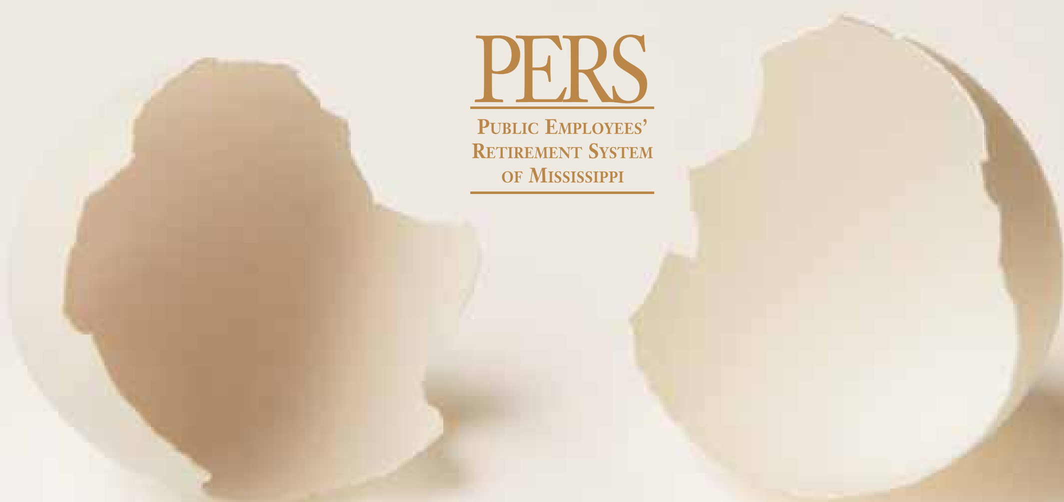

PERS
Public Employees' Retirement System of Mississippi

2006 Comprehensive Annual Financial Report

A Component Unit Of The State Of Mississippi - Fiscal Year Ended June 30

PERS
Public Employees' Retirement System of Mississippi

The Nest Egg. What's In Yours?

You're retirement nest egg is something very precious to us. Something to be nurtured, protected, even coddled. Something to grow as big as it possibly can and be there for you at just the right time. For over 50 years, PERS of Mississippi has worked painstakingly to make sure it will. That kind of care has been our mandate. And rest assured, it will continue to be. Naturally, we each have a different notion of what our nest egg will hold. Maybe you'll get an idea of what's in yours on the pages of this book. Come on, let's crack it open and see what's inside. We're striving to ensure that it's everything you want it to be.

2006 Comprehensive Annual Financial Report

A Component Unit of the State of Mississippi

Fiscal Year Ended June 30

Prepared By:

The Administrative Services Division

Public Employees' Retirement System of Mississippi

PERS Building

429 Mississippi Street

Jackson, Mississippi

39201-1005

PERS

Public Employees' Retirement System of Mississippi

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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

Pat Robertson
Executive Director

December 19, 2006

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

Dear Board Members:

I am pleased to present the 2006 Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System of Mississippi (System). This has been a year of assessment, planning and fine-tuning of operations to position the System for the next decade. I am privileged to report to you on our progress and to look with you toward our future. I trust that you and the other members will find this CAFR helpful in understanding your public employees' retirement system, which continues to maintain a strong and positive financial future.

Profile of the System

The System was established to provide benefits for all State and public education employees, sworn officers of the State Highway Patrol, elected members of the State Legislature, the President of the Senate and other public employees whose employers have elected to participate. Plans administered by the System include the Public Employees' Retirement System (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. A total of 276,711 members and 69,729 retirees and beneficiaries are served by the System. There are 875 participating employers from across the State. Primary sources of funding for the System include employer contributions, member contributions and investment income. Total retirement benefits paid during the fiscal year were $1.25 billion. Employers contributed $580.7 million during the fiscal year while members of the System contributed a total of $377.7 million during the same period. As of June 30, 2006, net investment income totaled $1.8 billion and net assets held in trust for pension benefits reached $18.8 billion.

The Public Employees' Retirement System of Mississippi is administered by a 10-member Board of Trustees which includes the State Treasurer, one gubernatorial appointee who is a member of the System, two state employees, two retirees and one representative each from public schools and community colleges, institutions of higher learning, municipalities and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent. The Board of Trustees is vested with the responsibility for the general administration and proper operation of the System. The Executive Director is designated by the Board to lead and conduct all business for the System. Public Employees' Retirement System of Mississippi operates under legislative mandate with respect to administrative budgets, human resources and purchasing guidelines.

Annual budgets are legally adopted for the administrative expenditure portion of the System's operations and are funded by earnings of the System. Our operating budget request for the upcoming fiscal year is prepared in conjunction with a review of our strategic long-range plan. A budget request is approved by the Board of Trustees and submitted to the State Legislature which legally enacts the budget in the form of an appropriation bill during the next legislative session. Transfers may be made between budget categories with approval of the Mississippi Department of Finance and Administration. However, certain categories and transfer amounts are restricted. A more detailed discussion of the budgetary process is presented in the Financial Section of this CAFR on page 32.

Financial Information

Our staff issues a CAFR within six months of the close of each fiscal year. The report contains basic financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*. The 2006 independent audit was conducted by Horne LLP, a firm of licensed certified public accountants. The Independent Auditor's Report is presented in the Financial Section on page 17.

This CAFR consists of management's representations concerning the finances of the System. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. A framework of internal controls is maintained to establish reasonable assurance that assets are safeguarded, transactions are accurately executed and financial statements are fairly presented. The system of internal controls also includes written policies and procedures and an internal audit department that reports to the Board of Trustees. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements and should be read in conjunction with this letter of transmittal.

Proper funding and healthy long term investment returns are essential to the positive economic condition of the System. To this end, the Board of Trustees periodically evaluates and establishes an asset allocation policy designed to match assets with liabilities of the System. Our asset allocation policy provides for a diversified portfolio that allows the System to maximize investment return, while incurring minimal risk. Investments are evaluated quarterly by the System's Investment Consultant, Callan Associates, Inc., Investment Measurement Service. The investment return for fiscal year 2006 was 10.72 percent, while the ten year investment return was 7.98 percent. A performance summary of rates of return compared to appropriate benchmark rates of return is located on page 58 of this report.

An annual actuarial valuation for PERS, MHSPRS, MRS and SLRP is conducted by the consulting actuarial firm of Cavanaugh Macdonald Consulting, LLC. Actuarial assumptions and contribution rates are based on recommendations made by the actuary. Experience investigations are performed every other year by the actuary to determine that actuarial assumptions are reasonably related to actual experience. Additional information regarding the actuarial valuation is presented in the notes to the basic financial statements and in the Actuarial Section.

In 2005, our consulting actuary recommended an employer contribution rate for PERS of 12.5 percent or 1.75 percent over the current 10.75 percent rate. To mitigate the financial impact to the State of Mississippi, the Board of Trustees agreed to phase-in the employer contribution rate increase in .55 percent increments. As a result, the employer contribution rate was increased to 11.30 percent effective July 1, 2006, with the expectation that the rate will continue to increase by .55 percent each fiscal year until the recommended contribution rate results in an unfunded accrued liability period of less than 30 years. During this fiscal year a temporary actuarial method change, in which actuarial assets were set equal to the market value of net assets, was adopted recognizing the actuarial losses and gains to date. The System will once again use a 5-year smoothing calculation of investment gains and losses with additional constraints in the fiscal year 2007 actuarial valuation. As a result of the change to the actuarial asset value, our consulting actuaries have revised the recommended employer contribution rate to 12.25 percent.

Employer contribution rates for MHSPRS and SLRP have been increased from 28.16 percent to 30.30 percent and from 6.33 percent to 6.65 percent, respectively, beginning July 1, 2006. MRS employer contributions, funded through taxes levied on assessed properties located in the municipalities, are sufficient at this time to amortize the unfunded actuarial accrued liability, as determined in the September 30, 2005 actuarial valuation. MRS plans are aggregated for financial reporting purposes and plans are closed to new members. Employer contribution rate increases instituted by the Board of Trustees for all plans are aimed toward reducing the unfunded actuarial accrued liability amortization period below the 30 year mark, as well as maintaining future funding adequacy of the System.

The funding ratio is a measure of the actuarial value of assets to the actuarial accrued liability. Based on the most recent actuarial valuation, PERS is funded at 73.5 percent, MHSPRS is funded at 75.8 percent, MRS is funded at 56.1 percent and SLRP is funded at 82.6 percent. Funding status and progress is presented in the Required Supplementary Information Schedules and accompanying notes beginning on page 44.

Based upon fiscal year end valuation results, each of the System's plans continue in sound condition, presuming that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards as certified in the Actuarial Section of this report. We expect that investment earnings, over the long term, will meet or exceed the actuarially assumed rate of earnings, and that all plans within the System will continue toward fully funded positions in accordance with actuarial assumptions.

For the Future

The System has recently commissioned an organizational study to determine the optimum functional structure necessary to support our operations and objectives. This study is aimed toward examining the most logical and cost-effective organizational structure necessary to deliver exceptional quality in pension benefits administration. A major element of the study focuses on determining the accuracy of staff position classifications. This study is a collaborative effort between the Mississippi State Personnel Board and Cornerstone Consulting Group, a private consulting firm.

Additionally, the System has entered into a contract with The Whitten Group for the development of Board governance and operational policies. This will be an interactive process between the consultant and the Board of Trustees, expected to last 18 months, which will address such issues as roles and responsibilities of the Board, staff and hired consultants.

The funded status of the System is of utmost importance to the Board and to the participants they represent. In October, the Board adopted a formal Funding Policy to further enhance and define funding guidelines. The purpose of this policy is to state the overall funding goals for the System, the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks.

Our current technology based systems were completed in June 2000. Mindful that adequate technology resources are a key aspect of the System's successful operations, we have begun the initial steps of determining a path-forward to achieve a technology systems upgrade. Our objectives center around expanding web-based services to internal and external users, re-engineering business processes where needed and extending Web Self Services to participants. We expect to begin developing a Request for Proposals in 2007. As technology changes, so do the demands of our customers. Through improvements in our technology resources, we are positioning the System to meet, not only the current demands of our customers, but to provide for future opportunities to advance our service capabilities.

We are continuing to achieve service enhancements through our website, telephone communications and written communications. Our most recent initiative has involved development and implementation of a system for notification of pre-selection options and vesting information for members. We are also providing greater access to knowledgeable staff through on-site small group meetings directed toward prospective retirees. In these meetings we offer personalized assistance in planning and applying for retirement benefits. Enrichments to our website include plans to offer short, live-streaming videos on various retirement related topics including the application process, optional benefits payment plans and reemployment requirements. Beginning in fiscal year 2007, our newsletters will include a Popular Annual Financial Report. This report, an easy to read summary of the System's Comprehensive Annual Financial Report, highlights the System's financial position and results of operations.

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;
- 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 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 retirement plans administered by the System; and
- The Statistical Section, which contains information regarding System participants and finances.

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, 2005. 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 nineteen years. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA for evaluation.

The Public Employees' Retirement System of Mississippi's submission of a Popular Annual Financial Report to the Government Finance Officers Association of the United States and Canada resulted in an Award for Outstanding

Achievement in Popular Annual Financial Reporting for the fiscal year ended June 30, 2005. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Public Employees' Retirement System of Mississippi has received a Popular Award for the last three consecutive fiscal years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

The Public Employees' Retirement System received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2006 Award in recognition of meeting professional standards for plan design and administration. The PPCC is a national confederation of state retirement associations whose standards are widely recognized benchmarks for public pension systems in the areas of plan design, funding, actuarial and financial audits, as well as member communications.

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.

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 our success. We hope all recipients of this report find it informative and useful. This report is also available to the general public at our web-site, www.pers.state.ms.us.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors and others who have worked so diligently to assure the continued successful operation of the System.

Respectfully submitted,

Pat Robertson

Pat Robertson
Executive Director

Pat Robertson - Executive Director

2006 Board of Trustees

From Left to Right: John L. Mulholland • Edward Lee Childress, Ed.D. • Tom Lariviere
Charlie Williams • Edwin C. LeGrand, III • Tate Reeves • Lester Herrington
Richard C. Miller, M.D. • Jeanne R. Walker • Virgil F. Belue, Ed.D.

Virgil F. Belue, Ed.D.
Elected by Retirees
7/01 to 6/07

Edward Lee Childress, Ed.D.
Elected by Public School and Community/Junior College Employees
1/04 to 12/10

Lester Herrington
Elected by Retirees
5/05 to 4/11

Thomas J. Lariviere
Elected by Municipal Employees
2/06 to 12/08

Edwin C. LeGrand, III, Chairman
Elected by State Employees
1/07 to 12/12

Richard C. Miller, M.D.
Elected by IHL Employees
1/05 to 12/10

John L. Mulholland
Elected by State Employees
2/06 to 12/08

Tate Reeves
State Treasurer, Ex Officio
1/04 to 12/07

Jeanne R. Walker
Elected by County Employees
1/04 to 12/09

Charlie Williams
Appointed by Governor
7/05 to 6/09

Professional Consultants

Fixed Income Advisors

Standish Mellon
One Mellon Bank Center
Pittsburgh, Pennsylvania 15258-0001
Telephone: (412) 234-0168

Pacific Investment Management Co.
840 Newport Center Dr., Suite 360
Newport Beach, California 92660
Telephone: (949) 720-6000

Barclays Global Investors, N.A.
45 Fremont Street, 17th Floor
San Francisco, California 94105
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Chicago, Illinois 60604-1295
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Aberdeen Asset Management
1735 Market Street, 37th Floor
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Northern Trust Global Investment
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Two Houston Center, Suite 2907
Houston, Texas 77010
Telephone: (713) 654-4484

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Boston, Massachusetts 02108
Telephone: (617) 722-7322

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

Delaware Investments
2005 Market Street
Philadelphia, Pennsylvania 19103
Telephone: (215) 255-1200

Artisan Partners Limited Partnership
1000 North Water Street
Milwaukee, Wisconsin 53202
Telephone: (414) 390-6100

Dimensional Fund Advisors, Inc.
1299 Ocean Avenue
Santa Monica, California 90401
Telephone: (310) 395-8005

State Street Global Advisors
State Street Financial Center
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Dayton, Ohio 45459
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Eagle Capital Management
499 Park Avenue, 21st Floor
New York, New York 10022
Telephone: (212) 293-4040

Private Capital Management
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Naples, Florida 34108-7512
Telephone: (800) 763-0337

INTECH
2401 PGA Boulevard, Suite 100
Palm Beach Gardens, FL 33410
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International Equity Advisors

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Telephone: +44 (20) 7225-9200

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Hartford, Connecticut 06103-1212
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AEW Partners
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State Street Financial Center
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Boston, Massachusetts 02111
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(began October 2005)

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Office of the Attorney General
Margo Bowers
Special Assistant
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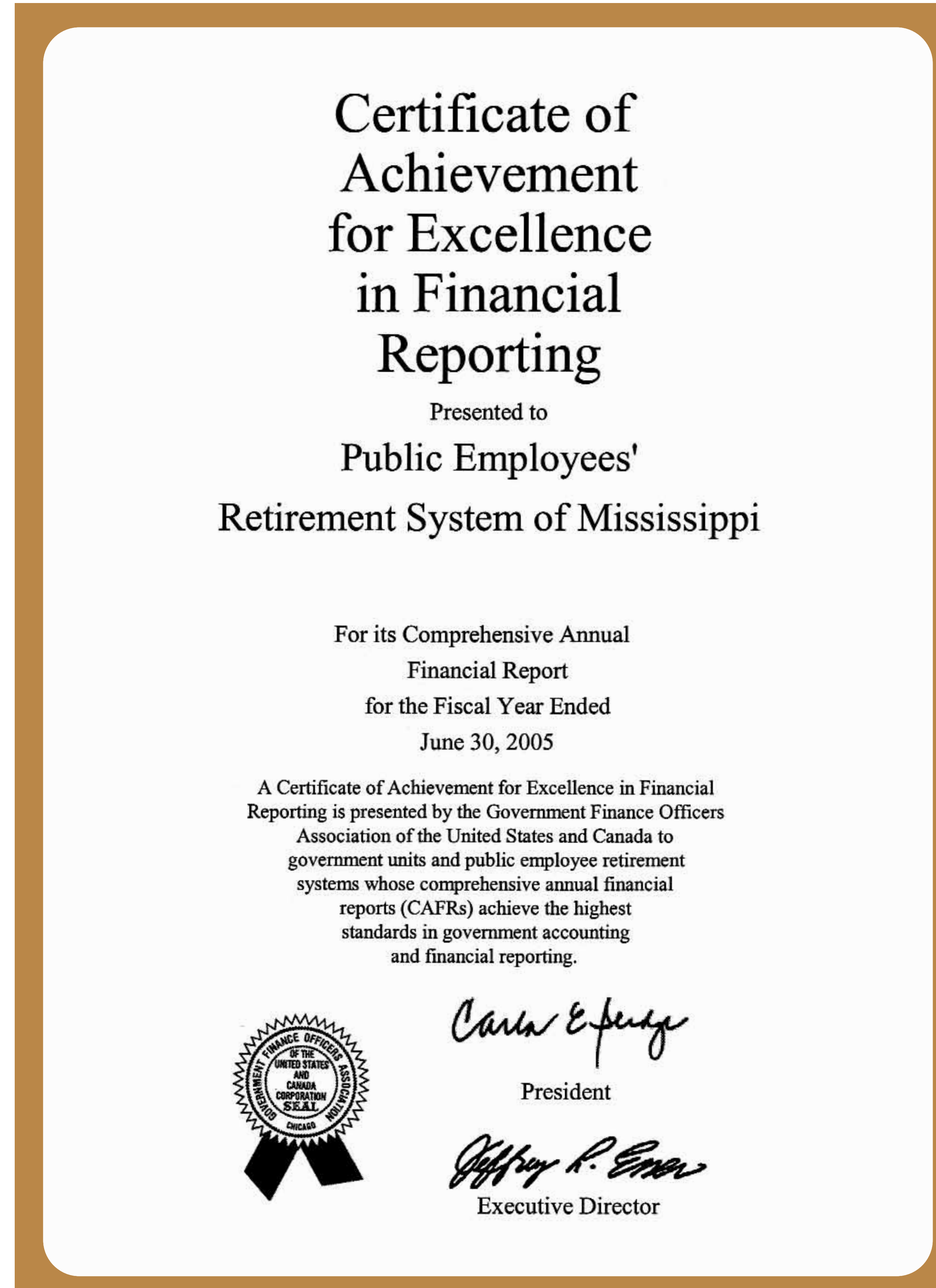
Telephone: (601) 359-3680



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Public Employees'

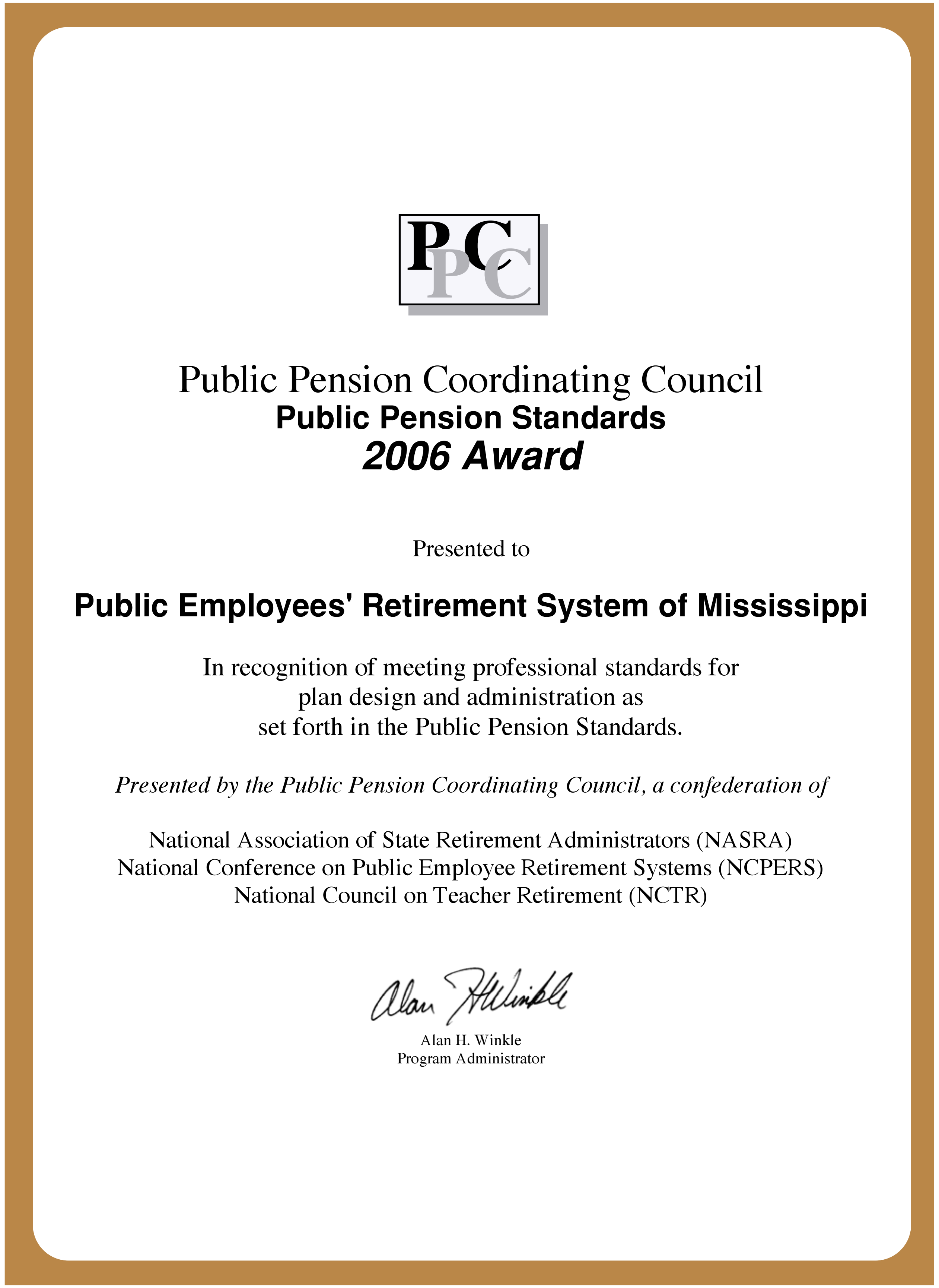
Retirement System of Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director



PPCC

Public Pension Coordinating Council
Public Pension Standards
2006 Award

Presented to

Public Employees' Retirement System of Mississippi

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Administrative Staff

EXECUTIVE DIRECTOR
Pat Robertson, CPA, CPM, CGFM, CRA

Donna J. Edwards, CRA
Deputy Director Special Programs

Greg A. Gregory, CPA
Deputy Director Administrative Services

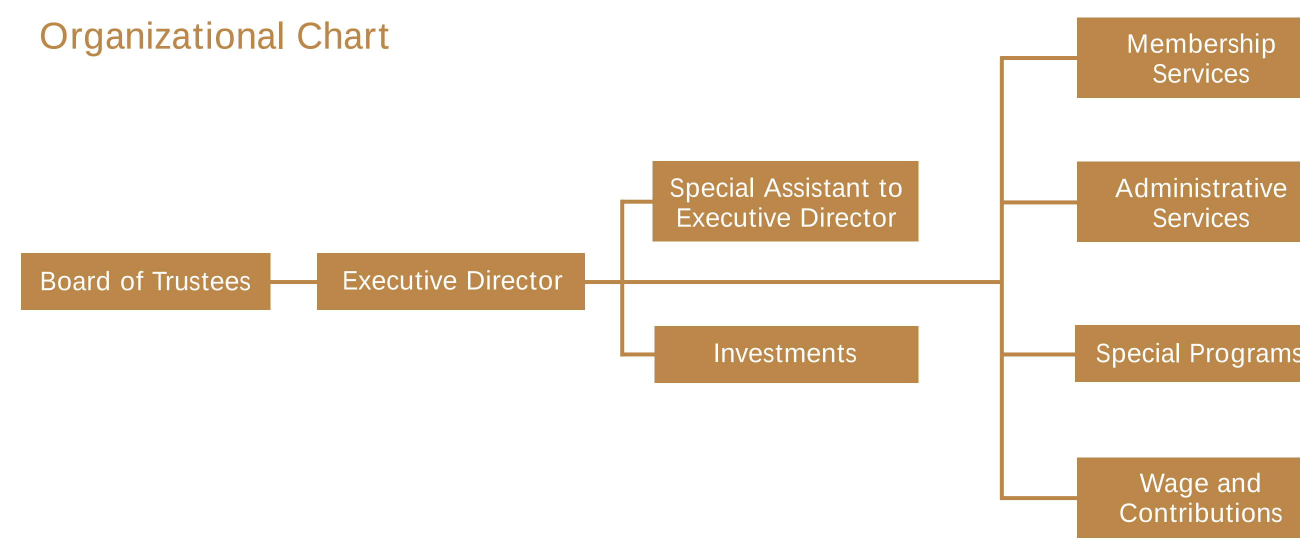
Denise Owens-Mounger, JD, CLU
Deputy Director Special Assistant
To Executive Director

Robert J. Rhoads
Deputy Director Membership Services

Shirley Sessoms
Deputy Director Wage and Contributions

Lorrie S. Tingle, CFA, MBA, CPM
Chief Investment Officer

Organizational Chart



Financials

HORNE LLP
CPAs & Business Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Public Employees' Retirement System of Mississippi

We have audited the 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, 2006, and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Public Employees' Retirement System of Mississippi as of June 30, 2006, and the changes in the net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 28, 2006, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 18 through 26 and the schedules of funding progress and employer contributions 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 inquires 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 conducted for the purpose of expressing an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 6 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Horne LLP

Jackson, Mississippi
November 28, 2006

This section presents management's discussion and analysis of the Public Employees' Retirement System of Mississippi's (System) financial position and performance for the year ended June 30, 2006. It is presented as a narrative overview and analysis in conjunction with the Letter of Transmittal, included in the Introductory Section, the financial statements and other information which are presented in the Financial Section of this Comprehensive Annual Financial Report.

