawals for the year.

Benefit obligations of the 457 Defined Contribution Plan are equal to the member account balances, which are equal to net assets of the plan.

Requests For Information

This Financial Report is designed to provide a general overview of the finances of the System. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005.

Public Employees' Retirement System of Mississippi
Statement of Fiduciary Net Assets
June 30, 2002
(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds	Agency Funds	Total 2002
Assets										
Cash and cash equivalents (note 3)	$ 437,800	$ 6,702	$ 6,875	$ 249	$ –	$ 451,626	$ 1,935	$ 453,561	$ 4	$ 453,565
Receivables:										
Employer	28,965	–	327	–	–	29,292	–	29,292	–	29,292
Employee	21,538	–	54	–	–	21,592	3,279	24,871	–	24,871
Investment proceeds	553,630	8,670	8,897	323	–	571,520	–	571,520	–	571,520
Interest and dividends	79,473	1,245	1,277	46	–	82,041	154	82,195	–	82,195
Other receivables	2,040	–	7	–	–	2,047	–	2,047	–	2,047
Total receivables	685,646	9,915	10,562	369	–	706,492	3,433	709,925	–	709,925
Investments, at fair value (note 3):										
Short-term securities	120,424	1,846	1,894	69	–	124,233	10,360	134,593	–	134,593
Fixed income securities	5,314,013	83,220	85,394	3,097	–	5,485,724	17,461	5,503,185	–	5,503,185
Equity securities	8,281,863	129,699	133,086	4,827	–	8,549,475	200,212	8,749,687	–	8,749,687
Balanced asset fund	–	–	–	–	–	–	23,851	23,851	–	23,851
Fixed and variable investments	–	–	–	–	–	–	324,562	324,562	–	324,562
Life insurance contracts	–	–	–	–	–	–	633	633	–	633
Total investments before lending activities	13,716,300	214,765	220,374	7,993	–	14,159,432	577,079	14,736,511	–	14,736,511
Securities lending:										
Short-term securities	1,206,702	19,011	19,509	707	_	1,245,929	_	1,245,929	_	1,245,929
Fixed income securities	716,245	11,284	11,579	420	–	739,528	–	739,528	–	739,528
Total securities lending	1,922,947	30,295	31,088	1,127	–	1,985,457	–	1,985,457	–	1,985,457
Total investments	15,639,247	245,060	251,462	9,120	–	16,144,889	577,079	16,721,968	–	16,721,968
Due from (to) other funds (note 5)	18	–	–	–	(7)	11	–	11	–	11
Capital assets, at cost, net of accumulated depreciation (note 4)	4,251	–	–	–	–	4,251	–	4,251	–	4,251
Total assets	16,766,962	261,677	268,899	9,738	(7)	17,307,269	582,447	17,889,716	4	17,889,720
Liabilities										
Accounts payable and accrued expenses	1,053,037	16,477	16,865	615	–	1,086,994	168	1,087,162	–	1,087,162
Obligations under securities lending	1,912,071	30,124	30,911	1,121	–	1,974,227	–	1,974,227	–	1,974,227
Due to other funds	–	–	7	–	(7)	–	1	1	10	11
Funds held for others	1,138	–	–	–	–	1,138	–	1,138	(6)	1,132
Total liabilities	2,966,246	46,601	47,783	1,736	(7)	3,062,359	169	3,062,528	4	3,062,532
Net assets held in trust for pension benefits (A schedule of funding progress for each plan is presented on page 61.)	$13,800,716	$215,076	$221,116	$8,002	$ –	$14,244,910	$582,278	$14,827,188	$ –	$14,827,188

The accompanying notes are an integral part of these financial statements.

Public Employees' Retirement System of Mississippi
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2002

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds 2002
Additions:								
Contributions:								
Employer	$428,122	$5,710	$14,174	$380	$ –	$448,386	$ –	$448,386
Employee	317,563	1,418	678	180	–	319,839	51,417	371,256
Total contributions	745,685	7,128	14,852	560	–	768,225	51,417	819,642
Net investment income:								
Net depreciation in fair value	(1,412,339)	(22,251)	(22,832)	(828)	–	(1,458,250)	(53,810)	(1,512,060)
Interest and dividends	451,908	7,120	7,306	265	–	466,599	2,060	468,659
Total before lending activities	(960,431)	(15,131)	(15,526)	(563)	–	(991,651)	(51,750)	(1,043,401)
Securities lending:								
Net appreciation in fair value	10,468	165	169	6	–	10,808	–	10,808
Interest and dividends	38,144	601	617	22	–	39,384	–	39,384
Interest expense	(37,601)	(593)	(608)	(22)	–	(38,824)	–	(38,824)
Program fees	(3,130)	(49)	(51)	(1)	–	(3,231)	–	(3,231)
Net income from securities lending	7,881	124	127	5	–	8,137	–	8,137
Managers' fees and trading costs	(21,140)	(333)	(342)	(12)	–	(21,827)	–	(21,827)
Net investment loss	(973,690)	(15,340)	(15,741)	(570)	–	(1,005,341)	(51,750)	(1,057,091)
Other revenues:								
Rent income	68	–	–	–	–	68	–	68
Administrative fees	529	–	–	–	(529)	–	–	–
Other	1	–	–	–	–	1	–	1
Total other revenues	598	–	–	–	(529)	69	–	69
Total	(227,407)	(8,212)	(889)	(10)	(529)	(237,047)	(333)	(237,380)
Deductions:								
Retirement annuities	847,655	16,558	30,964	386	–	895,563	23,807	919,370
Refunds to terminated employees	62,126	66	–	1	–	62,193	–	62,193
Total	909,781	16,624	30,964	387	–	957,756	23,807	981,563
Administrative expenses:								
Personal services:								
Salaries, wages and fringe benefits	5,316	–	–	–	–	5,316	–	5,316
Travel and subsistence	62	–	–	–	–	62	–	62
Contractual services	2,458	–	–	–	–	2,458	–	2,458
Commodities	276	–	–	–	–	276	–	276
Total administrative expenses	8,112	–	–	–	–	8,112	–	8,112
Depreciation	181	–	–	–	–	181	–	181
Loss on disposal of equipment	1	–	–	–	–	1	–	1
Administrative Fees	–	114	407	8	(529)	–	–	–
Total	918,075	16,738	31,371	395	(529)	966,050	23,807	989,857
Net decrease	(1,145,482)	(24,950)	(32,260)	(405)	–	(1,203,097)	(24,140)	(1,227,237)
Net assets held in trust for pension benefits:								
Beginning of year (note 2)	14,946,198	240,026	253,376	8,407	–	15,448,007	606,418	16,054,425
End of year	$13,800,716	$215,076	$221,116	$8,002	$ –	$14,244,910	$582,278	$14,827,188

The accompanying notes are an integral part of these financial statements.

1. Plan Description

(a) General

The Public Employees' Retirement System of Mississippi (System) is the administrator of six fiduciary funds, of which five are pension trust funds and one an agency fund, as listed below. The System is also the administrator of the Optional Retirement Plan, a defined contribution plan, but as explained in note 2, that plan is not part of the System's reporting entity.

Plan Name	Type of Plan
Public Employees' Retirement System of Mississippi (PERS)	Cost-sharing multiple-employer defined benefit plan
Mississippi Highway Safety Patrol Retirement System (MHSPRS)	Single-employer defined benefit plan
Municipal Retirement Systems and Fire and Police Disability and Relief Fund (MRS)*	Agent multiple-employer defined benefit plan
Supplemental Legislative Retirement Plan (SLRP)	Single-employer defined benefit plan
Government Employees' Deferred Compensation Plan (GEDCP)	IRC 457 defined contribution plan
Flexible Benefits Cafeteria Plan (FBCP)	Agency

**Closed to new members*

The System's purpose is to provide pension benefits for all State and public education employees, uniformed officers of the State Highway Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the president of the Senate.

A summary of participating employers and members follows:

	PERS	MHSPRS	MRS*	SLRP	TOTAL
Employers:					
State agencies	114	2	–	5	121
State universities	9	–	–	–	9
Public schools	150	–	–	–	150
Community/ junior colleges	15	–	–	–	15
Counties	82	–	–	–	82
Municipalities	221	–	17	–	238
Other political subdivisions	241	–	–	–	241
Total employers	832	2	17	5	856
Members:					
Active vested	101,539	447	141	143	102,270
Active nonvested	50,609	112	41	32	50,794
Total active members	152,148	559	182	175	153,064
Inactive vested	16,305	15	1	43	16,364
Inactive nonvested	94,436	24	3	10	94,473
Total inactive members	110,741	39	4	53	110,837
Retirees and beneficiaries	56,705	595	2,258	86	59,644
Total retired/inactive members	167,446	634	2,262	139	170,481
Total members	319,594	1,193	2,444	314	323,545
Active members by employer:					
State agencies	32,814	559	–	175	33,548
State universities	16,663	–	–	–	16,663
Public schools	58,857	–	–	–	58,857
Community/junior colleges	6,006	–	–	–	6,006
Counties	13,144	–	–	–	13,144
Municipalities	17,521	–	182	–	17,703
Other political subdivisions	7,143	–	–	–	7,143
Total active members	152,148	559	182	175	153,064

**Information furnished for MRS is as of September 30, 2001.*

(b) Membership and Benefit Provisions

(1) Public Employees' Retirement System of Mississippi

Membership in PERS is a condition of employment for those who qualify; eligibility is granted upon hiring for qualifying employees and officials of the State of Mississippi (the "State"), State universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. If approved, membership is a condition of employment and eligibility is granted to those who qualify upon hiring. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions plus interest.

Participating employees who retire at or after age 60 with 4 or more years of membership service or those who retire regardless of age with at least 25 years of credited service are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to $1^7/_8$ percent of their average compensation for each year of credited service up to and including 5 years and 2 percent for each year of credited service from 5 through 25 years, plus 2 1/4 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the 4 highest compensated years of credited service. A member may elect a reduced allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of 4 years of membership service. PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

A cost-of-living payment is made to eligible retirees and beneficiaries. The cost of living adjustment is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55. For the year ended June 30, 2002, the total additional annual payments were $152,477,000.

(2) Mississippi Highway Safety Patrol Retirement System

Membership in MHSPRS is a condition of employment; eligibility is granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State of Mississippi.

Participating employees who withdraw from service at or after age 55 with at least 5 years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.5 percent of their average compensation during the 4 highest consecutive years of earnings reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions plus interest. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

Retirees and beneficiaries of MHSPRS receive an additional amount equal to 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. The Board may grant an additional percentage in increments of 1/4 percent, up to a maximum of 1.5 percent. For the year ended June 30, 2002, the total additional annual payments were $4,453,000.

(3) Municipal Retirement Systems

Membership in the two Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, fire fighters and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Employees hired after these periods automatically become members of PERS. Municipal Retirement Systems were all closed to new members by July 1, 1987.

Participating employees who retire regardless of age with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service over 20 years not to exceed 66 2/3 percent of average monthly compensation. Average monthly compensation for the two Municipal Retirement Systems and for the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service.

Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS also provides certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions. Benefit provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Statutes may be amended only by the State of Mississippi Legislature.

The retirees and beneficiaries of Municipal plans with provisions for additional payments, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to an additional payment. This payment is equal to the annual percentage change of the Consumer Price Index not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain Municipal plans may adopt an annual adjustment other than one linked to the change in the Consumer Price Index. These additional payments will only be made when funded by the employers. For the year ended June 30, 2002, the total additional annual payments were $1,248,000.

(4) Supplemental Legislative Retirement Plan

Membership in SLRP is composed of all elected members of the State Legislature and the president of the Senate. This plan is designed to supplement the provisions of PERS. Those serving when SLRP became effective on July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members.

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. However, the aggregate amount of the retirement allowance from SLRP and PERS cannot exceed 100 percent of average compensation. Benefits vest upon completion of 4 years of membership service in PERS. SLRP also provides certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a refund of employee contributions plus interest. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature.

Retirees and beneficiaries of SLRP may receive additional amounts calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2002, the total additional annual payments were $44,000.

(5) Government Employees' Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The term "employee" means any person, whether appointed, elected, or under contract, providing services for the State, State agencies, counties, municipalities, or other political subdivisions, for which compensation is paid. The plan permits employees to defer a portion of their income until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The PERS Board of Trustees amended the plan to provide that all assets and income of the plan shall be held in trust for the exclusive benefit of participants and their beneficiaries in order to comply with amendments to Section 457 of the Internal Revenue Code.

The System has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. At June 30, 2002, total plan assets aggregated $582,447,000.

(6) Flexible Benefits Cafeteria Plan

Section 25-17-3, Mississippi Code Ann. (1972), authorizes any State agency to adopt a benefit plan which meets the requirements of a cafeteria plan as defined in Section 1-25 et seq. of the Internal Revenue Code of 1954, and regulations thereunder, for the benefit of eligible employees and their dependents. The FBCP was established to account for transactions related to those employees of the System who participate in the cafeteria plan.

(c) Employee and Employer Obligations to Contribute

Employees covered by PERS are required to contribute 7.25 percent of their salary. Employees covered by MHSPRS are required to contribute 6.5 percent of their salary. Members of SLRP are required to contribute 3 percent of their compensation in addition to the 7.25 percent required by PERS. If an employee covered by PERS, MHSPRS, or SLRP leaves employment, accumulated employee contributions plus interest are refunded to the employee upon request. The interest paid on employee accounts was 3.5 percent in 2002. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Each employer contributes the remaining amounts necessary to finance the plan. Contribution provisions are established by Section 25-11-1 et seq. for PERS, Section 25-13-1 et seq. for MHSPRS, and Section 25-11-301 et seq., Mississippi Code Ann. (1972) for SLRP. These statutes may be amended only by the State of Mississippi Legislature.

Employees covered by MRS are required to contribute amounts varying from 7 percent to 10 percent of their salary, depending on the actuarial soundness of their respective plans. Any increase to the 7 percent base contribution rate is made in increments not to exceed 1 percent per year. If an employee leaves covered employment, accumulated employee contributions are refunded to the employee upon request. Employees covered by MRS do not receive interest on their accumulated contributions. Each employer contributes the remaining amounts necessary to finance participation of its own employees in MRS. Contribution provisions are established by Sections 21-29, Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Statutes may be amended only by the State of Mississippi Legislature.

2. Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The System has developed criteria in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, to determine whether other state agencies, boards or commissions which benefit the members of the System should be included within its financial reporting entity as component units. Component units are defined as legally separate organizations for which the officials of the System are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the System is such that exclusion would cause the System's financial statements to be misleading or incomplete.

In accordance with GASB Statement No. 14, the following criteria are used when evaluating financial accountability: (1) the ability of the System to appoint a voting majority of the organization's governing body and the ability to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the System. In addition, the System may be financially accountable if an organization is fiscally dependent on the System regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

The reporting entity for the System and its component units consists of five pension trust funds and one agency fund. The pension trust funds are PERS, MHSPRS, MRS, SLRP, and GEDCP. These financial statements are included in the financial statements of the State of Mississippi. The agency fund is the FBCP. The component units of the System are included in the System's reporting entity due to their financial relationships. Although the component units are legally separate from the System, they are reported as if they were part of the System because the governing boards of each are identical. The System is considered a component unit of the State of Mississippi reporting entity.

The membership of the Optional Retirement Plan (ORP) is composed of teachers and administrators of institutions of higher learning appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. Membership in ORP is offered as a recruitment tool for institutions of higher learning.

Title 25, Article 11 of the Mississippi Code states that the Board of Trustees of the System will provide for the administration of the ORP program. ORP participants direct the investment of their funds among three investment vendors. Benefits payable to plan participants are not obligations of the State of Mississippi. Such benefits and other rights of participants or their beneficiaries are the liability of the vendors and are governed solely by the terms of the annuity contracts issued by them. As such, ORP is not considered part of the System's reporting entity for financial reporting purposes.

(b) Basis of Presentation - Fund Accounting

Fiduciary funds are used to account for assets held by the System in a trustee capacity or as an agent. Fiduciary funds include PERS, MHSPRS, MRS, SLRP, and GEDCP pension trust funds. Agency funds are custodial in nature and do not involve measurement of results of operations. FBCP is accounted for as an agency fund.

(c) Basis of Accounting

PERS, MHSPRS, MRS, SLRP, and GEDCP use the accrual basis of accounting and the economic resources measurement focus. Employee and employer contributions are recognized as revenue in the period in which employee services are performed; investment income is recognized when earned. Expenses, including benefits and refunds paid, are recognized when incurred. Investments for PERS, MHSPRS, MRS, SLRP, and GEDCP are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. For individual investments where no readily ascertainable fair value exists, the System, in consultation with its investment advisors and custodial bank, has determined the fair values.

The System applies all Governmental Accounting Standards Board (GASB) pronouncements and those Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

(d) Budgetary Data

Annual budgets are legally adopted on a modified cash basis for the administrative expenditure portion of the pension trust funds. The System uses the following procedures in the budgetary process:

– Approximately one year in advance, the System prepares a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.

– At the beginning of August this proposed budget for the fiscal year commencing the following July is submitted to the Department of Finance and Administration and the Joint Legislative Budget Committee. Budget hearings are conducted by these bodies which result in recommendations for changes.

– In January the proposed budget and the recommendations proposed by the Department of Finance and Administration and the Joint Legislative Budget Committee are presented to the State Legislature. The State Legislature makes any revisions it deems appropriate and then legally enacts the System's budget in the form of an appropriation bill.

– The System is authorized to transfer budget amounts between major expenditure classifications on a limited basis subject to approval by the Department of Finance and Administration.

– Spending authority lapses for appropriated funds that remain undisbursed at August 31.

(e) Capital Assets

Capital assets used for administering the plans are carried at historical cost. Donated assets are valued at estimated fair value on the date donated. Depreciation is provided in amounts sufficient to relate the cost less the estimated salvage value of the depreciable assets to operations over their estimated service lives using the straight-line method.
The following schedule summarizes estimated useful lives by asset classification:

Asset Classification	Estimated Useful Life	Estimated Salvage Value
Building	40 years	20%
Improvements	20 years	20%
Furniture and equipment	5-15 years	1%
Computer equipment	3 years	1%
Vehicles	3-10 years	10%

(f) Accumulated Personal Leave and Major Medical Leave

Section 25-3-97, Mississippi Code Ann. (1972), authorizes a lump sum payment for a maximum of 30 days of accrued personal leave upon termination of employment. No payment is authorized for accrued major medical leave unless the employee presents medical evidence that his or her physical condition is such that the employee no longer has the capacity to work in State government.

Accumulated personal leave (including fringe benefits) of employees directly related to the administration of the System is paid from the pension trust funds and is accrued in the financial statements when earned, up to a maximum of 30 days per employee.

The System does not accrue accumulated major medical leave since it is not probable that the compensation will be paid and since the leave vests only upon termination for medical disability.

(g) Derivatives

In accordance with authorized investment laws and policies, the System invests in various derivative securities, such as asset-backed securities, collateralized mortgage obligations, interest-only strips and principal-only strips. These securities are reported at fair value (see note 3) and are included in the category, "Fixed income securities," in the Statement of Fiduciary Net Assets. The System has no other derivative financial instruments.

(h) Accounting Change

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments* (GASB 34) and in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, which amended certain provisions of GASB 34. Also, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. These pronouncements had no impact on the System's net assets, except as discussed below, but require additional disclosures. As a result of the adoption of GASB 34, the Management's Discussion and Analysis has been included as required supplementary information and precedes the financial statements. The GEDCP (Internal Revenue Code Section 457 Plan), which was previously reported as part of Other Trust and Agency Funds, is now reported as part of Pension Trust Funds in the Statement of Fiduciary Net Assets.

(i) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2002, and the reported amounts of additions to and deductions from net assets during the year then ended. Actual results could differ from those estimates.

3. Cash, Cash Equivalents and Investments

(a) Legal Provisions

The System is authorized by Section 25-11-121, Mississippi Code Ann. (1972), to invest in the following:

- Bonds, notes, certificates and other valid general obligations of the State, or of any county, city or supervisor's district of any county of the State.

- School district bonds of the State.

- Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board of Mississippi.

- Highway bonds of the State.

- Corporate bonds of Grade BAA/BBB or better as rated by Standard and Poor's Corporation or by Moody's Investors Service.

- Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by Standard and Poor's Corporation or rated P-3 or better by Moody's Investors Service. The Board of Trustees has established a policy which further limits investments of this type to only those corporations whose short-term obligations are rated A-2 or P-2 by Standard and Poor's Corporation or Moody's Investors Service, respectively.

- Bonds of the Tennessee Valley Authority.

- Bonds, notes, certificates and other valid obligations of the United States of America, or any Federal instrumentality that issues securities under authority of an Act of Congress and are exempt from registration with the U.S. Securities and Exchange Commission.

- Bonds, notes, debentures and other securities issued by any Federal instrumentality and fully guaranteed by the United States of America.

- Bonds rated single A or better, stocks and convertible securities of established foreign companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated single A or better by a recognized rating agency. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments.

- Interest bearing bonds or notes which are general obligations of any other state in the United States of America or any city or county therein, provided such city or county had a population as shown by the Federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

- Shares of common and/or preferred stock of corporations created by or existing under the laws of the United States of America or any state, district or territory thereof.

- Covered call and put options on securities traded on one or more of the regulated exchanges.

- Pooled or commingled funds managed by a corporate trustee or by a U.S. Securities and Exchange Commission registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940. Such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments.

- Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a Securities and Exchange Commission registered investment advisory firm retained as an investment manager by the Board of Trustees of the System.

The System is also authorized by its Board of Trustees to operate a securities lending program, and has contracted with its custodian to reinvest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by Federal insurance programs. These statutes also require that, when possible, the types of collateral securing deposits be limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by Federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2002 the System had no deposits in foreign demand deposit accounts.

Approximately 22 percent of the investment securities held in trust by the System are invested in bonds of the U.S. Government and its instrumentalities. The System has no investments of any other single organization that represent 5 percent or more of the System's net assets.

(b) Cash and Cash Equivalents

The amount of the System's total cash deposits, which include cash equivalents, at June 30, 2002, was $453,565,000 and the corresponding bank balances which are represented by collected funds were $450,462,000. Bank balances were covered by federal depository insurance and collateral. Of the cash deposits, $439,433,000 were invested by the System's custodial bank in cash equivalents.

Cash equivalents consist of excess daily cash which has been swept into money market investment vehicles by the System's custodial bank. These investment vehicles are comprised of repurchase agreements backed by U.S. Treasury and Agency securities, investments in U.S. Treasury and Agency securities and other short-term money market funds which limit investments to U.S. Treasury and Agency securities.

(c) Investments

Governmental accounting standards require that the investments reported as of the balance sheet date be categorized according to the level of credit risk associated with the System's custodial arrangements at that time. The level of credit risk is defined as follows: Category 1 – insured or registered, or securities held by the System or its agent in the System's name; Category 2 – uninsured and unregistered, with securities held by the counterparty's trust department or agent in the System's name; and Category 3 – uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the System's name.

The following table presents the cost and fair value of investments by type at June 30, 2002 (in thousands):

	Pension Trust Funds	
	Cost	Fair Value
Investments - category 1:		
Short-term securities	$ 124,351	$ 124,233
Fixed income securities	4,097,153	4,248,991
Domestic equity securities	4,320,563	6,240,569
International equity securities:		
Unloaned securities	1,726,950	1,643,094
On securities loan for noncash collateral	7,860	5,550
Total - category 1	10,276,877	12,262,437
Investments - category 3:		
Short-term securities	1,240,249	1,245,929
Fixed income securities	738,263	739,528
Total - category 3	1,978,512	1,985,457
Investments - not categorized:		
Investments held by broker/dealers under securities loans with cash collateral:		
Fixed income securities	1,196,251	1,236,733
Domestic equity securities	330,311	210,815
International equity securities	409,787	417,738
International group equity trust	158,607	138,860
Money market fund	10,360	10,360
Fixed income fund	17,461	17,461
Balanced asset fund	23,851	23,851
Fixed and variable fund	324,562	324,562
Life insurance contracts	633	633
Equity fund	93,061	93,061
Total - not categorized	2,564,884	2,474,074
Total	$ 14,820,273	$ 16,721,968

All of the investment assets of MHSPRS, MRS, and SLRP are combined with those of PERS and invested in short-term, fixed income securities and equity securities. These investments are accounted for as part of the PERS pension trust fund and are allocated to MHSPRS, MRS, and SLRP based on their equitable interest in the PERS fund.

Section 25-11-121, Mississippi Code Ann. (1972) provides for the acquisition of derivative instruments by the System. Additionally, the System adopted a formal policy in February 1996 which established guidelines for investing in derivatives.

Market or interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates.

Credit risk for derivatives held by the System results from the same considerations as other counterparty risk assumed by the System, which is the risk that a borrower will be unable to meet its obligation. The System's policy requires that the credit quality of the underlying asset must be rated A or better by Moody's Investors Service or Standard and Poor's Corporation.

During fiscal year 2002, the investments in derivatives by the System were exclusively in asset/liability based derivatives such as interest-only strips, principal-only strips, collateralized mortgage obligations, and asset-backed securities. The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields.

Interest-only and principal-only strips are transactions which involve the separation of the interest and principal components of a security. They are sensitive to prepayments by mortgagors, which may result from a decline in interest rates.

Collateralized mortgage obligations (CMO's) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments cause a decline in cash flows and, thus a decline in fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the fair value of the security.

Asset-backed securities are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, asset-backed securities have been structured as pass-throughs and as structures with multiple bond classes.

(d) Securities Lending Transactions

The System accounts for securities lending transactions in accordance with GASB Statement No. 28 *Accounting and Financial Reporting for Securities Lending Transactions*, which established standards of accounting and financial reporting for securities lending transactions.

The following table details the net income from securities lending for the period ended June 30, 2002 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Fixed income	$ 34,156	$ 538	$ 552	$ 20	$ 35,266
Short term income	3,988	63	65	2	4,118
Net appreciation	10,468	165	169	6	10,808
Income from securities lending	48,612	766	786	28	50,192
Less:					
Interest expense	37,601	593	608	22	38,824
Program fees	3,130	49	51	1	3,231
Expenses from securities lending	40,731	642	659	23	42,055
Net income from securities lending	$ 7,881	$ 124	$ 127	$ 5	$ 8,137

The Board of Trustees has authorized the System to lend its securities to broker/dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker/dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of these financial statements. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2002 are long-term U.S. government and agency obligations and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent (domestic equities and bonds) and 105 percent (international equities) of the fair value and accrued income of the securities lent. In the event the collateral fair value falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. The contractual agreement with the System's custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend or sell securities received as collateral unless the borrower defaults.

The maturities of the investments made with cash collateral generally do not match the maturities of the securities lent. All securities on loan can be terminated on demand by either the System or the borrower, although the average term of these loans was 85 days at June 30, 2002. Cash collateral is invested in fixed income securities such as U.S. government and agency obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in short-term securities, such as repurchase agreements, commercial paper and bank notes. The weighted-average term to maturity of all collateral investments at June 30, 2002, was 368 days with a duration (calculation based on timing of expected future cash flows) of 54 days.

Securities lent at year-end for cash collateral are presented as unclassified in note 3 (c); securities lent for non-cash collateral are classified according to the credit risk category for the collateral. The investments purchased with the cash collateral are presented in category 3 since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year-end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System.

The following table presents the cost and fair values of the underlying securities, and the value of the collateral pledged at June 30, 2002 (in thousands):

Securities Lent	Cost	Fair Value	Accrued Income	Fair Value Plus Accrued Income	Cash Collateral Received/Noncash Collateral Value*
Lent for cash collateral:					
Fixed income securities	$ 1,196,251	$ 1,236,733	$ 21,068	$ 1,257,801	$ 1,310,223
Domestic equities	330,311	210,815	137	210,952	224,273
International equities	409,787	417,738	122	417,860	439,732
Lent for noncash collateral:					
International equities	7,860	5,550	–	5,550	5,723
Total securities lent	$ 1,944,209	$ 1,870,836	$ 21,327	$ 1,892,163	$ 1,979,951

**The noncash collateral value is based on the System's pro rata share of the value of the noncash collateral maintained in bulk at State Street Bank and Trust Company for all lending clients participating in the same lending programs.*

(e) Commission Recapture Program

The Board of Trustees has authorized the System to enter into a commission recapture program. This program allows the System to recapture a portion of the commissions paid to broker/dealers with which the System has entered into an agreement. Earnings credited to commission recapture income for the fiscal year ended June 30, 2002 were $2,918,000.

(f) Government Employees' Deferred Compensation Plan

Investments of the GEDCP are stated at fair value or cash surrender value for insurance contracts. A summary of investments at June 30, 2002, follows (in thousands):

	Amount
Equity securities	$ 107,151
Pooled investments:	
Money market fund	10,360
Fixed income fund	17,461
Balanced asset fund	23,851
Fixed and variable investments	324,562
Life insurance contracts	633
Equity fund	93,061
Total investments	$ 577,079

4. Capital Assets

The following is a summary of capital assets as of June 30, 2002 (in thousands):

Description	2002
Land	$ 508
Building	4,196
Improvements	25
Furniture and equipment	2,389
Construction in progress	660
Total capital assets	7,778
Less accumulated depreciation	3,527
Net capital assets	$ 4,251

In July 2000, the System purchased a building located at 301 North President Street. Construction in progress at June 30, 2002, principally consists of $373,000 in expenditures related to the renovation of this building. This project is planned for completion in October 2002. The estimated total remaining cost to complete this project is $227,000.

The renovation of the PERS building located at 429 Mississippi Street is scheduled to begin December 2002, with a planned completion date of March 2004, at an estimated remaining cost of $13,638,000.

5. Due To/Due From Other Funds

The following is a summary of due to/due from other funds as of June 30, 2002 (in thousands):

Receivable Fund	Payable Fund	Amount
Due To Pension Trust Fund	Due From Other Trust & Agency Funds	
PERS	FBCP	$ 10
PERS	GEDCP	1
Total		$ 11

6. Funding Status and Progress

(a) Change in Actuarial Asset Valuation

The actuarial value of assets is used in determining the funding progress of the System. The actuarial value of assets is based on a smoothed fair value basis in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Investment asset appreciation and depreciation is smoothed over a five-year period with 20 percent of a year's appreciation being recognized each year beginning with the current year. This smoothed actuarial value of assets is used in determining the actuarial funding status of the System and establishing the contribution rates necessary to accumulate assets to meet benefit obligations when due.

The following table presents the actuarial change in asset valuation for the year ended June 30, 2002 (in thousands):

	PERS	MHSPRS	MRS	SLRP
Valuation assets June, 2001***	$16,191,631	$ 259,713	$ 253,713	$ 9,124
Contributions and other revenue	745,754	7,128	14,960	560
Benefit payments	(909,781)	(16,624)	(30,287)	(387)
Administrative expenses	(7,763)	(114)	(411)	(8)
Investment expenses*	(21,140)	(333)	(369)	(12)
Net new money	(192,930)	(9,943)	(16,107)	153
Expected total investment return for 2002 (8%)	1,309,599	20,726	20,037	748
Adjustment towards market (20%)**	(485,115)	(7,241)	4,617	(295)
Valuation assets June, 2002***	$16,823,185	$ 263,255	$ 262,260	$ 9,730

**This amount is based on a proportionate share of the total investment expense of the commingled assets. The ratio of this number to the total investment expense is equal to the ratio of a fiscal year average market value of assets for this fund to a fiscal year average market value of the total commingled assets.*

***June 2002 fair values of net assets held in trust for pension benefits totaled $13,800,716; $215,076; $221,116; and $8,002, respectively. The current year unrecognized gains (losses) of $(1,809,720); $(28,588); $(31,532); and $(1,044), respectively, and prior year unrecognized gains (losses) of $(1,212,745); $(19,591); $16,181; and $(686), respectively, will be used to calculate adjustment towards fair value over the next 4 consecutive years.*

****Information for MRS is presented as of September, 2000 and 2001, respectively.*

(b) Actuarial Experience Review

An actuarial survey of the mortality, service, withdrawals, compensation experience of members and valuation of assets and liabilities is performed annually to determine the actuarial soundness of the System. To validate that the assumptions recommended by the actuary are in the aggregate reasonably related to actual experience, the System requests the actuary to conduct an experience investigation every other year. An experience review was last performed as of June 30, 2000. As a result of this study, the Board of Trustees adopted new assumptions in regard to withdrawal and disability rates, post-retirement service mortality rates, change to a service-based from an age-related pattern for service retirements, and the use of a service-related salary scale in place of an age-related scale. Also, new assumptions for MHSPRS and SLRP were adopted relating to a change to a service-based from an age-related pattern for service retirements and change in the amount of unused leave service credit to a half year for MHSPRS and two years for SLRP. New assumptions for SLRP and MRS were adopted relating to withdrawal rates and for MRS the merit/seniority component of the salary scale changed. These changes were used in the actuarial valuation of PERS, MHSPRS, and SLRP as of June 30, 2002. Significant actuarial assumptions used in the valuations are included in the notes to the required supplemental schedules.

(c) Actuarial Accrued Liability
The actuarial accrued liability for PERS, MHSPRS, MRS, and SLRP is presented in the notes to the required supplemental schedules.

7. Contributions Required and Contributions Made

Funding policies for PERS, MHSPRS, and SLRP provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Contributions for PERS, MHSPRS, and SLRP were made in accordance with actuarially determined contribution requirements determined through the most recent actuarial valuation. Costs to administer plans are financed from investment earnings. In addition, employers of MRS, MHSPRS, and SLRP contribute an administrative fee to the System.

A summary of plan contributions for participants for the year ended June 30, 2002 follows (dollars in thousands):

	PERS Contributions**		MHSPRS Contributions		SLRP Contributions	
	Amount	%*	Amount	%*	Amount	%*
Employee	$ 317,563	7.25%	$ 1,418	6.50%	$ 180	3.00%
Employer	428,191	9.75	5,710	26.16	380	6.33
Total	$ 745,754	17.00%	$ 7,128	32.66%	$ 560	9.33%
Normal cost	$ 484,931	11.05%	$ 5,386	24.68%	$ 390	6.49%
Amortization of unfunded actuarial accrued liability	260,823	5.95	1,742	7.98	170	2.84
Total	$ 745,754	17.00%	$ 7,128	32.66%	$ 560	9.33%

**Percent of current covered payroll.*
***Includes rent income and other revenues.*

Significant actuarial assumptions used to compute contribution requirements for PERS, MHSPRS, SLRP, and MRS are the same as those used to compute the standardized measure of the actuarial accrued liability described in the Notes to Required Supplemental Schedules.

Funding policies for MRS, established by Mississippi statutes, provide for a property tax to be levied within each municipality and deductions from salaries of members, at rates sufficient to make the plans actuarially sound. An actuarial evaluation is performed on an annual basis to determine the rates necessary to make the System actuarially sound. However, Mississippi statutes limit any increase in the property tax levy for pension contributions to one-half mill per year. Given this constraint on employer contribution increases, there is a possibility, depending upon future experience, that one or more of the funds under MRS will be exhausted at some point in the future. Such an event would lead to at least a temporary reduction in benefits paid until the affected fund's cash flow position improved.

The Mississippi Code Ann. (1972) provides that a municipality may fund or assist in funding MRS through the use of revenue bonds in order to make the funds under MRS actuarially sound by July 1, 2000. During the fiscal year ended June 30, 1998, a participating municipality issued $50 million in Pension Obligation Bonds. The proceeds of the bond issuance were transferred to MRS in lieu of employer contributions for the period October 1, 1997, to June 30, 2009. The millage levied by this municipality for MRS employer contributions will be used by the municipality to retire the bond indebtedness.

An actuary is used to determine the implications of the statutory limited contribution levels. At September 30, 2001, aggregate contributions for MRS were equivalent to 125.9 percent of the required annual contributions. Certain municipalities will have a contribution deficiency after the maximum one-half mill per year increase.

The employer contribution millage rates required for each municipality ranged from .49 to 9.19 mills, totaling $14,201,000 in actual contributions. The employee contribution rates ranged from 7 percent to 10 percent of covered payroll, totaling $758,412 in actual contributions.

(a) Effects of Current Year Changes on Contribution Requirements

Contribution requirements may be affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods or other significant factors.

The June 30, 2002, actuarial valuation incorporated no changes in actuarial assumptions for PERS, MHSPRS and SLRP. Also, the June 30, 2002, actuarial valuation incorporated changes in the benefit provisions for PERS, MHSPRS, and SLRP. There were no changes in actuarial methods for MRS since the last valuation. There were, however, changes in both actuarial assumptions and benefit provisions for MRS. For information on the changes in benefit provisions, refer to the 2002 Legislative Highlights in the Introductory Section of this report.

The following plan amendments were incorporated into the actuarial valuations:

PERS

– Benefit formula increased to 2.0 percent for all years of service less than 25 and 2.5 percent for all years greater than 25
– Payment of prorated COLA when benefits terminate between July 1 and December 1
– Maximum compensation increased from $125,000 to $150,000
– 100% compensation limit on combined PERS and SLRP benefits has been removed
– Immediate reinstatement of COLA upon re-retirement
– Free military service credit for pre-1972 service in the Commissioned corps of the United States Public Health Service for members retiring on or after July 1, 2002

MHSPRS

– 3.0 percent simple COLA to age 60, compounded after age 60
– Non-duty related disability reduced to five years of service
– Payment of prorated COLA when benefits terminate between July 1 and December 1
– Immediate reinstatement of COLA upon re-retirement

SLRP

– Benefit formula increased to 1.0 percent for all years of service less than 25 and 1.25 percent for all years greater than 25
– Payment of prorated COLA when benefits terminate between July 1 and December 1
– Maximum compensation increased from $125,000 to $150,000
– 100% compensation limit on combined PERS and SLRP benefits has been removed
– Immediate reinstatement of COLA upon re-retirement

Changes due to normal amortization and actuarial experience had the following effect on the unfunded accrued liability amortization period. The unfunded actuarial accrued liability for MRS is amortized on a closed basis as a level dollar amount over a period of 40 years in accordance with GASB 25 requirements.

	PERS	MHSPRS	SLRP
Previously reported period of years	12.6	(5.8)	8.4
Change due to:			
Normal amortization	(1.0)	(1.0)	(1.0)
Actuarial experience	4.6	2.6	1.9
Actuarial assumptions	–	–	–
Plan amendments	6.3	31.5	3.8
Computed period of years	22.5	27.3	13.1

(b) Legally Required Reserves

Provisions for reserves, in which all assets of the System are to be credited according to their purpose, are established by Section 25-11-123, Article 3, Mississippi Code Ann. (1972) and may be amended only by the State of Mississippi Legislature. The annuity savings account accumulates the contributions made by members and accumulated interest. The annuity reserve represents the actuarial value of all annuities in force. The reserve account that accumulates contributions made by the employers, and where all retirement allowances and other benefits are charged, is referred to as the employer's accumulation account.

The following table presents the reserve account balances and the unfunded actuarial accrued liability as of June 30, 2002 (in thousands):

	PERS	MHSPRS	MRS*	SLRP
Annuity savings account	$ 3,221,756	$ 16,226	$ 9,271	$ 1,876
Annuity reserve	1,301,421	13,403	–	355
Employer's accumulation account	12,300,008	233,626	252,989	7,499
Unfunded actuarial accrued liability	3,357,162	22,293	119,522	1,598
Actuarial accrued liability	$ 20,180,347	$ 285,548	$ 381,782	$ 11,328

**The annuity reserve for MRS is reflected as of the September 30, 2001 valuation date.*

8. Six-Year Historical Trend Information

Six-year historical trends, as noted in required supplementary information, are designed to provide information about progress made by PERS, MHSPRS, MRS, and SLRP in accumulating sufficient assets to pay benefits when due. This information is presented on pages 61 and 62. Other supplementary information presented in succeeding sections of this report is for the benefit of statement users and is not a required part of the basic financial statements.

Required Supplementary Information
Schedules of Funding Progress
Last Six Fiscal Years
(In Thousands)
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Percent Funded (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b - a) / c)
Public Employees' Retirement System of Mississippi						
1997	$ 9,351,842	$11,681,476	$ 2,329,634	80.1%	$ 3,294,731	70.7%
1998	11,058,602	13,004,063	1,945,461	85.0	3,450,176	56.4
1999	13,016,632	15,751,361	2,734,729	82.6	3,711,680	73.7
2000	14,899,074	18,052,096	3,153,022	82.5	4,090,596	77.1
2001	16,191,631	18,494,207	2,302,576	87.5	4,112,238	56.0
2002	16,823,185	20,180,347	3,357,162	83.4	4,220,539	79.5
Mississippi Highway Safety Patrol Retirement System						
1997	$ 168,270	$ 189,901	$ 21,631	88.6%	$ 19,460	111.2%
1998	192,433	201,861	9,428	95.3	19,531	48.3
1999	219,866	221,757	1,891	99.1	19,808	9.5
2000	244,331	251,937	7,606	97.0	21,314	35.7
2001	259,713	250,621	(9,092)	103.6	21,972	(41.4)
2002	263,255	285,548	22,293	92.2	20,339	109.6
Municipal Retirement Systems*						
1996	$ 130,425	$ 358,703	$ 228,278	36.4%	$ 13,253	1,722.5%
1997	197,815	358,428	160,613	55.2	11,874	1,352.6
1998	213,591	363,612	150,021	58.7	10,852	1,382.4
1999	235,222	369,118	133,896	63.7	9,440	1,418.4
2000	253,713	375,059	121,346	67.6	8,485	1,430.1
2001	262,260	381,782	119,522	68.7	7,350	1,626.1
Supplemental Legislative Retirement Plan						
1997	$ 4,482	$ 6,970	$ 2,488	64.3%	$ 5,277	47.1%
1998	5,637	7,907	2,270	71.3	5,853	38.8
1999	6,954	8,931	1,977	77.9	5,894	33.6
2000	8,199	9,973	1,774	82.2	5,856	30.3
2001	9,124	10,302	1,178	88.6	5,941	19.8
2002	9,730	11,328	1,598	85.9	5,988	26.7

The actuarial accrued liability is a measure intended to help users assess the plan's funding status on a going-concern basis and assets progress being made in accumulating sufficient assets to pay benefits when due. Beginning with June 30,1995, actuarial valuation, the actuarial value of assets, will be determined on a market related basis that recognizes 20% of the previously unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the plan's annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date. For additional information regarding this schedule, refer to note 6, Funding Status and Progress.

**Valuation information furnished for MRS is as of September 30.*

See Notes to Required Supplementary Schedules.

Required Supplementary Information
Schedules of Employer Contributions
Last Six Fiscal Years

(In Thousands)

(Unaudited)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
Public Employees' Retirement System of Mississippi		
1997	$ 310,566	100.00%
1998	321,236	100.00
1999	336,392	100.00
2000	361,889	100.00
2001	398,833	100.00
2002	400,943	100.00
Mississippi Highway Safety Patrol Retirement System		
1997	$ 5,171	100.00%
1998	5,091	100.00
1999	5,109	100.00
2000	5,182	100.00
2001	5,576	100.00
2002	3,452	100.00
Municipal Retirement Systems*		
1996	$ 21,681	93.80%
1997	20,674	345.10
1998	14,727	96.40
1999	13,803	99.80
2000	12,364	114.50
2001	11,276	125.90
Supplemental Legislative Retirement Plan		
1997	$ 274	100.00%
1998	334	100.00
1999	371	100.00
2000	373	100.00
2001	371	100.00
2002	376	100.00

**Valuation information furnished for MRS is as of September 30.*

See Notes to Required Supplementary Schedules.

Public Employees' Retirement System of Mississippi
Notes to Required Supplementary Schedules
June 30, 2002

1. Schedules of Funding Progress

   The actuarial accrued liability is a measure intended to help users assess each of the plan's funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized).

   Allocation of the actuarial present value of projected benefits between past and future service is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contribution between entry age and assumed exit age. Entry age is established by subtracting credited service from current age on the valuation date. For additional information regarding this schedule, refer to note 6, Funding Status and Progress.

2. Schedules of Employer Contributions

   The required employer contributions and percent of those contributions actually made are presented in the schedule.

   Employer contribution rates for PERS, MHSPRS, and SLRP are set by State statute. The adequacy of these rates is assessed annually by actuarial valuation. Unfunded actuarial accrued liabilities are amortized as a level percent of the active member payroll, over the period of future years which produces the statutory employer contribution rate. Assuming the amortization period is reasonable, the employer contribution rate so computed, expressed as a percent of active member payroll, is designed to accumulate sufficient assets to pay benefits when due. For MRS, the unfunded actuarial accrued liability is being amortized on a closed basis as a level percent over a period of 30 years. The current financing arrangement provides for a contribution determined as a percentage of each city's assessed property valuation. This difference has historically resulted in the actual contribution being less than the annual required contribution for the municipal systems.

3. Actuarial Assumptions

   The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	PERS	MHSPRS	MRS	SLRP
Valuation date	June 30, 2002	June 30, 2002	September 30, 2001	June 30, 2002
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization period	22.5 years	27.3 years	33 years	13.1 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected salary increases	1.0-14.0%	5.5-10.2%	6.0%	5.0%
Wage inflation rates	4.0%	4.0%	4.0%	4.0%
Increase in benefits after retirement	3.0%[1]	3.0%[2]	2.0-3.75%[3]	3.0%[1]

[1] *Calculated 3% simple interest to age 55, compounded each year thereafter.*
[2] *Calculated on a simple interest basis.*
[3] *Varies depending on municipality.*

Schedule of Administrative Expenses and Depreciation
For the Year Ended June 30, 2002
(In Thousands)

	Amount
Administrative expenses:	
Personal services:	
Salaries and wages	$ 4,246
Employee benefits	1,070
Travel and subsistence	62
Total personal services	5,378
Contractual services:	
Professional services (See Schedule 3)	855
Communications	697
Utilities	229
Data processing installation, training, and licensing	160
Bank charges	118
Repair and maintenance of equipment	77
Other contractual services	59
Building and grounds expense	66
Rent of building space and office equipment	59
Insurance	48
Education	45
Accounting services	27
Personnel fees	18
Total contractual services	2,458
Commodities:	
Printing, binding and padding	92
Office equipment (not capitalized)	46
Office supplies and expendable repair parts	116
Other commodities	17
Building supplies and materials	5
Total commodities	276
Total administrative expenses	8,112
Depreciation:	
Furniture and equipment	95
Building	85
Improvements other than building	1
Total depreciation	181
Total administrative expenses and depreciation	$ 8,293

Schedule of Administrative Expenditures/Expenses
Budget and Actual
(Non-GAAP Budgetary Basis)
For the Year Ended June 30, 2002
(In Thousands)

Budget Comparisons

	2002 Budget	2002 Actual	Variance Favorable (Unfavorable)
Administrative expenditures:			
Personal services:			
Salaries, wages, and fringe benefits	$ 5,609	$ 5,280	$ 329
Travel and subsistence	65	62	3
Contractual services	3,305	2,786	519
Commodities	243	223	20
Capital outlays – Other than equipment*	11,250	511	10,739
Capital outlays	69	59	10
Subsidies, loans, and grants	–	–	–
Total	$ 20,541	$ 8,921	$ 11,620

The budget and actual (non-GAAP budget basis) schedule presents a comparison of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis sometimes differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. Therefore, a reconciliation of the resulting differences is presented below for the year ended June 30, 2002.

**Capital Outlays – Other Than Equipment budget of $11,250,000 is for the PERS building renovation projects which will extend over several years.*

Reconciliation of Budgetary Basis Administrative Expenditures to GAAP Basis Administrative Expenses

	Amount
Administrative expenditures (Budgetary Basis)	$ 8,921
Adjustments:	
Compensated leave accrual	36
Fiscal year 2002 accruals to GAAP Basis	511
Capital asset purchases recorded as expenditures for budgetary purposes	(738)
Fiscal year 2002 budget expenditures paid during lapse period; expenses recorded in fiscal year 2003	(752)
Bank service charges	134
Administrative expenses (GAAP Basis)	$ 8,112

Schedule 3

Schedule of Managers' Fees, Investment Global Out-of-Pocket and Custodial Fees, and Professional Service Fees For the Year Ended June 30, 2002

(In Thousands)

	Amount
Investment managers' fees:	
Fayez Sarofim & Company	$2,434
J. P. Morgan Investment Management	2,251
Lazard Asset Management	1,694
Deutsche Asset Management–International Equity	1,478
Pacific Investment Management Company	1,317
Morgan Stanley Dean Witter	1,266
Thomson, Horstmann, & Bryant	1,262
The Boston Company	1,228
GeoCapital Corporation	1,033
Putnam Investments–Pacific Basin	884
Lombard Odier	884
Putnam Investments–EAFE & EM	857
Wellington Asset Management–Mid-Cap	835
UBS Global Asset Management	761
Deutsche Asset Management–Fixed Income	749
Barclays Global Investors, N.A.	672
Aeltus Investment Management	585
Boston Partners Asset Management	473
Deutsche Asset Management–Domestic Equity	384
Mellon Bond Associates	284
Conseco Capital Management	165
Total	21,496
Custodial and global out-of-pocket fees–State Street Bank	331
Total managers' fees, out-of-pockets, and custodial fees	$21,827
Securities lending fees–State Street Bank	$3,231
Professional service fees:	
Architect fees–Cooke, Douglas, Farr, Lemons	$(195)
Actuary–Buck Consultants	212
Medical fees–Clinics, Labs	155
Legal–State of Mississippi–Office of the Attorney General	142
Fund evaluation–Callan Associates	133
IS fees–ITS, Covansys, Team 1A	98
Audit–KPMG LLP, Department of Audit	85
IS Consulting–Platt Consulting	57
Mailing services–Direct Mail, Postage Savers	54
Relocation expenses–MS Van Lines, Stationers, Xerox, Fisher Fire Extinguisher	52
Security–Day Detectives	39
Graphic Design–Maris, West & Baker, Inc.	23
Total professional service fees	$855

Summary Schedule of Cash Receipts and Disbursements
Pension Trust Funds
For the Year Ended June 30, 2002
(In Thousands)

	Amount
Cash balance at beginning of year	$ 228,381
Receipts:	
Contributions:	
Employee	370,227
Employer	448,151
Total contributions	818,378
Investments:	
Securities lending and reverse repurchase agreements	52,693,389
Investments matured and sold	25,584,162
Investment income	199,461
Total investments	78,477,012
Administrative receipts	606
Other receipts	5,519
Total cash receipts	79,301,515
Disbursements:	
Annuities and refunds:	
Retirement annuities	921,585
Refunds to terminated employees	62,193
Total annuities and refunds	983,778
Investments:	
Securities lending and reverse repurchase agreements	52,701,554
Investments purchased	25,315,948
Investment expenses	65,777
Total investments	78,083,279
Administrative expenses	9,078
Other disbursements	200
Total cash disbursements	79,076,335
Cash balance at end of year	$ 453,561

Schedule of Investments Due to MRS from PERS
June 30, 2002
(In Thousands)

	Amount
Due to MRS:	
Biloxi Municipal	$ 4,345
Biloxi Fire and Police	2,028
Clarksdale Fire and Police	1,110
Clinton Fire and Police	7,021
Columbus Fire and Police	1,206
Greenville Fire and Police	5,639
Greenwood Fire and Police	2,972
Gulfport Fire and Police	9,332
Hattiesburg Fire and Police	21,550
Jackson Fire and Police	118,107
Laurel Fire and Police	3,567
McComb Fire and Police	1,568
Meridian Municipal	383
Meridian Fire and Police	9,939
Natchez Fire and Police	1,207
Pascagoula Fire and Police	9,445
Tupelo Fire and Police	9,672
Vicksburg Fire and Police	10,745
Yazoo City Fire and Police	924
Total investments due to MRS	$ 220,760

Investments

Pete Smith is a media specialist and circulation assistant at the Canton Public Library. He also teaches public speaking at Hinds Community College. Pete plans to write books when he retires.