The System is 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 plans; 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 is also 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 institutions of higher learning. As explained in note 2 to the basic financial statements, ORP is not part of the System's reporting entity. The System's funds, with the exception of ORP, are defined as pension (and other employee benefit) trust funds, which are fiduciary in nature. 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 combined net assets of the defined benefit plans administered by the System increased by $1.5 billion, or 8.4 percent. This increase was primarily the result of overall market performance in investments.
- The rate of return on investments of the defined benefit plans administered by the System during fiscal year 2006 was 10.7 percent compared with fiscal year 2005 rate of return of 9.8 percent. The U.S. and international equity portfolios returned 10.1 percent and 26.0 percent for the year respectively, while the return on debt securities was negative .5 percent. The rate of return on real estate investments was 18.7 percent as of fiscal year end.
- The defined benefit plans administered by the System were actuarially funded at an average of 72.0 percent as of June 30, 2006, an increase from the comparative average of 71.8 percent as of June 30, 2005. The increase in funding percentage was due to favorable investment performance in recent years and the effect of setting the actuarial value of assets equal to market value on June 30, 2006. This change in actuarial method will apply to the Municipal Retirement Systems plans at the next valuation date, which is September 30, 2006. The effects of asset valuation are further described in note 6 of the basic financial statements.
- The GEDCP net assets increased $90.7 million during fiscal year 2006 primarily because of an increase in the number of participants and an increase in the market value of securities.
- The GEDCP rates of return for investment options ranged from a high of 26.4 percent to a low of negative .2 percent compared to prior year investment option returns of a high of 15.0 percent and a low of 2.2 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, 2006. 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, 2006, 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, 2006, 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 fund type, investment accounting policies, management's use of estimates, information regarding the implementation of applicable new accounting pronouncements, and other significant accounting policies.
- Note 3 describes investments, including investing authority and policies, investment risk discussion and additional information about cash, securities lending and derivatives.
- Note 4 provides a summary of the property and equipment of the System including depreciation and net holding amounts.
- Note 5 provides a summary of receivables and payables (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 plans 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, funding status and required contributions of the defined benefit pension plans administered by the System.

(4) **Other Supplementary Schedules.** Other schedules include detailed information on administrative expenses incurred by the System, investment and other professional service expenses incurred, as well as the due to balances for 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 plan owns an equity position in the pool and receives proportionate investment income from the pool in accordance with its respective ownership percentage. Each plan's allocated share of each type of investment in the pool is shown in the Statements of Fiduciary Net Assets. Investment gains or losses are reported in the Statements of Changes in Fiduciary Net Assets of each retirement plan. The rates of return on investments is therefore approximately the same for each of the plans.

Systems Total Investments

At June 30, 2006, the System's total investments approximated $18.7 billion, an increase of $1.4 billion from fiscal year 2005 investment totals. The combined investment portfolio experienced a return of 10.7 percent compared with a median large public plan return of 11.4 percent*. The System's investment return exceeded the 9.5 percent policy target and investment performance over the past fiscal year has significantly contributed to the improvement of the System's overall financial position. Investment results over time compared with the System's benchmarks are presented on page 58 in the Investment Section.

*Callan Associates Public Plan Sponsor Large Fund Universe

Equity Securities

At June 30, 2006, the System held $13.5 billion in U.S. and international equity securities, an increase of $1.1 billion from fiscal year 2005. U.S. equity and international equity securities had returns of 10.1 percent and 26.0 percent respectively, for the 2006 fiscal year, compared to the System's benchmark returns of 9.6 percent and 26.6 percent, respectively.

Long-Term Debt Securities

At June 30, 2006, the System held $4.2 billion in U.S. long-term debt securities, which is approximately $19 million less than fiscal year 2005 holdings. Long-term debt securities returned a negative .5 percent compared with the System's benchmark return of negative .8 percent.

Real Estate

The real estate portfolio is divided between core commingled fund investments, which directly invest in properties, and managed portfolios of Real Estate Investment Trusts (REIT). REITs are exchange traded securities which provide indirect exposure to real estate properties and real estate management companies. At June 30, 2006, holdings totaled $723.1 million, an increase of $248.5 million from 2005.

Real estate investments experienced returns of 18.7 percent for the year end. The NCREIF Index, the benchmark for the System's core commingled fund investments, saw returns of 18.7 percent for the year ended June 30, 2006, while the Wilshire REIT Index, used to benchmark REIT investments, had returns of 22.0 percent for the same period.

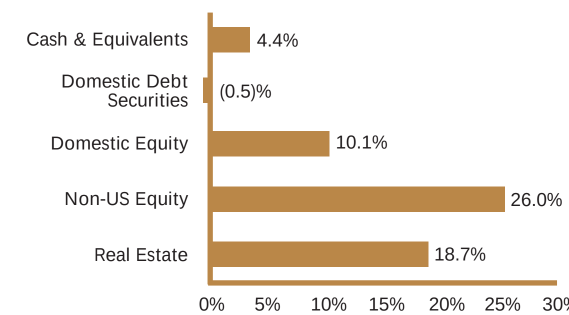
Short-Term Securities

At June 30, 2006, the System held $276.2 million in short-term investments, an increase of $156.4 million from fiscal year 2005. Short-term investments returned 4.4 percent for the 2006 fiscal year.

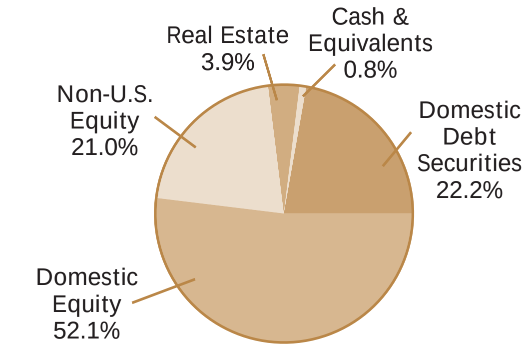
Securities Lending

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, The Bank of New York (BNY). The broker-dealers provide collateral to BNY and generally use the borrowed securities to cover short sales and failed trades. BNY invests cash collateral in order to earn interest. For the 2006 fiscal year, net securities lending income to the System amounted to $10.4 million, an increase of $4.3 million from fiscal year 2005. The increase in securities lending revenue for fiscal year 2006 is due to BNY lending a much greater volume of securities, particularly two to three times more U.S. equities.

Defined Benefit Plans Return
- Investment Rates of Return by Investment Type
Fiscal Year 2006



Defined Benefit Plans
- Asset Allocation at Fair Value
June 30, 2006



Analysis of Individual Systems – Defined Benefit Plans

Public Employees' Retirement System

The Public Employees' Retirement System of Mississippi (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 Plan are funded by member and employer contributions and by earnings on investments. Net assets held in trust for benefits at June 30, 2006, amounted to $18.3 billion, an increase of $1.4 billion (8.5 percent) over $16.9 billion at June 30, 2005.

Additions to PERS net assets held in trust for benefits include employer and member contributions and investment income. For the 2006 fiscal year, member and employer contributions increased from those of fiscal year 2005 from $857.8 million to $933.4 million or an increase of $75.6 million (8.8 percent). This change is attributed to an increase in the employer contribution rate, effective July 1, 2005, from 9.75 percent to 10.75 percent. PERS recognized net investment income of $1.8 billion for the 2006 fiscal year, compared with $1.5 billion for the 2005 fiscal year.

Deductions from PERS net assets held in trust for benefits primarily include retirement and beneficiary benefits, and administrative expenses. For the 2006 fiscal year, benefits amounted to $1.3 billion, an increase of $84 million (7.1 percent) over the 2005 fiscal year. The increase in benefit payments was due to an increase in the number of benefit recipients, as well as an increase in the average benefit payment. For the 2006 fiscal year, the costs of administering the System amounted to $10.0 million, a decrease of $1.3 million (11.6 percent) from fiscal year 2005. The decrease in administrative expenses was due to a reduction in appropriated budget funds.

An actuarial valuation of PERS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2006, the funded status of the plan increased to 73.5 percent from 72.4 percent at June 30, 2005. The amount by which the PERS actuarial assets were less than actuarial benefit liabilities was $6.6 billion at June 30, 2006, essentially the same as for June 30, 2005. The increase in funded status relates primarily to favorable investment returns, the effect of setting actuarial assets equal to market value of net assets and an increase in the employer contribution rate which changed to 10.75 on July 1, 2005.

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

	PERS 2006	PERS 2005	MHSPRS 2006	MHSPRS 2005
Assets:				
Cash, cash equivalents, and receivables	$ 656,173	$ 555,968	$ 7,781	$ 7,245
Investments, at fair value	18,308,481	16,774,048	230,230	246,883
Invested securities lending collateral	4,974,021	2,606,010	72,558	37,864
Capital assets	17,180	17,744	-	-
Total assets	23,955,855	19,953,770	310,569	291,992
Liabilities:				
Investment accounts and other payables	588,672	409,623	7,103	5,954
Deferred revenue	-	50,000	-	-
Securities lending liability	5,046,120	2,603,612	37,829	37,829
Total liabilities	5,634,792	3,063,235	44,932	43,783
Total net assets	$ 18,321,063	$ 16,890,535	$ 265,637	$ 248,209

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

	PERS 2006	PERS 2005	MHSPRS 2006	MHSPRS 2005
Additions:				
Contributions	$ 933,443	$ 857,789	$ 8,473	$ 7,797
Investment income	1,777,853	1,507,079	25,934	21,897
Other additions	580	530	2,628	2,388
Total additions	2,711,876	2,365,398	37,035	32,082
Deductions:				
Pension benefits	1,198,230	1,116,405	19,359	18,005
Refunds	73,344	71,064	110	86
Administrative and other deductions	9,774	11,054	138	127
Total deductions	1,281,348	1,198,523	19,607	18,218
Increase (decrease) in net assets	$ 1,430,528	$ 1,166,875	$ 17,428	$ 13,864

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 the plan are funded by member and employer contributions and by earnings on investments. MHSPRS net assets held in trust for benefits at June 30, 2006 amounted to $265.6 million, an increase of $17.4 million (7.0 percent) from $248.2 million at June 30, 2005.

Additions to MHSPRS net assets held in trust for benefits include employer and member contributions and investment income. For the 2006 fiscal year, member and employer contributions increased by $700 thousand (8.7 percent) from those of fiscal year 2005, from $7.8 million to $8.5 million. Contributions increased due to an increase in participants. MHSPRS recognized net investment income of $25.9 million for the 2006 fiscal year compared with $21.9 million for the 2005 fiscal year.

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

MRS 2006	MRS 2005	SLRP 2006	SLRP 2005	Eliminations 2006	Total Defined Benefit Pension Plans 2006	Total Defined Benefit Pension Plans 2005	Total Percent Change
$ 6,554	$ 6,153	$ 323	$ 276	$ (7)	$ 670,824	$ 569,526	17.8%
193,378	218,234	10,042	10,497	-	18,742,131	17,249,662	8.7%
60,330	33,437	3,179	1,611	-	5,110,088	2,678,922	90.8%
-	-	-	-	-	17,180	17,744	(3.2)%
260,262	257,824	13,544	12,384	(7)	24,540,223	20,515,854	19.6%
5,979	5,384	314	257	(7)	$ 602,061	421,102	43.0%
-	-	-	-	-	-	50,000	0.0%
33,406	33,406	1,610	1,609	-	5,118,965	2,676,456	91.3%
39,385	38,790	1,924	1,866	(7)	5,721,026	3,147,558	81.8%
$ 220,877	$ 219,034	$ 11,620	$ 10,518	$ -	$ 18,819,197	$ 17,368,296	8.4%

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

MRS 2006	MRS 2005	SLRP 2006	SLRP 2005	Eliminations 2006	Total Defined Benefit Pension Plans 2006	Total Defined Benefit Pension Plans 2005	Total Percent Change
$ 15,876	$ 14,749	$ 606	$ 614	$ -	$ 958,398	$ 880,949	8.8%
21,563	19,337	1,137	932	-	1,826,487	1,549,245	17.9%
-	-	-	-	(576)	2,632	2,388	10.2%
37,439	34,086	1,743	1,546	(576)	2,787,517	2,432,582	14.6%
35,165	34,296	632	599	-	1,253,386	1,169,305	7.2%
1	11	1	2	-	73,456	71,163	3.2%
430	395	8	8	(576)	9,774	11,054	(11.6)%
35,596	34,702	641	609	(576)	1,336,616	1,251,522	6.8%
$ 1,843	$ (616)	$ 1,102	$ 937	$ -	$ 1,450,901	$ 1,181,060	22.8%

Deductions from MHSPRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2006 fiscal year, benefits amounted to $19.5 million, an increase of $1.4 million (7.6 percent) from the 2005 fiscal year. For the 2006 fiscal year, MHSPRS transferred $138 thousand to PERS to offset the cost of administration, an increase of $11 thousand (8.7 percent) from fiscal year 2005.

An actuarial valuation of MHSPRS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2006, the funded status of the plan increased to 75.8 percent from 75.6 percent at June 30, 2005. The amount by which the MHSPRS actuarial assets were less than actuarial benefit liabilities was $85.0 million, compared with $81.6 million at June 30, 2005. The change in funded status relates primarily to favorable investment returns and the effect of setting actuarial assets equal to market value of net assets.

Municipal Retirement Systems

Two municipal retirement plans and seventeen fire and police disability and relief plans comprise the Municipal Retirement Systems (MRS). Seventeen of these separate plans 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 plans was extended until July 1, 1987. All active employees have retired from five of the municipal plans. The financial positions of MRS plans have been aggregated for financial reporting purposes. Individual plan 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. The aggregated plan's net assets held in trust for benefits at June 30, 2006 amounted to $220.9 million, an increase of $1.9 million (0.8 percent) from $219.0 million at June 30, 2005.

Additions to MRS net assets held in trust for benefits consist of employer and member contributions and investment income. For the 2006 fiscal year, member and employer contributions of $15.9 million was $1.2 million (7.6 percent) more than contributions of $14.7 million received in fiscal year 2005. Municipal plan employer contributions are funded through taxes levied on assessed properties. The increase in contributions is a result of increased property values and millage rates within some municipalities. MRS recognized net investment income of $21.6 million for the 2006 fiscal year compared with $19.3 million for the 2005 fiscal year.

Deductions from MRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2006 fiscal year, benefits amounted to $35.2 million, an increase of $859 thousand (2.5 percent) over the 2005 fiscal year. The increase in benefit payments resulted, in part, from plan amendments. Additionally, retirees added to retirement roles have somewhat higher benefits due to higher annual salaries while those removed from roles were typically retired for a number of years based on salary rates which are comparatively lower. For the 2006 fiscal year, MRS transferred $430 thousand to PERS to offset the cost of administration, compared to $395 thousand transferred for fiscal year 2005. Administrative fees are calculated based on the amount of contributions.

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, 2005, decreased to 56.1 percent from 59.8 percent at September 30, 2004. The amount by which the MRS actuarial assets were less than actuarial benefit liabilities was $170.2 million at September 30, 2005, compared with $157.9 million at September 30, 2004. The decrease in the funded status relates primarily to the required prorating of unfavorable investment performance in previous years, 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 the plan are funded by member and employer contributions and by earnings on investments. The plan's net assets held in trust for benefits at June 30, 2006 amounted to $11.6 million, an increase of $1.1 million (10.5 percent) over $10.5 million at June 30, 2005.

Additions to SLRP net assets held in trust for benefits include employer and member contributions and investment income. For the 2006 fiscal year, member and employer contributions were $606 thousand, a decrease of $8 thousand (negative 1.3 percent) from those of fiscal year 2005. Contributions decreased due to a reduction in active members. SLRP recognized net investment income of $1.1 million for the 2006 fiscal year, compared with $932 thousand for the 2005 fiscal year.

Deductions from SLRP net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2006 fiscal year, benefits amounted to $633 thousand, an increase from $601 thousand (5.1 percent) over the 2005 fiscal year. Benefit payments increased due to an increase in retired participants. For the 2006 fiscal year, SLRP transferred $8 thousand to PERS to offset the cost of administration. Transfers in 2005 totaled $8 thousand.

An actuarial valuation of SLRP assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2006, the funded status of the plan increased to 82.6 percent from 79.3 percent at June 30, 2005. The amount by which the SLRP actuarial assets were under actuarial benefit liabilities was $2.4 million, compared with $2.8 million at June 30, 2005. The change in funded status relates primarily to favorable investment returns, as well as the effect of setting the actuarial value of assets equal to market value of net assets.

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 page 44. This table shows the funding ratios for the last ten fiscal years. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial benefit liabilities.

As of June 30, 2006, funding ratios ranged from a high of 82.6 percent to a low of 56.1 percent, as compared to 79.3 percent and 59.8 percent for June 30, 2005. The average funding ratio increased from 71.8 percent to 72.0 percent during the fiscal year An increase in the employer contribution rate, to 10.75 percent, was an element in the PERS plan funding increase.

At June 30, 2006, the Systems' total unfunded actuarial accrued liability had increased to $6.9 billion from $6.8 billion at June 30, 2005. This is a net change in the unfunded actuarial accrued liability of $76.4 million for the year. At June 30, 2006, there was no difference between the total actuarial value of assets and fair value of net assets as compared to $318.3 million in actuarially deferred losses at June 30, 2005.

Net Assets – IRC 457 Plan

June 30

(In Thousands)

	IRC 457 Plan GEDCP 2006	2005	Percent Change
Assets:			
Cash and receivables	$ 6,756	$ 5,539	22.0 %
Investments, at fair value	911,229	821,710	10.9 %
Total	917,985	827,249	11.0 %
Liabilities:			
Investment accounts and other payables	256	183	39.9 %
Total	256	183	39.9 %
Total net assets	$ 917,729	$ 827,066	11.0 %

Changes in Net Assets – IRC 457 Plan

Year ended June 30

(In Thousands)

	IRC 457 Plan GEDCP 2006	2005	Percent Change
Additions:			
Contributions	$ 82,325	$ 81,337	1.2 %
Investment income	57,436	38,820	48.0 %
Total	139,761	120,157	16.3 %
Deductions:			
Pension benefits	49,098	41,146	19.3 %
Total	49,098	41,146	19.3 %
Increase in net assets	$ 90,663	$ 79,011	14.7 %

Two common factors affecting the plans with funding increases were recent favorable investment returns and the effect of setting the actuarial value of assets equal to market value of net assets. Municipal Retirement Systems' valuation date occurred prior to the change in actuarial valuation method. Municipal Retirement Systems' actuarial assets will be set to market value of net assets at the next valuation date, which is September 30, 2006. Smoothing of actuarial gains and losses will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of the market value of net assets.

The Board of Trustees has taken steps to enhance funding adequacy of the System through adjustments to employer contribution rates. In 2005, our consulting actuary recommended an employer contribution rate of 12.50 percent, which was adopted by the Board of Trustees. To mitigate the financial impact on the State of Mississippi general fund budget, we reached a compromise with Legislative leaders to phase-in the employer rate increase in .55 percent increments over the next four years beginning July 1, 2006. As a result, the employer contribution rate will be raised from 10.75 percent to 11.30 percent for fiscal year 2007. The temporary change of setting actuarial value of assets equal to net asset value resulted in a recommendation from our consulting actuary that the employer contribution rate for PERS increase to 12.25 percent, rather than the 12.50 percent rate proposed in 2005. Additional information regarding funding for the defined benefit plans is presented in note 6 to the basic financial statements.

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 participant contributions and by investment earnings. Net assets held in trust for benefits at June 30, 2006 amounted to $917.7 million, an increase of $90.6 million (11.0 percent) over net assets of $827.1 million at June 30, 2005.

Additions to the 457 Plan net assets held in trust for benefits include contributions and investment income. For the 2006 fiscal year, contributions increased from those of the 2005 fiscal year from $81.3 million to $82.3 million or an increase of $1.0 million (1.2 percent). Contributions increased because of increased participation from 36,778 in 2005 to 37,084 in 2006. The plan recognized net investment income of $57.4 million for the 2006 fiscal year compared with net investment income of $38.8 million for the 2005 fiscal year.

Deductions from the 457 Plan net assets include payments to participants and beneficiaries. For the 2006 fiscal year, payments amounted to $49.1 million, an increase of $8.0 million (19.3 percent) over the 2005 fiscal year. The increase in payments is attributed to an increase in the number of annuitants, as well as an increase in hardship withdrawals due to Hurricane Katrina.

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, Mississippi 39201-1005.