Defined Benefit Plans – Report on Investment Activity

Prepared by Lorrie Tingle, Chief Investment Officer

The prudent investment of the System's assets demands constant attention, specialized expertise, and a dedication to and concern for the financial security of the members of the System–the ultimate beneficiaries. By maintaining a broadly diversified portfolio designed to minimize risk and maximize return over the long term, the System's investment program works to ensure that adequate funding for all current and future pension obligations is available.

Fiscal year 2002 may well be looked back upon as one of the most challenging years investors have ever experienced. During the early months of the fiscal year, the effects of the burst technology bubble continued to be felt in the markets. All past investor exuberance was replaced by fear and an overall lack of confidence. This lack of confidence led to a slowdown in consumer and corporate capital expenditures, which in turn resulted in a buildup in inventories and lower corporate profits throughout the year.

As the markets struggled to regain sure footing, the horrific events of 9/11 worked to instill even more uncertainty among already nervous investors. But even in the face of such adversity, investors showed great resolve, and by November the markets had managed to regain their post-attack losses and appeared to be on a much steadier course. Most asset classes posted positive returns for the quarter ended December 31, 2001.

In the spring, investors faced the impact of an epidemic of corporate scandals. Most notably, the accounting chicaneries of Enron and WorldCom sent waves of fear through the markets raising serious concerns regarding the validity of audited financial statements, and whether or not investors could rely on them to be a true representation of a company's financial state. These events, coupled with growing concerns over a possible war in the Middle East and spiking oil prices, further fueled market fears.

Throughout the year, the confidence of investors was challenged again and again. As a result, world equity markets finished the year in negative territory. The returns for the PERS portfolio, with a 61% allocation to equities, suffered as well.

At June 30, the market value of the portfolio was $14.2 billion. This was a decrease of $1.2 billion from last year's valuation. Of this decrease, $200 million was attributable to excess distributions over contributions, and the remainder was the direct result of a net negative investment experience.

The investment portfolio, excluding investments purchased with securities lending cash collateral, was composed of 45.3 percent domestic and 16.0 percent international equities, 38.1 percent fixed income, and .6 percent cash and cash equivalents at fiscal year end. Especially important this year, in light of the numerous corporate debt downgrades, the System continued to maintain a high quality fixed income portfolio as evidenced by the fact that 75 percent of the System's bond investments carried a AAA rating. This included 59 percent of the fixed income portfolio, which was invested in U.S. Treasury and government agency bonds.

Callan Associates, Inc. is employed by the Board of Trustees as the System's investment management consultant. Their services include calculating AIMR-compliant investment returns for the total fund and for each of the investment managers retained to invest the System's assets. Callan Associates also provides investment research and advice, assists the Board in the manager selection process, and conducts periodic asset/liability studies for the Board of Trustees.

The System's Securities Lending Program is managed by State Street Bank and Trust Company. This program generates ancillary income by lending securities in the System's portfolio to securities dealers in return for a premium payment on noncash loans and earnings generated by the investment of cash collateral. All loans are secured by the receipt of collateral valued at 102-105% of the value of the loaned security. In fiscal year 2002 the program generated $9.2 million* in additional earnings for the PERS investment program.

At year end, 17 firms were managing 21 different investment portfolios for PERS. The chart on page 80 identifies each firm, and the percentage of the total portfolio represented by each. Portfolio performance is monitored quarterly by the Board of Trustees with the assistance of Callan Associates, Inc.

**$9.2 million was the earnings distributed for the fiscal year; $8.1 million was the reported net income as required by GASB 28.*

Performance

As described earlier, the fiscal year began with the events of 9/11 overshadowing all equity market activity. The System experienced a negative 8.2 percent return for the quarter, but rebounded during the second and third quarters as the markets began to regain confidence. Second quarter portfolio returns were 6.6 percent, while the third quarter added a 1.0 percent return. Faced with the fallout from corporate accounting scandals and the uncertainty associated with the threat of military aggression, the equity markets pulled back near year-end. This resulted in the portfolio ending the year with a fourth quarter return of negative 5.3 percent.

Negative equity returns contributed to a portfolio total rate of return of negative 6.6 percent for the fiscal year ended June 30, 2002. For the 5-year and 10-year periods ended June 30, 2002, the portfolio returned 4.5 percent and 8.6 percent, respectively.

Short Term Portfolio

Cash flows generated by the contributions to the System, and from other incremental income activities, are managed and invested by the System's investment staff. The return on the internally managed short-term investment program for the year was 3.2 percent.

The cash portion of the accounts managed by external investment managers is invested in interest earning cash equivalents until longer term investments are purchased. All short-term investments are made in accordance with State law and policies set by the Board of Trustees.

Equity Portfolio

With the problems experienced in world equity markets this fiscal year, investors, including the System, had no place to hide. The S&P 500 experienced a negative 18.0 percent return for the year, the NASDAQ negative 32.1 percent, and the Russell 3000 Index, which the System uses as its domestic equity benchmark, returned negative 17.2 percent. The System's domestic equity portfolio returned negative 15.9 percent for the year. While this was disappointing on an absolute basis, it did compare favorably to the domestic equity benchmark. For the 5-year period ended June 30, 2002, the System's domestic equities showed a return of 3.7 percent, while the Russell 3000 returned 3.9 percent.

Overseas markets also experienced negative returns for the year, but suffered less severely than U.S. markets. The international portfolio benchmark, the MSCI-EAFE Index, returned negative 9.5 percent, while the System experienced a return of negative 10.7 percent for its developed markets program, and negative 3.2 percent in emerging markets. This underperformance was led by disappointing returns in European equities, which dominated the portfolio. For the 5-year period ended June 30, 2002, the System's developed market international equities experienced a negative 0.9 percent return, while the MSCI-EAFE Index returned negative 1.6 percent.

Even with the disappointing investment experiences of the past two fiscal years, the System retains the belief that over the long term the significant exposure to the world equity markets will provide the greatest returns on its investments. For fiscal year 2002, the System allocated 45.3 percent of the total portfolio to domestic equities and 16.0 percent to international equities. The domestic equity portfolio was well diversified having 81.6 percent large, 11.4 percent medium, and 7.0 percent small capitalization securities, which correlates closely with the weighting found in the Russell 3000 Index.

Bond Portfolio

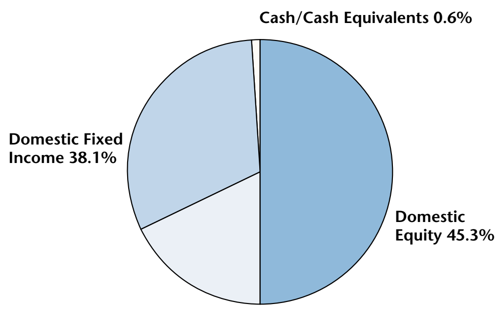
As in fiscal year 2001, the best returns experienced in fiscal year 2002 were those of the fixed income portfolio. As investors fled the equity markets to seek safety in the U.S. Treasury markets, particularly during the first and fourth quarters of the fiscal year, bond returns moved into positive territory. Fixed income investments comprised 38.1 percent of the total portfolio, and returned 9.2 percent for the year. The System's fixed income benchmark, the Lehman Aggregate Index, returned 8.6 percent. The annualized return for 5 years was 7.8 percent for the System and 7.6 percent for the Lehman Aggregate Index.

Asset Allocation

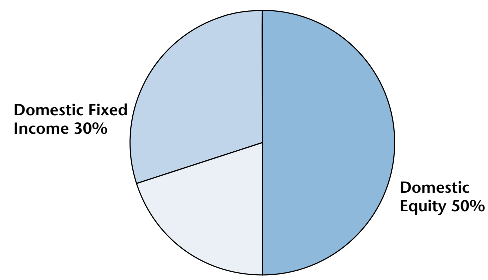
One of the most critical decisions made by the Board of Trustees is that of the long-term asset allocation policy for the investment portfolio. The System's investment consultant conducts periodic asset allocation studies which include consideration of projected future liabilities of the System, projected risk and return for various asset classes, and the System's statutory investment restrictions. The last study concluded in fiscal year 2000 resulted in the adoption of a long-term policy asset allocation target consisting of 50 percent domestic equities, 20 percent international equities, and 30 percent domestic fixed income investments.

Defined Benefit Plans

Asset Allocation June 30, 2002



Long-Term Target Asset Allocation



Investment Policies

All investment policies adopted by the Board of Trustees of the Public Employees' Retirement System of Mississippi are within the guidelines established by the Mississippi Code of 1972, Section 25-11-121.

Types of Investments

– The specific types of investments in which the System is authorized to invest are enumerated in Section 25-11-121 of the Mississippi Code of 1972.

Asset Allocation

– The current long-term asset allocation was adopted by the Board of Trustees in August 1999. Asset allocation studies are conducted by the System every four to five years, or more frequently should significant liability changes occur.

Performance

– The performance of each investment manager is measured against an appropriate, industry recognized index, which is used as the minimum investment return benchmark. The target return is expected to be achieved at a risk level no greater than that of the designated benchmark index.

– Each investment manager is expected to perform above the mean of their peer universe over a rolling three-year period. The peer universe is maintained by the System's investment consultant.

– The investment consultant produces quarterly performance evaluation reports for each investment manager. These reports also include performance over 1-, 3-, 5- and 10-year periods if applicable. The quarterly review includes performance comparisons against the established benchmarks and peer universes. In addition to individual manager performance, each quarterly report also includes composite and total portfolio performance data. The quarterly performance review is presented to the Board by the investment consultant.

– Each investment manager makes a formal presentation to the Board of Trustees in Jackson at least annually. If deemed necessary, representatives of the System also may elect to visit the investment managers at their place of business.

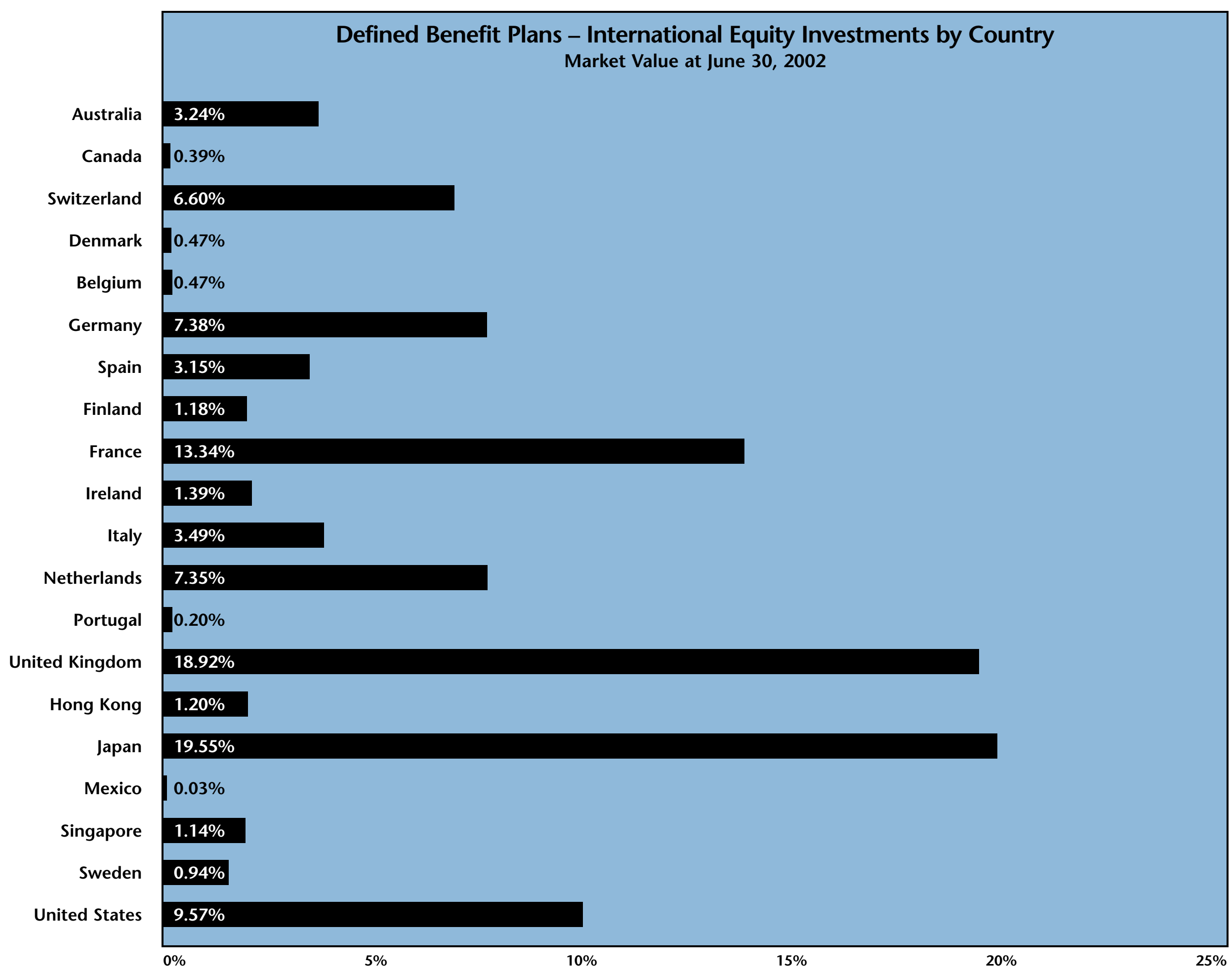
Summary

Overall fiscal year 2002 was extremely volatile for investors, with 300 point swings in the markets becoming routine. Fear and anxiety over world events and corporate scandals daily rocked investor confidence. These experiences might cause one to question, "What is being done to ensure the financial soundness of the System?"

First, by design, a pension plan investment program must focus on a long-term investment horizon. The System is essentially a "perpetual" investor, and as such, its portfolio should be, and is structured to provide the best returns possible over the long-term within the risk parameters adopted by the Board of Trustees.

While admittedly these are challenging times for investors, the System has taken prudent steps to ensure that its portfolio is well positioned to meet its future financial obligations. As part of the investment program's ongoing review, a new asset/liability study is being conducted to ensure the investment portfolio is still correctly positioned to meet the System's increased financial liabilities. This study is scheduled to be completed in the second quarter of fiscal year 2003.

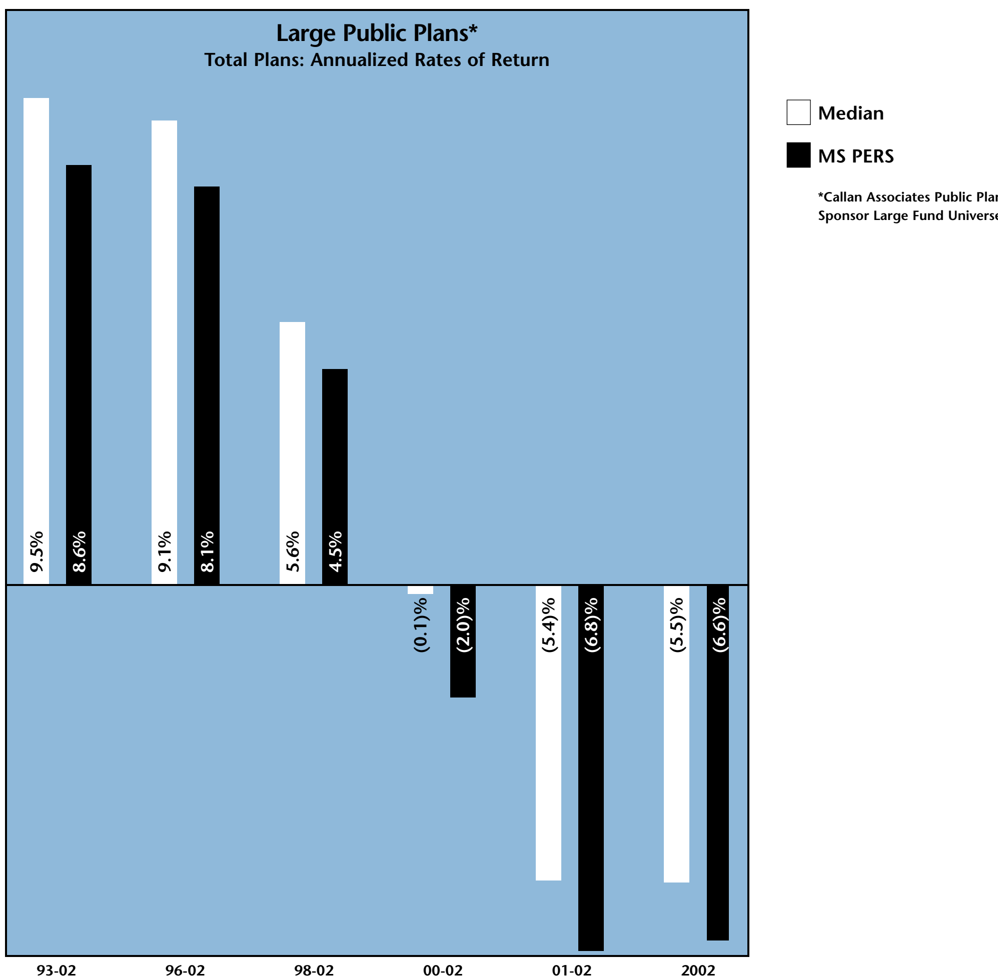
While the past two years have admittedly been difficult ones for all investors, the System continues to believe in the ability of the U.S. economy to lead world markets. As a "perpetual" investor, the System will continue to adhere to sound investment principles and will continue to steadfastly work to successfully overcome all investment challenges the future might present.



Defined Benefit Plans – Performance Summary for Fiscal Years Ended June 30, 2002

	Current Year	Annualized 3-year	Annualized 5-year
Total Plans:			
MS PERS Combined Return*	(6.6)%	(2.0)%	4.5%
Callan Associates Plan Sponsor – Large Funds	(5.5)	(0.1)	5.6
Domestic Fixed Income:			
Fixed Income Managers Composite*	9.2	8.3	7.8
Lehman Brothers Aggregate Bond Index	8.6	8.1	7.6
Domestic Equity:			
Domestic Equity Managers Composite*	(15.9)	(6.8)	3.7
Russell 3000 Index	(17.2)	(7.9)	3.9
International Equity:			
International Equity Managers Composite*	(10.3)**	(7.1)	(1.1)
MSCI EAFE Index	(9.5)	(6.8)	(1.6)
MSCI Emerging Markets Free	1.3	(6.3)	(8.4)

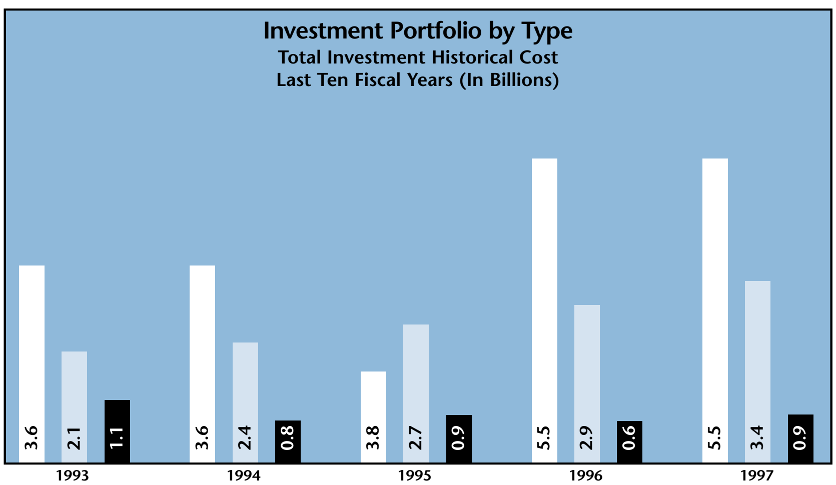
**Calculations for the System are prepared using a time-weighted rate of return based on the market rate of return in accordance with the presentation standards of the Association for Investment Management and Research.*
***Includes both developed and emerging market investments.*

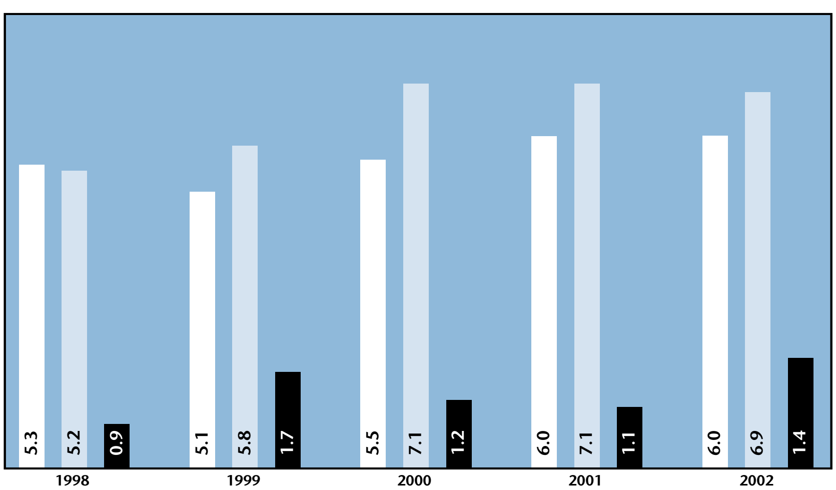


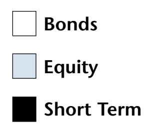
Defined Benefit Plans – Investment Portfolio
Last Ten Fiscal Years
(In Thousands)

Fiscal	Bonds		Equities		Short Term		Total*	
Year	Historical Cost	Fair Value	Historical Cost	Fair Value	Historical Cost	Fair Value	Historical Cost	Fair Value
1993	3,564,598	3,782,335	2,099,626	2,932,274	1,075,319	1,075,310	6,739,543	7,789,919
1994	3,627,767	3,554,756	2,413,045	3,224,686	765,632	765,965	6,806,444	7,545,407
1995	3,813,331	3,956,688	2,690,440	4,070,459	934,199	934,254	7,437,970	8,961,401
1996	5,505,578	5,528,433	2,927,331	5,094,062	605,374	607,851	9,038,283	11,230,346
1997	5,522,279	5,584,998	3,443,996	6,835,172	894,137	897,527	9,860,412	13,317,697
1998	5,327,279	5,522,382	5,160,741	9,186,468	854,061	856,212	11,342,081	15,565,062
1999	5,064,472	5,067,427	5,827,088	10,693,904	1,708,094	1,712,282	12,599,654	17,473,613
2000	5,487,840	5,427,958	7,088,684	11,779,135	1,234,966	1,238,883	13,811,490	18,445,976
2001	6,003,614	6,106,035	7,132,228	10,043,793	1,087,395	1,090,753	14,223,237	17,240,581
2002	6,031,667	6,225,252	6,881,832	8,549,475	1,364,600	1,370,162	14,278,099	16,144,889

**Includes investment securities on loan to broker/dealers with a historical cost of $1,944,209 and a fair value of $1,870,836. It also includes the securities purchased with the cash collateral received in the lending program with a historical cost of $1,978,512 and a fair value of $1,985,457. To arrive at the net asset value of investments of $14.2 billion, the fair value total must be adjusted by ($1.9 billion), which represents the fair value of the cash collateral investments, cash in sweep accounts, accrued interest and dividends, and net payable cash for investments purchased.*







Space and cost restrictions make it impractical to print the entire investment portfolio in this report. However, a listing of the portfolio is available for review at the PERS office.

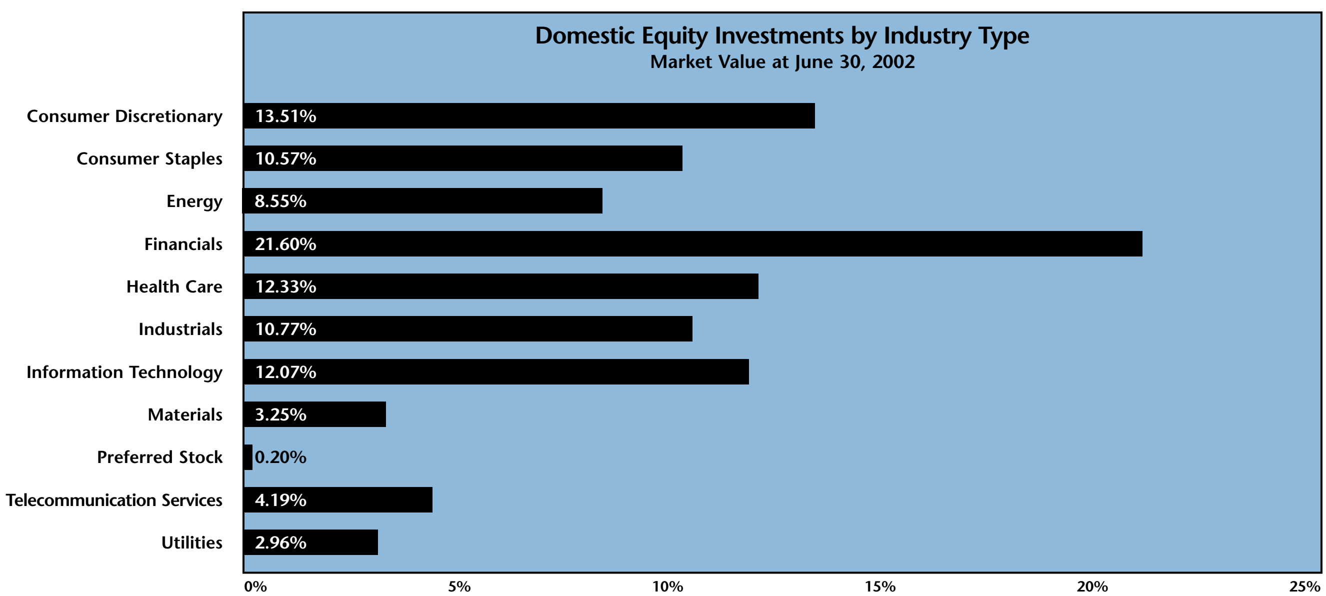
Defined Benefit Plans – Domestic Equity Portfolio Summary

	Historical Cost	Fair Value
Total Equity Securities	$4,578,627,657	$6,344,233,250
Total Number of Shares of Equity Securities Held	218,600,764	
Total Number of Issues of Equity Securities Held	850	

Ten Largest Domestic Common Stock Holdings

	Shares	Historical Cost	Fair Value
Exxon Mobil Corporation	5,315,131	$100,420,734	$217,495,161
Pfizer, Inc.	4,464,887	33,627,088	156,271,045
Citigroup, Inc.	4,019,303	78,863,012	155,747,991
General Electric Company	5,234,355	40,395,242	152,058,013
The Coca-Cola Company	2,172,548	26,761,700	121,662,688
Microsoft Corporation	2,211,206	58,394,851	120,952,968
Wal-Mart Stores, Inc.	2,045,592	21,647,391	112,528,016
Johnson & Johnson	1,846,182	29,719,533	96,481,471
Philip Morris Companies, Inc.	2,176,411	30,332,945	95,065,632
ChevronTexaco Corporation	1,073,923	61,685,784	95,042,186
Totals	30,559,538	$481,848,280	$1,323,305,171

A complete list of portfolio holdings is available upon written request.



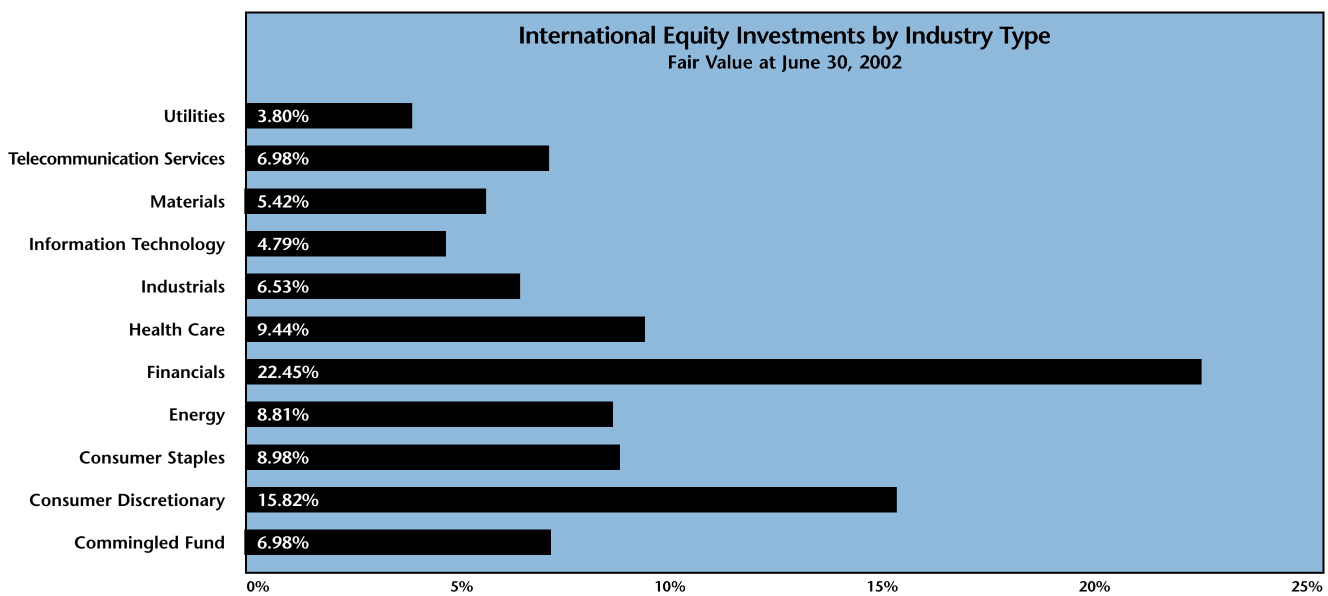
Defined Benefit Plans – International Equity Investment Portfolio Summary

	Historical Cost	Fair Value
Total Equity Securities	$2,303,203,652	$2,205,241,821
Total Number of Shares of Equity Securities Held	180,912,683	
Total Number of Issues of Equity Securities Held	299	

Ten Largest International Stock Holdings

	Shares	Historical Cost	Fair Value
Total Fina Elf	416,991	$48,192,217	$67,704,977
BP PLC	6,007,742	47,431,601	50,458,370
Novartis Ag	1,138,640	45,054,518	50,078,008
Glaxosmithkline	2,150,854	56,937,896	46,489,781
Toyota Motor Corporation	1,643,500	54,642,136	43,605,052
Vodafone Group	29,685,196	66,434,046	40,724,220
BNP Paribas	700,533	29,420,856	38,744,381
ING Groep	1,392,588	38,427,448	35,759,225
Sony Corporation	613,800	35,761,003	32,416,833
Nestle SA	135,029	27,820,457	31,485,274
Totals	43,884,873	$450,122,178	$437,466,121

A complete list of portfolio holdings is available upon written request.



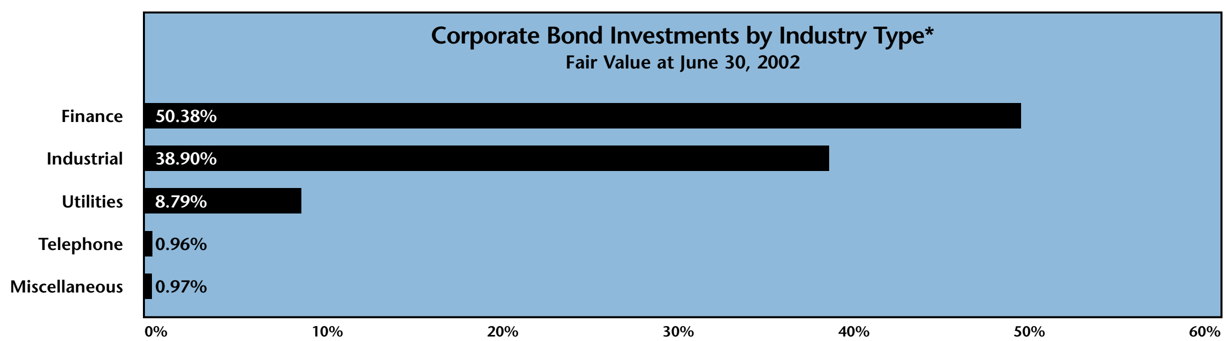
Defined Benefit Plans – Bond Portfolio Summary*

	Historical Cost	Fair Value
Total Bond Investments	$6,031,667,395	$6,225,252,567
Total Par of Bond Investments Held	5,951,680,587	
Total Number of Bond Issues Held	2,935	

Ten Largest Long Term Corporate Bond Holdings*

	Par	Historical Cost	Fair Value
J P Morgan Chase & Company	50,000,000	$50,000,000	$49,979,445
Bank One NA Chicago IL MTN	25,000,000	25,000,000	25,006,900
General Electric Capital Corporation MTN	21,440,000	21,906,102	21,755,168
Citigroup Incorporated	20,000,000	20,000,000	20,022,680
General Electric Capital Corporation MTN	18,000,000	17,986,169	17,995,230
Wachovia Corporation	15,500,000	15,470,085	15,613,615
Small Business Administration	12,075,040	12,075,040	13,109,025
Verizon Global Funding Corporation	12,970,000	13,554,100	12,925,383
Bank One Corporation	12,700,000	12,513,420	12,658,217
General Electric Capital Corporation MTN	12,155,000	11,992,109	12,243,975
Totals	199,840,040	$200,497,025	$201,309,638

A complete list of portfolio holdings is available upon written request.

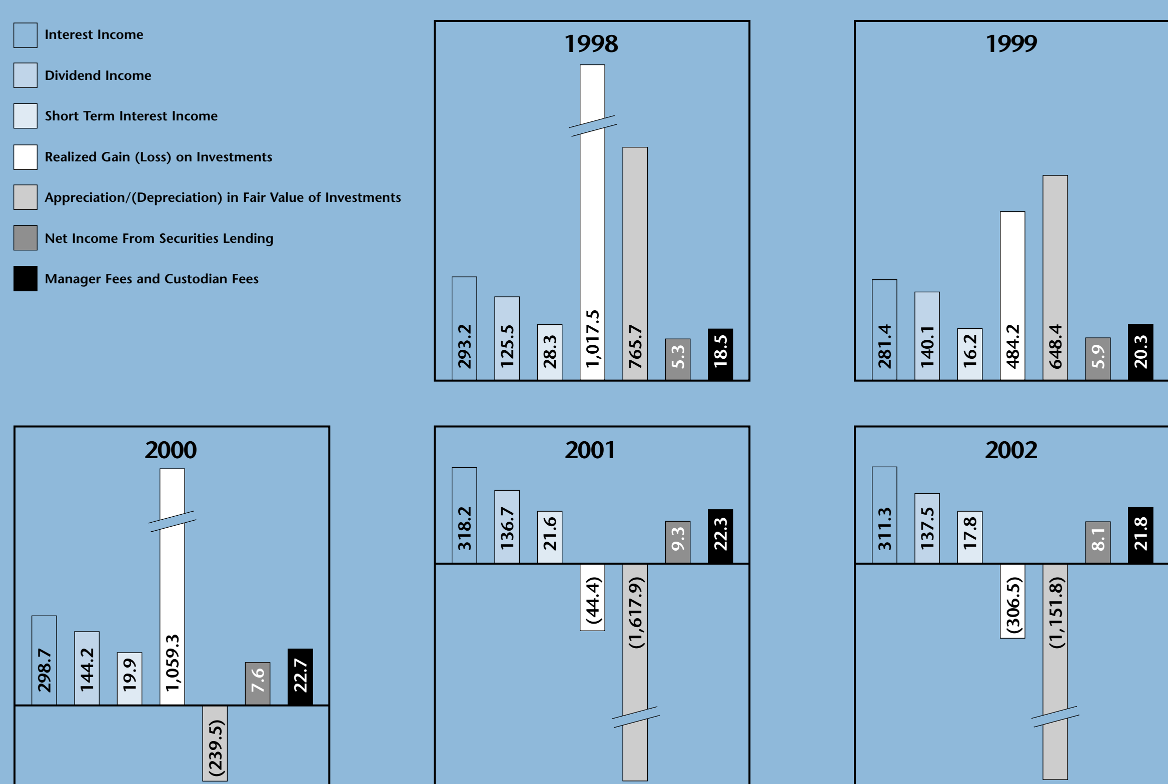


**Includes investments purchased with cash collateral received in the securities lending program.*

Defined Benefit Plans – Net Investment Income by Source
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Interest Income	Dividend Income	Short Term Interest Income	Realized Gain (Loss) On Investments	Appreciation (Depreciation) in Fair Value of Investments	Net Income From Securities Lending	Total Income/ (Loss)	Less: Manager Fees And Custodian Fees	Net Income/ (Loss) From Investments
1993	$255,169	$ 66,451	$ 9,310	$ 125,847	$ –	$890	$ 457,667	$ 9,319	$ 448,348
1994	252,194	74,025	10,775	59,232	(311,413)	897	85,710	10,387	75,323
1995	245,612	87,100	20,957	62,583	784,468	992	1,201,712	11,455	1,190,257
1996	273,490	99,774	24,892	200,167	667,628	2,802	1,268,753	13,529	1,255,224
1997	293,380	107,070	19,490	246,692	1,262,955	5,579	1,935,166	14,819	1,920,347
1998	293,246	125,468	28,306	1,017,539	765,734	5,259	2,235,552	18,458	2,217,094
1999	281,407	140,132	16,218	484,239	648,439	5,936	1,576,371	20,252	1,556,119
2000	298,729	144,150	19,940	1,059,251	(239,457)	7,622	1,290,235	22,718	1,267,517
2001	318,181	136,656	21,575	(44,437)	(1,617,919)	9,326	(1,176,618)	22,306	(1,198,924)
2002	311,341	137,498	17,760	(306,488)	(1,151,762)	8,137	(983,514)	21,827	(1,005,341)

Defined Benefit Plans – Summary of Net Investment Income by Source
Last Five Years (in Millions)



Defined Benefit Plans – Investment Fees and Commissions
For the Year Ended June 30, 2002

Investment managers' fees:	Assets Under Management	Fees
Domestic equity managers	$ 6,422,000,279	$ 11,750,340
International equity managers	2,284,852,084	5,797,648
Fixed income managers	5,330,241,223	3,947,776
Total investment managers	$ 14,037,093,586	$ 21,495,764

Other investment service fees:	Fees
Securities lending agent/cash management fees	$ 3,231,231
Custodian fees	306,816
Investment consultant fees	133,000
Global out-of-pocket expenses	24,462
Total investment service fees	$ 3,695,509

Brokerage Commissions Paid*

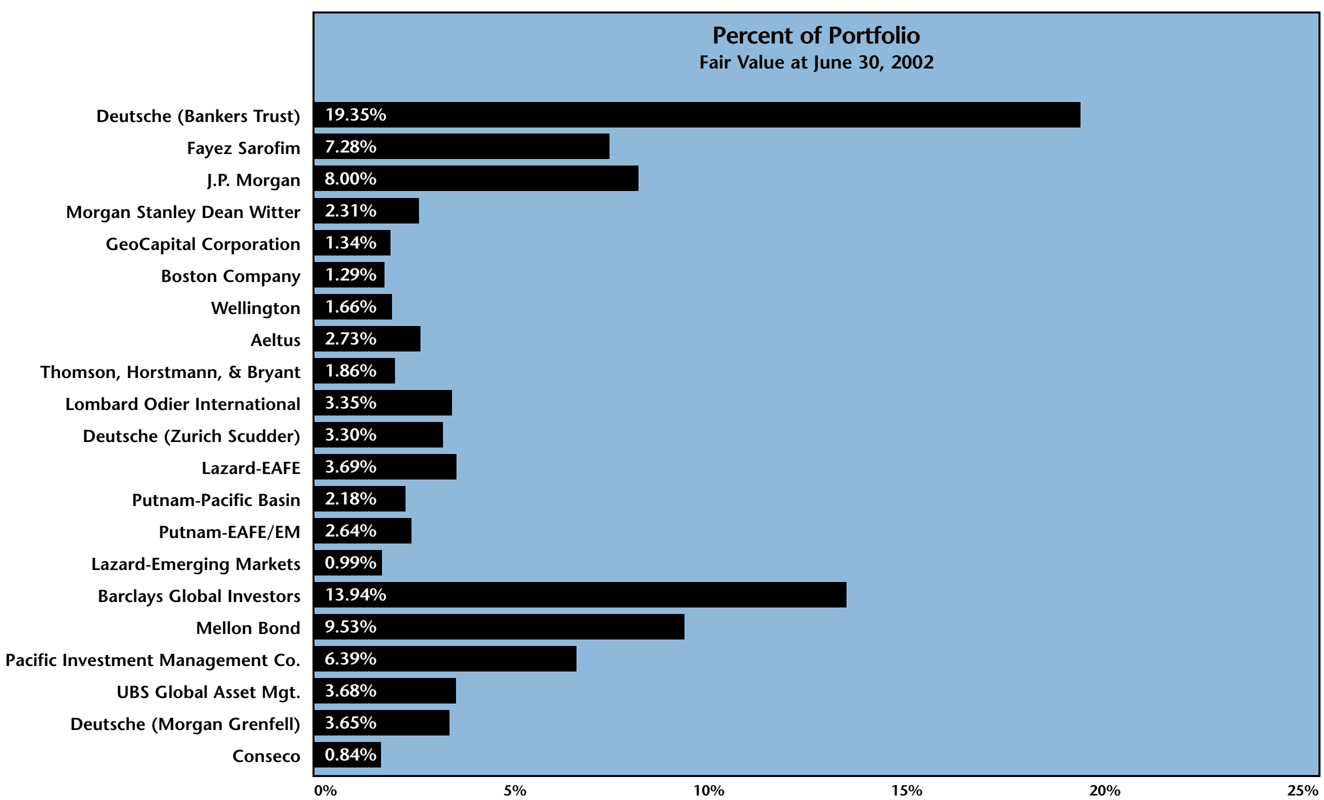
Brokerage Firm, Including Subsidiaries	Number of Shares Traded	Commissions	Commissions Per Share
Instinet	44,495,767	$ 2,063,788	$ 0.046
Lehman Brothers	47,368,268	1,777,208	0.038
Merrill Lynch Pierce Fenner	48,296,700	1,388,078	0.029
UBS Warburg	36,169,059	818,261	0.023
Morgan Stanley and Company	31,569,153	749,146	0.024
CS First Boston	22,720,158	747,309	0.033
Goldman Sachs & Company	24,246,857	698,169	0.029
Deutsche Bank	45,239,333	597,469	0.013
Salomon Smith Barney Holdings	21,438,667	559,736	0.026
Banc America Security	13,391,110	449,703	0.034
Donaldson and Company, Inc.	8,569,200	417,839	0.049
J P Morgan Securities	13,297,707	352,373	0.026
Bear Stearns	11,261,439	339,099	0.030
HSBC Group	9,679,934	225,101	0.023
Capital Institutional Services	4,503,550	223,264	0.050
Investment Technology Group	9,690,400	197,437	0.020
Bank Julius Baer & Company	2,510,905	153,193	0.061
Jackson Partners & Associates, Inc.	5,669,700	142,089	0.025
Prudential Securities, Inc.	2,925,600	141,644	0.048
Wachovia Securities, Inc.	2,792,800	137,814	0.049
Exane	1,258,276	116,482	0.093
SG Cowen	2,009,384	109,428	0.054
ABN Amro	3,425,569	102,338	0.030
Sanford C. Bernstein Co., LLC	2,783,840	101,009	0.036
Frank Russell	3,990,132	92,673	0.023
RBC Dain Rauscher, Inc.	1,709,050	78,315	0.046
CIBC World Markets Corp.	1,545,602	76,669	0.050
Dresdner Bank	2,612,309	75,667	0.029
Fox Pitt Kelton, Inc.	1,691,055	70,886	0.042
Jones and Associates	1,467,188	62,730	0.043
Credit Agricole Indosuez	1,805,381	62,521	0.035
Westminster Research Association	919,099	54,911	0.060
Bridge Trading Co.	1,087,400	54,146	0.050
Others (less than $50,000)	62,221,042	1,908,368	0.031
Commission recapture income	–	(2,918,000)	–
Total	494,361,634	$ 12,226,863	$ 0.025

**Approximate figures provided by State Street.*

Defined Benefit Plans – Portfolio Detail Illustrated by Advisor

Advisor	Type	Date Initiated	Fair Value % of Total Portfolio*
	Equities		
Deutsche Asset Mgt. (Bankers Trust)	Passive (Index)	July 1985	19.35%
J.P. Morgan Investment Management	Enhanced Index-Large Cap Value	January 1998	8.00
Fayez Sarofim & Company, Inc.	Active-Large Cap Growth	August 1980	7.28
Lazard Asset Management	International-EAFE	October 1991	3.69
Lombard Odier International	International-Europe	December 1996	3.35
Deutsche Asset Mgt. (Zurich Scudder)	International-EAFE	April 1991	3.30
Aeltus Investment Management, Inc.	Enhanced-Large Cap Core	October 2001	2.73
Putnam Investments-EAFE/EM	International-EAFE & Emerging Mkts.	October 2001	2.64
Morgan Stanley Dean Witter	Active-Mid Cap Growth	July 1999	2.31
Putnam Investments-Pacific Basin	International-Pacific Basin	December 1996	2.18
Thomson, Horstmann, & Bryant	Active-Small Cap Value	January 1998	1.86
Wellington Management Company	Active-Mid Cap Value	October 2001	1.66
GeoCapital Corporation	Active-Small Cap Growth	November 1998	1.34
Boston Company Asset Management	Active-Mid Cap Value	October 2001	1.29
Lazard Asset Management	International-Emerging Mkts.	April 1998	0.99
Sub Total			61.97%
	Bonds		
Barclays Global Investors	Passive (Index)	September 1986	13.94%
Mellon Bond Associates	Passive (Index)	November 1989	9.53
Pacific Investment Management Company	Active	August 1983	6.39
UBS Global Asset Management	Active	August 1991	3.68
Deutsche Asset Mgt. (Morgan Grenfell)	Active	August 1991	3.65
Conseco Capital Management, Inc.	Active	October 2000	0.84
Sub Total			38.03%
Total			100.00%

**Includes cash and cash equivalents.*



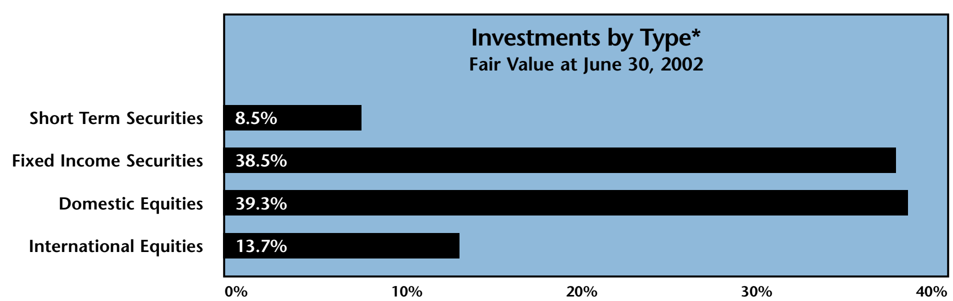
Defined Benefit Plans – Investment Summary
For The Year Ended June 30, 2002
(In Thousands)

	July 1, 2001				June 30, 2002			
	Beginning Historical Cost*	Beginning Fair Value*	Purchases	Sales and Maturities	Ending Historical Cost**	Ending Fair Value**	% of Total Fair Value	Annual Rate of Return***
Short-Term Securities	1,087,395	1,090,753	61,433,246	61,156,041	1,364,600	1,370,162	8.5%	3.2%
Fixed Income Securities	6,003,614	6,106,035	10,193,215	10,165,162	6,031,667	6,225,252	38.5%	9.2%
Domestic Equities	4,852,764	8,008,840	4,159,069	4,433,205	4,578,628	6,344,233	39.3%	(15.9)%
International Equities	2,279,464	2,034,953	2,262,305	2,238,565	2,303,204	2,205,242	13.7%	(10.3)%
Total	14,223,237	17,240,581	78,047,835	77,992,973	14,278,099	16,144,889	100.0%	(6.6)%

**Includes investment securities on loan to broker/dealers with a historical cost of $1,689,149 and a fair value of $1,657,289. It also includes the securities purchased with the cash collateral received in the lending program with a historical cost of $1,724,838 and a fair value of $1,730,414. 9.6% of the total fair value of investments were on loan to broker/dealers. To arrive at the net asset value of investments of $15.4 billion, the fair value total must be adjusted by ($1.8 billion), which represents the fair value of the cash collateral investments, cash in sweep accounts, accrued interest and dividends, and net payable cash for investments purchased.*

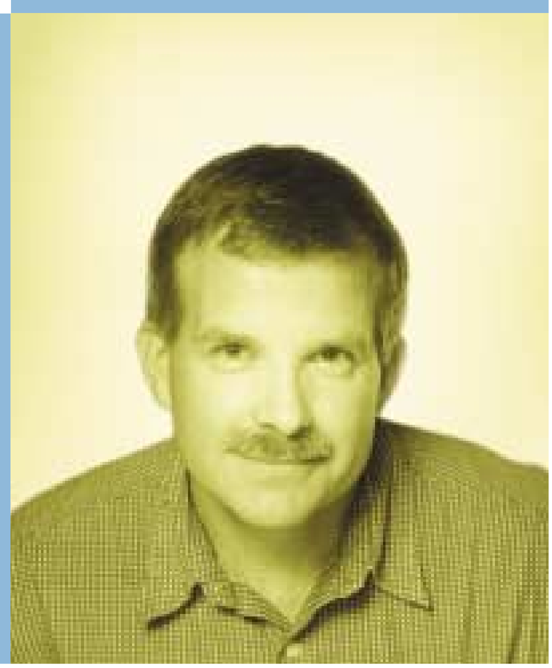
***Includes investment securities on loan to broker/dealers with a historical cost of $1,944,209 and a fair value of $1,870,836. It also includes the securities purchased with the cash collateral received in the lending program with a historical cost of $1,978,512 and a fair value of $1,985,457. 11.3% of the total fair value of investments were on loan to broker/dealers. To arrive at the net asset value of investments of $14.2 billion, the fair value total must be adjusted by ($1.9 billion), which represents the fair value of the cash collateral investments, cash in sweep accounts, accrued interest and dividends, and net payable cash for investments purchased.*

****Calculated rate of return does not include investments purchased with the cash collateral received from broker/dealers in the securities lending program.*



Actuarial

Kenneth Carroll plans to spend his retirement rebuilding cars and pursuing his many other hobbies and collections. He teaches Electronics Technology courses at Meridian Community College.