Statement of Fiduciary Net Assets – June 30, 2006

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds	Agency Funds	Total 2006
Assets										
Cash and cash equivalents (note 3)	$ 206,173	$ 2,568	$ 2,158	$ 112	$ -	$ 211,011	$ 2,582	$ 213,593	$ 22	$ 213,615
Receivables:										
Employer	38,989	-	334	-	-	39,323	-	39,323	-	39,323
Employee	28,209	-	21	-	-	28,230	3,981	32,211	-	32,211
Investment proceeds	297,568	3,742	3,143	164	-	304,617	-	304,617	-	304,617
Interest and dividends	84,675	1,065	894	47	-	86,681	193	86,874	-	86,874
Other receivables	550	406	4	-	-	960	-	960	-	960
Total receivables	449,991	5,213	4,396	211	-	459,811	4,174	463,985		463,985
Investments, at fair value (note 3)										
Short-term securities	269,788	3,393	2,850	148	-	276,179	11,729	287,908	-	287,908
Long-term debt securities	4,136,088	52,011	43,686	2,269	-	4,234,054	19,810	4,253,864	-	4,253,864
Equity securities	13,196,210	165,943	139,380	7,238	-	13,508,771	380,037	13,888,808	-	13,888,808
Real estate investments	706,395	8,883	7,462	387	-	723,127	-	723,127	-	723,127
Balanced asset fund	-	-	-	-	-	-	36,570	36,570	-	36,570
Fixed rate and variable	-	-	-	-	-	-	462,622	462,622	-	462,622
Life insurance contracts	-	-	-	-	-	-	461	461	-	461
Total investments before lending activities	18,308,481	230,230	193,378	10,042	-	18,742,131	911,229	19,653,360	-	19,653,360
Securities lending:										
Short-term securities	1,088,230	15,874	13,199	696	-	1,117,999	-	1,117,999	-	1,117,999
Long-term debt securities	3,885,791	56,684	47,131	2,483	-	3,992,089	-	3,992,089	-	3,992,089
Total securities lending	4,974,021	72,558	60,330	3,179	-	5,110,088	-	5,110,088	-	5,110,088
Total investments	23,282,502	302,788	253,708	13,221	-	23,852,219	911,229	24,763,448	-	24,763,448
Due from (to) other funds (note 5)	9	-	-	-	(7)	2	-	2	-	2
Capital assets, at cost, net of accumulated depreciation (note 4)	17,180	-	-	-	-	17,180	-	17,180	-	17,180
Total assets	23,955,855	310,569	260,262	13,544	(7)	24,540,223	917,985	25,458,208	22	25,458,230
Liabilities										
Accounts payable and accrued expenses	568,806	7,103	5,972	314	-	582,195	254	582,449	15	582,464
Obligations under securities lending	5,046,120	37,829	33,406	1,610	-	5,118,965	-	5,118,965	-	5,118,965
Due to other funds	18,728	-	7	-	(7)	18,728	2	18,730	-	18,730
Funds held for others	1,138	-	-	-	-	1,138	-	1,138	7	1,145
Total liabilities	5,634,792	44,932	39,385	1,924	(7)	5,721,026	256	5,721,282	22	5,721,304
Net assets held in trust for pension benefits (A schedule of funding progress for each plan is presented on page 44.)	$ 18,321,063	$ 265,637	$ 220,877	$ 11,620	$ -	$ 18,819,197	$ 917,729	$ 19,736,926	$ -	$ 19,736,926

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

Statement of Changes in Fiduciary Net Assets – For the Year Ended June 30, 2006

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds 2006
Additions:								
Contributions:								
Employer	$ 557,831	$ 6,884	$ 15,613	$ 411	$ -	$ 580,739	$ -	$ 580,739
Employee	375,612	1,589	263	195	-	377,659	82,325	459,984
Total contributions	933,443	8,473	15,876	606	-	958,398	82,325	1,040,723
Net Investment Income:								
Net appreciation in fair value	1,300,551	18,972	15,774	831	-	1,336,128	54,609	1,390,737
Interest and dividends	498,583	7,273	6,047	319	-	512,222	2,827	515,049
Total before lending activities	1,799,134	26,245	21,821	1,150	-	1,848,350	57,436	1,905,786
Securities lending:								
Net appreciation in fair value	30,231	441	366	19	-	31,057	-	31,057
Interest	130,538	1,904	1,583	84	-	134,109	-	134,109
Interest expense	(148,836)	(2,171)	(1,805)	(95)	-	(152,907)	-	(152,907)
Program fees	(1,765)	(26)	(21)	(1)	-	(1,813)	-	(1,813)
Net income from securities lending	10,168	148	123	7	-	10,446	-	10,446
Managers' fees and trading costs	(31,449)	(459)	(381)	(20)	-	(32,309)	-	(32,309)
Net investment income	1,777,853	25,934	21,563	1,137	-	1,826,487	57,436	1,883,923
Other additions:								
Rent Income	-	-	-	-	-	-	-	-
Administrative fees	576	-	-	-	(576)	-	-	-
Other	4	2,628	-	-	-	2,632	-	2,632
Total other additions	580	2,628	-	-	(576)	2,632	-	2,632
Total	2,711,876	37,035	37,439	1,743	(576)	2,787,517	139,761	2,927,278
Deductions:								
Retirement annuities	1,198,230	19,359	35,165	632	-	1,253,386	49,098	1,302,484
Refunds to terminated employees	73,344	110	1	1	-	73,456	-	73,456
Total	1,271,574	19,469	35,166	633	-	1,326,842	49,098	1,375,940
Administrative Expenses:								
Personal services:								
Salaries, wages and fringe benefits	6,120	-	-	-	-	6,120	-	6,120
Travel and subsistence	61	-	-	-	-	61	-	61
Contractual services	2,736	-	-	-	-	2,736	-	2,736
Commodities	294	-	-	-	-	294	-	294
Total administrative expenses	9,211	-	-	-	-	9,211	-	9,211
Depreciation & loss on transfer of equipment	563	-	-	-	-	563	-	563
Administrative fees	-	138	430	8	(576)	-	-	-
Total	1,281,348	19,607	35,596	641	(576)	1,336,616	49,098	1,385,714
Net increase	1,430,528	17,428	1,843	1,102	-	1,450,901	90,663	1,541,564
Net assets held in trust for pension benefits:								
Beginning of year	16,890,535	248,209	219,034	10,518	-	17,368,296	827,066	18,195,362
End of year	$18,321,063	$265,637	$220,877	$11,620	$ -	$18,819,197	$917,729	$19,736,926

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

Notes to Basic Financial Statements – June 30, 2006

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, sworn 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	113	2	-	5	120
State universities	9	-	-	-	9
Public schools	150	–	–	–	150
Community/junior colleges	15	–	–	–	15
Counties	82	–	–	–	82
Municipalities	233	-	17	-	250
Other political subdivisions	249	–	–	–	249
Total employers	851	2	17	5	875
Members:					
Active vested	112,092	473	60	129	112,754
Active nonvested	45,999	91	5	44	46,139
Total active members	158,091	564	65	173	158,893
Inactive vested	18,277	14	1	51	18,343
Inactive nonvested	99,434	32	3	6	99,475
Total inactive members	117,711	46	4	57	117,818
Retirees and beneficiaries	66,757	625	2,225	122	69,729
Total retired/inactive members	184,468	671	2,229	179	187,547
Total members	342,559	1,235	2,294	352	346,440
Active members by employer:					
State agencies	32,682	564	-	173	33,419
State universities	16,785	-	-	-	16,785
Public schools	64,342	-	-	-	64,342
Community/junior colleges	5,632	-	-	-	5,632
Counties	13,944	-	-	-	13,944
Municipalities	17,783	-	65	-	17,848
Other political subdivisions	6,923	-	-	-	6,923
Total active members	158,091	564	65	173	158,893

**Information furnished for MRS is as of September 30, 2005.*

(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 2 percent of their average compensation for each year of credited service up to and including 25 years, plus 2 1/2 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, 2006, the total additional annual payments were $232,710,000.

(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.

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 60, plus 3 percent compounded for each year thereafter beginning with the fiscal year in which the member turns age 60. For the year ended June 30, 2006, the total additional annual payments were $4,974,000.

(3) Municipal Retirement Systems

Membership in the two General 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), as amended 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, 2006, the total additional annual payments were $4,215,000.

(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. 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, 2006, the total additional annual payments were $87,000.

(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 available to employees at termination, retirement, death, unforeseeable emergency, or can be rolled over to the retirement system for purchase of eligible service credit.

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 a prudent investor. At June 30, 2006, total plan assets aggregated $917,985,000.

(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 as an agency fund 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 2006. 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 Mississippi Code Ann. (1972) Section 25-11-1 et seq. for PERS, Section 25-13-1 et seq. for MHSPRS, and Section 25-11-301 et seq. 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 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 in accordance with Governmental Accounting Standards Board (GASB) 14, *The Financial 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. Title 25, Article 11 of the Mississippi Code states that the Board of Trustees of the System will provide for 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 when due pursuant to formal commitments, as well as statutory requirements; investment income is recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses 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. The fair value of commingled real estate funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. 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.

(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. Depreciation is provided 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) New Accounting Pronouncements

In May 2004, the Governmental Accounting Standards Board issued Statement No. 44, *Economic Condition Reporting: The Statistical Section* (the Statement). The Statement amends previously issued guidance for the preparation of the statistical section to assist users in utilizing the basic financial statements, notes to basic financial statements and required supplementary information to assess the economic condition of the System. The requirements of this Statement are effective for the System's fiscal year beginning July 1, 2005. The implementation of GASB Statement No. 44 had no impact on the financial statements of the System.

(h) 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, 2006, 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 investment grade 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.

- Up to ten percent of the total book value of investments can be types of investments not specifically authorized by this section, if the investments are in the form of a separate account managed by a Securities and Exchange Commission registered investment advisory firm retained as an investment manager by the Board; or a limited partnership or commingled fund.

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, 2006, the System had no deposits in foreign demand deposit accounts.

(b) Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Mississippi Code of 1972, Section 25-11-121, provides that the deposits of the System in any bank of the United States shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit.

The amount of the System's total cash and cash equivalents at June 30, 2006, was $213,615,000. Cash deposits in bank accounts totaled $(204,000) which were covered by federal depository insurance. At June 30, 2006, the System held $210,054,000 in cash equivalents. Cash equivalents are created through daily sweeps of excess cash by the System's custodial bank into a bank sponsored short-term investment fund. This fund is a custodial bank sponsored commingled fund which is invested in short-term securities, including domestic commercial paper, time deposits, and asset-backed securities. The average S & P short term quality rating of the fund was A-1 at June 30, 2006.

As of June 30, 2006, the System's cash equivalents were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ –
Uninsured and collateral held by custodial bank not in the System's name	210,054,000
Total	$ 210,054,000

(c) Investments

All of the investment assets of MHSPRS, MRS, and SLRP are combined with those of PERS and invested in short-term and long-term debt securities, equity securities, and real estate. 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. All investments are reported at fair value.

All investments are governed by the Board's policy of the prudent person rule. The prudent person rule establishes a standard for all fiduciaries, to act as a prudent person would be expected to act, with discretion and intelligence, while investing for income and preservation of principal.

The Board of Trustees adopted real estate in October 2002 as part of the System's long-term asset allocation. The Mississippi Code Section 25-11-121 allows the System to invest up to 10 percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The System funded its first real estate investments in June 2003. The portfolio is divided between core commingled real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REIT). REITs are exchange traded securities which provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually.

The following table presents the fair value of investments by type at June 30, 2006 (in thousands):

Investment type:	Fair Value
Commercial paper	$ 519,299
Repurchase agreements	807,090
International currency	21,009
U.S. Government agency obligations	436,943
U.S. Treasury obligations	1,175,908
Collateralized mortgage obligations	1,146,646
Corporate bonds	3,416,067
Mortgage pass-throughs	759,906
Municipals	60,823
Asset backed securities	1,223,169
Yankee/Global bonds	53,462
Domestic equity securities	9,715,937
International equity securities	3,911,263
Real estate	723,127
Money market fund	11,729
Fixed income fund	19,809
Balanced asset fund	36,570
Fixed and variable fund	462,622
Life insurance contracts	461
Equity fund	261,608
Total	$24,763,448

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension trust fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: a. the counterparty or b. the counterparty's trust department or agent but not in the government's name. The Mississippi Code of 1972, Section 25-11-121, requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the System.

Of the defined benefit pension funds' $23.9 billion in investments at June 30, 2006, $5.1 billion were cash collateral reinvestment securities acquired by the custodian, whom is also the lending agent/counterparty. This is consistent with the System's securities lending agreement in place with the custodian.

The fair value of cash collateral securities as of June 30, 2006, are presented by type below (in thousands):

	Fair Value
Commercial paper	$ 467,999
Repurchase agreements	650,000
Corporate bonds	2,081,543
Asset backed securities	1,465,546
Collateralized mortgage obligations	445,000
Total	$5,110,088

Interest Rate Risk

As of June 30, 2006, the System had the following investments and maturities:

Investment Type:	Fair Value (in thousands)	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
Asset backed securities	$1,223,169	$1,161,196	$ 1,416	$ 9,846	$ 50,711
Collateralized mortgage obligations	1,146,645	325,674	36,610	30,086	754,275
Commercial paper	519,299	519,299	-	-	-
Corporate bonds	3,416,067	310,689	2,585,429	299,443	220,506
U.S. Government agency obligations	436,943	72,308	266,642	60,602	37,391
Mortgage pass-throughs	759,906	60	4,504	6,490	748,852
Repurchase agreements	807,090	807,090	-	-	-
Municipals	60,823	-	2,346	11,615	46,862
U.S. Treasury obligations	1,175,908	795	612,863	333,552	228,698
Yankee/Global bonds	53,462	3,314	25,445	6,415	18,288
Total	$9,599,312	$3,200,425	$3,535,255	$758,049	$2,105,583

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Derivative securities, variable rate investments with coupon multipliers greater than one, and securities with long-terms to maturity are examples of investments whose fair values may be highly sensitive to interest rate changes. These securities are reported at fair value in the statement of fiduciary net assets. Inverse floaters and variable rate investments with coupon multipliers greater than one are prohibited under the System's derivatives policy.

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. During fiscal year 2006, the investments in derivatives by the System were exclusively in asset/liability based derivatives such as interest-only (IO) strips, principal-only (PO) 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 highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The System held IOs and POs valued at $4 million and $3 million, respectively, at fiscal year end. The System's derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

Collateralized mortgage obligations (CMOs) 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. A reduction in interest payments causes a decline in cash flows and, thus a decline in the 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. The System held $1,147 million in CMOs at June 30, 2006. Of this amount, $421 million were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the System's derivatives policy.

Asset-backed securities (ABS) 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. Of the $1,223 million in ABS that the System held at June 30, 2006, $34 million are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the System's derivatives policy.

At June 30, 2006, the System has invested in $760 million in mortgage pass-through securities issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

Credit Risk

The System's exposure to credit risk as of June 30, 2006, is as follows (fair value in thousands):

	S&P Quality Ratings							
Investment Type	A	AA	AAA	B	BAA	BB	BBB	D
Commercial paper	$ 519,299	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Repurchase agreements	-	650,000	157,090	-	-	-	-	-
U.S. Government agency obligations	-	19,803	417,140	-	-	-	-	-
Collateralized mortgage obligations	4,777	12,538	1,119,960	-	-	5,356	4,016	-
Corporate bonds	982,677	1,339,862	818,464	4,413	2,523	10,848	257,280	-
Mortgage pass-throughs	682	-	706,521	43	-	-	3	-
Municipals	5,538	8,843	28,102	1,285	-	-	18,339	-
Asset backed securities	3,860	2,627	1,207,055	-	5,009	-	2,388	2,231
Yankee/Global bonds	17,832	20,594	7,398	-	-	6,353	-	-
Total	$1,534,665	$2,054,267	$4,461,730	$5,741	$7,532	$16,204	$288,379	$2,231

State law requires a minimum quality rating of A-3 by Standard and Poor's or P-3 by Moody's for corporate short-term obligations. This law also requires corporate and taxable municipal bonds to be of investment grade as rated by Standard and Poor's or Moody's.

PERS' Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by Standard and Poor's or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by Standard and Poor's and Moody's, respectively. This applies to all short-term investments of the System.

In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of $30 million, no more than 25 percent be invested in any issue having a rating lower than AA or A1P1.

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 or Standard and Poor's.

The System's lending agent is permitted to purchase only AAA asset-backed securities for the cash collateral fund.

Foreign Currency Risk

The System's exposure to foreign currency risk at June 30, 2006, was as follows:

Currency	%	Fair Value (in thousands)
Australian Dollar	3.52%	$ 129,767
Brazilian Real	1.50%	55,223
Canadian Dollar	0.92%	33,990
Danish Krone	0.73%	26,836
Egyptian Pound	0.46%	17,010
Euro	34.89%	1,286,852
Pound Sterling	22.13%	816,167
Hong Kong Dollar	2.10%	77,606
Hungarian Forint	0.21%	7,751
Indian Rupee	0.75%	27,837
Indonesian Rupiah	0.29%	10,580
Israeli Shekel	0.37%	13,823
Japanese Yen	18.64%	687,556
Malaysian Ringgit	0.03%	948
Mexican Nuevo Peso	0.23%	8,430
New Taiwan Dollar	0.98%	36,176
New Zealand Dollar	0.08%	3,067
Norwegian Krone	0.76%	27,891
Polish Zloty	0.01%	212
Singapore Dollar	0.63%	23,262
South African Rand	0.73%	27,025
South Korean Won	1.83%	67,497
Swedish Krona	1.61%	59,541
Swiss Franc	6.08%	224,104
Thai Baht	0.29%	10,527
Turkish Lira	0.22%	8,178
Total	100.00%	$3,687,856

All foreign currency-denominated investments are in equities and foreign cash. The System's investment asset allocation policy limits non-U.S. investments to 15 percent. At June 30, 2006, the current position is 21.0 percent. The investment committee evaluates the investment asset allocation quarterly and adjusts as necessary.

(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, 2006 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Interest income	$130,538	$1,904	$1,583	$84	$134,109
Net appreciation	30,231	441	366	19	31,057
Income from securities lending	160,769	2,345	1,949	103	165,166
Less:					
Interest expense	148,836	2,171	1,805	95	152,907
Program fees	1,765	26	21	1	1,813
Expenses from securities lending	150,601	2,197	1,826	96	154,720
Net income from securities lending	$ 10,168	$ 148	$ 123	$ 7	$ 10,446

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, 2006 are long-term U.S. government and agency obligations, corporate bonds, 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 loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 1.5 days at June 30, 2006. Cash collateral is invested in debt securities such as U.S. government and agency obligations and "AAA" asset-backed securities. Additionally, a significant portion is invested in corporate short-term securities, such as repurchase agreements, commercial paper and bank notes. The weighted average final duration of all collateral investments at June 30, 2006, was 508 days with a weighted average maturity of 25 days.

Securities lent at year-end for cash collateral are presented by type in note 3 (c); securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were no securities lent for securities collateral as of June 30, 2006. The investments purchased with the cash collateral are also presented in note 3 (c) in the discussion of custodial credit risk, 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 securities lending net investments ($5,141,519,000) and the related liability ($5,139,519,000) on the Statement of Fiduciary Net Assets do not equal at June 30, 2006. The difference of $2,000,000 is due to the collateral investment fund's market appreciation and the earnings re-invested until the distribution takes place the following month.

The following table presents the fair values of the underlying securities, and the value of the collateral pledged at June 30, 2006 (in thousands):

Securities Lent	Fair Value Including Accrued Income	Cash Collateral Received
Lent for cash collateral:		
Debt securities	$1,536,874	$1,562,026
Domestic equities	2,878,022	2,948,905
International equities	416,899	422,466
REIT's	183,318	185,568
Total securities lent	$5,015,113	$5,118,965

(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 for the fiscal year ended June 30, 2006 were $1,104,000.

4. Capital Assets

The following table shows amounts for capital assets as of June 30, 2006 and 2005 (in thousands):

Description	2006	2005
Land	$ 508	$ 508
Building	18,459	18,459
Improvements	25	25
Furniture and equipment	1,264	1,277
Total capital assets	20,256	20,269
Less accumulated depreciation		
Building	2,246	1,899
Improvements	20	20
Furniture and equipment	810	606
Total accumulated depreciation	3,076	2,525
Net capital assets	$ 17,180	$ 17,744

5. Due To/Due From Other Funds

The following is a summary of due to/due from other funds as of June 30, 2006 (in thousands):

Receivable Fund (Due To)	Payable Fund (Due From)	Amount
PERS	GEDCP	$ 2
Information Technology Services	PERS	13
State Personnel Board	PERS	4
Attorney General	PERS	2
Statewide Payroll & Human ResourceSystem		
1% Refund	PERS	345
Budget Contingency Fund	PERS	18,364
	Total	$ 18,730

6. Funding Status and Progress

(a) Actuarial Asset Valuation
Actuarial value of assets for PERS, MHSPRS and SLRP were set equal to market value of net assets for the June 30, 2006, actuarial valuation in order to facilitate the introduction of a valuation corridor to be used in future reporting periods. Smoothing will commence again in fiscal year 2007 with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value. Smoothing calculations were used for the Municipal Retirement Systems. Actuarial assets for Municipal Retirements Systems will be set equal to market value at the next valuation date, September 30, 2006, with smoothing to commence again September 30, 2007. Actuarial asset appreciation and depreciation is smoothed through recognition of equal increments over a five-year period with 20 percent of a year's appreciation or depreciation recognized each year beginning with the current year.

In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the System has determined that there are no significant decreases in the total unfunded actuarial liabilities for PERS, MHSPRS and SLRP generated by setting the actuarial values of assets equal to market values of net assets.

The following table presents the actuarial change in asset valuation for the year ended June 30, 2006 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Valuation assets June, 2005**	$ 17,180,705	$ 253,477	$ 235,198	$ 10,634	$17,680,014
Contributions and other revenue	933,443	11,101	14,284	606	959,434
Benefit payments	(1,271,574)	(19,469)	(34,542)	(633)	(1,326,218)
Administrative expenses	(9,194)	(138)	(285)	(8)	(9,625)
Investment expenses*	(31,449)	(459)	-	(20)	(31,928)
Net new money	(378,774)	(8,965)	(20,543)	(55)	(408,337)
Expected total investment return for 2006 (8%)	1,392,012	20,397	17,994	869	1,431,272
Adjustment towards market ***	127,120	728	(15,509)	172	112,511
Valuation assets June, 2006**	$18,321,063	$ 265,637	$ 217,140	$ 11,620	$18,815,460

** 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.*
*** Information for MRS is presented as of September, 2004 and 2005, respectively.*
**** The adjustment for PERS, MHSPRS and SLRP is equal to the difference between the actual rate of return and the actuarially assumed rate of return.*

(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, 2004. As a result of this study, the Board of Trustees adopted new assumptions in regard to gender-distinct disability rates, post-retirement mortality tables and the assumption for service credit granted to a member for unused leave at retirement. Also, new assumptions for MHSPRS were adopted which adjusted rates of withdrawal, amended mortality tables for male and female service retirees and beneficiaries and increased unused leave service credit at retirement. Changes were adopted in actuarial assumptions for SLRP with regard to rates of withdrawal, modernization of mortality tables, and increase in the assumed fixed retirement age and changes to unused leave service credit at retirement. Adjustments to assumed rates of salary increases at certain ages and post-retirement mortality rates were adopted for MRS. These changes were used in the actuarial valuation of PERS, MHSPRS and SLRP as of June 30, 2006. Significant actuarial assumptions used in 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.