BUCK CONSULTANTS®
A Mellon Consulting Company
One Pennsylvania Plaza
New York, New York 10119-4798

October 24, 2002

Board of Trustees
Public Employees' Retirement System
of Mississippi
429 Mississippi Street
Jackson, Mississippi 39201-1005

Dear Board Members:

The basic financial objective of the Public Employees' Retirement System of Mississippi (PERS) is to establish and receive contributions which

(1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Mississippi citizens, and which

(2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of PERS.

In order to measure progress toward this fundamental objective, PERS has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liability over a reasonable period. The latest completed actuarial valuation was based upon data and assumptions as of June 30, 2002. This valuation indicates that the contribution rates, for benefits then in effect, meet the basic financial objective. The contribution rates are 9.75% of payroll for employers and 7.25% of payroll for active members. There are 152,148 active members as of June 30, 2002.

The actuarial valuation is based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among PERS members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of PERS during the years 1996 to 2000.

Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. Changes made since the previous valuation are as follows:

- The benefit formula was increased to 2% for all years of service less than 25 years and 2.50% for all years of service greater than 25 years.
- A prorated COLA will be paid to a member, beneficiary, or the estate of a member should the member elect to receive the COLA in a lump sum and monthly benefits terminate between July 1 and December 1. Previously the prorated COLA was payable only upon the member's death between July 1 and December 1.
- The maximum compensation on which retirement contributions can be made and benefits calculated thereon increased from $125,000 to $150,000.
- The 100% of compensation limit on the combined PERS and SLRP benefits has been removed.
- The COLA will be immediately reinstated upon re-retirement of a member who was previously receiving a COLA.
- Members retiring on or after July 1, 2002 may receive free military service credit for pre-1972 service in the Commissioned Corps of the United States Public Health Service.

We provided most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedules of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section.

Based upon the valuation results, it is our opinion that the Public Employees' Retirement System of Mississippi continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Thomas J. Cavanaugh, F.S.A.
Principal & Consulting Actuary

Philip Bonanno, E.A.
Senior Consultant & Actuary

TJC/PB:cj

Public Employees' Retirement System of Mississippi
Valuation Balance Sheet
As of Most Recent Actuarial Valuation at June 30, 2002

Assets		
Current assets		
Annuity savings account	$	3,221,755,710
Annuity reserve		1,301,421,335
Employer's accumulation account		12,300,007,955
Total current assets	$	16,823,185,000
Future member contributions to annuity savings account	$	2,417,174,191
Prospective contributions to employer's accumulation account		
Normal contributions	$	1,466,974,792
Accrued liability contributions		3,357,162,154
Total prospective employer contributions	$	4,824,136,946
Total assets	$	24,064,496,137
Liabilities		
Present value of benefits payable on account of present retired members and beneficiaries	$	9,464,468,945
Present value of benefits payable on account of active and inactive members	$	14,600,027,192
Total liabilities	$	24,064,496,137

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One Pennsylvania Plaza
New York, New York 10119-4798

October 24, 2002

Board of Trustees
Public Employees' Retirement System
of Mississippi
429 Mississippi Street
Jackson, Mississippi 39201-1005

Dear Board Members:

The basic financial objective of the Mississippi Highway Safety Patrol Retirement System (MHSPRS) is to establish and receive contributions which

(1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Mississippi citizens, and which

(2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MHSPRS.

In order to measure progress toward this fundamental objective, MHSPRS has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liability over a reasonable period. The latest completed actuarial valuation was based upon data and assumptions as of June 30, 2002. This valuation indicates that the contribution rates, for benefits then in effect, meet the basic financial objective. These contribution rates are 26.16% of payroll for employers and 6.50% of payroll for active members. There are 559 active members as of June 30, 2002.

The actuarial valuation is based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among MHSPRS members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of MHSPRS during the years 1996 to 2000.

Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. Changes made since the previous valuation are as follows:

- The annual cost of living adjustment is now payable to members as a 3% simple COLA to age 60, and then as a 3% compound COLA thereafter.
- Eligibility for non-duty related disability retirement is decreased from 10 years to 5 years.
- A prorated COLA will be paid to a member, beneficiary, or the estate of a member should the member elect to receive the COLA as a lump sum and monthly benefits terminate between July 1 and December 1. Previously the prorated COLA was payable only upon the member's death between July 1 and December 1.
- The COLA will be immediately reinstated upon re-retirement of a member who was previously receiving a COLA.

We provided most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedule of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section.

Based upon the valuation results, it is our opinion that the Mississippi Highway Safety Patrol Retirement System continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Thomas J. Cavanaugh, F.S.A.
Principal & Consulting Actuary

Philip Bonanno, E.A.
Senior Consultant & Actuary

TJC/PB:cj

Mississippi Highway Safety Patrol Retirement System
Valuation Balance Sheet
As of Most Recent Actuarial Valuation at June 30, 2002

Assets

Current assets	
Annuity savings account	$ 16,226,165
Annuity reserve	13,402,717
Employer's accumulation account	233,626,118
Total current assets	$ 263,255,000
Future member contributions to annuity savings account	$ 12,111,252
Prospective contributions to employer's accumulation account	
Normal contributions	$ 36,520,084
Accrued liability contributions	22,293,135
Total prospective employer contributions	$ 58,813,219
Total assets	$ 334,179,471

Liabilities

Present value of benefits payable on account of present retired members and beneficiaries	$ 186,500,713
Present value of benefits payable on account of active and inactive members	$ 147,678,758
Total liabilities	$ 334,179,471

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One Pennsylvania Plaza
New York, New York 10119-4798

October 24, 2002

Board of Trustees
Public Employees' Retirement System
of Mississippi
429 Mississippi Street
Jackson, Mississippi 39201-1005

Dear Board Members:

The basic financial objective of the Municipal Retirement Systems of Mississippi (MRS) is to establish and receive contributions (expressed as a tax on assessed property values) which

(1) will be in amounts sufficient, but not more than amounts necessary, to make the Funds actuarially sound by July 1, 2000 and to remain actuarially sound for all future years (the tax may be increased but not by more than one-half mill per year), and which

(2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MRS.

In order to measure progress toward this fundamental objective, MRS has annual actuarial valuations performed. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the amortization of unfunded total actuarial liabilities over a closed period. The latest completed actuarial valuations were based upon data and assumptions as of September 30, 2001. These valuations indicate that the contribution rates, for benefits then in effect, meet the basic financial objective. The contribution rates vary by participating City for employers and are 7%-10% of payroll for active members. There were 182 active members as of September 30, 2001.

The actuarial valuations are based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among MRS members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of MRS during the years 1996 to 2000.

Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25. The funding method is not one of the acceptable methods under Statement No. 25, but, in our opinion, is appropriate for MRS since all the Funds have been closed to new members.

The current benefit structures are outlined in the Actuarial Section. Changes made since the previous valuation are as follows:

- Members of Biloxi were granted a 3% simple COLA for each full fiscal year of retirement after June 30, 2000, with a maximum COLA of 30%. Such COLA is in addition to any COLA previously granted.
- Members of Gulfport were granted a 2% simple COLA for each full fiscal year of retirement after June 30, 1999, with a maximum COLA of 6%.
- Members of Tupelo who have been retired for at least 1 full fiscal year as of September 30, 2000 received an ad-hoc increase of 2.34% in allowances.

We provided most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedules of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section.

Based upon the valuation results it is our opinion that the Municipal Retirement Systems of Mississippi continue in sound accordance with actuarial principles and requirements of State law. However, given the constraint on employer contribution increases, there is a possibility, depending upon future experience, that one or more of the Funds under the Municipal Retirement Systems will be exhausted at some point in the future. Such an event would lead to at least a temporary reduction in benefits paid until the affected Fund's cash flow position improved.

Respectfully submitted,

Thomas J. Cavanaugh, F.S.A.	Philip Bonanno, E.A.
Principal & Consulting Actuary	Senior Consultant & Actuary

TJC/PB:cj

Mississippi Municipal Retirement Systems
Valuation Balance Sheet
As of Most Recent Actuarial Valuation at September 30, 2001

Assets		
Current assets		
Annuity savings account	$	9,270,695
Employer's accumulation account		252,989,013
Total current assets	$	262,259,708
Future member contributions to annuity savings account	$	2,336,682
Prospective contributions to employer's accumulation account	$	121,594,657
Total assets	$	386,191,047
Liabilities		
Present value of benefits payable on account of present retired members and beneficiaries	$	328,999,822
Present value of benefits payable on account of active members	$	57,191,225
Total liabilities	$	386,191,047

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New York, New York 10119-4798

October 24, 2002

Board of Trustees
Public Employees' Retirement System
of Mississippi
429 Mississippi Street
Jackson, Mississippi 39201-1005

Dear Board Members:

The basic financial objective of the Mississippi Supplemental Legislative Retirement Plan (SLRP) is to establish and receive contributions which

(1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Mississippi citizens, and which

(2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of SLRP.

In order to measure progress toward this fundamental objective, SLRP has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liability over a reasonable period. The latest completed actuarial valuation was based upon data and assumptions as of June 30, 2002. This valuation indicates that the contribution rates, for benefits then in effect, meet the basic financial objective. These contribution rates are 6.33% of payroll for employers and 3.00% of payroll for active members. There are 175 active members as of June 30, 2002.

The actuarial valuation is based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among SLRP members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of SLRP during the years 1996 to 2000.

Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. Changes made since the previous valuation are as follows:

- The benefit formula was increased to 1% for all years of service less than 25 years and 1.25% for all years of service greater than 25 years.
- A prorated COLA will be paid to a member, beneficiary, or the estate of a member should the member elect to receive the COLA in a lump sum and monthly benefits terminate between July 1 and December 1. Previously the prorated COLA was payable only upon the member's death between July 1 and December 1.
- The maximum compensation on which retirement contributions can be made and benefits calculated thereon increased from $125,000 to $150,000.
- The 100% of compensation limit on the combined PERS and SLRP benefits has been removed.
- The COLA will be immediately reinstated upon re-retirement of a member who was previously receiving a COLA.

We provided most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedule of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section.

Based upon the valuation results, it is our opinion that the Mississippi Supplemental Legislative Retirement Plan continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Thomas J. Cavanaugh, F.S.A.	Philip Bonanno, E.A.
Principal & Consulting Actuary	Senior Consultant & Actuary

TJC/PB:cj

Mississippi Supplemental Legislative Retirement Plan
Valuation Balance Sheet
As of Most Recent Actuarial Valuation at June 30, 2002

Assets		
Current assets		
Annuity savings account	$	1,876,331
Annuity reserve		354,578
Employer's accumulation account		7,499,091
Total current assets	$	9,730,000
Future member contributions to annuity savings account	$	1,387,418
Prospective contributions to employer's accumulation account		
Normal contributions	$	1,711,148
Accrued liability contributions		1,598,039
Total prospective employer contributions	$	3,309,187
Total assets	$	14,426,605
Liabilities		
Present value of benefits payable on account of present retired members, beneficiaries, and deferred vested members	$	5,179,704
Present value of benefits payable on account of active and inactive members	$	9,246,901
Total liabilities	$	14,426,605

Public Employees' Retirement System of Mississippi
Statement of Actuarial Assumptions and Methods

Interest Rate: 8 percent per annum, compounded annually (net after investment expenses).

Separations from Active Service: Representative values of the assumed rates of separation from active service are as follows:

Annual Rates of

Sample Ages	Withdrawal and Vesting*	Death** Male	Death** Female	Disability**	Service Retirement*** Service	Service Retirement*** Rate
20	15.0%	0.02%	0.01%	0.01%	4	50.0%
25	11.0	0.03	0.02	0.02	5	20.0
30	10.0	0.04	0.02	0.02	10	20.0
35	8.0	0.05	0.03	0.05	15	20.0
40	6.0	0.08	0.04	0.11	20	20.0
45	5.0	0.13	0.06	0.18	25	50.0
50	5.0	0.17	0.10	0.30	30	15.0
55	5.0	0.20	0.15	0.48	35	15.0
60	5.0	0.30	0.25	0.35	40	20.0
65	5.0	0.48	0.43	–	–	–
70	5.0	0.81	0.72	–	–	–
74	5.0	1.20	1.26	–	–	–

**For all ages, rates of 40% for 1st year of employment and 16% for the 2nd year.*
***94% are presumed to be non-duty related, and 6% are assumed to be duty related.*
****The annual rate of service retirement is 100% at age 75.*
It is assumed that a member will be granted one-half year of service credit for unused leave at termination of employment.

Salary Increases: Representative values of the assumed annual rates of salary increase are as follows:

Annual Rates of

Service	Merit & Seniority	Base (Economy)	Increase Next Year
5	1.50%	4.00%	5.50%
10	1.00	4.00	5.00
15	1.25	4.00	5.25
20	1.25	4.00	5.25
25	1.25	4.00	5.25
30	2.50	4.00	6.50
35	3.00	4.00	7.00

Payroll Growth: 4.00% per annum, compounded annually.

Price Inflation: 3.75% per annum, compounded annually.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table, unadjusted for men and set back two years for women. Special tables were used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Marriage Assumption: 85% married with the husband three years older than his wife.

Valuation Method: Entry age normal cost method. Entry age is established on an individual basis.

Asset Valuation Method: Market value – 5 year smoothing.

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Mississippi Highway Safety Patrol Retirement System
Statement of Actuarial Assumptions and Methods

Interest Rate: 8 percent per annum, compounded annually (net after investment expenses).

Separations from Active Service: Representative values of the assumed rates of separation from active service are as follows:

Annual Rates of						
Sample Ages	Withdrawal	Death	Disability Non-Duty	Disability Duty	Service	Service Retirement*
25	7.3%	0.05%	0.09%	0.01%	5	5.0%
30	2.6	0.08	0.12	0.02	10	5.0
35	1.1	0.10	0.16	0.04	15	5.0
40	0.7	0.15	0.20	0.07	20	25.0
45	0.6	0.21	0.30	0.06	25	20.0
50	0.1	0.32	0.50	0.05	30	20.0
55	–	0.43	0.91	0.02	35	15.0
60	–	–	–	–	–	100.0

**The annual rate of service retirement is 100% at age 60.*
It is assumed that a member will be granted 1 1/2 years of service credit for unused leave at termination of employment.
In addition, it is assumed that, on average, 1/4 year of service credit for peace-time military service will be granted to each member.

Salary Increases: Representative values of the assumed annual rates of salary increase are as follows:

Annual Rates of			
Sample Ages	Merit & Seniority	Base (Economy)	Increase Next Year
25	3.3%	4.0%	7.3%
30	2.5	4.0	6.5
35	2.5	4.0	6.5
40	2.5	4.0	6.5
45	2.0	4.0	6.0
50	1.5	4.0	5.5
55	1.5	4.0	5.5

Asset Valuation Method: Market value – 5 year smoothing.

Payroll Growth: 4.00% per annum, compounded annually.

Price Inflation: 3.75% per annum, compounded annually.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table for males adjusted at certain ages, and the 1983 Group Annuity Mortality Table Projected to 1989 for females. Special tables were used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Marriage Assumption: 100% married with the husband three years older than his wife.

Valuation Method: Entry age normal cost method. Entry age is established on an individual basis.

Municipal Retirement Systems
Statement of Actuarial Assumptions and Methods

Interest Rate: 8 percent per annum, compounded annually (net after investment expenses).

Separations From Active Service: Representative values of the assumed rates of separation from active service are as follows:

	Annual Rates of				
	Death		Disability		
Age	Non-Duty	Duty	Non-Duty	Duty	Withdrawal
20	0.04%	0.02%	0.08%	0.06%	10.65%
25	0.05	0.03	0.12	0.12	8.64
30	0.08	0.04	0.18	0.26	6.87
35	0.11	0.05	0.24	0.52	4.86
40	0.15	0.07	0.36	0.60	2.97
45	0.22	0.09	0.64	0.54	1.44
50	0.34	0.14	1.10	0.88	0.24
55	0.44	0.20	1.58	1.18	–
60	0.51	0.32	2.20	1.30	–
64	0.57	0.42	2.86	1.38	–

Service Retirement

Years of Service	Annual Rate of Retirement
20	45.0%
21 - 29	17.5
30 and over	35.0
Age 65	100.0

Asset Valuation Method: Market Value – 5 year smoothing.

Salary Increases: 6.0% at all ages, comprised of 2.0% for merit and seniority and 4.0% for wage inflation.

Price Inflation: 3.75% per annum, compounded annually.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1983 Group Annuity Mortality Table (without projection), set forward 1 year for men and 2 years for women. Special tables were used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Marriage Assumption: 85% married with the husband three years older than his wife.

Valuation Method: Unfunded employer liabilities are amortized over a closed 30 year period from September 30, 1990 as a level percent of each municipality's assessed property valuation.

Assessed Property Value Rate of Increase: 2.0% per annum, compounded annually.

Expense Load: 2.0% of employer contributions.

Supplemental Legislative Retirement Plan
Statement of Actuarial Assumptions and Methods

Interest Rate: 8 percent per annum, compounded annually (net after investment expenses).

Separations from Active Service: Representative values of the assumed rates of separation from active service are as follows:

	Annual Rates of		
Sample Ages	Death* Male	Death* Female	Disability*
20	0.02%	0.01%	0.04%
25	0.03	0.02	0.05
30	0.04	0.02	0.07
35	0.05	0.03	0.11
40	0.08	0.04	0.17
45	0.13	0.06	0.23
50	0.24	0.10	0.30
55	0.39	0.15	0.35
60	0.60	0.25	0.40
65	0.96	0.43	–
70	–	–	–

**94 percent are presumed to be non-duty related, and 6 percent are assumed to be duty related.*

Salary Increases: 5.00% per annum, for all ages. The merit and seniority component is 1.00% and the wage inflation component is 4.00%.

Asset Valuation Method: Market value – 5 year smoothing.

Withdrawal and Vesting: 10% in an election year, 2.5% in a non-election year.

Service Retirement: 25% in an election year, none in a non-election year. All members are assumed to retire no later than age 70. It is assumed that a member will be granted 2 years of service credit for unused leave at termination of employment.

Price Inflation: 3.75% per annum, compounded annually.

Payroll Growth: 4.00% per annum, compounded annually.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1971 Group Annuity Mortality Table set back one year. Special tables were used for the period after disability retirement. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

Marriage Assumption: 85% married with the husband three years older than his wife.

Valuation Method: Entry age normal cost method. Entry age is established on an individual basis.

Public Employees' Retirement System of Mississippi
Summary of Main System Provisions As Interpreted
For Valuation Purposes

Summary of Benefit and Contribution Provisions – PERS

The following summary presents the main benefit and contribution provisions of the System in effect June 30, 2002, as interpreted in preparing the actuarial valuation. As used in the summary, "average compensation" means the average annual covered earnings of an employee during the four highest years of service. "Covered earnings" means gross salary not in excess of the maximum amount on which contributions were required. "Fiscal year" means a year commencing on July 1 and ending on June 30. The maximum covered earnings for employers and employees over the years are as follows:

Employer and Employee Rates of Contribution and Maximum Covered Earnings

Date From	To	Employer Rate	Maximum Covered Earnings	Employee Rate	Maximum Covered Earnings
2/1/53	6/30/58	2.50%	$ 6,000	4.00%	$ 4,800*
7/1/58	6/30/60	2.50	9,000	4.00	7,800*
7/1/60	6/30/66	2.50	15,000	4.00	13,800*
7/1/66	6/30/68	3.00	15,000	4.50	13,800*
7/1/68	3/31/71	4.50	15,000	4.50	15,000
4/1/71	6/30/73	4.50	35,000	4.50	35,000
7/1/73	6/30/76	5.85	35,000	5.00	35,000
7/1/76	6/30/77	7.00	35,000	5.00	35,000
7/1/77	6/30/78	7.50	35,000	5.50	35,000
7/1/78	6/30/80	8.00	35,000	5.50	35,000
7/1/80	6/30/81	8.00	53,000	5.50	53,000
7/1/81	12/31/83	8.75	53,000	6.00	53,000
1/1/84	6/30/88	8.75	63,000	6.00	63,000
7/1/88	6/30/89	8.75	75,600	6.00	75,600
7/1/89	12/31/89	8.75	75,600	6.50	75,600
1/1/90	6/30/91	9.75	75,600	6.50	75,600
7/1/91	6/30/92	9.75	75,600	7.25	75,600
7/1/92	6/30/02	9.75	125,000	7.25	125,000
7/1/02	–	9.75	150,000	7.25	150,000

**From February 1, 1953, through June 30, 1968, the first $100 in monthly earnings or $1,200 in annual earnings were not covered earnings for the employee.*

Benefits

Superannuation Retirement

Condition for Retirement

(a) A retirement allowance is paid upon the request of any member who retires and has attained age 60 and completed at least four years of creditable service, or has completed at least 25 years of creditable service.

(b) Any member who withdraws from service prior to his attainment of age 60 and who has completed at least four years of creditable service is entitled to receive, in lieu of a refund of his accumulated contributions, a retirement allowance commencing at age 60.

(c) Upon the death of a member who has completed at least four years of creditable service, a benefit is payable, in lieu of a refund of the member's accumulated contributions, to his spouse, if said spouse is named as his beneficiary and has been married to the member for not less than one year.

Amount of Allowance

The annual retirement allowance payable to a member who retires under condition (a) above is equal to:

1. A member's annuity which is the actuarial equivalent of the member's accumulated contributions at the time of his retirement, plus
2. An employer's annuity which, together with the member's annuity, is equal to 2 percent of his average compensation for each of the first 25 years of creditable service, plus 2.5 percent for each year of creditable service over 25 years.

The minimum allowance is $120 for each year of creditable service.

The annual retirement allowance payable to the spouse of a member who dies under condition (c) above is equal to the greater of (i) the allowance that would have been payable had the member retired and elected Option 2, reduced by 3 percent per year for each year the member lacked in qualifying for unreduced retirement benefits, or (ii) a benefit equal to the greater of 20 percent of average compensation or $50 per month.

In addition, a benefit is payable to dependent children until age 19 (23 if a full-time student). The benefit is equal to the greater of 10 percent of average compensation or $50 per month for each dependent child up to 3.

Disability Retirement

Condition for Retirement

A retirement allowance is paid to a member who is totally and permanently disabled, as determined by the Board of Trustees, and has accumulated four or more years of creditable service.

Amount of Allowance

For those who were active members prior to July 1, 1992 and did not elect the benefit structure outlined below, the annual disability retirement allowance payable is equal to a superannuation retirement allowance if the member has attained age 60, otherwise it is equal to a superannuation retirement allowance calculated as follows:

1. A member's annuity equal to the actuarial equivalent of his accumulated contributions at the time of retirement, plus
2. An employer's annuity equal to the amount that would have been payable had the member continued in service to age 60.

For those who become active members after June 30, 1992 and for those who were active members prior to July 1, 1992 who so elected, the following benefits are payable:

1. A temporary allowance equal to the greater of (a) 40 percent of average compensation plus 10 percent for each dependent child up to a maximum of 2, or (b) the member's accrued allowance. This temporary allowance is paid for a period of time based on the member's age at disability, as follows:

Age at Disability	Duration
60 and earlier	to age 65
61	to age 66
62	to age 66
63	to age 67
64	to age 67
65	to age 68
66	to age 68
67	to age 69
68	to age 70
69 and later	one year

The minimum allowance is $120 per year of creditable service.

2. A deferred allowance commencing when the temporary allowance ceases, equal to the greater of (a) the allowance the member would have received based on service to the termination age of the temporary allowance, but not more than 40 percent of average compensation, or (b) the member's accrued allowance.

The minimum allowance is $120 per year of creditable service.

Accidental Disability Retirement

Condition for Retirement

A retirement allowance is paid to a member who is totally and permanently disabled in the line of performance of duty.

Amount of Allowance

The annual accidental disability retirement allowance is equal to the allowance payable on disability retirement but not less than 50 percent of average compensation. There is no minimum benefit.

Accidental Death Benefit

Condition for Benefit

A retirement allowance is paid to a spouse and/or dependent children upon the death of an active member in the line of performance of duty.

Amount of Allowance

The annual retirement allowance is equal to 50 percent of average compensation payable to the spouse and 25 percent of average compensation payable to one dependent child or 50 percent to two or more children until age 19 (23 if a full-time student). There is no minimum benefit.

Return of Contributions

Upon the withdrawal of a member without a retirement benefit, his contributions are returned to him, together with accumulated regular interest thereon.

Upon the death of a member before retirement, his contributions together with the full accumulated regular interest thereon, are paid to his designated beneficiary, if any, otherwise, to his estate provided no other survivor benefits are payable.

Normal Form of Benefit

The normal form of benefit is an allowance payable during the life of the member with the provision that upon his death the excess of his total contributions at the time of retirement over the total retirement annuity paid to him will be paid to his designated beneficiary.

Optional Benefit

A member upon retirement may elect to receive his allowance in one of the following forms which are computed to be actuarially equivalent to the applicable retirement allowance.

Option 1. Reduced allowance with the provision that if the pensioner dies before he receives the value of the member's annuity as it was at the time of retirement, the balance shall be paid to his beneficiary or estate.