Effective July 1, 2005, the employer contribution rate was increased from 9.75 percent to 10.75 percent. In June of 2005, PERS received $50,000,000 from the State of Mississippi to be utilized by the System as a credit against the one percent increase in general fund employer contributions. During fiscal year 2006, $31,635,923 was used for that purpose.

Required Contributions
(Dollars in Thousands)

	Contribution Requirements						Contributions Made				
	Normal Cost		Unfunded Cost				Member		Employer		
System	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll	Total Required Contributions	Total Actual Contributions	Amount	Percent of Covered Payroll	Amount	Percent of Covered Payroll	Covered Payroll
PERS	$590,995	11.40%	$342,448	6.60%	$514,525	$933,443	$375,612	7.25%	$557,831	10.75%	$4,971,974
MHSP	5,421	22.17	3,052	12.49	8,692*	8,473	1,589	6.50	6,884	28.16	24,499
SLRP	469	7.22	137	2.11	413	606	195	3.00	411	6.33	6,354
Total	$596,885	-	$345,637	-	$523,630	$942,522	$377,396	-	$565,126	-	$5,002,827

**Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of $2,400,000 (10.7% of payroll) was made to MHSPRS in 2006.*

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, 2005, aggregate contributions for MRS were equivalent to 99.0 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 .57 to 8.70 mills, totaling $13,951,000 in actual contributions. The employee contribution rates ranged from 7 percent to 10 percent of covered payroll, totaling $332,537 in actual contributions.

(a) 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, 2006 (in thousands):

	PERS	MHSPRS	MRS*	SLRP
Annuity savings account................	$ 3,955,066	$ 19,906	$ 4,138	$ 2,061
Annuity reserve.......................	2,207,984	17,869	-	927
Employer's accumulation account.........	12,158,013	227,861	213,002	8,632
Unfunded actuarial accrued liability.......	6,607,401	85,002	170,246	2,444
Actuarial accrued liability................	$24,928,464	$350,638	$387,386	$14,064

**The annuity reserve for MRS is reflected as of the September 30, 2005 valuation date.*

8. Ten-Year Historical Trend Information

Ten-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 44 and 45. 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.

9. Retirement Plan of System Employees

System employees are members of PERS. The payroll for System employees covered by PERS for the year ended June 30, 2006, was $4,739,000; the System's total payroll expense was $6,120,000. The System's contributions for the year ended June 30, 2006, were $506,000, which represents less than one percent of total contributions required for all participating employers.

Required Supplementary Information

Schedules of Funding Progress – Last Ten 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
2003	16,979,457	21,485,838	4,506,381	79.0	4,431,600	101.7
2004	17,103,285	22,847,260	5,743,975	74.9	4,617,273	124.4
2005	17,180,705	23,727,098	6,546,393	72.4	4,786,280	136.8
2006	18,321,063	24,928,464	6,607,401	73.5	4,971,974	132.9
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
2003	259,746	302,134	42,388	86.0	21,052	201.3
2004	256,481	316,570	60,089	81.0	22,683	264.9
2005	253,477	335,117	81,640	75.6	22,343	365.4
2006	265,637	350,638	85,001	75.8	24,499	347.0
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
2002	259,586	393,011	133,425	66.1	5,980	2,231.2
2003	250,640	399,622	148,982	62.7	4,584	3,250.0
2004	235,198	393,061	157,863	59.8	3,675	4,295.6
2005	217,140	387,386	170,246	56.1	2,909	5,852.4
Supplemental Legislative Retirement Plan						
1997	$ 4,482	$ 6,970	$ 2,488	64.3%	$ 5,277	47.2%
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
2003	10,196	12,220	2,024	83.4	6,229	32.5
2004	10,323	12,934	2,611	79.8	5,794	45.1
2005	10,634	13,402	2,768	79.3	6,530	42.4
2006	11,620	14,064	2,444	82.6	6,354	38.5

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

See Notes to Required Supplementary Schedules.

Required Supplementary Information

Schedules of Employer Contributions – Last Ten Fiscal Years

(In Thousands) • (Unaudited)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
Public Employees' Retirement System of Mississippi		
1997	$310,566	100.0%
1998	321,236	100.0
1999	336,392	100.0
2000	361,889	100.0
2001	398,833	100.0
2002	400,943	100.0
2003	411,503	100.0
2004	432,081	100.0
2005	482,967	100.0
2006	514,525	100.0
Mississippi Highway Safety Patrol Retirement System		
1997	$ 5,171	100.0%
1998	5,091	100.0
1999	5,109	100.0
2000	5,182	100.0
2001	5,576	100.0
2002	3,452	100.0
2003	5,321	100.0
2004	5,928	100.0
2005	9,088	100.0
2006	8,692	100.0
Municipal Retirement Systems *		
1996	$ 21,681	93.8%
1997	20,674	345.1
1998	14,727	96.4
1999	13,803	99.8
2000	12,364	114.5
2001	11,276	125.9
2002	10,823	132.5
2003	11,989	116.6
2004	13,286	104.5
2005	14,091	99.0
Supplemental Legislative Retirement Plan		
1997	$ 274	100.0%
1998	334	100.0
1999	371	100.0
2000	373	100.0
2001	371	100.0
2002	376	100.0
2003	379	100.0
2004	398	100.0
2005	367	100.0
2006	413	100.0

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

See Notes to Required Supplementary Schedules.

1. Schedules of Funding Progress

   The funding percentage of 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. As of June 30, 2006, PERS, MHSPRS and SLRP plans' actuarial values of assets are set equal to the respective market values of net assets. Smoothing will resume for these plans in fiscal year 2007 with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value. Actuarial value of assets for MRS is smoothed for 2006. Smoothing calculations recognize 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 accrued and future service liabilities 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. 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.

   The Governmental Accounting Standards Board (GASB) Statements No. 25 requires a maximum acceptable amortization period for the total unfunded actuarial liability of not more than 30 years beginning with fiscal year 2007. The annual required contribution (ARC) of the employer as a percentage of payroll is shown below. The accrued liability rate is based on amortization of the unfunded accrued liability of $6,546,393,481 over a 28.4 year period from the valuation date for PERS. The employer contribution rate for the 2006/2007 fiscal year was increased to 12.50 percent of payroll. Due to a change in method, the actuary has restated the recommended rate to 12.25 percent of payroll effective July 1, 2007. The result of this proposed change in contribution rate is an amortization period, as of July 1, 2006, of 28.7 years.

2006/2007 Fiscal Year

Annual Required Contribution (ARC) – Based on the Valuation as of June 30, 2005

Annual Required Contribution (ARC)	Rate
Normal	4.50%
Accrued liability	8.00
Total	12.50%

   The Board of Trustees adopted a phase-in approach of increasing employer contribution rates beginning with 10.75 percent in the 2005/2006 fiscal year and increasing .55 percent each year until 2010 or until the unfunded accrued liability amortization period is below 30 years.

3. Actuarial Assumptions

   (a) Plan Overview

   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, 2006	June 30, 2006	September 30, 2005	June 30, 2006
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	28.7 years	29.7 years	29 years	24.5 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	5.0-15.0%	5.0-10.52%	4.5-6.0%	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]

** Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.*

[1]Calculated 3% simple interest to age 55, compounded each year thereafter. [2]Calculated 3% simple interest to age 60, compounded each year thereafter. [3]Varies depending on municipality.

(b) Effects of Current Year Changes in Plan Requirements

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

The following amendments were incorporated into the actuarial valuations:

PERS

- Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value.

MHSPRS

- Due to Senate Bill No. 2659 enacted in 2004, additional contributions are being made to the System. The estimate used for last year's valuation was $2,400,000 annually. The actual additional contribution for 2006 is $2,628,000, therefore, the 2006 valuation results reflect an anticipated amount of $2,600,000 annually.
- Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value.

SLRP

- Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value.

MRS

- The merit and seniority salary scale changed from a flat 2 percent for all ages to an aged-based chart.
- The mortality table used for healthy post-retirement mortality was changed for male participants to remove the set forward assumption.
- The minimum monthly benefit for retirees of Vicksburg was increased to $1,130.

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	28.4	29.9	29.0
Change due to:			
Normal amortization	(1.0)	(1.0)	(1.0)
Actuarial experience	5.6	10.1	3.4
Assumption changes	-	-	-
Method change	(4.3)	(9.3)	(6.9)
Plan amendments	-	-	-
Computed period of years	28.7	29.7	24.5

Schedule 1

Schedule of Administrative Expenses and Depreciation – For the Year Ended June 30, 2006

(In Thousands)

	Amount
Administrative expenses:	
Personal services:	
Salaries and wages	$ 4,758
Employee benefits	1,362
Travel and subsistence	61
Total personal services	6,181
Contractual services:	
Professional services (See Schedule 3)	1,161
Data processing installation, training, and licensing	507
Utilities	282
Communications	170
Rent of building space and office equipment	162
Bank charges	130
Janitorial	79
Education	62
Repair and maintenance of building and equipment	59
Security	58
Other contractual services	34
Insurance	32
Total contractual services	2,736
Commodities:	
Printing, binding and padding	151
Office supplies and expendable repair parts	97
Office equipment (not capitalized)	19
Business meeting supplies	17
Other commodities	10
Total commodities	294
Total administrative expenses	9,211
Depreciation:	
Building	346
Furniture and equipment	217
Total depreciation	563
Total administrative expenses and depreciation	$ 9,774

Schedule 2

Schedule of Administrative Expenditures/Expenses – Budget and Actual (Non-GAAP Budgetary Basis) – For the Year Ended June 30, 2006

(In Thousands)

Budget Comparisons

	2006		Variance
	Budget	Actual	Favorable (Unfavorable)
Administration expenditures:			
Personal services:			
Salaries, wages, and fringes benefits	$6,297	$6,100	$198
Travel and subsistence	75	61	14
Contractual services	2,660	2,629	31
Commodities	260	254	6
Capital outlays - other than equipment	-	-	-
Capital outlays	-	-	-
Subsidies, loans, and grants	-	-	-
Total	$9,292	$9,044	$248

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, 2006.

Reconciliation of Budgetary Basis Administrative Expenditures to GAAP Basis Administrative Expenses

	Amount
Administrative expenditures (Budgetary Basis)	$ 9,044
Adjustments:	
Compensated leave accrual	19
Bank service charges	130
Reclass cash transfer from fund 3533 for budgetary purposes	11
Capital asset purchases recorded as expenditures for budgetary purposes	17
Fiscal year 2006 budget expenditures paid during lapse period; expenses recorded in fiscal year 2007	(224)
Fiscal year 2006 accruals to GAAP Basis	214
Administrative expenses (GAAP Basis)	$ 9,211

Schedule 3

Schedule of Managers' Fees, Investment Global Out-of-Pocket and Custodial Fees, and Professional Service Fees – For the Year Ended June 30, 2006

(In Thousands)

	Amount
Investment managers' fees:	
Artisan Partners Limited Partnership	$ 2,560
The Boston Company Asset Management	2,520
Wellington Asset Management--small-cap equity	2,001
Delaware Investments	1,909
INTECH	1,861
New Star Institutional Managers Ltd	1,794
Wellington Asset Management--mid-cap equity	1,751
Dimensional Fund Advisors	1,685
Fayez Sarofim & Company	1,595
AllianceBernstein	1,576
Pacific Investment Management Company	1,282
Capital Guardian Trust Company	1,126
Lazard Asset Management	1,051
Jarislowsky Fraser Limited	1,043
Private Capital Management	1,026
Aberdeen Asset Management--debt investments	885
Eagle Capital Management, LLC	831
UBS Global Asset Management	766
Wellington Asset Management--real estate	760
RREEF--real estate	701
Eubel, Brady & Suttman Asset Management	694
Acadian Asset Management	484
Northern Trust Global Investment	445
Barclays Global Investors--debt investments	383
Lazard Emerging Markets	319
Fiduciary Tactical Asset Management	278
Standish Mellon	252
Barclays Global Investors--international equity	234
State Street Global Advisors	131
40/86 Advisors	15
Total	31,958
Custodial and global out-of-pocket fees - The Bank of New York and State Street	351
Total managers' fees, out-of-pockets, and custodial fees	$32,309
Securities lending fees - The Bank of New York and State Street	$ 1,813
Professional service fees:	
Medical fees-Clinics, Labs.	$ 271
Fund evaluation-Callan Associates	264
Actuary-Cavanaugh Macdonald, Buck Consultants	240
Legal-State of Mississippi-Office of the Attorney General, Other	182
Audit-Department of Audit, Horne LLP	75
Personnel fees	68
Graphic design-Maris, West & Baker	30
Mailing services-Postage Savers	18
Temporary personnel-Express Services, contract personnel	13
Total professional service fees	$ 1,161

Schedule 4

Summary Schedule of Cash Receipts and Disbursements Pension Trust Funds – For the Year Ended June 30, 2006

(In Thousands)

	Amount
Cash balance at beginning of year	$ 323,030
Receipts	
Contributions:	
Employee	453,548
Employer	548,945
Total contributions	1,002,493
Investments:	
Securities lending and reverse repurchase agreements	197,072,896
Investments matured and sold	21,554,778
Investment income	2,001,543
Total investments	220,629,217
Administrative receipts	696
Other receipts	11,646
Total cash receipts	221,644,052
Disbursements:	
Annuities and refunds:	
Retirement annuities	1,299,273
Refunds to terminated employees	73,456
Total annuities and refunds	1,372,729
Investments:	
Securities lending and reverse repurchase agreements	197,065,450
Investments purchased	23,133,471
Investment expenses	167,773
Total investments	220,366,694
Administrative expenses	10,082
Other disbursements	3,984
Total cash disbursements	221,753,489
Cash balance at end of year	$ 213,593

Schedule 5

Schedule of Investments Due to MRS from PERS – June 30, 2006

(In Thousands)

	Amount
Due to MRS:	
Biloxi Municipal	$ 9,158
Biloxi Fire and Police	1,074
Clarksdale Fire and Police	1,197
Clinton Fire and Police	8,608
Columbus Fire and Police	1,556
Greenville Fire and Police	5,037
Greenwood Fire and Police	3,247
Gulfport Fire and Police	10,873
Hattiesburg Fire and Police	24,969
Jackson Fire and Police	105,196
Laurel Fire and Police	3,487
McComb Fire and Police	1,532
Meridian Municipal	673
Meridian Fire and Police	9,085
Natchez Fire and Police	1,843
Pascagoula Fire and Police	9,148
Tupelo Fire and Police	8,857
Vicksburg Fire and Police	14,081
Yazoo City Fire and Police	916
Total investments due to MRS	$ 220,537

Schedule 6

Public Employees' Retirement System of Mississippi

Statement of Changes in Assets and Liabilities – Agency Funds – June 30, 2006

(In Thousands)

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Flexible Benefits Cafeteria Plan				
Assets:				
Cash	$ 15	$ 75	$ 68	$ 22
Accounts receivable	-	-	-	-
Total assets	$ 15	$ 75	$ 68	$ 22
Liabilities:				
Funds held for others	$ -	$ 75	$ 68	$ 7
Accounts payable	15	-	-	$ 15
Total liabilities	$ 15	$ 75	$ 68	$ 22

Investments

Defined Benefit Plans – Report on Investment Activity

Prepared by Lorrie Tingle, CFA
Chief Investment Officer

Fiscal year 2006 was a successful year for most investors in the world financial markets. Yet even during strong investment years, we remain mindful that investing for the future of our membership is a long term commitment and the prudent investment of the System's assets demands constant attention and specialized expertise. By employing every available avenue to create and maintain a well diversified portfolio designed to minimize risks and maximize returns over the long term, the System's investment program strives to ensure adequate funding is available for all current and future pension obligations.

Fiscal Year Recap

Throughout fiscal year 2006 investors climbed a "wall of worry." Early in the year, concerns over the long term economic impact of Hurricane Katrina on domestic GDP and energy prices were followed by fears of rising inflation, global economic slowdowns, and continued interest rate increases. Although domestic GDP numbers remained moderately strong and employment numbers stable throughout the year, the impact of a tightening U.S. monetary policy and rising energy prices sent mixed signals to investors.

Overall, the year got off to a strong start for equity markets both at home and abroad. As the impact of the hurricane season and worries over energy supply disruptions dissipated, domestic equity investors turned their focus to positive signals coming from the economy. Continued job growth and strong housing start numbers encouraged investors that the much feared economic slow down had not yet arrived. As a result, all segments of the U.S. equity market finished the first three quarters of the year with positive returns.

The story was similar for non-U.S. equity markets as strong returns from the energy, commodity and materials sectors pushed performance into positive territory throughout the first three quarters of the year. Additionally, after six years of essentially languishing, the Japanese equity markets finally began to show signs of life throughout most of the fiscal year, helping support the positive performance of the EAFE Index.

Throughout the year, as investor appetite for risk drove investment decisions, emerging market equities benefited. Continued investment flows into those markets helped buoy the performance of the MSCI Emerging Markets Free Index which remained in high double digit territory throughout most of the fiscal year.

While fiscal year 2006 was a successful year for equity markets, U.S. investment grade bond investors found it to be quite challenging. As the result of continued inflation concerns, the Federal Reserve Open Markets Committee raised interest rates a total of 200 basis points over the course of the year. Investors watched with dismay as the yield curve flattened and even inverted at times, as the long end of the yield curve moved in near lock step with the short end. The narrowing of spreads throughout the year made positive returns difficult to come by in the medium term investment grade bond markets. As a result, the domestic investment grade bonds saw slightly negative results for the fiscal year.

Although difficult for the bond market, fiscal year 2006 proved to be another strong year for real estate investments. As investors continued to seek diversification outside of the traditional public markets, funds continued to flow into all areas of real estate. Both the NCREIF Index, representing core real estate, and the NAREIT Index, representing real estate investment trusts, saw robust double digit returns for the year.

For most of fiscal year 2006 the domestic markets behaved somewhat predictably. Volatility was relatively benign and through April the markets experienced positive returns. However, comments made by the new Fed Chairman, Ben Bernanke, regarding the strength and stability of the economy, coupled with a sharp rise in oil prices to near $75 a barrel, caused investors to become more defensive. Rising interest rates continued to increase the cost of capital, and investors became more risk averse, resulting in negative performance for all segments of the domestic equity market in the fourth quarter.

The story was similar for foreign equity markets as investors grew concerned over global monetary tightening and continued indications of high inflation appeared in the economic data. As in the U.S. markets, liquidity declines resulted in lower returns in the more speculative international markets of Japan and the emerging markets. While Europe and the Pacific Basin, ex-Japan, saw modest gains in the fourth quarter, Japan and the emerging markets experienced negative returns.

As for real estate, the private real estate market remained strong during the last quarter of the fiscal year, while the impact of investor concerns affected public real estate returns. After a much longer positive run than most investors ever expected, the REIT segment of the real estate market finally appeared to be running out of steam, posting slightly negative returns for the fourth quarter of fiscal year 2006.

Domestic fixed income markets were also influenced by worries over the Fed's actions. Though the consensus feeling was that the Federal Reserve was nearing an end to its monetary tightening actions, there remained enough uncertainty to keep the domestic fixed income markets in slightly negative territory for the last quarter of the fiscal year.

Although globally, investors faced a rather daunting "wall of worry" throughout fiscal year 2006, the markets rewarded those courageous enough to stay the course. The only real trouble spots were in the fixed income markets both in the U.S. and abroad. Concern over global monetary tightening was not something investors could avoid. Globally, fixed income markets experienced slightly negative returns for the fiscal year. However, equity markets in both the world developed and emerging markets generally saw double digit positive returns for the year. Similarly, the U.S. real estate markets provided investors double digit returns for a second year. Though fiscal year 2006 may well be remembered as the year of Hurricane Katrina, the year Alan Greenspan departed the Federal Reserve, handing the reins over to Ben Bernanke, and the year oil went to $75 dollars a barrel, most investors will remember it as the one where they "climbed the wall of worry" to achieve a prosperous investment year.

2006 Plan Overview

As of June 30, the market value of the portfolio for all plans was $18.8 billion. This was an increase of $1.5 billion over last year's valuation. It should be noted that as a mature pension plan, the System's annual distributions exceed the annual contributions being made by employees and employers. This year $368 million more was paid out to participants than was paid in as contributions. The $1.5 billion portfolio value increase was net of that distribution.

The investment portfolio, excluding investments purchased with securities lending cash collateral, was composed of 52.1 percent domestic and 21.0 percent international equities, 22.2 percent debt securities, 3.9 percent real estate investments, and 0.8 percent cash and cash equivalents at fiscal year end. The System continued to maintain a high quality debt portfolio as evidenced by the fact that 78.0 percent of the System's bond investments carried an AAA rating. This includes 60.0 percent of the total debt 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 time-weighted 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 was managed at year end by The Bank of New York. This program generates ancillary income by lending securities in the System's portfolio to securities dealers in return for a premium payment on non-cash loans and earnings generated by the investment of cash collateral. All loans are secured by the receipt of collateral valued at 102-105 percent of the value of the loaned security. In fiscal year 2006, the program generated $10.5 million* in additional earnings for the PERS investment program.

At year end, 27 firms were managing 32 different investment portfolios for PERS. The chart on page 65 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.

**$10.5 million was the earnings distributed for the fiscal year; $10.4 million was the reported net income as required by GASB 28.*

Performance

The fiscal year began on a positive note with the portfolio seeing a strong 4.1 percent return for the first quarter ended September 30. This topped the portfolio's policy benchmark return of 3.7 for the same period. The second quarter of the year saw slightly lower, but still positive returns of 2.2 percent. As hope increased that the Federal Reserve tightening was at or nearing an end, both the equity and real estate markets rallied in the third quarter giving the fund its best quarterly performance for the year at 5.1 percent, beating the policy benchmark by almost 70 basis points. However, as investor concerns again gained footing near the end of the fourth quarter, the fund returned a negative 1.0 percent to finish out the otherwise positive fiscal year.

The total return for the System for fiscal year 2006 was 10.7 percent, which handily exceeded both the policy benchmark return of 9.5 percent as well as the 8.0 percent actuarial assumed rate of return. The 3-year returns were even more impressive at 11.7 percent. However, the 5 and 10-year numbers continued to reflect the influence of the negative post bubble years coming in at 6.1 and 8.0 percent, respectively. In looking at the longer term 15 and 20-year returns of 9.2 and 9.3 percent, one can see that over longer periods the portfolio has clearly been successful at meeting and exceeding the 8.0 percent assumed rate of return.

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 4.4 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

Strength in the global equity markets continued throughout most of fiscal year 2006. In particular, the non-U. S. market returns were bolstered by the decline of the dollar against most foreign currencies during the year.

The portfolio's domestic equity return for the fiscal year was 10.1 percent, beating the Russell 3000 Index, which serves as the System's broad domestic equity benchmark. The Russell 3000 saw returns of 9.6 percent for the year.

Domestic equity returns for the three year period ending June 30 were a strong 13.0 percent, while the five year period ending June 30 posted a 4.1 percent return. This compared favorably to the Russell 3000 Index, which had a 12.6 percent three year and a 3.5 percent five year return. For the ten years ended June 30, the System's domestic equity portfolio returned 8.7 percent, which exceeded the 8.5 percent return for the Russell 3000 over the same timeframe.

International equity investors experienced double-digit returns in fiscal year 2006, as the overseas equity markets continued to outpace the U.S. equity markets for a third year. The declining dollar continued to help this year's returns. The System's developed markets portfolio returned 24.8 percent, while the emerging markets' assets returned 35.3 percent. These components combined for a total international equity portfolio return of 26.0 for the year. The MSCI EAFE Index, which serves as the benchmark for the international equity investments, returned 26.6 percent for the same period. For the five-year period ended June 30, the System's international equities experienced a 9.6 percent return, while the MSCI EAFE Index returned 10.0 percent. The longer term results show for the ten-year period, the international portfolio had returns of 7.0 percent while the MSCI EAFE Index posted returns of 6.4 percent.

For fiscal year 2006, the System allocated on average 52.1 percent of the total portfolio to domestic and 21.0 percent to international equities. Within the domestic equity portfolio 73.0 percent of the investments were in large, 14.0 percent mid, and 13.0 percent small capitalization securities, which correlate with the approximate weighting of the Russell 3000 Index.

Real Estate

The System funded its first real estate investments in late June 2003. The portfolio is divided between core commingled real estate and value added real estate fund investments, which directly invest in properties, and in managed portfolios of real estate investment trusts (REITS). REITS are exchange traded securities which provide indirect exposure to real estate properties and real estate management companies through the public markets. In fiscal year 2006, the System saw strong returns of 18.7 percent on its total real estate portfolio. The benchmark used for the commingled fund investments is the NCREIF Index which returned 18.7 percent for the year, while the REIT portfolio is compared to the Wilshire REIT Index, which returned 22.0 percent. Real estate investments comprised 3.9 percent of the total portfolio.

Bond Portfolio

Without the ability to invest in high yield debt securities, the bond portfolio struggled again in fiscal year 2006, as it had in the two previous fiscal years relative to other public funds. As the yield curve flattened and fears regarding inflation continued to plague the market, the System's bond investments plodded along. This portfolio returned a negative 0.5 percent for the year but still outperformed its benchmark, the Lehman Aggregate Index, which returned a negative 0.8 percent. The longer term returns also provide a favorable comparison of the System's debt portfolio performance. For the five years ended June 30, 2006, the System's return was 5.3 percent, while the Lehman Aggregate returned 5.0 percent. The ten-year performance for the System's bonds was 6.4 percent versus 6.2 percent for the Index. The System ended the year with a 99.0 percent exposure to investment grade domestic bonds.

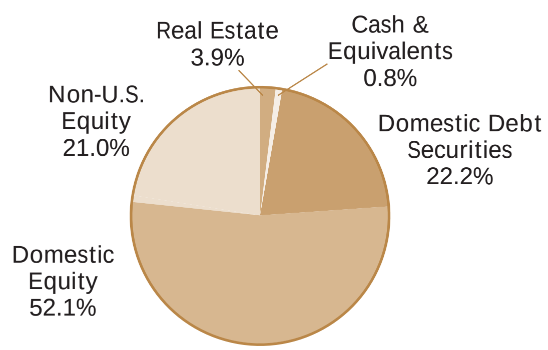
Asset Allocation

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/liability 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 2003, resulted in the adoption of a long-term policy asset allocation target consisting of 50.0 percent domestic equities, 15.0 percent international equities, 30.0 percent core domestic debt investments, and 5.0 percent real estate.

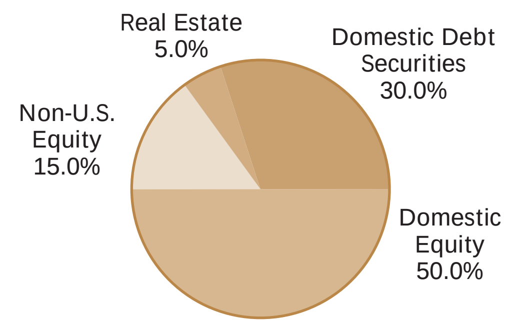
Asset allocation related decisions for all public pension plans are unique to the individual plan, and are based on the specific liability requirements of the plan, as well as, any statutory investment restrictions under which the investment program must operate. As a result, the System's allocation to only U.S. and international equities, U.S. core debt investments and real estate is quite different than the average public pension plan allocation found in the peer universe. From time to time this difference can result in significant differences in investment returns.

Defined Benefit Plans

Asset Allocation at Fair Value
June 30, 2006



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 October 2003. 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 or the Investment staff 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

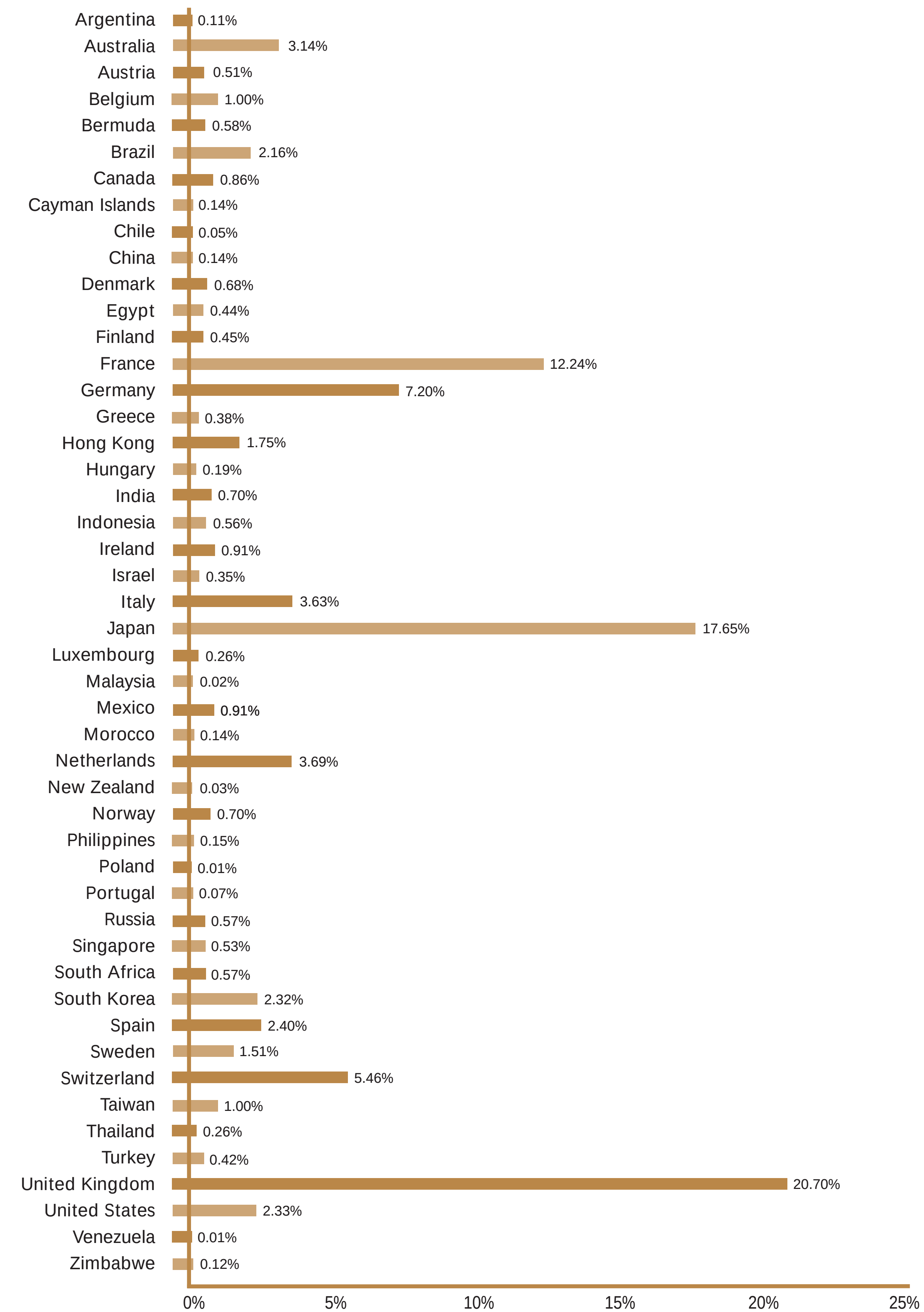
Overall fiscal year 2006 was a challenging one for investors as they wavered between optimism and uncertainty regarding inflation, global economic slowing and energy prices. Seeing the financial markets' worldwide struggle with these concerns might cause one to ask, "What is being done to insure the 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 there will always be challenging times for investors, the System has taken prudent steps to ensure that its portfolio is well positioned to meet its future financial obligations. We have seen the fruits of those efforts in this fiscal year.

Though there will always be challenges for investors to overcome as a "perpetual" investor, the System will continue to utilize sound investment principles. While steadfastly working to overcome any and all investment challenges the future might present, we will strive to provide secure benefits for our membership.

Defined Benefit Plans – International Equity Investments by Country

Fair Value at June 30, 2006

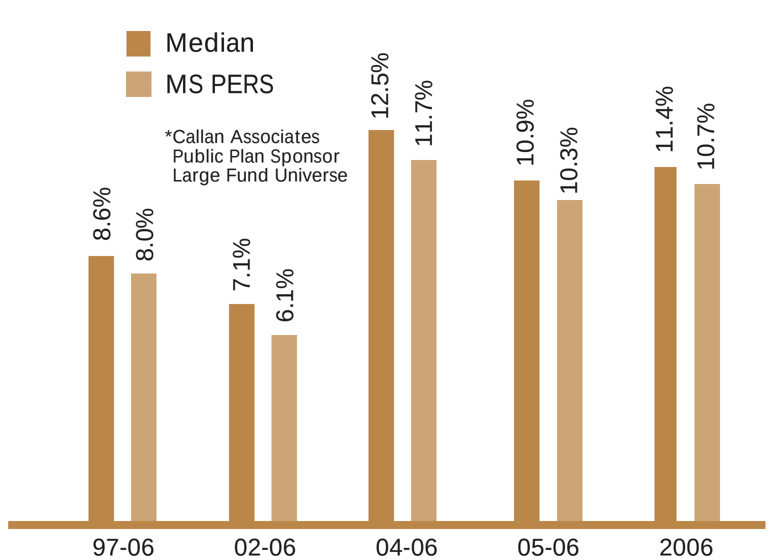


Defined Benefit Plans – Performance Summary for Fiscal Years Ended June 30, 2006

	Current Year	Annualized 3-year	Annualized 5-year
Total Plans:			
MS PERS Combined Return*	10.7%	11.7%	6.1%
MS PERS Policy Target Return	9.5	11.5	5.7
Callan Associates Plan Sponsor – Large Funds	11.4	12.5	7.1
Domestic Debt Securities:			
Debt Securities Managers Composite*	(0.5)	2.2	5.3
Lehman Brothers Aggregate Bond Index	(0.8)	2.1	5.0
Domestic Equity:			
Domestic Equity Managers Composite*	10.1	13.0	4.1
Russell 3000 Index	9.6	12.6	3.5
International Equity:			
International Equity Managers Composite*	26.0**	23.4	9.6
MSCI EAFE Index	26.6	23.9	10.0
MSCI Emerging Markets Free	35.9	34.8	21.5
Real Estate:			
Commingled Funds and REITS Composite*	18.7	22.5	-
NCREIF Index	18.7	15.8	12.0
Dow Jones Wilshire REIT Index	22.0	27.7	20.1

* Calculations for the System are prepared using a time-weighted rate of return methodology based upon market values.
** Includes both developed and emerging market investments.

Large Public Plans*
Total Plans: Annualized Rates of Return



Defined Benefit Plans – Domestic Equity Portfolio Summary

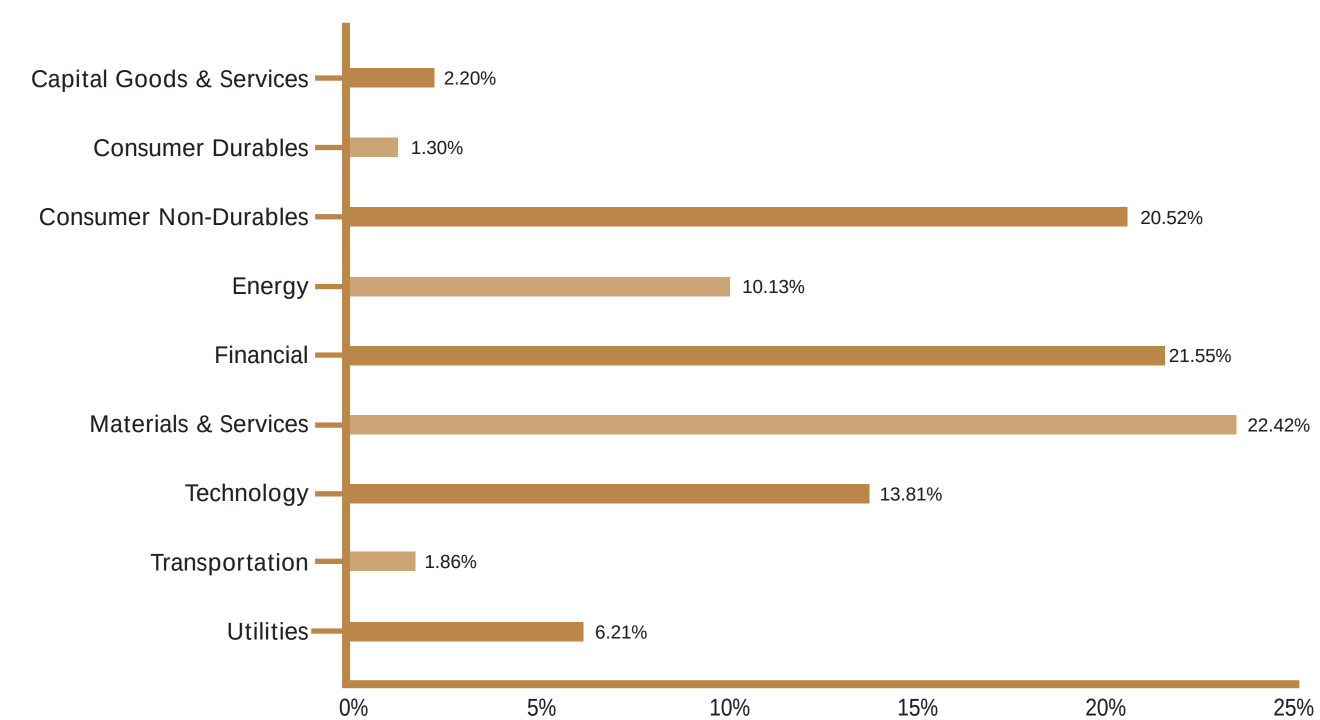
	Fair Value
Total Equity Securities	$9,597,508,510
Total Number of Shares of Equity Securities Held	289,368,058
Total Number of Issues of Equity Securities Held	2,000

Ten Largest Domestic Common Stock Holdings

	Shares	Fair Value
Exxon Mobil Corporation	4,644,341	$284,930,320
General Electric Company	6,574,220	216,686,291
Citigroup, Inc.	3,617,353	174,501,109
Bank of America Corporation	3,175,871	152,759,395
Proctor & Gamble Company	2,397,691	133,311,620
Altria Group, Inc.	1,805,904	132,607,531
Pfizer, Inc.	5,517,709	129,500,630
Microsoft Corporation	5,245,537	122,221,012
Chevron Corporation	1,831,865	113,685,542
Johnson & Johnson	1,765,782	105,805,657
Totals	36,576,273	$1,566,009,107

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

Domestic Equity Investments by Industry Type
Fair Value at June 30, 2006



Defined Benefit Plans – International Equity Investment Portfolio Summary

	Fair Value
Total Equity Securities	$3,911,262,853
Total Number of Shares of Equity Securities Held	526,313,598
Total Number of Issues of Equity Securities Held	1,360

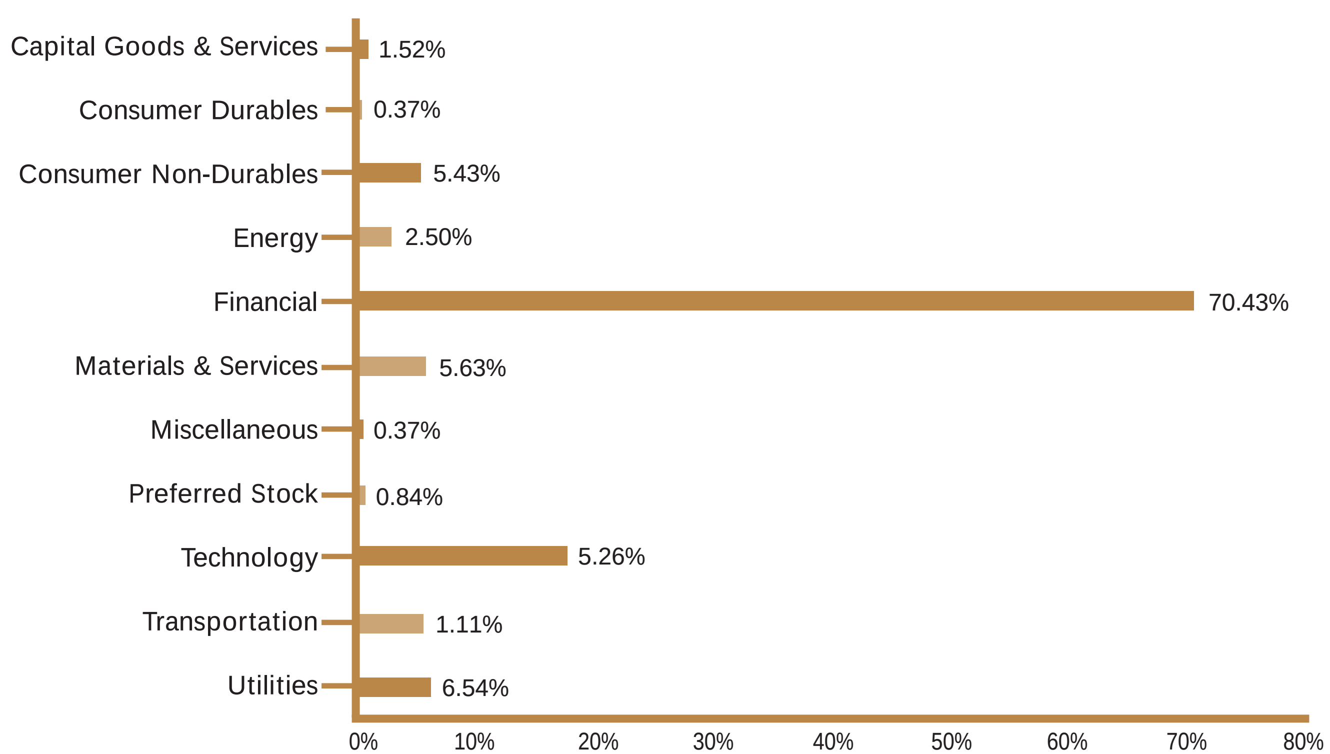
Ten Largest International Stock Holdings

	Shares	Fair Value
Total Sa	1,121,469	$73,786,233
Vodafone	29,083,812	62,003,617
BP Plc	4,620,332	53,886,880
Sanofi-Aventis	538,096	52,503,347
Glaxosmithkline	1,836,129	51,320,682
Novartis Ag	908,176	49,090,595
ING Groep Nv Cva	1,206,603	47,416,517
HSBC Holdings Plc	2,693,612	47,409,851
Royal Bank of Scotland	1,248,847	41,073,882
Roche Holdings Genusscheine Npv	241,112	39,788,303
Totals	43,498,188	$518,279,907

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

International Equity Investments by Industry Type

Fair Value at June 30, 2006



Defined Benefit Plans – Bond Portfolio Summary*

	Fair Value
Total Bond Investments	$8,226,142,477
Total Par of Bond Investments Held	$8,249,143,805
Total Number of Bond Issues Held	2,674

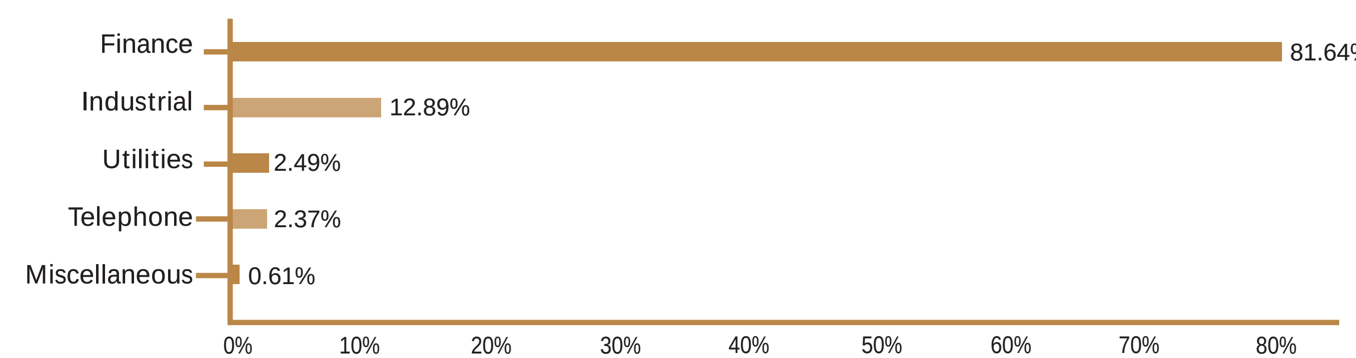
Ten Largest Long Term Corporate Bond Holdings*

	Par	Fair Value
Citigroup, Inc.	$176,000,000	$176,170,720
General Electric Capital Corporation	175,000,000	175,058,625
HSBC Finance Corporation	150,000,000	150,187,500
Santander US Debt SA	150,000,000	150,004,650
Citigroup, Inc. MTN	150,000,000	150,000,000
Nationwide Life Global Funding	150,000,000	150,000,000
Wachovia Bank National Association	150,000,000	149,947,650
World Savings Bank FSB	110,000,000	110,000,000
J. P. Morgan Chase & Company	100,000,000	100,125,000
Sigma Finance, Inc.	100,000,000	100,000,000
Totals	$1,411,000,000	$1,411,494,145

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

Corporate Bond Investments by Industry Type*

Fair Value at June 30, 2006



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

Defined Benefit Plans - Real Estate Investment Portfolio Summary

	Fair Value
Total Real Estate Investments	$723,126,574
Total Number of Shares* of Real Estate Investments Held	198,681,934
Total Number of Issues of REITs Held	45

** Includes units of commingled funds and shares of REITS.*

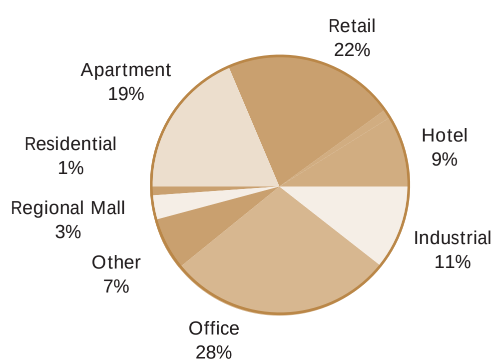
Ten Largest REIT Holdings

	Shares	Fair Value
Simon Property Group, Inc	347,000	$28,780,180
Host Hotels & Resorts, Inc.	1,135,160	24,825,949
Boston Properties, Inc.	221,600	20,032,640
Vornado Realty Trust	192,377	18,766,376
Starwood Hotels & Resorts Worldwide, Inc.	303,000	18,283,020
Archstone-Smith Trust	335,600	17,071,972
AvalonBay Communities, Inc.	150,950	16,698,089
General Growth Properties, Inc.	354,500	15,973,770
Kimco Realty Corporation	352,100	12,848,129
The Macerich Company	177,200	12,439,440
Totals	3,569,487	$185,719,565