Option 2. Upon his death, his reduced retirement allowance shall be continued throughout the life of, and paid to, his beneficiary.

Option 3. Upon his death, 50 percent of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary and the other 50 percent of his reduced retirement allowance to some other designated beneficiary.

Option 4A. Upon his death, 50 percent of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary.

Option 4B. A reduced retirement allowance shall be continued throughout the life of the pensioner, but with the further guarantee of payment to the pensioner, his beneficiary or his estate for a specified number of years certain.

Option 4C. A member may elect any option with the added provision that the member shall receive, so far as possible, the same total amount annually (considering both PERS and Social Security benefits) before and after the earliest age at which the member becomes eligible for a Social Security benefit.

If a member elects either Option 2 or Option 4A there is an added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

A member who has at least 28 years of creditable service or is at least age 63 with 4 years of service can select a partial lump-sum option at retirement. Under this option, the retiree has the option of taking a partial lump-sum distribution equal to either 12, 24, or 36 times the base maximum monthly benefit. With each lump-sum amount, the base maximum monthly benefit will be actuarially reduced. A member selecting the partial lump-sum option may also select any of the regular options except Option 1, the prorated single-life annuity, and Option 4C, the Social Security leveling provision. The benefit is then calculated using the new reduced maximum benefit as a starting point in applying the appropriate option factors for the reduction.

Post Retirement Adjustments in Allowances

The allowances of retired members are adjusted annually by an amount equal to (a) 3% of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus (b) 3% compounded for each year thereafter beginning with the fiscal year in which the member turns age 55; provided, however, that the annual adjustment will not be less than 4% of the annual retirement allowance for each full fiscal year in retirement through 6/30/98.

A prorated portion of the annual adjustment will be paid to the beneficiary or estate of any member or beneficiary who is receiving the annual adjustment in a lump sum, but whose benefits are terminated between July 1 and December 1.

Contributions

Employer contribution rates are set by Mississippi statute for PERS. The adequacy of these rates are checked annually by actuarial valuation. Employer contributions have met or exceeded the required contributions each year for PERS since 1991.

Mississippi Highway Safety Patrol Retirement System
Summary of Main System Provisions As Interpreted
For Valuation Purposes

Summary of Benefit and Contribution Provisions – MHSPRS

The following summary presents the main benefit and contribution provisions of the System in effect June 30, 2002, as interpreted in preparing the actuarial valuation. As used in the summary, "average compensation" means the average annual covered earnings of an employee during the four consecutive years of service producing the highest such average. "Covered earnings" means gross salary not in excess of the maximum amount on which contributions were required. "Fiscal year" means a year commencing on July 1 and ending on June 30.

Employer and Employee Rates of Contribution and Maximum Covered Earnings

Date From	To	Employer Rate	Maximum Covered Earnings*	Employee Rate	Maximum Covered Earnings*
7/1/58	6/30/68	13.33%	–	5.00%	–
7/1/68	6/30/71	15.33	–	5.00	–
7/1/71	6/30/73	18.59	–	5.00	–
7/1/73	6/30/75	20.77	–	5.00	–
7/1/75	6/30/78	24.65	–	5.00	–
7/1/78	6/30/80	26.16	–	6.00	–
7/1/80	6/30/89	26.16	–	6.50	–
7/1/89	6/30/90	27.97	–	6.50	–
7/1/90	–	26.16	–	6.50	–

**Maximum covered earnings equals wages paid.*

Benefits

Superannuation Retirement

Condition for Retirement

(a) A retirement allowance is payable to any member who retires and has attained age 55 and completed at least five years of creditable service, or has attained age 45 and completed at least 20 years of creditable service, or has completed 25 years of creditable service regardless of age.

Any member who has attained age 60 shall be retired forthwith. Effective January 1, 2000, the Commissioner of Public Safety is authorized to allow a member who has attained age 60 to continue in active service. Such continued service may be authorized annually until the member attains age 65.

(b) Any member who withdraws from service prior to his attainment of age 55 but after having completed five or more years of creditable service is entitled to receive, in lieu of a refund of his accumulated contributions, a retirement allowance commencing at age 55.

Amount of Allowance

The annual retirement allowance payable to a retired member is equal to:

1. A member's annuity which is the actuarial equivalent of the member's accumulated contributions at the time of his retirement, plus
2. An employer's annuity which, together with the member's annuity, is equal to 2.5 percent of his average compensation for each year of membership service, plus
3. A prior service annuity equal to 2.5 percent of average compensation for each year of prior service.

The aggregate amounts of (2) and (3) above shall not exceed 100% of average compensation, regardless of service, for retirements on or after January 1, 2000; 85% for retirements prior to January 1, 2000.

The minimum allowance for both service and disability retirement is $180 for each year of creditable service, reduced if necessary as indicated below.

The annual retirement allowance payable to a member who retires under condition (a) prior to age 55 is computed in accordance with the above formula except that the employer's annuity and prior service annuity are reduced 3 percent for each year of age below age 55, or 3 percent for each year of service below 25 years of creditable service, whichever is less.

Disability Retirement

Condition for Retirement

A retirement allowance is payable to any member who is not eligible for a service retirement benefit but who becomes totally and permanently disabled, either physically or mentally, regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the member must have completed at least 5 years of creditable service to be eligible for retirement.

Amount of Allowance

The annual disability retirement allowance payable is equal to the greater of 50 percent of his average salary for the two years immediately preceding retirement, or a retirement allowance as calculated under the provisions for superannuation retirement.

Death Prior to Retirement

Upon the death of a highway patrol officer who is eligible for service retirement, family benefits are payable equal to those which would have been payable had he been retired on his date of death.

Upon the death of a highway patrol officer either in the line of duty or as a result of an accident occurring in the line of duty, the following benefits are payable:

(a) benefit to the spouse equal to one-half of the member's average compensation. Payments cease upon remarriage.

(b) a benefit to a dependent child payable to age 19 (23 if a full-time student) equal to one-fourth of the member's average compensation for one child or one-half for two or more children.

Death After Retirement

Upon the death of a highway patrol officer who has retired for service or disability and who has not elected any other optional form of benefit, his widow is eligible for a benefit equal to 50 percent of his retirement allowance and each child (but not more than two) who has not attained age 19 (23 if a full-time student) is eligible for a benefit equal to 25 percent of his retirement allowance. The benefit to the widow is payable for life or until remarriage and to children until they attain age 19 (23 if a full-time student) or for life if they are totally and permanently disabled.

Refund of Contributions

Upon a member's termination of employment for any reason before retirement, his accumulated contributions, together with regular interest thereon, are refunded. Upon the death of a member who is not eligible for any other death benefit, his accumulated contributions, together with regular interest thereon, are paid to his beneficiary.

Normal Form of Benefit

The normal form of benefit is an allowance payable during the life of the member with the provision that upon his death 50 percent of his benefit is payable to the spouse for the spouse's lifetime, and 25 percent of his benefit is payable to each dependent child (maximum of 2 children) under age 19 (23 if a full-time student).

Alternatively, the member may choose to receive his allowance payable for his lifetime only, with the provision that accumulated member contributions in excess of benefits paid will be refunded to a beneficiary.

Optional Benefit

A member upon retirement may elect to receive his allowance in one of the following forms which are computed to be actuarially equivalent to the applicable retirement allowance.

Option 1. Reduced allowance with the provision that if the pensioner dies before he receives the value of the member's annuity as it was at the time of retirement, the balance shall be paid to his beneficiary or estate.

Option 2. Upon his death, his reduced retirement allowance shall be continued throughout the life of, and paid to, his beneficiary.

Option 3. Upon his death, 50 percent of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary and the other 50 percent of his reduced retirement allowance to some other designated beneficiary.

Option 4A. Upon his death, 50 percent of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary.

Option 4B. A reduced retirement allowance shall be continued throughout the life of the pensioner, but with the further guarantee of payment to the pensioner, his beneficiary or his estate for a specified number of years certain.

Option 4C. A member may elect any option with the added provision that the member shall receive, so far as possible, the same total amount annually (considering both MHSPRS and Social Security benefits) before and after the earliest age at which the member becomes eligible for a Social Security benefit.

A member electing either Option 2 or Option 4A has the added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

A member can select a partial lump-sum option at retirement. Under this option, the retiree has the option of taking a partial lump-sum distribution equal to either 12, 24, or 36 times the base maximum monthly benefit. With each lump-sum amount, the base maximum monthly benefit will be actuarially reduced. A member selecting this option may also select any of the regular options except Option 1, the prorated single-life annuity, and Option 4C, the Social Security leveling provision. The benefit is then calculated using the new reduced maximum benefit as a starting point in applying the appropriate option factors for the reduction.

Post Retirement Adjustments in Allowances

The allowances of retired members are adjusted annually by an amount equal to (a) 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 60, plus (b) 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 60.

A prorated portion of the annual adjustment will be paid to the member, beneficiary, or estate of any member or beneficiary who is receiving the annual adjustment in a lump sum, but whose benefit is terminated between July 1 and December 1.

Those members who retired on or before July 1, 1999 received an ad-hoc benefit increase in the amount of $3.50 per month for each full fiscal year of retirement through June 30, 1999 plus $1.00 per month for each year of credited service. The benefits were increased on July 1, 1999.

Contributions

Members contribute 6.5 percent of compensation and the employer contributes that additional amount necessary to fund the benefits outlined above on a full actuarial reserve funding basis.

Employer contribution rates are set by Mississippi statute for MHSPRS. The adequacy of these rates are checked annually by actuarial valuation. Employer contributions have met or exceeded the required contributions each year for MHSPRS since 1991.

Summary of Benefit and Contribution Provisions – MRS

The following summary presents the main benefit provisions of the Systems in effect September 30, 2001, as interpreted in preparing the actuarial valuations. As used in the summary, "average compensation" means the average compensation of a member during the six month period prior to receipt of an allowance.

Benefits

Service Retirement

Condition for Retirement

A retirement allowance is payable to any member who retires and has completed at least 20 years of creditable service, regardless of age.

Any general employee member who has attained age 70 and any fireman or policeman who has attained age 65 shall be retired forthwith.

Amount of Allowance

The annual retirement allowance payable to a retired member is equal to:

1. 50 percent of average compensation, plus
2. 1.7 percent of average compensation for each year of credited service over 20.

The aggregate amounts of (1) and (2) above shall not exceed $66^2/_3$ percent of average compensation, regardless of service.

Disability Retirement

Condition for Retirement

A retirement allowance is payable to any member who is not eligible for a service retirement benefit but who becomes totally and permanently disabled, either physically or mentally, regardless of creditable service, if the disability is due to causes in the performance of duty. If the disability is not in the performance of duty, the member must have completed at least five years of creditable service to be eligible for retirement.

Amount of Allowance

The annual disability retirement allowance payable is equal to 50 percent of his salary at the time of retirement, if the disability is due to causes in the performance of duty.

If the disability is not in the performance of duty, the allowance is equal to 2.5 percent times credited service not in excess of 20 times his salary at the time of retirement for firemen and policemen, and average compensation for general employees.

Death Benefit

Condition for Benefits

A benefit is payable upon the death of a member under the following conditions:

(a) the member has retired,
(b) the member is eligible to retire,
(c) the death is in the line of duty, or
(d) the death is not in the line of duty, but occurs after the member has 5 years of credited service.

The benefit is payable to the surviving spouse until remarriage and to children under age 18, to dependent children through age 23 when full-time students, and to dependent children of any age if handicapped.

Amount of Benefits

The annual benefit payable, under all conditions in the case of firemen and policemen and under other than condition (c) in the case of general employees is equal to 2.5 percent of average compensation for each year of credited service up to 20 and 1.7 percent of average compensation for each year over 20, with a maximum benefit of $66^2/_3$ percent of average compensation.

For general employee members under condition (c), the annual benefit payable is equal to 50 percent of salary at the time of death.

Refund of Contributions

Upon a member's termination of employment for any reason before retirement, his accumulated contributions are refunded. Upon the death of a member who is not eligible for any other death benefit, his accumulated contributions, together with regular interest thereon, are paid to his beneficiary.

Minimum Allowances

The minimum monthly allowances paid to members from the following municipalities for all retirement and death benefits are:

Biloxi:	$600	Columbus:	$300
Gulfport:	$500	Hattiesburg:	$500
Jackson:	$500	Meridian:	$600
Tupelo:	$300	Vicksburg:	$500

Post Retirement Adjustments in Allowances

The allowances of certain retired members are adjusted annually by a cost of living adjustment (COLA) on the basis of the annual percentage change in each fiscal year of the Consumer Price Index.

Those adjustments are limited as follows:

Biloxi: maximum of 3 percent per year (not to exceed 9 percent) for all members who retired on or before December 31, 1995.
Clarksdale: maximum of 2.5 percent per year for all retirees and beneficiaries.
Clinton: maximum of 2.5 percent per year (not to exceed 10 percent) for service retirements only.
Columbus: maximum of 2.5 percent per year (not to exceed 25 percent) for all retirees and beneficiaries.
Greenville: maximum of 2.5 percent per year (not to exceed 25 percent) for all retirees and beneficiaries.
Gulfport: 2 percent per year (not to exceed 6 percent) for each fiscal year of retirement after June 30, 1999 for all retirees and beneficiaries.
Hattiesburg: maximum of 2.5 percent per year (not to exceed 25 percent) for all retirees and beneficiaries.
Jackson: maximum aggregate increase of 12 percent for service and disability retirements only.
McComb: maximum of 2.5 percent per year for all retirees and beneficiaries.
Pascagoula: maximum of 2.5 percent per year (not to exceed 15 percent) for all retirees and beneficiaries.
Vicksburg: maximum of 2.5 percent per year for all retirees and beneficiaries.
Yazoo City: maximum of 2.5 percent per year (not to exceed 25 percent) for all retirees and beneficiaries.

Post retirement adjustments are included in System liabilities for future increases for Biloxi, Clinton, Columbus, Greenville, Gulfport, Hattiesburg, Jackson, Pascagoula, Vicksburg and Yazoo City.

All Meridian retirees and beneficiaries who were receiving a retirement allowance as of June 30, 1999 were granted a 3.9 percent ad-hoc benefit increase.

All Tupelo retirees and beneficiaries received an increase of 5 percent in allowances effective December 1, 1991. Additional 3 percent ad-hoc benefit increases were granted to members retired at least 1 full fiscal year as of September 30, 1995, as of September 30, 1997, as of September 30, 1998, and as of September 30, 2000. Furthermore, a 2 percent ad-hoc benefit increase was granted to members retired at least 1 full fiscal year as of September 30, 1999, and a 2.34 percent ad-hoc benefit increase was granted to members retired at least 1 full fiscal year as of September 30, 2001.

Contributions

Funding policies established by Mississippi statutes, provide the rates of employer contributions for MRS. The adequacy of these rates are checked annually by actuarial valuation. The following table provides a comparison of employer required contributions to actual contributions received for MRS:

Fiscal Year 10-1/9-30	Valuation Date 9-30	Annual Required Contribution (a)	Actual Contribution (b)	Difference (a-b)	Percentage Contributed
1991-92	1991	$18,299	$14,108	$4,191	77.1%
1992-93	1992	18,466	15,123	3,343	81.9
1993-94	1993	23,045	16,531	6,514	71.7
1994-95	1994	22,205	18,051	4,154	81.3
1995-96	1995	21,681	20,347	1,334	93.8
1996-97	1996	20,674	71,350	(50,676)	345.1
1997-98	1997	14,727	14,200	527	96.4
1998-99	1998	13,803	13,770	33	99.8
1999-00	1999	12,364	14,162	(1,798)	114.5
2000-01	2000	11,276	14,201	(2,925)	125.9

Supplemental Legislative Retirement Plan of Mississippi
Summary of Main System Provisions As Interpreted For Valuation Purposes

Summary of Main Benefit and Contribution Provisions – SLRP

The following summary presents the main benefit and contribution provisions of the Plan in effect June 30, 2002, as interpreted in preparing the actuarial valuation. As used in the summary, "average compensation" means the average annual covered earnings of an employee during the four highest years of service. "Covered earnings" means gross salary not in excess of the maximum amount on which contributions were required. "Fiscal year" means a year commencing on July 1 and ending on June 30. "Eligibility service" is all service in PERS, including that credited for SLRP service. "Credited service" includes only SLRP service.

Employer and Employee Rates of Contribution and Maximum Covered Earnings

Date From	To	Employer Rate	Maximum Covered Earnings	Employee Rate	Maximum Covered Earnings
7/1/89	6/30/92	6.33%	$ 75,600	3.00%	$ 75,600
7/1/92	6/30/02	6.33	125,000	3.00	125,000
7/1/02	–	6.33	150,000	3.00	150,000

Benefits

Superannuation Retirement

Condition for Retirement

(a) A retirement allowance is paid upon the request of any member who retires and has attained age 60 and completed at least four years of eligibility service, or has completed at least 25 years of eligibility service.

(b) Any member who withdraws from service prior to his attainment of age 60 and who has completed at least four years of eligibility service is entitled to receive, in lieu of a refund of his accumulated contributions, a retirement allowance commencing at age 60.

(c) Upon the death of a member who has completed at least four years of eligibility service, a benefit is payable, in lieu of a refund of the member's accumulated contributions, to his spouse, if said spouse is named as his beneficiary and has been married to the member for not less than one year.

Amount of Allowance

The annual retirement allowance payable to a member who retires under condition (a) is equal to:

1. A member's annuity which is the actuarial equivalent of the member's accumulated contribution at the time of his retirement, plus
2. An employer's annuity which, together with the member's annuity, is equal to 1 percent of his average compensation for each of the first 25 years of credited service plus 1.25 percent for each year of creditable service over 25 years.

The minimum allowance is $60 for each year of creditable service.

The annual retirement allowance payable to the spouse of a member who dies under condition (c) is equal to the greater of (i) the allowance that would have been payable had the member retired and elected Option 2, reduced by 3 percent per year for each year the member lacked in qualifying for unreduced retirement benefits, or (ii) a benefit equal to the greater of 10 percent of average compensation or $25 per month.

In addition, a benefit is payable to dependent children until age 19 (23 if a full-time student). The benefit is equal to the greater of 5 percent of average compensation or $25 per month for each dependent child up to 3.

Disability Retirement

Condition for Retirement

A retirement allowance is paid to a member who is totally and permanently disabled, as determined by the Board of Trustees, and has accumulated four or more years of eligibility service.

Amount of Allowance

For those who were active members prior to July 1, 1992 and did not elect the benefit structure outlined below, the annual disability retirement allowance payable is equal to a superannuation retirement allowance if the member has attained age 60, otherwise it is equal to a superannuation retirement allowance calculated as follows:

1. A member's annuity equal to the actuarial equivalent of his accumulated contributions at the time of retirement, plus
2. An employer's annuity equal to the amount that would have been payable had the member continued in service to age 60.

For those who become active members after June 30, 1992 and for those who were active members prior to July 1, 1992 who so elected, the following benefits are payable:

1. A temporary allowance equal to the greater of (a) 20 percent of average compensation plus 5 percent for each dependent child up to a maximum of 2, or (b) the member's accrued allowance. This temporary allowance is paid for a period of time based on the member's age at disability, as follows:

Age at Disability	Duration
60 and earlier	to age 65
61	to age 66
62	to age 66
63	to age 67
64	to age 67
65	to age 68
66	to age 68
67	to age 69
68	to age 70
69 and later	one year

The minimum allowance is $60 per year of service credit.

2. A deferred allowance commencing when the temporary allowance ceases, equal to the greater of (a) the allowance the member would have received based on service to the termination age of the temporary allowance, but not more than 20 percent of average compensation, or (b) the member's accrued allowance.

The minimum allowance is $60 per year of service credit.

Accidental Disability Retirement

Condition for Retirement

A retirement allowance is paid to a member who is totally and permanently disabled in the line of performance of duty.

Amount of Allowance

The annual accidental disability retirement allowance is equal to the allowance payable on disability retirement but not less than 25 percent of average compensation. There is no minimum benefit.

Accidental Death Benefit

Condition for Benefit

A retirement allowance is paid to a spouse and/or dependent children upon the death of an active member in the line of performance of duty.

Amount of Allowance

The annual retirement is equal to 25 percent of average compensation payable to the spouse and 12.5 percent of average compensation payable to one dependent child or 25 percent to two or more children until age 19 (23 if a full-time student). There is no minimum benefit.

Return of Contributions

Upon withdrawal of a member without a retirement benefit, his contributions are returned to him, together with accumulated regular interest thereon.

Upon the death of a member before retirement, his contributions, together with the full accumulated regular interest thereon, are paid to his designated beneficiary, if any, otherwise, to his estate provided no other survivor benefits are payable.

Normal Form of Benefit

The normal form of benefit is an allowance payable during the life of the member with the provision that upon his death the excess of his total contributions at the time of retirement over the total retirement annuity paid to him will be paid to his designated beneficiary.

Optional Benefit

A member upon retirement may elect to receive his allowance in one of the following forms which are computed to be actuarially equivalent to the applicable retirement allowance.

Option 1. Reduced allowance with the provision that if the pensioner dies before he receives the value of the member's annuity as it was at the time of retirement, the balance shall be paid to his beneficiary or estate.

Option 2. Upon his death, his reduced retirement allowance shall be continued throughout the life of, and paid to, his beneficiary.

Option 3. Upon his death, 50 percent of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary and the other 50 percent of his reduced retirement allowance to some other designated beneficiary.

Option 4A. Upon his death, 50 percent of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary.

Option 4B. A reduced retirement allowance shall be continued throughout the life of the pensioner, but with the further guarantee of payment to the pensioner, his beneficiary or his estate for a specified number of years certain.

Option 4C. A member may elect any option with the added provision that the member shall receive, so far as possible, the same total amount annually (considering both SLRP and Social Security benefits) before and after the earliest age at which the member becomes eligible for a Social Security benefit.

If a member elects either Option 2 or Option 4A there is an added provision that in the event the designated beneficiary predeceases the member, the retirement allowance payable to the member after the designated beneficiary's death shall be equal to the retirement allowance which would have been payable had the member not elected the option.

A member who has at least 28 years of credited service or is at least age 63 with 4 years of service can select a partial lump-sum option at retirement. Under this option, the retiree has the option of taking a partial lump-sum distribution equal to either 12, 24, or 36 times the base maximum monthly benefit. With each lump-sum amount, the base maximum monthly benefit will be actuarially reduced. A member selecting the partial lump-sum option may also select any of the regular options except Option 1, the prorated single-life annuity, and Option 4C, the Social Security leveling provision. The benefit is then calculated using the new reduced maximum benefit as a starting point in applying the appropriate option factors for the reduction.

Post Retirement Adjustments in Allowances

The allowances of retired members are adjusted annually by an amount equal to (a) 3 percent of the annual retirement allowance for each full fiscal year of retirement prior to the year in which the member reaches age 55, plus (b) 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 55; provided, however, that the annual adjustment will not be less than 4 percent of the annual retirement allowance for each full fiscal year in retirement through 6/30/98.

A prorated portion of the annual adjustment will be paid to the member, beneficiary or estate of any member or beneficiary who is receiving the annual adjustment in a lump sum, but whose benefit is terminated between July 1 and December 1.

Contributions

Members currently contribute 3.0 percent of covered earnings. The employer contributes that additional amount necessary to fund the benefits outlined above on a full actuarial reserve funding basis.

Employer contribution rates are set by Mississippi statute for SLRP. The adequacy of these rates are checked annually by actuarial valuation. Employer contributions have met or exceeded the required contributions each year for SLRP since 1991.