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

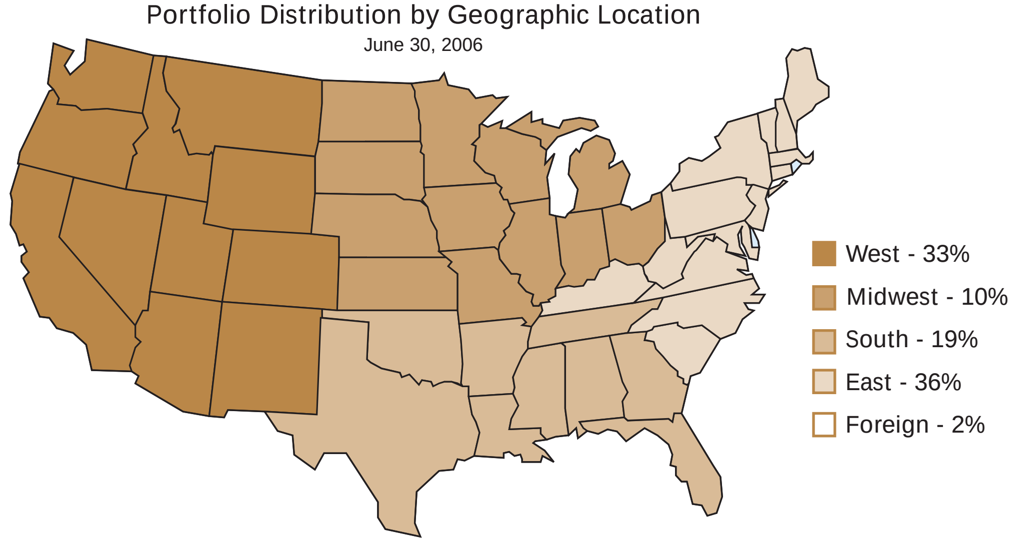
Portfolio Distribution by Property Type

June 30, 2006



Portfolio Distribution by Geographic Location

June 30, 2006



Defined Benefit Plans – Net Investment Income by Source

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Bond Interest Income	Dividend Income	Short Term Income	Realized Gain/(Loss) on Investments	Appreciation (Depreciation) in Fair Value of Investments	Net Income From Securities Lending	Total Income/ (Loss)	Manager Fees and Custodian Fees	Net Income/ (Loss) From Investments
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)
2003	289,976	150,103	20,159	(378,619)	399,890	5,075	486,584	(20,343)	466,241
2004	256,939	185,756	15,792	717,570	909,442	4,341	2,089,840	(26,382)	2,063,458
2005	213,809	259,360	16,848	848,980	230,871	6,160	1,576,028	(26,783)	1,549,245
2006	217,912	270,713	23,597	1,382,874	(46,746)	10,446	1,858,796	(32,309)	1,826,487

Ten-Year Total Pension Investment Rates of Return

(Dollars In Millions)

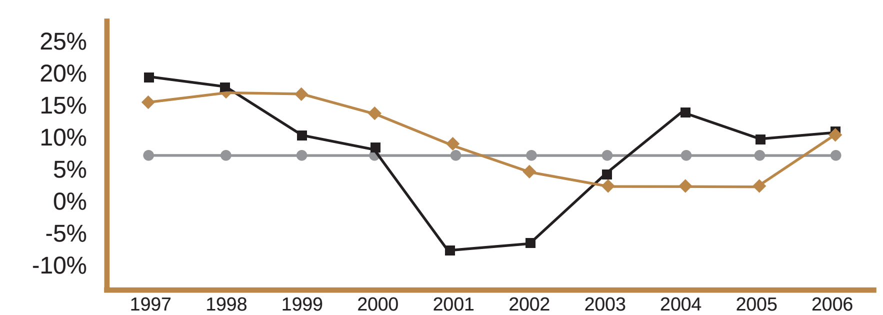
	Total Investment Portfolio Fair Value	◆ Smoothed Rate of Return	■ Fair Value Rate of Return	● Actuarial Assumed Rate of Return
1997	11,447	15.9	19.9	8.0
1998	13,867	17.7	19.1	8.0
1999	15,496	17.3	11.3	8.0
2000	16,626	14.2	8.4	8.0
2001	15,510	9.4	(7.1)	8.0
2002	14,159	5.0	(6.6)	8.0
2003	14,604	2.4	3.5	8.0
2004	16,085	2.5	14.6	8.0
2005	17,250	2.5	9.8	8.0
2006	18,742	-	10.7	8.0

◆ *Smoothed Rate of Return consists of investment income in surplus or deficit of the assumed 8% on fair value smoothed over a five-year period with 20% of a year's surplus or deficit being recognized each year beginning with the current year. PERS, MHSPRS and SLRP smoothed rates have been averaged. For June 30, 2006, PERS, MHSPRS and SLRP actuarial assets have been set to market value of assets. Therefore, there is no smoothed difference between actuarial and investment asset amounts. MRS is excluded as an agent multi-employer closed plan.*

■ *Fair Value Rate of Return consists of cash income plus gains and losses due to changes in fair value, whether realized or unrealized (before deduction of investment fees).*

● *Actuarial Assumed Rate is the assumed rate of return on the fair value of assets, and is used in establishing retirement contribution rates and in determining current benefit reserve requirements.*

Ten-Year Total Pension Investment Rates of Return



Defined Benefit Plans – Portfolio Detail Illustrated by Advisor

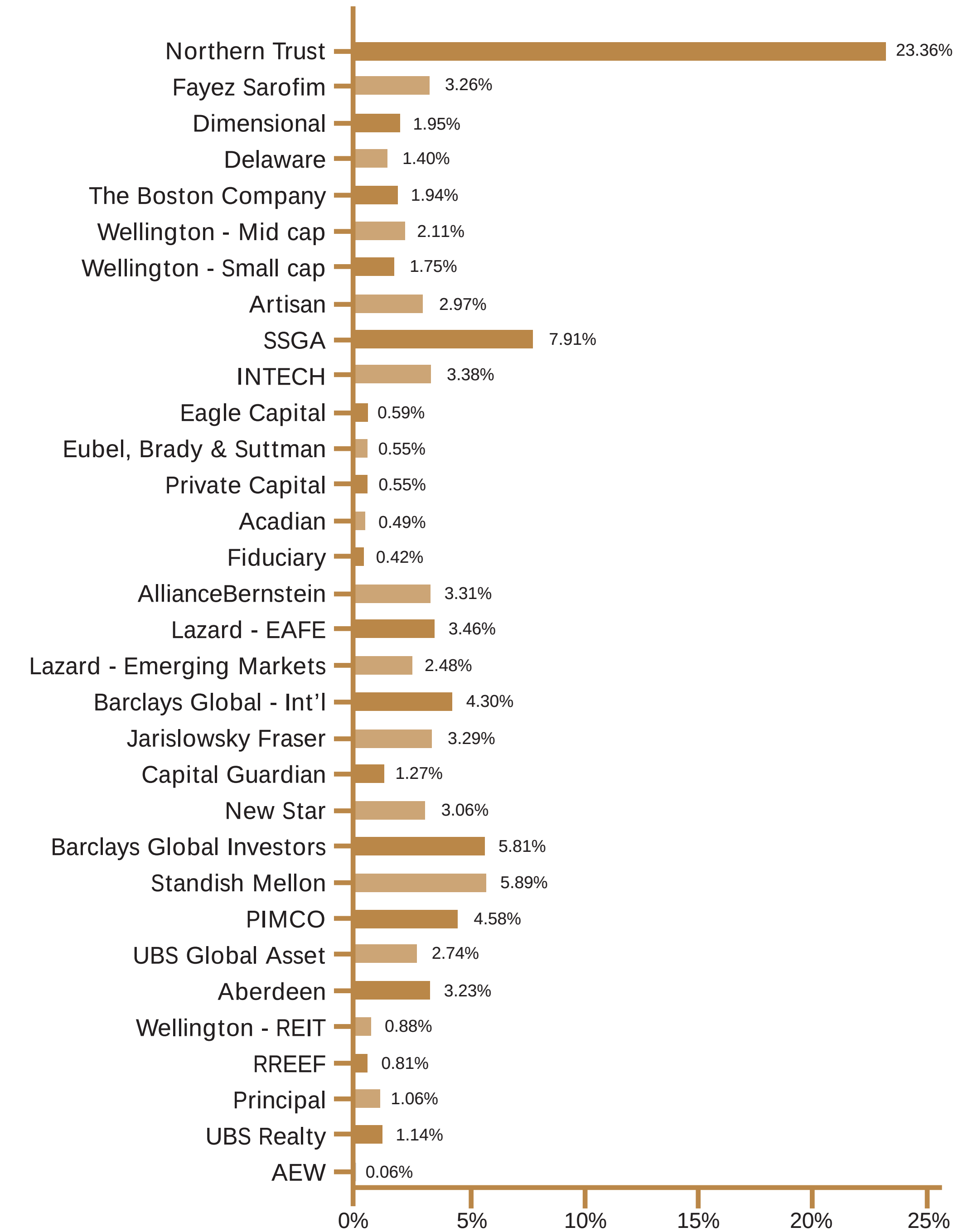
Advisor	Type	Date Initiated	Fair Value % of Total Portfolio*
Equities			
Northern Trust Global Investment	Passive (Index)	July 1985	23.36%
SSGA Russell 1000 Value	Passive - Large Cap Value	September 2004	7.91
Barclays Global Investors, N.A.	International-EAFE Index	March 2004	4.30
Lazard Asset Management, LLC	International-EAFE	October 1991	3.46
INTECH, LLC	Active - Large Cap Growth	January 2005	3.38
AllianceBernstein	International-Europe	December 2003	3.31
Jarislowsky Fraser Limited	International-EAFE	June 2004	3.29
Fayez Sarofim & Company, Inc.	Active - Large Cap Growth	August 1980	3.26
New Star Institutional	International - EAFE	July 2004	3.06
Artisan Partners Limited Partnership	Active - Mid Cap Growth	September 2002	2.97
Lazard Asset Management, LLC	International-Emerging Mkts.	April 1998	2.48
Wellington Management Company, LLP	Active-Mid Cap Value	October 2001	2.11
Dimensional Fund Advisors, Inc.	Active-Small Cap Value	July 2002	1.95
The Boston Co. Asset Management, LLC	Active-Mid Cap Value	October 2001	1.94
Wellington Management Company, LLP	Active-Small Cap Core	July 2002	1.75
Delaware Investments	Active-Small Cap Growth	July 2002	1.40
Capital Guardian	International-Pacific Basin	June 2004	1.27
Eagle Capital	Active - All Cap	January 2005	0.59
Private Capital	Active - All Cap	January 2005	0.55
Eubel, Brady, & Suttman	Active - All Cap	January 2005	0.55
Acadian Asset Management	Global Equity	July 2005	0.49
Fiduciary Asset Management	Tactical Asset Allocation	July 2005	0.42
Sub Total			73.80%
Debt Securities			
Standish Mellon	Passive (Index)	November 1989	5.89%
Barclays Global Investors, N.A.	Passive (Index)	September 1986	5.81
Pacific Investment Management Company	Active-Core	August 1983	4.58
Aberdeen Asset Management, Inc.	Active-Core	August 1991	3.23
UBS Global Asset Management	Active-Core	August 1991	2.74
Sub Total			22.25%
Real Estate			
UBS Realty Investors, LLC	Commingled Fund-Core	June 2003	1.14%
Principal Global Investors	Commingled Fund-Core	June 2003	1.06
Wellington Management Company, LLP	REITs	June 2003	0.88
RREEF	REITs	June 2003	0.81
AEW Partners V, L.P.	Value Added	October 2005	0.06
Sub Total			3.95%
Total			100.00%

**Includes cash and cash equivalents.*

Defined Benefit Plans – Investment Advisors

Percent of Portfolio

FAIR VALUE AT JUNE 30, 2006



Defined Benefit Plans – Investment Fees and Commissions

For the Year Ended June 30, 2006

Investment managers:	Assets Under Management	Fees
Domestic equities	$9,709,457,376	$19,488,909
International equities	3,974,339,445	7,378,620
Debt securities	4,139,687,913	3,628,722
Real estate	732,722,480	1,461,636
Total investment managers	$18,556,207,214	$31,957,887

Other investment service fees:	
Securities lending agent/cash management fees	$1,812,540
Custodian fees	169,454
Investment consultant fees	264,000
Global out-of-pocket expenses	181,437
Total investment service fees	$2,427,431

Brokerage Commissions Paid*

Brokerage Firm, Including Subsidiaries	Number of Shares Traded	Commissions	Commissions Per Share
Merrill Lynch Pierce Fenner	48,436,585	$748,122	$0.015
Bank of New York	25,781,812	728,976	0.028
UBS AG	40,130,340	624,997	0.016
Goldman Sachs & Company	26,531,643	554,448	0.021
Citigroup, Inc.	23,082,827	476,859	0.021
Lehman Brothers	19,921,075	440,398	0.022
Knight Securities	10,841,772	397,035	0.037
CS First Boston	24,042,349	388,112	0.016
Morgan Stanley and Company	50,474,933	375,280	0.007
Instinet	20,174,785	338,896	0.017
Deutsche Bank	11,995,406	273,648	0.023
Bear Stearns	12,193,120	223,169	0.018
J P Morgan Securities	12,926,359	220,381	0.017
Jefferies Company, Inc.	6,529,395	181,045	0.028
Capital Institutional Services	5,504,070	164,724	0.030
Liquidnet, Inc.	4,814,640	150,115	0.031
Investment Technology Group	10,285,424	145,450	0.014
Banc America Security	4,887,549	137,325	0.028
Weeden & Co. LP	4,647,732	126,586	0.027
Sanford C. Bernstein Co., LLC	5,867,485	113,673	0.019
Morgan Keegan, Inc.	2,501,815	99,888	0.040
Prudential Securities, Inc.	2,419,750	90,468	0.037
Cantor Fitzgerald	2,643,057	83,876	0.032
Societe Generale	2,932,545	82,439	0.028
Robert W. Baird & Company	1,741,150	78,793	0.045
CIBC World Markets Corporation	2,005,030	76,351	0.038
ABN AMRO	3,424,378	67,465	0.020
Wachovia Securities, Inc.	1,376,465	63,780	0.046
Credit Agricole Group	1,603,360	63,586	0.040
Thomas Weisel Partners	1,343,770	58,006	0.043
Jones and Associates, Inc.	1,473,714	56,996	0.039
RBC Financial Group	1,252,650	56,927	0.045
Others (less than $55,000)	208,721,402	1,798,756	0.009
Commission recapture income	-	(1,104,000)	-
Total	602,508,387	$8,382,570	$0.014

** Approximate figures provided by State Street and The Bank of New York.*

Defined Benefit Plans – Investment Summary

For The Year Ended June 30, 2006

(In Thousands)

	July 1, 2005				June 30, 2006		
	Beginning Fair Value*	Purchases	Sales and Maturities	Increase (Decrease) In Fair Value	Ending Fair Value**	% of Total Fair Value	Annual Rate of Return***
Short Term Securities	$2,027,116	$203,691,403	$204,321,070	($3,271)	$1,394,178	5.9%	4.4%
LT Debt Securities	5,024,546	11,489,526	8,094,449	(193,480)	8,226,143	34.5%	(0.5%)
Domestic Equities	9,014,253	3,549,157	2,895,609	(70,293)	9,597,508	40.2%	10.1%
International Equities	3,388,055	1,923,764	1,561,359	160,803	3,911,263	16.4%	26.0%
Real Estate	474,614	337,939	145,024	55,598	723,127	3.0%	18.7%
Total	$19,928,584	$220,991,789	$217,017,511	($50,643)	$23,852,219	100.0%	10.7%

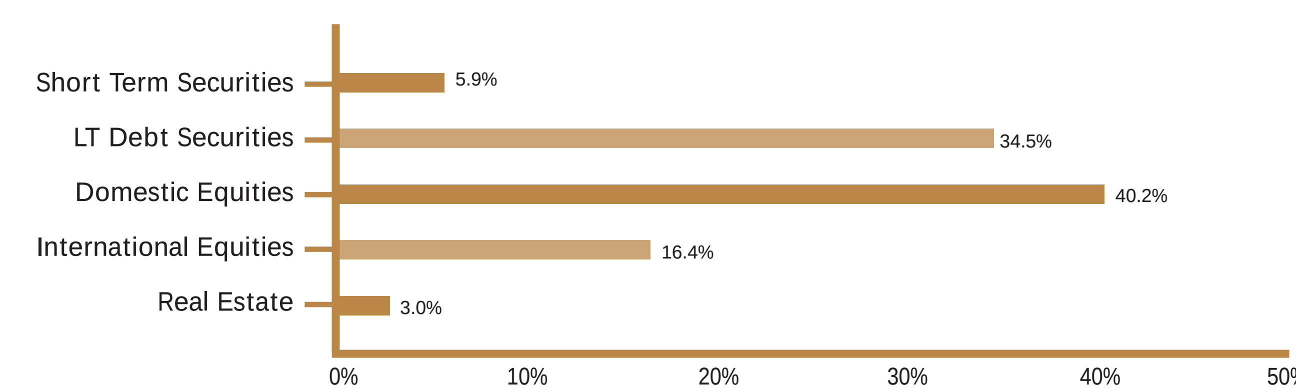
** Includes investment securities on loan to broker-dealers with a fair value of $2.6 billion. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $2.7 billion. 13.1% of the total fair value of investments were on loan to broker-dealers. To arrive at the net asset value of investments of $17.3 billion, the fair value total must be adjusted by ($2.6 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 fair value of $5.0 billion. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $5.1 billion. 21.0% of the total fair value of investments were on loan to broker-dealers. To arrive at the net asset value of investments of $18.8 billion, the fair value total must be adjusted by ($5.1 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.*

Defined Benefit Plans–Investments by Type

Fair Value at June 30, 2006



Defined Contribution Plan – Investment Summary

For the Year Ended June 30, 2006

Fund Name of Assets	Fair Value of Assets	Annual Rate of Return
Fayez Sarofim Common Stock Fund	$118,428,875	5.71%
Barclay's Money Market Fund	11,728,993	4.50%
Barclay's Equity Index Fund	54,100,260	8.64%
Barclay's Intermediate Government/Corporate Bond Fund	15,774,680	(0.18%)
Fidelity Asset Manager Fund	36,569,623	6.05%
Fidelity Small Cap Fund	13,146,771	15.37%
Fidelity International Fund	20,287,118	26.38%
ING Fixed Account	308,124,911	4.31%
ING VP Growth & Income Portfolio	80,491,427	10.43%
Nationwide Fixed Account	74,005,596	4.41%
Conseco Life Insurance Company	460,861	N/A
T. Rowe Price International Stock Fund	29,997,575	23.18%
Boston Company Premier Value Fund	120,993,499	10.80%
GE Institutional U.S. Equity Fund	1,111,856	7.52%
American New Perspective Fund	9,747,866	20.82%
PIMCO Total Return II Fund	4,035,090	(1.25%)
AllianceBernstein International	1,823,768	*
Vanguard Windsor II Fund	10,399,144	*
	$911,227,913	

**Returns are not shown since funds have been included in Defined Contribution Plan investment options less than one year.*

Actuarials

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

October 25, 2006

Board of Trustees
Public Employees' Retirement System
of Mississippi
429 Mississippi Street
Jackson, MS 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 the 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, 2006. This valuation indicates that the current contribution rates of 11.30% of payroll for employers and 7.25% of payroll for active members, along with an increase of .55% of payroll for employers beginning in the 2007-2008 fiscal year and a further increase of .40% of payroll for employers beginning in the 2008-2009 fiscal year, for benefits then in effect, meet the basic financial objective. There are 158,091 active members as of June 30, 2006.

The actuarial valuation is based upon financial and participant data which is prepared by the 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 valuation. 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 2000 to 2004. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The actuarial value was set equal to the market value as of June 30, 2006. Smoothing will recommence in future years with the added constraint that the actuarial value of assets cannot be less than 80% or more than 120% of market value. 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. There were no changes to the benefit structure since the last valuation.

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 and the presumption that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards, it is our opinion that the Public Employees' Retirement System of Mississippi continues in sound condition in accordance with the actuarial principles of level percent of payroll financing.

Respectfully submitted,

Thomas J. Cavanaugh, FSA, EA, FCA, MAAA
Chief Executive Officer

TJC:sh

665 Molly Lane Suite 150, Woodstock, GA 30189
Phone (678) 388-1700 • Fax (678) 388-1730
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Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

October 25, 2006

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

Dear Board Members:

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

(1) When expressed in terms of the 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 HSPRS.

In order to measure progress toward this fundamental objective, HSPRS 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, 2006. This valuation indicates that the current contribution rates of 30.30% of payroll for employers and 6.50% of payroll for active members, along with anticipated contributions as provided by Senate Bill No. 2659 (effective July 1, 2004) , for benefits then in effect, meet the basic financial objective. There are 564 active members as of June 30, 2006.

The actuarial valuation is based upon financial and participant data which is prepared by the retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among HSPRS 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 valuation. 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 HSPRS during the years 2000 to 2004. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The actuarial value was set equal to the market value as of June 30, 2006. Smoothing will recommence in future years with the added constraint that the actuarial value of assets cannot be less than 80% or more than 120% of market value. 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. There were no changes to the benefit structure since the last valuation.

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 and the presumption that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards, it is our opinion that the Mississippi Highway Safety Patrol Retirement System continues in sound condition in accordance with the actuarial principles of level percent of payroll financing.

Respectfully submitted,

Thomas J. Cavanaugh, FSA, EA, FCA, MAAA
Chief Executive Officer

TJC:sh

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October 25, 2006

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

Dear Board Members:

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

(1) Will be in amounts sufficient, but not more than necessary, to maintain the actuarially soundness of the Funds 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 an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the amortization of unfunded total actuarial liabilities over a closed period. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2005. These valuations indicate that the current contribution rates, for benefits then in effect, meet the basic financial objective. The employer contribution rates vary by participating City and are 7% - 10% of payroll for active members. There were 65 active members as of September 30, 2005.

The actuarial valuation is based upon financial and participant data which is prepared by the 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 valuation. 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 2000 to 2004. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The actuarial value will be set equal to the market value as of September 30, 2006. Smoothing will recommence in future years with the added constraint that the actuarial value of assets cannot be less than 80% or more than 120% of market value. The assumptions and methods 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 structure is outlined in the Actuarial Section. The changes made since the previous valuation are:

- The minimum monthly benefit for retirees of Vicksburg was increased to $1,130.

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 condition in accordance with the 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 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.

Respectfully submitted,

Thomas J. Cavanaugh, FSA, EA, FCA, MAAA
Chief Executive Officer

TJC:sh

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October 25, 2006

Board of Trustees
Public Employees' Retirement System
of Mississippi
429 Mississippi Street
Jackson, MS 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 the 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, 2006. This valuation indicates that the current contribution rates of 6.65% of payroll for employers and 3.00% of payroll for active members, for benefits then in effect, meet the basic financial objective. There are 173 active members as of June 30, 2006.

The actuarial valuation is based upon financial and participant data which is prepared by the 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 valuation. 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 2000 to 2004. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The actuarial value was set equal to the market value as of June 30, 2006. Smoothing will recommence in future years with the added constraint that the actuarial value of assets cannot be less than 80% or more than 120% of market value. 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. There were no changes made since the previous valuation.

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 and the presumption that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards, it is our opinion that the Mississippi Supplemental Legislative Retirement Plan continues in sound condition in accordance with the actuarial principles of level percent of payroll financing.