Solvency Tests
(In Thousands)

Date	Actuarial Accrued Liabilities for: (1) Accumulated Employee Contributions Including Allocated Investment Earnings	(2) Retirees and Beneficiaries Currently Receiving Benefits	(3) Active and Inactive Members Employer-Financed Portion	Net Assets Available for Benefits	Portions of Accrued Liabilities Covered by Assets (1)	(2)	(3)
Public Employees' Retirement System							
6/30/93	$1,599,349	$ 3,136,142	$ 3,828,159	$ 5,612,666	100%	100%	22.9%
6/30/94	1,801,207	3,410,883	4,299,042	6,084,020	100	100	20.3
**6/30/95	1,962,679	3,720,546	4,335,287	6,972,743	100	100	29.7
**6/30/96	2,040,244	4,123,467	4,408,324	8,025,533	100	100	42.2
**6/30/97	2,208,346	4,551,348	4,921,782	9,351,842	100	100	52.7
**6/30/98	2,429,136	4,938,112	5,636,815	11,058,602	100	100	65.5
**6/30/99	2,694,659	6,215,709	6,840,993	13,016,632	100	100	60.0
**6/30/00	2,992,726	7,227,395	7,831,975	14,899,074	100	100	59.7
**6/30/01	3,061,697	7,856,268	7,576,242	16,191,631	100	100	69.6
**6/30/02	3,221,756	8,913,895	8,044,696	16,823,185	100	100	58.3
Mississippi Highway Safety Patrol Retirement System							
6/30/93	$ 10,057	$ 80,608	$ 45,289	$ 114,630	100%	100%	52.9%
6/30/94	11,028	84,807	51,708	121,952	100	100	50.5
**6/30/95	12,165	96,319	57,817	134,659	100	100	45.3
**6/30/96	12,696	103,562	61,747	149,448	100	100	53.8
**6/30/97	13,150	116,177	60,574	168,270	100	100	64.3
**6/30/98	13,660	126,051	62,150	192,433	100	100	84.8
**6/30/99	14,272	138,294	69,191	219,866	100	100	97.3
**6/30/00	15,393	155,783	80,761	244,331	100	100	90.6
**6/30/01	16,080	152,528	82,013	259,713	100	100	111.1
**6/30/02	16,226	186,501	82,821	263,255	100	100	73.1
Municipal Retirement Systems*							
9/30/92	$ 20,813	$ 177,643	$ 91,669	$ 94,009	100%	41.2%	00.0%
9/30/93	20,515	211,270	108,917	100,265	100	37.7	00.0
**9/30/94	18,045	236,831	91,877	107,573	100	37.8	00.0
**9/30/95	15,496	261,830	77,869	117,406	100	38.9	00.0
**9/30/96	14,147	277,193	67,363	130,425	100	41.9	00.0
**9/30/97	13,402	286,110	58,916	197,815	100	64.5	00.0
**9/30/98	12,453	296,554	54,605	213,591	100	67.8	00.0
**9/30/99	11,091	308,890	49,137	235,221	100	72.6	00.0
**9/30/00	10,209	319,149	45,701	253,713	100	76.3	00.0
**9/30/01	9,271	329,000	43,511	262,260	100	76.9	00.0
Supplemental Legislative Retirement Plan							
6/30/93	$ 487	$ 1,244	$ 3,239	$ 1,787	100%	100%	1.7%
6/30/94	537	1,364	3,091	2,265	100	100	11.8
**6/30/95	683	1,395	3,432	2,876	100	100	23.3
**6/30/96	719	1,750	3,377	3,564	100	100	32.4
**6/30/97	876	1,826	4,268	4,482	100	100	41.7
**6/30/98	1,071	2,019	4,817	5,637	100	100	52.9
**6/30/99	1,262	2,496	5,173	6,954	100	100	61.8
**6/30/00	1,230	4,005	4,738	8,199	100	100	62.6
**6/30/01	1,666	4,328	4,308	9,124	100	100	72.6
**6/30/02	1,876	4,576	4,876	9,730	100	100	67.2

**Valuation information furnished in this section for the Municipal Retirement Systems is as of September 30.*

The total of actuarial values (1) and (2) should generally be fully covered by assets and the portion of the actuarial value (3) covered by assets should increase over time. An increase in benefits can adversely affect the trends in the years such increased benefits are first reflected in the actuarial values.

***Valuation assets based on a smoothed fair value basis.*

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Active Members: Number of Employees	Active Members: Annual Payroll	Active Members: Annual Average Pay	Active Members: % Increase In Average Pay
Public Employees' Retirement System					
6/30/93	774	135,117	$ 2,608,206,884	$ 19,303	3.9%
6/30/94	787	138,926	2,864,807,360	20,621	6.8
6/30/95	759	140,054	2,979,260,348	21,272	3.2
6/30/96	756	144,003	3,185,289,397	22,120	4.0
6/30/97	767	145,651	3,294,731,368	22,621	2.3
6/30/98	845	145,321	3,450,175,500	23,742	5.0
6/30/99	847	148,611	3,711,679,688	24,976	5.2
6/30/00	863	151,790	4,090,596,398	26,949	7.9
6/30/01	866	151,080	4,112,237,738	27,219	1.0
6/30/02	871	152,148	4,220,538,845	27,740	1.9
Mississippi Highway Safety Patrol Retirement System					
6/30/93	1	530	$ 14,304,940	$ 26,990	3.3%
6/30/94	1	574	16,882,905	29,413	9.0
6/30/95	1	576	18,991,782	32,972	12.1
6/30/96	1	585	19,765,656	33,787	2.5
6/30/97	1	572	19,459,850	34,021	0.7
6/30/98	1	550	19,531,062	35,511	4.4
6/30/99	1	554	19,807,708	35,754	0.7
6/30/00	1	565	21,314,418	37,725	5.5
6/30/01	1	599	21,971,870	36,681	(2.8)
6/30/02	1	559	20,339,053	36,385	(0.8)
Municipal Retirement Systems					
9/30/92	17	849	$ 23,069,704	$ 27,173	2.9%
9/30/93	17	761	21,617,687	28,407	4.5
9/30/94	17	615	18,138,782	29,494	3.8
9/30/95	17	484	15,105,479	31,210	5.8
9/30/96	17	406	13,252,598	32,642	4.6
9/30/97	17	344	11,874,290	34,518	5.7
9/30/98	17	304	10,851,734	35,696	3.4
9/30/99	17	253	9,440,409	37,314	4.5
9/30/00	17	214	8,484,726	39,648	6.3
9/30/01	17	182	7,349,562	40,382	1.9
Supplemental Legislative Retirement Plan					
6/30/93	5	175	$ 4,910,268	$ 28,059	2.5%
6/30/94	5	175	4,340,739	24,804	(11.6)
6/30/95	5	175	4,503,900	25,737	3.8
6/30/96	5	175	4,321,657	24,695	(4.0)
6/30/97	5	173	5,276,546	30,500	23.5
6/30/98	5	175	5,853,467	33,448	9.7
6/30/99	5	175	5,893,506	33,677	0.7
6/30/00	5	175	5,855,775	33,462	(0.6)
6/30/01	5	175	5,941,332	33,950	1.5
6/30/02	5	175	5,988,135	34,218	0.8

Schedule of Retirants Added to and Removed from Rolls
Last Ten Fiscal Years

		PERS	MHSPRS	MRS*	SLRP
June 30, 1992		35,789	418	1,854	16
	Added	3,315	32	130	12
FY 1993					
	Removed	(1,217)	(15)	(56)	(1)
June 30, 1993		37,887	435	1,928	27
	Added	3,647	20	127	3
FY 1994					
	Removed	(1,976)	(4)	(67)	–
June 30, 1994		39,558	451	1,988	30
	Added	4,240	28	177	1
FY 1995					
	Removed	(2,514)	(10)	(60)	(1)
June 30, 1995		41,284	469	2,105	30
	Added	4,698	33	159	10
FY 1996					
	Removed	(2,740)	(18)	(57)	(1)
June 30, 1996		43,242	484	2,207	39
	Added	5,310	40	114	4
FY 1997					
	Removed	(3,163)	(15)	(76)	–
June 30, 1997		45,389	509	2,245	43
	Added	4,935	34	92	8
FY 1998					
	Removed	(3,238)	(17)	(81)	(1)
June 30, 1998		47,086	526	2,256	50
	Added	3,811	34	76	2
FY 1999					
	Removed	(2,131)	(20)	(74)	–
June 30, 1999		48,766	540	2,258	52
	Added	4,313	28	94	24
FY 2000					
	Removed	(1,999)	(16)	(96)	–
June 30, 2000		51,080	552	2,256	76
	Added	4,584	35	72	10
FY 2001					
	Removed	(1,999)	(14)	(58)	(2)
June 30, 2001		53,665	573	2,270	84
	Added	5,138	33	67	6
FY 2002					
	Removed	(2,098)	(11)	(79)	(4)
June 30,2002		56,705	595	2,258	86

**Totals for MRS are based on actuarial valuations performed as of September 30.*

Analysis of Financial Experience*
Gains & Losses in Accrued Liabilities for the Year Ended June 30, 2002 Resulting from Differences Between Assumed Experience & Actual Experience
(In Thousands)

	$ Gain (or Loss) For Year			
Type of Activity:	PERS	MHSPRS	MRS*	SLRP
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	$ 86,600	$ (314.5)	$ 306.8	$ 43.1
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	(3,800)	10.2	11.4	8.5
Death-in Service Retirements. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(8,200)	32.1	45.9	4.6
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	61,300	524.3	165.8	(55.8)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	391,000	3,647.0	1,016.5	210.8
New Members. Additional unfunded accrued liability will produce a loss.	(311,800)	–	–	–
Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	(485,100)	(7,241.0)	4,617.3	(295.0)
Death After Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	(10,100)	(803.7)	(305.2)	22.7
Other. Miscellaneous gains and losses resulting from data adjustments, timing of financial transactions, etc.	(321,800)	(1,188.5)	588.2	(136.3)
Gain (or Loss) During Year From Financial Experience.	(601,900)	(5,334.1)	6,446.7	(197.4)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes.	(539,400)	(28,588.7)	(7,668.5)	(305.3)
Composite Gain (or Loss) During Year	$ (1,141,300)	$ (33,922.8)	$ (1,221.8)	$ (502.7)

**Valuation information furnished for MRS is as of September 30, 2001.*

Statistics

Georgia Brown, a cook with the State Fire Academy, would like to spend her retirement helping other people, particularly those who are physically challenged, elderly, or needy.

Comparative Summary of Revenues and Transfers by Source
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Employee Contributions Amount	Employee Contributions %*	Employer Contributions Amount	Employer Contributions %*	Net Investment Income	Other Revenues and Transfers	Total
Public Employees' Retirement System of Mississippi							
1993	$189,031	7.25%	$ 260,285	9.75%	$ 433,398	$ 514	$ 883,228
1994	189,344	7.25	298,822	9.75	367,095	521	855,782
1995	226,495	7.25	305,623	9.75	1,151,763	560	1,684,441
1996	247,710	7.25	325,339	9.75	1,215,159	582	1,788,790
1997	242,576	7.25	326,623	9.75	1,852,191	679	2,422,069
1998	263,007	7.25	356,903	9.75	2,136,041	578	2,756,529
1999	274,059	7.25	372,661	9.75	1,501,480	527	2,148,727
2000	301,885	7.25	407,595	9.75	1,224,715	614	1,934,809
2001	310,257	7.25	418,281	9.75	(1,159,509)	646	(430,325)
2002	317,563	7.25	428,122	9.75	(973,690)	598	(227,407)
Mississippi Highway Safety Patrol Retirement System							
1993	$ 1,554	6.5%	$ 8,599	26.16%	$ 7,678	$ 1	$ 17,832
1994	1,054	6.5	4,312	26.16	10,052	–	15,418
1995	1,499	6.5	4,884	26.16	19,559	23	25,965
1996	1,323	6.5	5,325	26.16	22,448	28	29,124
1997	1,289	6.5	5,185	26.16	33,324	–	39,798
1998	1,295	6.5	5,223	26.16	37,497	–	44,015
1999	1,081	6.5	5,359	26.16	25,562	–	32,002
2000	1,404	6.5	5,649	26.16	20,258	–	27,311
2001	1,458	6.5	5,835	26.16	(18,868)	28	(11,547)
2002	1,418	6.5	5,710	26.16	(15,340)	–	(8,212)
Municipal Retirement Systems							
1993	$ 2,233	**	$ 15,004	**	$ 7,150	$ –	$ 24,387
1994	1,996	**	16,192	**	9,407	–	27,595
1995	1,677	**	18,144	**	18,413	–	38,234
1996	1,429	**	18,966	**	20,463	11	40,869
1997	1,267	**	22,091	**	30,555	–	53,913
1998	1,112	**	63,825	**	42,468	–	107,405
1999	1,082	**	13,885	**	28,277	–	43,244
2000	934	**	13,560	**	21,870	–	36,364
2001	777	**	15,177	**	(19,886)	–	(3,932)
2002	678	**	14,174	**	(15,741)	–	(889)
Supplemental Legislative Retirement Plan							
1993	$ 124	3.0%	$ 261	6.33%	$ 124	$ –	$ 509
1994	130	3.0	275	6.33	182	–	587
1995	135	3.0	285	6.33	522	–	942
1996	135	3.0	284	6.33	541	–	960
1997	160	3.0	337	6.33	890	–	1,387
1998	176	3.0	370	6.33	1,088	–	1,634
1999	177	3.0	373	6.33	800	–	1,350
2000	138	3.0	411	6.33	674	–	1,223
2001	181	3.0	382	6.33	(661)	–	(98)
2002	180	3.0	380	6.33	(570)	–	(10)

**Percentage of annual covered payroll.*
***Employee and employer rates vary among the 19 systems which comprise the Municipal Retirement Systems.*

Comparative Summary of Expenses and Transfers by Type
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Retirement Annuities	Refunds	Administrative Expenses and Depreciation	Transfers	Total
Public Employees' Retirement System of Mississippi					
1993	$ 309,793	$ 40,494	$ 4,673	$ –	$ 354,960
1994	342,356	36,915	5,157	–	384,428
1995	362,451	41,864	6,120	–	410,435
1996	429,668	48,400	8,224	–	486,292
1997	475,283	50,183	8,303	–	533,769
1998	516,678	60,750	9,798	–	587,226
1999	562,191	49,283	10,622	–	622,096
2000	612,644	58,817	8,259	–	679,720
2001	759,282	65,370	8,843	–	833,495
2002	847,655	62,126	8,294	–	918,075
Mississippi Highway Safety Patrol Retirement System					
1993	$ 7,385	$ 56	$ –	$ 77	$ 7,518
1994	7,960	50	–	86	8,096
1995	8,114	37	–	102	8,253
1996	9,654	42	–	106	9,802
1997	10,803	74	–	104	10,981
1998	11,812	85	–	104	12,001
1999	12,490	43	–	107	12,640
2000	13,886	93	–	113	14,092
2001	15,166	62	–	117	15,345
2002	16,558	66	–	114	16,738
Municipal Retirement Systems					
1993	$ 17,531	$ 52	$ –	$ 300	$ 17,883
1994	19,560	77	–	324	19,961
1995	21,997	30	–	363	22,390
1996	23,915	35	–	379	24,329
1997	25,290	54	–	442	25,786
1998	26,471	72	–	382	26,925
1999	27,376	91	–	306	27,773
2000	28,648	1	–	388	29,037
2001	29,986	135	–	429	30,550
2002	30,964	–	–	407	31,371
Supplemental Legislative Retirement Plan					
1993	$ 83	$ 11	$ –	$ 5	$ 99
1994	102	2	–	5	109
1995	108	–	–	6	114
1996	127	12	–	6	145
1997	152	8	–	7	167
1998	181	8	–	7	196
1999	191	–	–	7	198
2000	262	11	–	8	281
2001	361	16	–	7	384
2002	386	1	–	8	395

Retirant, Disability and Beneficiary Data
Last Ten Fiscal Years

Public Employees' Retirement System

Retired Members by Type of Benefits

Year	Service	Disability	Survivor	Total
1993	31,353	2,253	4,281	37,887
1994	32,490	2,476	4,592	39,558
1995	33,632	2,707	4,945	41,284
1996	35,070	2,873	5,299	43,242
1997	36,683	3,039	5,667	45,389
1998	37,959	3,149	5,978	47,086
1999	39,198	3,240	6,328	48,766
2000	40,874	3,453	6,753	51,080
2001	43,117	3,531	7,017	53,665
2002	45,585	3,737	7,383	56,705

Schedule of Benefits by Type
(In Thousands)

1993	$ 268,434	$ 16,116	$ 25,243	$ 309,793
1994	302,624	18,253	21,479	342,356
1995	317,879	21,462	23,110	362,451
1996	372,459	26,517	30,692	429,668
1997	415,459	25,236	34,588	475,283
1998	454,281	23,507	38,890	516,678
1999	494,958	25,950	41,283	562,191
2000	558,619	37,473	16,552	612,644
2001	692,488	46,382	20,412	759,282
2002	774,213	51,355	22,087	847,655

Mississippi Highway Safety Patrol Retirement System

Retired Members by Type of Benefits

1993	296	27	112	435
1994	310	27	114	451
1995	325	25	119	469
1996	334	24	126	484
1997	359	26	124	509
1998	372	23	131	526
1999	376	22	142	540
2000	381	21	150	552
2001	392	20	161	573
2002	414	19	162	595

Schedule of Benefits by Type
(In Thousands)

1993	$ 6,386	$ 281	$ 718	$ 7,385
1994	6,988	289	683	7,960
1995	7,135	267	712	8,114
1996	8,478	281	895	9,654
1997	9,629	231	943	10,803
1998	10,570	129	1,113	11,812
1999	11,143	132	1,215	12,490
2000	12,183	319	1,384	13,886
2001	13,330	348	1,488	15,166
2002	14,677	362	1,519	16,558

Retirant, Disability and Beneficiary Data (continued)
Last Ten Fiscal Years

Municipal Retirement Systems*

Retired Members by Type of Benefits

Year	Service	Disability	Survivor	Total
1992	1,263	186	479	1,928
1993	1,318	183	487	1,988
1994	1,438	178	489	2,105
1995	1,535	172	500	2,207
1996	1,573	161	511	2,245
1997	1,582	154	520	2,256
1998	1,586	150	522	2,258
1999	1,584	146	526	2,256
2000	1,588	142	540	2,270
2001	1,573	135	550	2,258

Schedule of Benefits by Type**
(In Thousands)

1992	$ 13,425	$ 1,147	$ 2,524	$ 17,096
1993	14,727	1,146	2,635	18,508
1994	17,061	1,184	2,877	21,122
1995	19,041	1,160	2,998	23,199
1996	20,182	1,118	3,295	24,595
1997	20,957	1,084	3,513	25,554
1998	21,692	1,103	3,800	26,595
1999	22,600	1,114	4,081	27,795
2000	23,201	1,103	4,371	28,675
2001	23,707	1,058	4,554	29,319

Supplemental Legislative Retirement Plan

Retired Members by Type of Benefits

1993	24	–	3	27
1994	26	1	3	30
1995	25	1	4	30
1996	33	1	5	39
1997	34	1	8	43
1998	39	1	10	50
1999	41	1	10	52
2000	63	1	12	76
2001	67	1	16	84
2002	68	1	17	86

Schedule of Benefits by Type
(In Thousands)

1993	$ 77	$ –	$ 6	$ 83
1994	92	4	6	102
1995	100	4	4	108
1996	116	4	7	127
1997	138	4	10	152
1998	158	4	19	181
1999	166	5	20	191
2000	240	5	17	262
2001	327	5	29	361
2002	349	5	32	386

**Information furnished for MRS is as of September 30.*
***Individual municipal retirement system's COLA increases are paid if funding is available.*

Schedule of Retired Members by Type of Benefits
June 30, 2002

Amount of Monthly Benefit**	Number of Retirants	Type of Retirement* 1	2	3	Option Selected# Life	Opt. 1	Opt. 2	Opt. 3	Opt. 4A	Opt. 4B	Opt. 4C***	Opt. 5
Public Employees' Retirement System of Mississippi												
$ 1 - $100	2,080	1,632	19	429	1,561	70	297	2	23	108	6	19
101 - 200	5,935	4,409	160	1,366	4,437	347	684	6	82	244	15	135
201 - 300	5,781	4,138	336	1,307	4,387	321	583	5	110	231	27	144
301 - 400	4,494	3,217	365	912	3,315	286	486	10	113	191	31	93
401 - 500	3,857	2,792	402	663	2,729	257	466	3	119	171	42	112
501 - 600	3,062	2,252	340	470	2,104	201	393	13	105	155	68	91
601 - 700	2,644	2,016	271	357	1,802	172	357	3	117	112	115	81
701 - 800	2,413	1,891	231	291	1,562	176	323	4	122	100	126	126
801 - 900	2,139	1,701	198	240	1,324	162	345	4	115	111	131	78
901 -1,000	2,094	1,693	209	192	1,327	134	320	8	106	91	142	108
over 1,000	22,206	19,844	1,206	1,156	12,867	1,354	4,126	93	1,978	1,151	2,244	637
Totals	56,705	45,585	3,737	7,383	37,415	3,480	8,380	151	2,990	2,665	2,947	1,624
Mississippi Highway Safety Patrol Retirement System												
$ 1- $100	1	–	–	1	1	–	–	–	–	–	–	–
101- 200	5	–	–	5	5	–	–	–	–	–	–	–
201- 300	7	–	–	7	7	–	–	–	–	–	–	–
301- 400	51	2	1	48	48	–	1	–	2	–	–	–
401- 500	18	–	4	14	14	–	–	–	4	–	–	–
501- 600	17	5	–	12	12	–	–	–	5	–	–	–
601- 700	22	11	2	9	9	1	1	–	10	1	–	–
701- 800	22	5	1	16	16	–	1	–	5	–	–	–
801- 900	21	4	2	15	15	–	–	–	6	–	–	–
901-1,000	18	4	2	12	12	–	–	–	6	–	–	–
over 1,000	413	383	7	23	32	1	40	1	334	5	11	–
Totals	595	414	19	162	171	2	43	1	372	6	11	–
Supplemental Legislative Retirement Plan of Mississippi												
$ 1- $100	9	8	–	1	4	–	2	–	–	2	–	1
101- 200	13	8	–	5	6	1	5	–	–	–	–	1
201- 300	25	19	–	6	13	–	7	1	1	2	–	1
301- 400	20	18	1	1	9	1	6	–	1	1	–	2
401- 500	3	3	–	–	1	–	1	–	–	1	–	–
501- 600	4	2	–	2	2	–	–	–	–	1	–	1
601- 700	6	5	–	1	2	–	2	–	–	2	–	–
701- 800	3	3	–	–	1	–	–	–	–	1	–	1
801- 900	3	2	–	1	2	–	–	–	–	1	–	–
901-1,000	–	–	–	–	–	–	–	–	–	–	–	–
over 1,000	–	–	–	–	–	–	–	–	–	–	–	–
Totals	86	68	1	17	40	2	23	1	2	11	–	7
Municipal Retirement Systems******												
$ 1- $100	6	–	1	5								
101- 200	24	1	3	20								
201- 300	67	13	5	49								
301- 400	55	27	3	25								
401- 500	227	73	23	131								
501- 600	273	98	43	132								
601- 700	122	75	18	29								
701- 800	151	110	10	31								
801- 900	131	101	8	22								
901-1,000	146	125	8	13								
over 1,000	1,056	950	13	93								
Totals	2,258	1,573	135	550								

**Type of Retirement: 1 - Retirement for age and service; 2 - Disability retirement; 3 - Survivor payment*

*#Option Selected: Life - Return of Contributions; Opt. 1 - Return of Members' Annuity; Opt. 2 - 100% Survivorship; Opt. 3 - 50%/50% Dual Survivorship; Opt. 4A - 50% Survivorship; Opt. 4B - Years Certain and Life; Opt. 4C - Social Security Leveling***; Opt. 5 - Pop-Up*

***Excluding 13th check*

****Included in other options*

*****Information for MRS is as of September 30, 2001.*

Schedule of Average Benefit Payments

Retirement Effective Dates: July 1, 1996 to June 30, 2002	Years Credited Service 0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
Public Employees' Retirement System of Mississippi									
July 1, 2001 to June 30, 2002									
Average Monthly Benefit $	330.83	302.81	494.46	732.10	1,038.00	1,500.85	1,551.53	1,727.10	2,147.68
Average Final Salary $	15,636.02	18,981.36	22,673.74	26,147.48	28,478.52	35,590.72	36,779.37	38,801.37	42,420.90
Number of Active Retirants	234	653	743	507	402	402	854	244	1099
July 1, 2000 to June 30, 2001									
Average Monthly Benefit $	284.55	313.67	471.15	731.04	1,021.25	1,324.77	1,529.02	1,678.21	2,131.09
Average Final Salary $	18,106.96	19,826.99	21,900.01	24,909.59	27,921.48	32,936.78	36,109.70	37,849.60	42,328.57
Number of Active Retirants	117	418	623	456	354	391	833	287	1,105
July 1, 1999 to June 30, 2000									
Average Monthly Benefit $	328.36	298.90	447.08	628.27	941.69	1,305.57	1,520.20	1,782.05	2,260.55
Average Final Salary $	17,799.97	19,194.75	21,858.76	23,446.92	27,264.95	32,353.55	34,785.50	37,243.95	40,862.32
Number of Active Retirants	144	491	571	519	515	394	692	207	780
July 1, 1998 to June 30, 1999									
Average Monthly Benefit $	350.32	267.35	367.49	563.22	841.77	1,132.79	1,340.86	1,589.15	1,931.45
Average Final Salary $	18,069.26	17,659.55	19,206.43	22,245.67	25,409.55	29,741.26	32,505.83	35,165.18	37,379.73
Number of Active Retirants	115	390	525	437	433	398	634	176	703
July 1, 1997 to June 30, 1998									
Average Monthly Benefit $	235.10	183.77	327.10	506.57	706.94	1,111.47	1,235.40	1,536.50	1,781.71
Average Final Salary $	13,682.41	14,290.79	19,007.24	21,348.27	22,732.91	28,831.14	29,926.39	33,296.67	34,090.97
Number of Active Retirants	52	537	583	535	542	392	1,009	219	1,066
July 1, 1996 to June 30, 1997									
Average Monthly Benefit $	182.17	193.89	310.78	492.16	674.09	1,087.38	1,216.67	1,494.47	1,752.22
Average Final Salary $	13,230.07	15,293.36	17,972.57	20,168.82	21,717.79	29,032.79	29,783.37	32,121.63	33,837.25
Number of Active Retirants	63	530	581	579	612	413	1,028	252	1,252

Schedule of Average Benefit Payments
(continued)