Respectfully submitted,

Thomas J. Cavanaugh, FSA, EA, FCA, MAAA
Chief Executive Officer

TJC:sh

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All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on August 23, 2005. Following are the assumptions adopted by the PERS Board for this program.

Interest Rate: 8.00% 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

Age	Withdrawal and Vesting*	Death** Male	Death** Female	Disability** Male	Disability** Female	Service Retirement*** Service	Service Retirement*** Rate
20	15.0%	.02%	.01%	.01%	.01%	4	25.0%
25	11.0	.02	.01	.02	.01	5	15.0
30	10.0	.03	.01	.02	.02	10	15.0
35	8.0	.04	.02	.05	.03	15	15.0
40	6.0	.05	.02	.11	.08	20	20.0
45	5.0	.08	.03	.18	.13	25	25.0
50	5.0	.12	.05	.30	.21	30	15.0
55	5.0	.17	.07	.48	.33	35	15.0
60	5.0	.26	.12	.35	.25	40	15.0
65	5.0	.47	.22				
70	5.0	.81	.36				
74	5.0	1.20	.63				

* *For all ages, rates of 45% for 1st year of employment and 16% for 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 three-quarters 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 is the 1983 Group Annuity Mortality Table, set forward two years for men and set forward one year for women. Special tables are 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.

Unused Sick Leave: .75 years at retirement.

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

Asset Valuation Method: Market value–5 year smoothing. Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.

All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on August 23, 2005. Following are the assumptions adopted by the PERS Board for this program.

Interest Rate: 8.00% 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						
			Disability			
Age	Withdrawal and Vesting	Death	Non-Duty	Duty	Service	Service Retirement*
25	5.5%	0.05%	0.09%	0.01%	5	5.0%
30	4.0	0.08	0.12	0.02	10	5.0
35	2.5	0.10	0.16	0.04	15	5.0
40	1.0	0.15	0.20	0.07	20	10.0
45	0.5	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	20.0

** The annual rate of service retirement is 100% at age 60.*
It is assumed that a member will be granted 1¾ years of service credit for unused leave at termination of employment. In addition, it is assumed that, on average, ¼ 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			
Age	Merit & Seniority	Base (Economy)	Increase Next Year
25	2.8%	4.0%	6.8%
30	2.0	4.0	6.0
35	2.0	4.0	6.0
40	2.0	4.0	6.0
45	1.5	4.0	5.5
50	1.0	4.0	5.0
55	1.0	4.0	5.0

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 1983 Group Annuity Mortality Table set forward four years for males and set forward five years 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.

Asset Valuation Method: Market value–5 year smoothing. Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.

All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on August 23, 2005. Following are the assumptions adopted by the PERS Board for this program.

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	Withdrawal	Non-Duty	Duty	Non-Duty	Duty
20	10.65%	0.04%	0.02%	0.08%	0.06%
25	8.64	0.05	0.03	0.12	0.12
30	6.87	0.08	0.04	0.18	0.26
35	4.86	0.11	0.05	0.24	0.52
40	2.97	0.15	0.07	0.36	0.60
45	1.44	0.22	0.09	0.64	0.54
50	0.24	0.34	0.14	1.10	0.88
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	Percent
20	45.0%
21-28	17.5
29-33	35.0
34 and over	20.0
Age 65	100.0

Salary Increases: 4.0% for wage inflation, plus the following chart.

Ages	Merit and Seniority Salary Increase
Under 43	2.0%
43-47	1.5
48-52	1.0
53 and Over	0.5

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 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.

Asset Valuation Method: Market Value – 5 year smoothing.

All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on August 23, 2005. Following are the assumptions adopted by the PERS Board for this program.

Interest Rate: 8.00% 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		
Age	Male	Female	Disability*
20	.02%	.01%	.04%
25	.03	.02	.05
30	.04	.02	.07
35	.05	.03	.11
40	.08	.04	.17
45	.13	.06	.23
50	.24	.10	.30
55	.39	.15	.35
60	.60	.25	.40
65	.96	.43	-
70	1.61	.72	-

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

Withdrawal and Vesting: 15% in an election year, none 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 75. It is assumed that a member will be granted 2.5 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.

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%.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1983 Group Annuity Mortality Table set forward one year 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: 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. Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing will commence again in future years with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.

Summary of Benefit and Contribution Provisions – PERS

The following summary presents the main benefit and contribution provisions of the System in effect June 30, 2006, 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 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	6/30/05	9.75	150,000	7.25	150,000
7/1/05	6/30/06	10.75	150,000	7.25	150,000
7/1/06	-	11.30	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 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% of his average compensation for each of the first 25 years of creditable service plus 2½% 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% per year for each year the member lacked in qualifying for unreduced retirement benefits, or (ii) a benefit equal to the greater of 20% 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% 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% of average compensation plus 10% 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% of average compensation, or (b) the member's accrued allowance.

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

Effective July 1, 2004, a temporary benefit can be paid out of a member's accumulated contribution balance while the member is awaiting a determination for eligibility for disability benefits. Future disability payments, if any, would be offset by advanced payments made from the member's accumulated contributions.

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% 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% of average compensation payable to the spouse and 25% of average compensation payable to one dependent child or 50% 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 Benefits

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% of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary and the other 50% of his reduced retirement allowance to some other designated beneficiary.

Option 4A. Upon his death, 50% 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. This option was only available to those who retired prior to July 1, 2004.

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 4-C, 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 member, 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.

Summary of Benefit and Contribution Provisions – MHSPRS

The following summary presents the main benefit and contribution provisions of the System in effect June 30, 2006, 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 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*
7/1/1958	6/30/1968	13.33%	-	5.00%	-
7/1/1968	6/30/1971	15.33	-	5.00	-
7/1/1971	6/30/1973	18.59	-	5.00	-
7/1/1973	6/30/1975	20.77	-	5.00	-
7/1/1975	6/30/1978	24.65	-	5.00	-
7/1/1978	6/30/1980	26.16	-	6.00	-
7/1/1980	6/30/1989	26.16	-	6.50	-
7/1/1989	6/30/1990	27.97	-	6.50	-
7/1/1990	6/30/2003	26.16	-	6.50	-
7/1/2003	6/30/2006	28.16	-	6.50	-
7/1/2006	-	30.30	-	6.50	-

**Maximum covered earnings equal wages paid, not to exceed wages paid to the Commissioner of the Department of Public Safety.*

Effective July 1, 2004, additional contributions will be made to the System as a result of the enactment of Senate Bill No. 2659. The additional contributions are estimated to be $2,600,000 annually based on current experience.

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 2½% of his average compensation for each year of membership service, plus

3. A prior service annuity equal to 2½% 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 based on the following table for each year of creditable service, reduced if necessary as indicated below.

Service	Monthly Benefit
Less than 10 years	$250
10-15 years	$300
15 or more years	$500

The annual retirement allowance payable to a member who retires under condition (a) above 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% for each year of age below age 55, or 3% 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% of his average salary for the 2 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 patrolman 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 patrolman 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 the member's average compensation.
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 patrolman 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% of his retirement allowance and each child (but not more than 2) who has not attained age 19 (23 if a full-time student) is eligible for a benefit equal to 25% of his retirement allowance. The benefit to the widow is payable for life 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% of his benefit is payable to the spouse for the spouse's lifetime, and 25% 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 Benefits

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% of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary and the other 50% of his reduced retirement allowance to some other designated beneficiary.

Option 4A. Upon his death, 50% 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. This option was only available to those who retired prior to July 1, 2004.

A member who elects 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 4-C, 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 60, plus (b) 3% 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 benefits are 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 per 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 6½ 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, 2005, 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 amount of (1) and (2) above shall not exceed 66⅔ 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. For Clarksdale, Columbus, Hattiesburg, McComb, Meridian and Yazoo City, benefits payable to spouses do not cease upon remarriage.

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 66⅔ 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:	$ 500
Gulfport:	$ 500	Hattiesburg:	$ 750
Jackson:	$ 500	Meridian:	$ 600
Tupelo:	$ 300	Vicksburg:	$ 1,130

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: 3% per year (not to exceed 30 percent) for each full fiscal year of retirement after June 30, 2000 for all retirees and beneficiaries. This is in addition to the previously granted 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: maximum of 3 percent per year (not to exceed 27 percent) for each fiscal year of retirement after June 30, 2002 for all retirees and beneficiaries. This is in addition to the previously granted COLA of 2 percent per year (not to exceed 6 percent) for those retiring before July 1, 2001.

Hattiesburg: 2.5 percent per year (not to exceed 25 percent) for all retirees and beneficiaries.

Jackson: maximum aggregate increase of 19.5 percent for service and disability retirements only.

Laurel: 2 percent per year, compounded annually (maximum of 3 years) for each fiscal year of retirement after June 30, 2002 for all retirees and beneficiaries. COLA increases begin at the later of age 60 or after one full fiscal year of retirement.

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: 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, Laurel, 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.

All Gulfport retirees and beneficiaries who were receiving a retirement allowance as of June 30, 2002 were granted a monthly ad hoc increase of $2 per month for each year of service plus $2 per month for each full fiscal year retired.

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
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
2001-02	2001	10,823	14,338	3,515	132.5
2002-03	2002	11,989	13,979	1,990	116.6
2003-04	2003	13,286	13,890	604	104.5
2004-05	2004	14,091	13,951	(140)	99.0

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, 2006 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 June 30. "Eligibility service" is all service in PERS, including that credited for SLRP service. "Creditable 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
7/1/1989	6/30/1992	6.33%	$ 75,600	3.00%	$ 75,600
7/1/1992	6/30/2002	6.33	$ 125,000	3.00	$ 125,000
7/1/2002	6/30/2006	6.33	$ 150,000	3.00	$ 150,000
7/1/2006	-	6.65	$ 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 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 1% of his average compensation for each of the first 25 years of creditable service plus 1.25% for each year of creditable service over 25 years.

The minimum allowance is $60 per 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% per year for each year the member lacked in qualifying for unreduced retirement benefits, or (ii) a benefit equal to the greater of 10% 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% 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% of average compensation plus 5% 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% of average compensation, or (b) the member's accrued allowance.

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

Effective July 1, 2004, a temporary benefit can be paid out of a member's accumulated contribution balance while the member is awaiting a determination for eligibility for disability benefits. Future disability payments, if any, would be offset by advanced payments made from the member's accumulated contributions.

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% 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 25% of average compensation payable to the spouse and 12½% of average compensation payable to one dependent child or 25% 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% of his reduced retirement allowance shall be continued throughout the life of, and paid to, a designated beneficiary and the other 50% of his reduced retirement allowance to some other designated beneficiary.

Option 4A. Upon his death, 50% 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. This option was only available to those who retired prior to July 1, 2004.

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 4-C, 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 member, 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

Members currently contribute 3.00% 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.

Changes in Plan Provisions

The Mississippi Legislature ended the 2006 session with Senate Bill Number 2583 which affects the Public Employees' Retirement System plan and House Bill Number 1112 which applies to the Public Employees' Retirement System, the Mississippi Highway Safety Patrol Retirement System, the Municipal Retirement Systems and the Supplemental Legislative Retirement Plan.

Senate Bill Number 2583

Section 25-11-106–Provides that any current or former constable who elects to make payments to cover delinquent employer and employee contributions and interest applicable to all fee and county income, must make such payments to PERS no later than April 15, 2007. This amendment was effective beginning March 13, 2006.

House Bill Number 1112

This bill amends Sections 25-11-121, 25-11-145, 37-155-115, 91-9-9, 91-9-103 and 91-9-107 to state that the standard of care for the PERS Board of Trustees in the investment of plan assets is that of a prudent investor. This legislation was effective July 1, 2006.

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							
6/30/97	$ 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
6/30/03	3,400,765	9,758,473	8,326,600	16,979,457	100	100	45.9
6/30/04	3,571,428	10,657,920	8,617,912	17,103,285	100	100	33.3
6/30/05	3,819,498	11,260,642	8,646,958	17,180,705	100	100	24.3
6/30/06	3,955,066	12,228,330	8,745,068	18,321,063	100	100	24.4
Mississippi Highway Safety Patrol Retirement System							
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
6/30/03	17,604	192,662	91,868	259,746	100	100	53.9
6/30/04	18,352	201,573	96,645	256,481	100	100	37.8
6/30/05	18,972	214,844	101,301	253,477	100	100	19.4
6/30/06	19,906	222,281	108,451	265,637	100	100	21.6
Municipal Retirement Systems*							
9/30/96	$ 14,147	$ 277,193	$ 67,363	$ 130,425	100%	41.9%	0.0%
9/30/97	13,402	286,110	58,916	197,815	100	64.5	0.0
9/30/98	12,453	296,554	54,605	213,591	100	67.8	0.0
9/30/99	11,091	308,890	49,137	235,221	100	72.6	0.0
9/30/00	10,209	319,149	45,701	253,713	100	76.3	0.0
9/30/01	9,271	329,000	43,511	262,260	100	76.9	0.0
9/30/02	7,806	349,140	36,064	259,587	100	72.1	0.0
9/30/03	6,266	365,063	28,293	250,640	100	66.9	0.0
9/30/04	5,190	365,243	22,628	235,198	100	63.0	0.0
9/30/05	4,138	367,345	15,903	217,140	100	58.0	0.0
Supplemental Legislative Retirement Plan							
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
6/30/03	2,121	4,567	5,532	10,196	100	100	63.4
6/30/04	2,030	6,395	4,509	10,323	100	100	42.1
6/30/05	2,076	6,813	4,513	10,634	100	100	38.7
6/30/06	2,061	7,230	4,773	11,620	100	100	48.8

**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.

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Active Members: Number of Employees	Annual Payroll	Annual Average Pay	% Increase In Average Pay
Public Employees' Retirement System					
6/30/97	756	145,651	$ 3,294,731,368	$ 22,621	2.3%
6/30/98	767	145,321	3,450,175,500	23,742	5.0
6/30/99	845	148,611	3,711,679,688	24,976	5.2
6/30/00	847	151,790	4,090,596,398	26,949	7.9
6/30/01	863	151,080	4,112,237,738	27,219	1.0
6/30/02	866	152,148	4,220,538,845	27,740	1.9
6/30/03	871	154,872	4,431,599,526	28,615	3.2
6/30/04	880	156,353	4,617,272,973	29,531	3.2
6/30/05	861	157,101	4,786,280,398	30,466	3.2
6/30/06	861	158,091	4,971,973,661	31,450	3.2
Mississippi Highway Safety Patrol Retirement System					
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)
6/30/03	1	543	21,051,942	38,770	6.6
6/30/04	1	559	22,683,404	40,579	4.7
6/30/05	1	540	22,342,918	41,376	2.0
6/30/06	1	564	24,499,296	43,438	5.0
Municipal Retirement Systems					
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
9/30/02	17	145	5,980,337	41,244	2.1
9/30/03	17	110	4,584,061	41,673	1.0
9/30/04	17	84	3,674,877	43,749	5.0
9/30/05	17	65	2,909,190	44,757	2.3
Supplemental Legislative Retirement Plan					
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
6/30/03	5	175	6,288,514	35,934	5.0
6/30/04	5	175	5,794,099	33,109	(7.9)
6/30/05	5	175	6,530,045	37,315	12.7
6/30/06	5	173	6,353,542	36,726	(1.6)

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

		Added		Removed			Rolls at End of Year			
Fiscal Year Ended	Plan	Number	Annual Allowances	Number	Annual Allowances	Increase Due to Plan Amendments	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
June 30, 2001	PERS	4,584	$ 63,371,629	(1,999)	$ (14,989,384)	$ 5,210,920	53,665	$ 581,199,527	10.16%	$ 10,830
	MHSPRS	35	758,061	(14)	(237,174)	-	573	10,733,675	5.10%	18,732
	MRS	72	1,298,561	(58)	(516,380)	111,934	2,270	28,715,933	3.21%	12,650
	SLRP	10	30,031	(2)	(8,933)	5,094	84	313,063	9.13%	3,727
June 30, 2002	PERS	5,138	73,692,536	(2,098)	(14,603,554)	16,258,881	56,705	656,547,390	12.96%	11,578
	MHSPRS	33	918,422	(11)	(165,174)	-	595	11,486,923	7.02%	19,306
	MRS	67	1,205,360	(79)	(602,021)	33,867	2,258	29,353,139	2.22%	13,000
	SLRP	6	26,014	(4)	(15,737)	9,266	86	332,606	6.24%	3,868
June 30, 2003	PERS	4,857	76,047,174	(2,115)	(17,494,863)	-	59,447	715,099,701	8.92%	12,029
	MHSPRS	20	331,225	(16)	(225,378)	-	599	11,592,770	0.92%	19,354
	MRS	70	1,380,001	(82)	(614,706)	255,604	2,246	30,374,038	3.48%	13,524
	SLRP	1	6,156	(2)	(8,266)	-	85	330,496	-0.63%	3,888
June 30, 2004	PERS	5,174	82,912,445	(2,214)	(19,375,950)	-	62,407	778,636,196	8.88%	12,477
	MHSPRS	27	768,760	(21)	(249,668)	-	605	12,111,862	4.48%	20,020
	MRS	71	1,415,488	(71)	(643,802)	274,798	2,246	31,420,522	3.45%	13,990
	SLRP	26	172,668	(5)	(22,850)	-	106	480,314	45.33%	4,531
June 30, 2005	PERS	4,610	74,999,488	(3,078)	(25,851,732)	-	63,939	827,783,952	6.31%	12,946
	MHSPRS	33	578,336	(17)	(106,467)	-	621	12,583,731	3.90%	20,264
	MRS	54	972,938	(58)	(545,424)	334,359	2,242	32,182,395	2.42%	14,354
	SLRP	8	30,412	-	-	-	114	510,726	6.33%	4,480
June 30, 2006	PERS	5,360	84,374,497	(2,542)	(21,454,469)	-	66,757	890,703,980	7.60%	13,342
	MHSPRS	32	760,672	(28)	(353,602)	-	625	12,990,801	3.23%	20,785
	MRS	67	1,131,297	(84)	(834,404)	74,913	2,225	32,554,201	1.16%	14,631
	SLRP	12	56,988	(4)	(24,632)	-	122	543,082	6.34%	4,451

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

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

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities for the Year Ended June 30, 2006

Resulting from Differences Between Assumed Experience & Actual Experience

(In Thousands)

Type of Activity:	$ Gain or (Loss) For Year PERS	MHSPRS	MRS*	SLRP
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	$ (37,800.0)	$ 316.6	$ 458.4	$ (43.2)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	11,200.0	80.0	(0.3)	11.6
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	0.0	11.5	19.5	5.5
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(77,200.0)	(352.3)	178.5	2.1
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	215,600.0	(3,989.4)	402.7	354.9
New Members. Additional unfunded accrued liability will produce a loss.	(151,400.0)	(77.8)	0.0	(31.9)
Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	(384,000.0)	(6,351.0)	(15,509.1)	(197.0)
Death after Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	51,500.0	(410.2)	594.6	(8.5)
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(32,000.0)	961.1	1,798.0	(58.9)
Gain (or Loss) During year from Financial Experience.	(404,100.0)	(9,811.5)	(12,057.7)	34.6
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes.	511,100.0	7,079.0	(1,932.7)	369.0
Composite Gain (or Loss) During Year	$ 107,000.0	$ (2,732.5)	$ (13,990.4)	$ 403.6

**Valuation information furnished for MRS is as of September 30, 2005.*

Statistics

The objectives of the statistical section are to provide additional historical perspective, context, and relevant details to assist readers in using the information in the financial statements, notes to financial statements, and required supplementary information in order to understand and assess the System's economic condition. In support of these objectives, the System has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued in May 2004.

Financial Trends

The schedule of Changes in Net Assets presented on pages 96 and 97 contains historical information related to the System's revenues, expenses, changes in net assets and net assets available for benefits, as well as a history of employer and employee contribution rates over a ten-year period. To address the funding position and to ensure the actuarial soundness of the System, the employer rate for PERS was increased by 1 percent effective July 1, 2005. The Board of Trustees has acted to phase in an additional increase in the PERS employer contribution rate of 1.75 percent in increments of .55 percent per year. Employer contribution rates for MHSPRS increased from 28.26 percent to 30.30 percent and from 6.33 percent to 6.65 percent for SLRP. Rate increases are effective beginning with fiscal year 2007. A detailed discussion of changes in employer contribution rates and funding can be found on page 26 of Management's Discussion and Analysis and on page 46, notes 1 and 2 to the RSI.

Demographic and Economic Information

The schedule of Total Active Members by Attained Age and Years of Service, shown on pages 104 through 106, provides relevant details about the composition of the System's membership including concentration of members within various age groups and selected group averages for each pension plan. Page 108 contains comparative information regarding the ten largest participating employers of the multiple-employer plans, which are the Public Employees' Retirement System and Municipal Retirement Systems. The schedule of Benefit Payments by County on page 107 offers information on the amount of economic contribution attributed to benefit payments, by county, within the State of Mississippi.

Operating Information

Pages 98 and 99 illustrate the number of participants and total benefit payments, by type, for each retirement plan administered by the System. Additional details regarding monthly benefit distribution by option can be found on page 102. The schedule of Average Benefit Payments presents average monthly benefits, average final salary and the number of active retirants by years of credited service, by plan, on pages 100 through 101. Comparative supplemental information on employer and employee groups covered by the Public Employees' Retirement System plan is offered on page 103 along with details of participating employers covered by separate agreement on pages 109 through 112.

Statistical data is provided from the System's internal resources. The System has no outstanding debt as of June 30, 2006.