Retirement Effective Dates: July 1, 1996 to June 30, 2002	Years Credited Service 0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
Mississippi Highway Safety Patrol Retirement System									
July 1, 2001 to June 30, 2002									
Average Monthly Benefit ....$	305.40	1,353.73	504.09	1,409.29	2,266.14	1,810.71	2,116.50	2,615.83	2,983.76
Average Final Salary ....$	10,794.00	30,933.15	31,451.30	33,405.42	46,851.75	41,283.04	43,196.63	49,718.71	46,625.64
Number of Active Retirants.............	1	1	2	1	4	1	6	5	12
July 1, 2000 to June 30, 2001									
Average Monthly Benefit ....$	1,061.99	–	197.92	–	1,445.71	1,910.68	1,660.35	3,019.26	2,915.11
Average Final Salary ....$	29,017.96	–	33,037.59	–	30,822.37	39,117.01	35,617.17	50,504.81	50,462.39
Number of Active Retirants.............	1	–	5	–	6	6	7	2	8
July 1, 1999 to June 30, 2000									
Average Monthly Benefit ....$	767.12	98.81	216.63	1,127.50	1,522.28	1,625.83	1,971.78	2,481.22	3,284.06
Average Final Salary ....$	27,616.23	30,344.68	5,002.50	30,599.77	40,867.69	42,364.75	40,086.92	39,620.71	50,004.74
Number of Active Retirants.............	3	1	1	3	1	2	8	3	6
July 1, 1998 to June 30, 1999									
Average Monthly Benefit ....$	–	–	186.15	646.78	1,311.65	1,477.04	1,904.48	2,521.63	1,983.15
Average Final Salary ....$	–	–	19,486.11	23,238.19	36,662.70	31,036.52	37,902.90	42,373.40	33,856.61
Number of Active Retirants.............	–	–	2	3	4	3	9	1	12
July 1, 1997 to June 30, 1998									
Average Monthly Benefit ....$	–	–	294.02	250.00	1,242.05	1,948.94	1,740.72	2,163.71	3,083.24
Average Final Salary ....$	–	–	15,107.97	4,489.00	39,870.81	41,736.44	37,940.81	39,049.40	48,020.59
Number of Active Retirants.............	–	–	2	1	3	3	10	5	10
July 1, 1996 to June 30, 1997									
Average Monthly Benefit ....$	–	–	–	1,299.05	1,474.11	2,122.33	1,989.44	2,654.70	2,441.08
Average Final Salary ....$	–	–	–	31,177.12	36,019.79	41,911.47	39,476.09	44,254.23	37,076.80
Number of Active Retirants.............	–	–	–	1	6	7	10	4	12

Schedule of Average Benefit Payments
(continued)

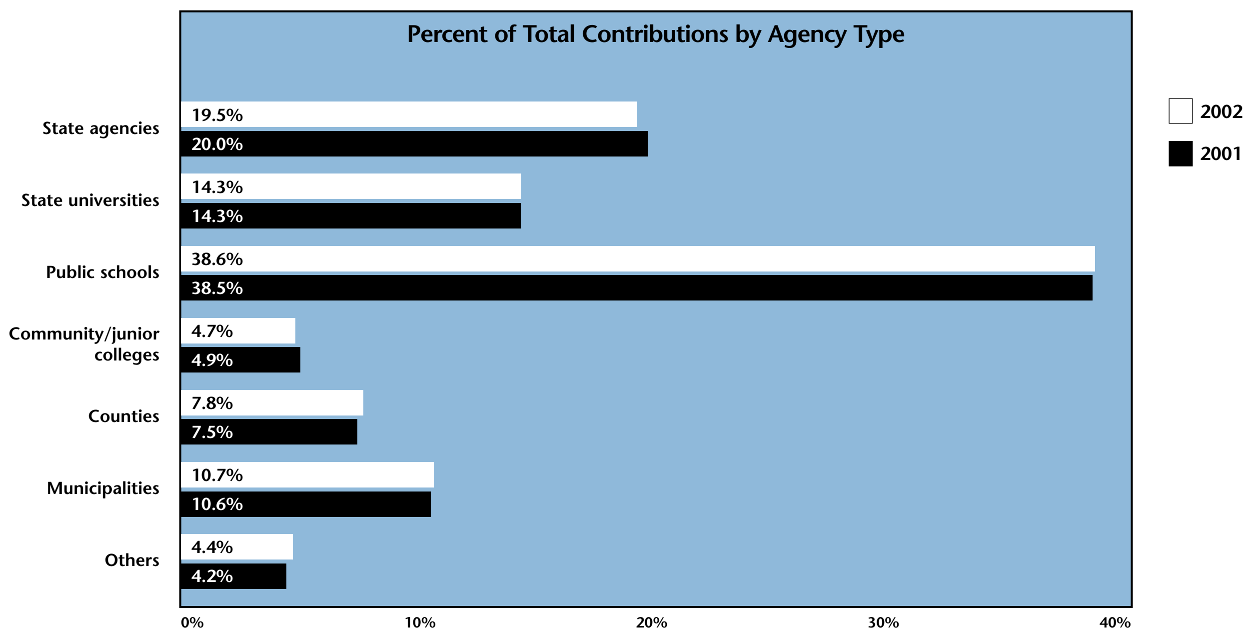
Retirement Effective Dates: July 1, 1996 to June 30, 2002	Years Credited Service 0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
Supplemental Legislative Retirement System									
July 1, 2001 to June 30, 2002									
Average Monthly Benefit ....$	–	–	282.43	324.43	587.68	–	–	–	–
Average Final Salary ....$	–	–	25,732.75	24,477.44	41,331.98	–	–	–	–
Number of Active Retirants............	–	–	1	4	1	–	–	–	–
July 1, 2000 to June 30, 2001									
Average Monthly Benefit ....$	85.01	209.41	172.08	320.97	–	–	–	–	530.58
Average Final Salary ....$	30,768.00	32,040.00	23,014.00	25,760.50	–	–	–	–	24,477.25
Number of Active Retirants............	1	4	2	2	–	–	–	–	1
July 1, 1999 to June 30, 2000									
Average Monthly Benefit ....$	170.26	134.74	308.22	385.04	583.59	–	691.75	–	848.24
Average Final Salary ....$	27,401.37	25,675.64	30,860.80	30,467.00	36,389.62	–	35,071.89	–	31,360.75
Number of Active Retirants............	2	4	5	4	4	–	3	–	2
July 1, 1998 to June 30, 1999									
Average Monthly Benefit ....$	–	–	309.88	–	–	–	550.16	–	–
Average Final Salary ....$	–	–	23,508.24	–	–	–	27,923.25	–	–
Number of Active Retirants............	–	–	1	–	–	–	1	–	–
July 1, 1997 to June 30, 1998									
Average Monthly Benefit ....$	–	126.33	255.00	266.50	–	–	250.00	–	–
Average Final Salary ....$	–	24,353.08	25,797.02	22,910.67	–	–	25,347.00	–	–
Number of Active Retirants............	–	3	2	2	–	–	1	–	–
July 1, 1996 to June 30, 1997									
Average Monthly Benefit ....$	–	137.16	–	290.47	–	–	–	–	–
Average Final Salary ....$	–	24,689.00	–	23,772.97	–	–	–	–	–
Number of Active Retirants............	–	3	–	1	–	–	–	–	–

Analysis of Employer and Employee Contributions
For Fiscal Years Ended June 30, 2002 and 2001

(Contributions In Thousands)

Public Employees' Retirement System of Mississippi

	Employer		Employee		Total	
Employer Group	Units	Contributions	Number	Contributions	Contributions	Percent
2002						
State agencies	114	$ 83,745	32,814	$ 61,984	$ 145,729	19.5%
State universities	9	61,272	16,663	45,350	106,622	14.3
Public schools	150	165,387	58,857	122,412	287,799	38.6
Community/junior colleges	15	20,267	6,006	15,001	35,268	4.7
Counties	82	33,301	13,144	24,649	57,950	7.8
Municipalities	221	45,400	17,521	34,290	79,690	10.7
Others	241	18,750	7,143	13,877	32,627	4.4
Total	832	$ 428,122	152,148	$ 317,563	$ 745,685	100.0%
2001						
State agencies	114	$ 83,610	33,041	$ 61,859	$ 145,469	20.0%
State universities	9	59,866	16,297	44,291	104,157	14.3
Public schools	151	161,440	58,740	119,442	280,882	38.5
Community/junior colleges	15	20,456	5,821	15,135	35,591	4.9
Counties	82	31,547	13,014	23,340	54,887	7.5
Municipalities	265	43,936	17,342	33,297	77,233	10.6
Others	215	17,426	6,825	12,893	30,319	4.2
Total	851	$ 418,281	151,080	$ 310,257	$ 728,538	100.0%



Note: Above tables exclude MHSPRS, MRS, and SLRP contributions.
All MHSPRS and SLRP contributions fall within the state agency employer group.
All MRS contributions fall within the municipalities employer group.

Public Employees' Retirement System of Mississippi
Total Active Members as of June 30, 2002
By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Number	Valuation Payroll
Under 20	413	–	–	–	–	–	–	413	$ 6,543,813
20-24	5,532	193	–	–	–	–	–	5,725	103,527,154
25-29	10,992	2,850	47	–	–	–	–	13,889	324,492,347
30-34	9,747	6,826	2,284	79	–	–	–	18,936	471,525,304
35-39	8,419	5,583	4,350	1,977	88	–	–	20,417	512,937,899
40-44	6,532	5,483	4,195	3,984	2,059	99	–	22,352	606,883,503
45-49	5,467	4,539	4,141	3,336	3,776	2,170	41	23,470	699,516,895
50-54	3,981	3,617	3,367	3,096	2,588	3,166	1,323	21,138	683,926,273
55-59	2,610	2,399	2,286	2,249	1,795	1,611	1,799	14,749	480,522,818
60	373	354	340	310	274	241	262	2,154	69,754,079
61	312	303	288	272	237	173	232	1,817	57,038,202
62	222	256	223	219	156	146	168	1,390	43,456,901
63	194	181	184	181	128	139	135	1,142	34,638,646
64	166	189	150	135	99	72	117	928	28,588,603
65	155	141	129	94	75	51	79	724	21,886,148
66	130	109	98	85	54	52	66	594	17,133,952
67	89	82	80	79	45	39	38	452	12,580,092
68	83	80	65	64	41	35	33	401	10,893,980
69	52	66	48	44	23	19	24	276	7,099,847
70 & Over	260	252	191	182	107	87	102	1,181	27,592,389
Totals	55,729	33,503	22,466	16,386	11,545	8,100	4,419	152,148	$4,220,538,845

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 43.1 years
Service: 9.8 years
Annual Pay: $27,740

Mississippi Highway Safety Patrol Retirement System
Total Active Members as of June 30, 2002
By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date: 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals: Number	Valuation Payroll
Under 20	–	–	–	–	–	–	–	–	$ –
20-24	15	–	–	–	–	–	–	15	380,463
25-29	43	16	–	–	–	–	–	59	1,609,295
30-34	40	68	7	–	–	–	–	115	3,422,922
35-39	7	39	23	20	–	–	–	89	3,064,498
40-44	4	9	21	68	25	1	–	128	5,077,799
45-49	2	1	9	36	52	4	–	104	4,438,170
50-54	1	–	1	5	21	9	5	42	1,980,166
55-59	–	–	–	–	1	4	1	6	313,839
60 & Over	–	–	–	–	–	1	–	1	51,903
Totals	112	133	61	129	99	19	6	559	$ 20,339,055

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 40.1 years
Service: 13.1 years
Annual Pay: $36,385

Municipal Retirement Systems
Total Active Members as of September 30, 2001
By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date: 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals: Number	Valuation Payroll
Under 20	–	–	–	–	–	–	–	–	$ –
20-24	–	–	–	–	–	–	–	–	–
25-29	–	–	–	–	–	–	–	–	–
30-34	–	–	–	–	–	–	–	–	–
35-39	–	–	–	13	1	–	–	14	495,077
40-44	–	–	–	19	7	1	–	27	974,083
45-49	–	–	–	8	7	27	2	44	1,782,211
50-54	–	–	–	1	4	47	6	58	2,494,871
55-59	–	–	–	–	–	16	8	24	993,681
60 & Over	–	–	–	–	–	4	11	15	609,639
Totals	–	–	–	41	19	95	27	182	$ 7,349,562

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 50.2 years
Service: 25.7 years
Annual Pay: $40,382

Supplemental Legislative Retirement Plan
Total Active Members as of June 30, 2002
By Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals Number	Totals Valuation Payroll
Under 20	–	–	–	–	–	–	–	–	$ –
20-24	–	–	–	–	–	–	–	–	–
25-29	2	2	–	–	–	–	–	4	128,435
30-34	3	2	–	–	–	–	–	5	155,550
35-39	5	6	–	–	–	–	–	11	398,905
40-44	6	7	3	1	–	–	–	17	557,840
45-49	3	13	10	4	2	–	–	32	1,077,770
50-54	7	7	4	2	8	–	–	28	1,002,720
55-59	6	9	11	–	5	1	–	32	1,081,150
60	–	2	2	1	–	–	–	5	165,010
61	–	1	–	–	–	–	–	1	32,620
62	1	–	1	1	–	–	–	3	102,610
63	–	1	2	1	–	–	–	4	135,020
64	–	1	1	–	–	–	–	2	63,365
65	–	1	1	2	–	1	1	6	206,290
66	–	2	1	–	1	–	1	5	167,640
67	–	–	–	1	1	–	–	2	82,530
68	–	–	1	1	–	–	–	2	68,240
69	2	2	2	–	–	1	–	7	236,530
70 & Over	1	1	3	–	1	1	2	9	325,910
Totals	36	57	42	14	18	4	4	175	$ 5,988,135

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 53.3 years

Service: 11.0 years

Annual Pay: $34,218

Benefit Payments by County
June 30, 2002

County	Number of Payments[1]	Amount Paid[2]
Adams	814	$ 10,925,881
Alcorn	625	7,522,738
Amite	228	2,507,579
Attala	593	6,985,400
Benton	185	1,970,241
Bolivar	813	13,075,235
Calhoun	275	3,492,700
Carroll	267	3,850,925
Chickasaw	369	5,194,271
Choctaw	242	2,955,361
Claiborne	212	3,224,031
Clarke	338	4,119,595
Clay	419	5,731,610
Coahoma	798	11,552,776
Copiah	556	7,791,407
Covington	462	5,821,166
DeSoto	539	6,089,836
Forrest	1,257	17,373,943
Franklin	194	2,149,354
George	328	4,119,595
Greene	175	1,970,241
Grenada	448	5,373,384
Hancock	413	4,746,490
Harrison	2,580	36,539,014
Hinds	6,815	111,765,995
Holmes	462	6,089,836
Humphreys	208	2,955,361
Issaquena	18	268,669
Itawamba	396	5,015,159
Jackson	1,882	27,493,817
Jasper	348	3,671,813
Jefferson	236	3,582,256
Jefferson Davis	276	3,134,474
Jones	1,613	20,150,191
Kemper	227	2,686,692
Lafayette	1,201	19,344,184
Lamar	1,138	19,433,740
Lauderdale	1,661	22,299,545
Lawrence	346	4,209,151
Leake	473	5,462,941
Lee	1,279	19,165,071
Leflore	799	12,537,897
Lincoln	576	8,060,077
Lowndes	1,159	15,761,927
Madison	1,486	$ 25,075,793
Marion	505	6,627,174
Marshall	404	5,373,384
Monroe	575	7,433,182
Montgomery	382	4,656,933
Neshoba	459	5,731,610
Newton	675	8,866,084
Noxubee	212	2,418,023
Oktibbeha	1,657	31,076,073
Panola	663	7,880,964
Pearl River	774	8,776,528
Perry	235	2,865,805
Pike	841	11,463,220
Pontotoc	403	5,373,384
Prentiss	664	8,507,858
Quitman	212	2,507,579
Rankin	2,813	43,524,213
Scott	567	6,985,400
Sharkey	139	1,970,241
Simpson	671	7,433,182
Smith	339	3,224,031
Stone	343	5,194,271
Sunflower	643	8,955,641
Tallahatchie	264	3,044,918
Tate	437	5,642,054
Tippah	461	5,015,159
Tishomingo	369	4,030,038
Tunica	114	1,432,902
Union	546	6,716,730
Walthall	257	3,224,031
Warren	781	11,284,107
Washington	1,065	14,955,920
Wayne	284	3,224,031
Webster	264	3,313,587
Wilkinson	199	2,418,023
Winston	445	5,910,723
Yalobusha	384	5,015,159
Yazoo	548	7,343,625
Mississippi	56,323	792,663,149
Out-of-State	4,083	102,721,197
Out-of-Country	17	179,113
Total	60,423	$ 895,563,459

Notes:

1. *The number of payments made during a payroll sample test month.*
2. *These figures were computed by using the percent paid out to each county during a sample test month and applying that percent to the total benefits paid during the year.*

Public Agencies Covered by State Retirement Annuity

Participating Employers Covered by Law
State agencies
State universities
Community/junior colleges
Public school districts

Participating Employers Covered by Separate Agreement
Counties

Local Governmental Entities Covered by Separate Agreement

Municipalities

Aberdeen
Ackerman
Algoma
Amory
Anguilla
Arcola
Artesia
Ashland
Baldwyn
Bassfield
Batesville
Bay Springs
Bay St. Louis
Beaumont
Belzoni
Benoit
Bentonia
Biloxi
Blue Mountain
Booneville
Boyle
Brandon
Brookhaven
Brooksville
Bruce
Bude
Burnsville
Byhalia
Caledonia
Calhoun City
Canton
Carthage
Centreville
Charleston
Clarksdale
Cleveland
Clinton
Coffeeville
Coldwater
Collins
Columbia
Columbus
Como
Corinth
Crawford
Crenshaw
Crosby
Crystal Springs
Decatur
DeKalb
Derma
D'Iberville
Drew
Duck Hill
Durant
Ecru
Edwards
Ellisville
Enterprise
Ethel
Eupora
Falkner
Flora
Florence
Flowood
Forest
Fulton
Gautier
Gloster
Goodman
Greenville
Greenwood
Grenada
Gulfport
Guntown
Hatley
Hattiesburg
Hazlehurst
Heidelberg
Hernando
Hickory Flat
Hollandale
Holly Springs
Horn Lake
Houlka
Houston
Indianola
Inverness
Itta Bena
Iuka
Jackson
Jumpertown
Kilmichael
Kosciusko
Lake
Lambert
Laurel
Leakesville
Leland
Lena
Lexington
Liberty
Long Beach
Louin
Louise
Louisville
Lucedale
Lula
Lumberton
Lyon
Maben
Macon
Madison
Magee
Magnolia
Mantachie
Marietta
Marion
Marks
Mathiston
McComb
McLain
Meadville
Mendenhall
Meridian
Merigold
Monticello
Moorhead
Morton
Moss Point
Mount Olive
Myrtle
Natchez
New Albany
New Augusta
New Hebron
Newton
North Carrollton
Noxapater
Ocean Springs
Okolona
Olive Branch
Osyka
Oxford
Pascagoula
Pass Christian
Pearl
Pelahatchie
Petal
Philadelphia
Picayune
Plantersville
Poplarville
Port Gibson
Potts Camp
Prentiss
Puckett
Purvis
Quitman
Raleigh
Raymond
Renova
Richland
Richton
Ridgeland
Ripley
Rolling Fork
Rosedale
Roxie
Ruleville
Saltillo
Sandersville
Sardis
Sebastopol
Seminary
Senatobia
Shannon
Shaw
Shelby
Sherman
Shubuta
Shuqualak
Silver City
Sledge
Smithville
Soso
Southaven
Starkville
State Line
Stonewall
Sturgis
Summit
Sumner
Sumrall
Sunflower
Taylorsville
Tchula
Tishomingo
Tunica
Tupelo
Tutwiler
Tylertown
Union
Vaiden
Vardaman
Verona
Vicksburg
Walnut
Walnut Grove
Walthall
Water Valley
Waveland
Waynesboro
Weir
Wesson
West
West Point
Wiggins
Winona
Woodville
Yazoo City

Juristic Entities

Adams County Soil and Water Conservation District
Adams County Airport Commission
Biloxi Port Commission
Bogue Phalia Drainage District
Caledonia Natural Gas District
Calhoun County Soil and Water Conservation District
Canton Convention & Visitors Bureau
Canton Redevelopment Authority
Chickasawhay Natural Gas District
Claiborne County Human Resource Agency
Cleary Water, Sewer & Fire District
Columbus-Lowndes County Recreation Commission
Copiah County Human Resource Agency
Corinth-Alcorn Airport Board
Covington County Soil & Water Conservation District
Culkin Water District
Desoto County Convention & Visitors Bureau
Diamondhead Fire Protection District
East LeFlore County Water and Sewer District
Emergency Management District
Forrest County Soil & Water Conservation District
Gautier Utility District of Jackson County
Glendale Utility District
Golden Triangle Cooperative Service District
Golden Triangle Regional Airport
Golden Triangle Regional Solid Waste Management Authority
Greenville Port Commission
Greenwood Tourism Commission
Grenada County Civil Defense
Gulf Coast Regional Wastewater Authority
Gulfport-Biloxi Regional Airport Authority
Hancock County Human Resource Agency
Hancock County Planning Commission
Hancock County Port & Harbor Commission
Hancock County Soil Conservation District
Hancock County Water & Sewer District
Harrison County Development Commission
Harrison County Soil & Water Conservation District
Harrison County Wastewater Management District
Hattiesburg Tourism Commission
Hinds County Soil & Water Conservation District
Itawamba County Soil & Water Conservation District
Jackson County Emergency/Communications District
Jackson County Port Authority
Jackson Municipal Airport Authority
Jones County Economic Development Authority
Lafayette County Soil & Water Conservation District
Lamar County Soil & Water Conservation District
Lauderdale County Emergency Medical Service District
Lauderdale County Soil & Water Conservation District
Laurel Airport Authority
Lee County Soil & Water Conservation District
Madison County Human Resource Agency
Mantachie Natural Gas District
Marion County Soil & Water Conservation District
Mental Health & Retardation, Region III (NE MS MHR)
Mental Health & Retardation, Region V (Delta Commission MHR)
Mental Health & Retardation, Region VI (Greenwood)
Mental Health & Retardation, Region VIII (Brandon)
Mental Health & Retardation, Region X (Weems MH)
Mental Health & Retardation, Region XI (SW MS MH/MR)
Mental Health & Retardation, Region XIV (Singing River)
Meridian Airport Authority
Meridian Transportation Commission

Juristic Entities (continued)

Mid-Mississippi Development District

Mississippi Coast Coliseum & Convention Center

Mississippi Levee Commissioners

Municipal Energy Agency of Mississippi

Natchez-Adams County Economic & Community Development Authority

Natchez-Adams County Port Commission

Newton County Soil Conservation District

Northeast Mississippi Regional Water Supply District

Noxubee County Economic Development Authority

Noxubee County Soil & Water Conservation District

Otter Bayou Drainage District

Oxford Tourism Council

Philadelphia-Neshoba County Park Commission

Pike County Soil Conservation District

Pine Belt Region Solid Waste Management Authority

Pontotoc County Soil & Water Conservation District

Prentiss County Soil & Water Conservation District

Rankin County Human Resource Agency

Reservoir Fire Protection District

Ridgeland Tourism Commission

Rosedale-Bolivar County Port Commission

Simpson County Human Resource Agency

Simpson County Parks & Recreation

South Mississippi Fair Commission

Southern Regional Wastewater Management District

Stone County Soil & Water Conservation District

Sunflower County Soil & Water Conservation District

Tennessee-Tombigbee Waterway Development Authority

Tunica County Tourism Commission

Tupelo Airport Authority

Union County Soil & Water Conservation District

Vicksburg Convention & Visitors Bureau

Warren County Park Commission

Warren County Soil & Water Conservation District

Wathall County Soil & Water Conservation District

Winston County Economic Development District

Yazoo County Convention & Visitors Bureau

Yazoo County Soil & Water Conservation District

Yazoo-Mississippi Delta Joint Water Management District

Yazoo-Mississippi Delta Levee Commission

Yazoo Recreation Commission

Housing Authorities

Attala
Baldwyn
Bay St. Louis
Biloxi
Canton
Clarksdale
Columbus
Corinth
Forest
Greenwood
Hattiesburg
Hazlehurst
Holly Springs
Itta Bena
Iuka
Jackson
Laurel
Long Beach
Louisville
Lumberton
McComb
Meridian
MS Reg. IV-Columbus
MS Reg. V-Newton
MS Reg. VI-Jackson
MS Reg. VIII-Gulfport
Mound Bayou
Natchez
Oxford
Picayune
Pontotoc
Richton
Sardis
Senatobia
Shelby
South Delta Region
Starkville
Tupelo
Water Valley
Waveland
Waynesboro
West Point
Winona
Yazoo City

Local Hospitals

Field Memorial Community
Franklin County Memorial
Grenada Lake Medical Center
Hancock Medical Center
Magnolia Regional Health Center
Methodist of Marion County
Montfort Jones Memorial
Natchez Regional Medical Center
North Sunflower County
Simpson General
Singing River
South Sunflower County
Tippah County
Tri-Lakes Medical Center

Local Libraries

Amory Municipal
Benton County
Bolivar County
Carnegie Public
Carroll County
Central MS Regional
Columbus-Lowndes Public
Copiah-Jefferson Regional
Dixie Regional
East Mississippi Regional
Elizabeth Jones
Evans Memorial
First Regional
Greenwood-Leflore Public
Hancock County
Harriette Person Memorial
Harrison County
Hattiesburg-Petal-Forrest County
Homochitto Valley
Humphreys County
Jackson-George Regional
Jackson-Hinds
Jennie Stephens Smith
Kemper-Newton County Regional
Lamar County
Laurel-Jones County
Lee-Itawamba County
Lincoln-Lawrence-Franklin
Madison County-Canton Public
Marks-Quitman County
Marshall County
Meridian-Lauderdale County
Mid-Mississippi Regional
Neshoba County Public
Northeast Regional
Noxubee County
Oktibbeha County
Pearl River County
Pike-Amite-Walthall County
Pine Forest Regional
Sharkey-Issaquena County
South Mississippi Regional
Sunflower County
Tallahatchie County
Tombigbee Regional
Washington County
Waynesboro-Wayne County
Yazoo Library Association