Changes in Net Assets
– 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 Additions
Public Employees' Retirement System of Mississippi							
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)
2003	333,297	7.25	448,263	9.75	452,183	607	1,234,350
2004	358,241	7.25	459,567	9.75	2,003,253	596	2,821,657
2005	365,355	7.25	492,434	9.75	1,507,079	530	2,365,398
2006	375,612	7.25	557,831	10.75	1,777,853	580	2,711,876
Mississippi Highway Safety Patrol Retirement System							
1997	$ 1,289	6.50%	$ 5,185	26.16%	$ 33,324	$ -	$ 39,798
1998	1,295	6.50	5,223	26.16	37,497	-	44,015
1999	1,081	6.50	5,359	26.16	25,562	-	32,002
2000	1,404	6.50	5,649	26.16	20,258	-	27,311
2001	1,458	6.50	5,835	26.16	(18,868)	28	(11,547)
2002	1,418	6.50	5,710	26.16	(15,340)	-	(8,212)
2003	1,398	6.50	5,627	26.16	6,934	-	13,959
2004	1,508	6.50	6,528	28.16	30,464	-	38,500
2005	1,462	6.50	6,335	28.16	21,897	2,388	32,082
2006	1,589	6.50	6,884	28.16	25,934	2,628	37,035
Municipal Retirement Systems**							
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)
2003	563	**	14,310	**	6,847	7	21,727
2004	437	**	14,013	**	28,495	-	42,945
2005	378	**	14,371	**	19,337	-	34,086
2006	263	**	15,613	**	21,563	-	37,439
Supplemental Legislative Retirement Plan							
1997	$ 160	3.00%	$ 337	6.33%	$ 890	$ -	$ 1,387
1998	176	3.00	370	6.33	1,088	-	1,634
1999	177	3.00	373	6.33	800	-	1,350
2000	138	3.00	411	6.33	674	-	1,223
2001	181	3.00	382	6.33	(661)	-	(98)
2002	180	3.00	380	6.33	(570)	-	(10)
2003	198	3.00	417	6.33	277	-	892
2004	176	3.00	372	6.33	1,246	-	1,794
2005	197	3.00	417	6.33	932	-	1,546
2006	195	3.00	411	6.33	1,137	-	1,743

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

Changes in Net Assets
– Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Retirement Annuities	Refunds	Expenses and Depreciation	Transfers	Total Deductions	Net Change In Assets	Ending Net Assets
Public Employees' Retirement System of Mississippi							
1997	$ 475,283	$ 50,183	$ 8,303	$ -	$ 533,769	$ 1,888,300	$ 11,259,690
1998	516,678	60,750	9,798	-	587,226	2,169,303	13,428,993
1999	562,191	49,283	10,622	-	622,096	1,526,631	14,955,624
2000	612,644	58,817	8,259	-	679,720	1,255,089	16,210,018
2001	759,282	65,370	8,843	-	833,495	(1,263,820)	14,946,198
2002	847,655	62,126	8,294	-	918,075	(1,145,482)	13,800,716
2003	951,158	61,923	9,802	-	1,022,883	211,467	14,012,183
2004	1,033,205	67,245	9,730	-	1,110,180	1,711,477	15,723,660
2005	1,116,405	71,064	11,054	-	1,198,523	1,166,875	16,890,535
2006	1,198,230	73,344	9,774	-	1,281,348	1,430,528	18,321,063
Mississippi Highway Safety Patrol Retirement System							
1997	$ 10,803	$ 74	$ -	$ 104	$ 10,981	$ 28,817	$ 202,323
1998	11,812	85	-	104	12,001	32,014	234,337
1999	12,490	43	-	107	12,640	19,362	253,699
2000	13,886	93	-	113	14,092	13,219	266,918
2001	15,166	62	-	117	15,345	(26,892)	240,026
2002	16,558	66	-	114	16,738	(24,950)	215,076
2003	16,164	101	-	113	16,378	(2,419)	212,657
2004	16,605	76	-	131	16,812	21,688	234,345
2005	18,005	86	-	127	18,218	13,864	248,209
2006	19,359	110	-	138	19,607	17,428	265,637
Municipal Retirement Systems**							
1997	$ 25,290	$ 54	$ -	$ 442	$ 25,786	$ 28,127	$ 184,580
1998	26,471	72	-	382	26,925	80,480	265,060
1999	27,376	91	-	306	27,773	15,471	280,531
2000	28,648	1	-	388	29,037	7,327	287,858
2001	29,986	135	-	429	30,550	(34,482)	253,376
2002	30,964	-	-	407	31,371	(32,260)	221,116
2003	31,979	39	-	389	32,407	(10,680)	210,436
2004	33,342	-	-	389	33,731	9,214	219,650
2005	34,296	11	-	395	34,702	(616)	219,034
2006	35,165	1	-	430	35,596	1,843	220,877
Supplemental Legislative Retirement Plan							
1997	$ 152	$ 8	$ -	$ 7	$ 167	$ 1,220	$ 5,357
1998	181	8	-	7	196	1,438	6,795
1999	191	-	-	7	198	1,152	7,947
2000	262	11	-	8	281	942	8,889
2001	361	16	-	7	384	(482)	8,407
2002	386	1	-	8	395	(405)	8,002
2003	388	-	-	8	396	496	8,498
2004	696	8	-	7	711	1,083	9,581
2005	599	2	-	8	609	937	10,518
2006	632	1	-	8	641	1,102	11,620

Public Employees' Retirement System of Mississippi

Retired Members by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
1997	36,683	3,039	5,667	45,389	*
1998	37,959	3,149	5,978	47,086	18,896
1999	39,198	3,240	6,328	48,766	16,592
2000	40,874	3,453	6,753	51,080	19,293
2001	43,117	3,531	7,017	53,665	22,879
2002	45,585	3,737	7,383	56,705	16,753
2003	47,798	3,966	7,683	59,447	24,882
2004	50,196	4,232	7,979	62,407	16,133
2005	52,370	4,468	7,101	63,939	22,102
2006	54,736	4,659	7,362	66,757	19,202

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
1997	$ 415,459	$ 25,236	$ 34,588	$ 475,283	$ 50,183
1998	454,281	23,507	38,890	516,678	60,750
1999	494,958	25,950	41,283	562,191	49,283
2000	558,619	37,473	16,552	612,644	58,817
2001	692,488	46,382	20,412	759,282	65,370
2002	774,213	51,355	22,087	847,655	62,126
2003	869,204	58,055	23,899	951,158	61,923
2004	944,037	63,701	25,467	1,033,205	67,245
2005	1,019,133	70,076	27,196	1,116,405	71,064
2006	1,093,235	76,167	28,828	1,198,230	73,344

Mississippi Highway Safety Patrol Retirement System

Retired Members by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
1997	359	26	124	509	7
1998	372	23	131	526	8
1999	376	22	142	540	7
2000	381	21	150	552	8
2001	392	20	161	573	7
2002	414	19	162	595	9
2003	410	19	170	599	9
2004	414	21	170	605	6
2005	421	21	179	621	11
2006	425	20	180	625	11

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
1997	$ 9,629	$ 231	$ 943	$ 10,803	$ 74
1998	10,570	129	1,113	11,812	85
1999	11,143	132	1,215	12,490	43
2000	12,183	319	1,384	13,886	93
2001	13,330	348	1,488	15,166	62
2002	14,677	362	1,519	16,558	66
2003	14,356	362	1,446	16,164	101
2004	14,770	401	1,434	16,605	76
2005	16,064	455	1,486	18,005	86
2006	17,380	477	1,502	19,359	110

*Information not available.

Municipal Retirement Systems*

Retired Members by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
1996	1,573	161	511	2,245	4
1997	1,582	154	520	2,256	3
1998	1,586	150	522	2,258	4
1999	1,584	146	526	2,256	2
2000	1,588	142	540	2,270	6
2001	1,573	135	550	2,258	-
2002	1,572	130	544	2,246	3
2003	1,569	128	549	2,246	-
2004	1,569	121	552	2,242	4
2005	1,548	112	565	2,225	1

Total Payments by Type of Benefit**
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
1996	$ 20,182	$ 1,118	$ 3,295	$ 24,595	$ 54
1997	20,957	1,084	3,513	25,554	72
1998	21,692	1,103	3,800	26,595	91
1999	22,600	1,114	4,081	27,795	1
2000	23,201	1,103	4,371	28,675	135
2001	23,707	1,058	4,554	29,319	-
2002	24,564	1,043	4,767	30,374	39
2003	25,293	1,067	5,061	31,421	-
2004	25,873	1,045	5,264	32,182	11
2005	25,971	985	5,598	32,554	1

Supplemental Legislative Retirement Plan

Retired Members by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
1997	34	1	8	43	3
1998	39	1	10	50	4
1999	41	1	10	52	-
2000	63	1	12	76	3
2001	67	1	16	84	3
2002	68	1	17	86	1
2003	69	1	15	85	-
2004	87	2	17	106	3
2005	94	2	18	114	2
2006	99	2	21	122	1

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
1997	$ 138	$ 4	$ 10	$ 152	$ 8
1998	158	4	19	181	8
1999	166	5	20	191	-
2000	240	5	17	262	11
2001	327	5	29	361	16
2002	349	5	32	386	1
2003	352	5	31	388	-
2004	640	8	48	696	8
2005	550	12	37	599	2
2006	585	12	35	632	1

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

Average Benefit Payments

Retirement Effective Dates: July 1, 2001 to June 30, 2006	Years Credited Service 0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+

Public Employees' Retirement System of Mississippi

	0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
2006									
Average Monthly Benefit.....	$ 490	331	492	766	1,137	1,575	1,729	1,942	2,380
Average Final Salary	$ 21,672	22,459	25,293	29,138	33,142	38,998	41,558	43,360	46,793
Number of Active Retirants..	121	671	692	632	627	358	973	217	1,069
2005									
Average Monthly Benefit.....	$ 479	354	556	872	$ 1,239	1,569	1,684	1,878	2,382
Average Final Salary	$ 22,862	22,656	24,775	29,619	34,563	38,437	40,090	41,687	46,505
Number of Active Retirants..	108	543	666	516	421	296	853	223	984
2004									
Average Monthly Benefit.....	$ 381	355	585	822	1,068	1,606	1,710	1,872	2,437
Average Final Salary	$ 21,732	23,875	26,052	29,035	30,841	38,021	40,186	41,374	47,014
Number of Active Retirants..	202	651	738	535	368	496	862	274	1,048
2003									
Average Monthly Benefit.....	$ 430	$ 355	526	787	1,052	1,502	1,657	1,739	2,329
Average Final Salary	$ 21,698	$ 21,817	25,046	26,377	28,859	36,308	38,977	38,459	44,883
Number of Active Retirants..	157	535	732	507	327	459	868	236	1,036
2002									
Average Monthly Benefit.....	$ 331	303	494	732	1,038	1,501	1,552	1,727	2,148
Average Final Salary	$ 15,636	18,981	22,674	26,147	28,479	35,591	36,779	38,801	42,421
Number of Active Retirants..	234	653	743	507	402	402	854	244	1,099

Mississippi Highway Safety Patrol Retirement System

	0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
2006									
Average Monthly Benefit.....	$ 2,199	-	194	-	1,796	1,702	1,767	-	2,447
Average Final Salary	$ 47,484	-	5,120	-	39,371	39,429	37,054	-	45,797
Number of Active Retirants..	10	-	1	-	5	2	8	-	6
2005									
Average Monthly Benefit.....	$ 1,151	-	-	138	1,558	2,118	1,585	1,410	2,819
Average Final Salary	$ 27,616	-	-	6,628	37,085	43,822	36,482	29,669	48,745
Number of Active Retirants..	1	-	-	1	6	5	10	3	7
2004									
Average Monthly Benefit.....	$ 742	-	2,739	617	1,300	2,015	2,093	4,405	3,776
Average Final Salary	$ 21,819	-	65,736	17,233	30,459	44,300	46,563	83,469	58,208
Number of Active Retirants..	1	-	1	1	5	5	6	1	7
2003									
Average Monthly Benefit.....	$ -	-	-	-	1,784	1,604	500	842	2,539
Average Final Salary	$ -	-	-	-	39,252	37,178	14,088	22,853	42,139
Number of Active Retirants..	-	-	-	-	2	9	4	3	2
2002									
Average Monthly Benefit.....	$ 305	1,354	504	1,409	2,266	1,811	2,117	2,616	2,984
Average Final Salary	$ 10,794	30,933	31,451	33,405	46,852	41,283	43,197	49,719	46,626
Number of Active Retirants..	1	1	2	1	4	1	6	5	12

Average Benefit Payments (continued)

Retirement Effective Dates: July 1, 2001 to June 30, 2006	Years Credited Service 0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+

Supplemental Legislative Retirement System

	0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
2006									
Average Monthly Benefit.....	$ -	147	310	435	-	-	-	-	963
Average Final Salary	$ -	25,555	30,927	35,060	-	-	-	-	36,594
Number of Active Retirants..	-	4	3	3	-	-	-	-	2
2005									
Average Monthly Benefit.....	$ -	181	270	383	142	775	-	-	-
Average Final Salary	$ -	29,525	27,247	32,158	34,035	39,085	-	-	-
Number of Active Retirants..	-	2	3	1	1	1	-	-	-
2004									
Average Monthly Benefit.....	$ 89	744	351	408	550	-	675	822	964
Average Final Salary	$ 29,452	30,299	29,231	30,666	36,901	-	49,614	41,404	43,853
Number of Active Retirants..	2	2	2	7	5	-	4	1	3
2003									
Average Monthly Benefit.....	$ -	-	-	-	513	-	-	-	-
Average Final Salary	$ -	-	-	-	32,189	-	-	-	-
Number of Active Retirants..	-	-	-	-	1	-	-	-	-
2002									
Average Monthly Benefit.....	$ -	-	282	324	538	-	-	-	-
Average Final Salary	$ -	-	25,733	24,477	41,332	-	-	-	-
Number of Active Retirants..	-	-	1	4	1	-	-	-	-

Retired Members by Type of Benefits
– June 30, 2006

Amount of Monthly Benefit*	Life	Opt. 1	Opt. 2	Opt. 3	Opt. 4A	Opt. 4B	Opt. 4C**	Opt. 5	PLSO 1yr**	PLSO 2yr**	PLSO 3yr**
	Option Selected #										
Public Employees' Retirement System of Mississippi											
$ 1 - 100	1,545	68	344	11	30	165	6	17	27	25	287
101 - 200	4,088	274	727	18	96	330	22	108	67	44	254
201 - 300	4,108	241	590	6	128	297	41	104	54	36	164
301 - 400	3,219	232	535	20	110	289	55	74	49	43	150
401 - 500	2,768	212	531	7	139	232	64	85	44	36	125
501 - 600	2,206	179	461	15	118	246	85	68	56	42	118
601 - 700	1,966	154	427	8	145	181	128	67	45	32	101
701 - 800	1,814	174	408	10	151	165	151	100	33	29	100
801 - 900	1,649	163	419	9	159	185	166	61	41	35	141
901 -1,000	1,574	124	411	13	145	160	165	89	41	21	126
over 1,000	18,039	1,476	5,582	132	2,833	2,197	2,345	526	850	750	3,973
Totals	42,976	3,297	10,435	249	4,054	4,447	3,228	1,299	1,307	1,093	5,539
Mississippi Highway Safety Patrol Retirement System											
$ 1 - 100	1	-	-	-	-	-	-	-	-	-	-
101 - 200	6	-	-	-	-	-	-	-	-	-	-
201 - 300	7	-	-	-	-	-	-	-	-	-	-
301 - 400	39	-	1	-	-	-	-	-	-	-	-
401 - 500	16	-	-	-	4	-	-	-	-	-	-
501 - 600	16	-	-	-	4	-	-	-	-	-	-
601 - 700	9	-	1	-	6	1	-	-	-	-	-
701 - 800	18	-	1	-	5	-	-	-	-	-	-
801 - 900	20	-	-	-	4	-	-	-	-	-	-
901 -1,000	14	-	-	-	4	-	-	-	-	-	-
over 1,000	41	1	45	1	352	8	12	-	19	6	31
Totals	187	1	48	1	379	9	12	-	19	6	31
Supplemental Legislative Retirement Plan											
$ 1 - 100	5	-	2	-	-	3	1	-	-	-	1
101 - 200	9	1	7	-	-	-	-	1	-	-	1
201 - 300	14	-	10	2	1	3	-	1	-	-	-
301 - 400	13	1	7	-	2	2	-	1	1	-	3
401 - 500	5	-	3	-	-	2	-	-	-	2	3
501 - 600	2	-	1	-	-	1	-	1	1	-	2
601 - 700	3	-	2	-	-	3	-	-	-	-	1
701 - 800	3	-	-	-	-	1	-	1	-	-	2
801 - 900	3	-	-	-	2	1	-	-	-	-	1
901 -1,000	-	-	-	-	-	-	-	-	-	-	-
over 1,000	1	-	1	-	-	1	-	-	-	-	1
Totals	58	2	33	2	5	17	1	5	2	2	15

**Excluding 13th check*

#Option Selected: Life-return of contributions; Opt.1-return of member's annuity; Opt. 2-100% survivorship; Opt. 3-50%/50% dual survivorship; Opt. 4A-50% survivorship; Opt. 4B-year's certain and life; Opt. 4C-social security leveling; Opt.5-pop-up; PLSO-partial lump sum option

***Included in other options*

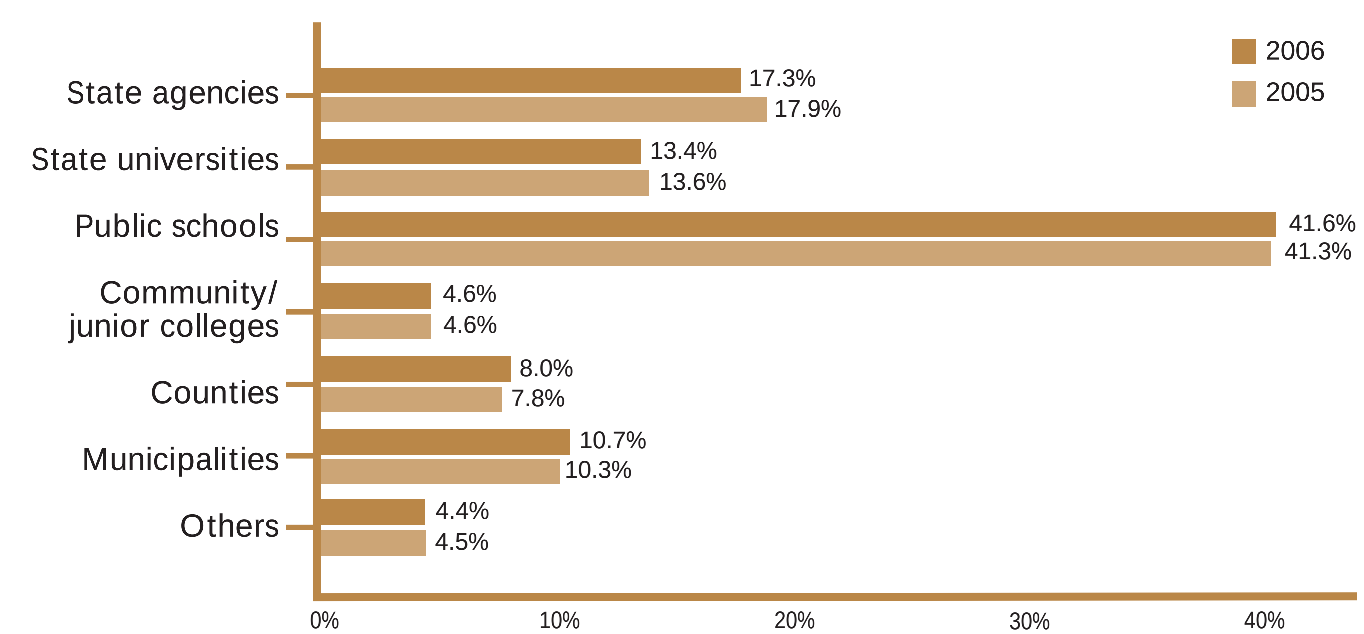
Analysis of Employer and Employee Contributions
For Fiscal Years Ended June 30, 2006 and 2005

(Contributions In Thousands)

Public Employees' Retirement System of Mississippi

Employer Group	Employer Units	Employer Contributions	Employee Number	Employee Contributions	Total Contributions	Percent
2006						
State agencies	113	$ 96,509	32,682	$ 64,945	$ 161,454	17.3%
State universities	9	74,839	16,785	50,353	125,192	13.4
Public schools	150	232,139	64,342	156,188	388,327	41.6
Community/junior colleges	15	25,849	5,632	17,392	43,241	4.6
Counties	82	44,485	13,944	29,930	74,415	8.0
Municipalities	233	59,291	17,783	40,173	99,464	10.7
Other	249	24,719	6,923	16,631	41,350	4.4
Total	851	$557,831	158,091	$375,612	$933,443	100.0%
2005						
State agencies	113	$ 88,108	33,086	$ 65,307	$ 153,415	17.9%
State universities	9	66,921	16,555	49,603	116,524	13.6
Public schools	150	203,516	63,177	150,849	354,365	41.3
Community/junior colleges	15	22,514	5,502	16,688	39,202	4.6
Counties	82	38,205	13,875	28,318	66,523	7.8
Municipalities	231	50,773	17,666	37,989	88,762	10.3
Other	249	22,397	7,240	16,601	38,998	4.5
Total	849	$492,434	157,101	$365,355	$857,789	100.0%

Percent of Total Contributions by Agency Type



Note: Above tables exclude MHSPRS, MRS and SLRP contributions.

Public Employees' Retirement System of Mississippi

Total Active Members as of June 30, 2006 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 +	Totals: Number	Totals: Valuation Payroll
Under 20	251	-	-	-	-	-	-	251	$ 2,350,685
20-24	5,667	123	-	-	-	-	-	5,790	105,069,632
25-29	12,301	3,400	45	-	-	-	-	15,746	415,251,081
30-34	7,946	7,132	2,023	39	-	-	-	17,140	504,652,996
35-39	7,099	5,707	5,106	1,841	60	-	-	19,813	603,909,812
40-44	6,290	5,091	4,009	3,886	1,821	76	-	21,173	649,323,733
45-49	5,455	4,993	3,919	3,641	3,547	1,774	43	23,372	760,426,139
50-54	4,648	4,194	3,525	3,487	2,865	2,993	1,196	22,908	804,622,583
55-59	3,440	3,184	2,820	2,835	2,457	1,759	2,043	18,538	674,241,450
60	504	482	427	437	385	262	303	2,800	101,130,371
61	392	360	310	302	265	203	234	2,066	72,072,188
62	305	312	279	232	218	131	166	1,643	59,486,460
63	266	282	200	239	169	134	146	1,436	50,685,338
64	212	247	165	164	125	100	123	1,136	38,960,757
65	173	182	131	135	102	61	91	875	29,743,087
66	133	127	102	89	63	41	58	613	18,815,717
67	111	115	62	72	44	41	69	514	16,491,694
68	97	95	71	58	33	20	48	422	12,917,376
69	78	82	67	57	30	21	37	372	11,172,737
70 & Over	276	338	241	212	170	94	152	1,483	40,649,825
Totals	55,644	36,446	23,502	17,726	12,354	7,710	4,709	158,091	$ 4,971,973,661

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

Age: 43.9 years
Service: 10.0 years
Annual Pay: $31,450

Mississippi Highway Safety Patrol Retirement System

Total Active Members as of June 30, 2006 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 +	Totals: Number	Totals: Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	13	-	-	-	-	-	-	13	376,517
25-29	38	13	-	-	-	-	-	51	1,477,203
30-34	23	61	7	-	-	-	-	91	3,111,107
35-39	15	39	49	6	-	-	-	109	3,849,839
40-44	2	7	31	41	7	-	-	88	4,052,983
45-49	-	4	6	35	57	11	-	113	5,933,400
50-54	-	2	1	16	24	37	1	81	4,634,869
55-59	-	1	-	1	3	9	4	18	1,063,378
60 & Over	-	-	-	-	-	-	-	-	-
Totals	91	127	94	99	91	57	5	564	$ 24,499,296

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

Age: 41.1 years
Service: 13.8 years
Annual Pay: $43,438

Municipal Retirement Systems

Total Active Members as of September 30, 2005 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 +	Totals: Number	Totals: Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-	-
40-44	-	-	-	3	9	-	-	12	485,580
45-49	-	-	-	1	4	5	1	11	480,073
50-54	-	-	-	1	-	2	12	15	739,800
55-59	-	-	-	-	-	3	17	20	882,280
60 & Over	-	-	-	-	-	-	7	7	321,457
Totals	-	-	-	5	13	10	37	65	$ 2,909,190

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

Age: 53.0 years
Service: 28.8 years
Annual Pay: $44,757

Supplemental Legislative Retirement Plan

Total Active Members as of June 30, 2006 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 +	Totals Number	Totals Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	-	-	-	-	-	-	-	-	-
25-29	4	-	-	-	-	-	-	4	128,962
30-34	5	2	2	-	-	-	-	9	314,163
35-39	2	-	3	-	-	-	-	5	173,783
40-44	7	3	6	-	-	-	-	16	599,441
45-49	3	5	7	-	2	-	-	17	595,245
50-54	6	4	13	2	4	2	-	31	1,144,496
55-59	9	5	9	2	2	4	-	31	1,128,188
60	1	3	2	-	-	-	-	6	212,813
61	1	1	4	-	-	1	1	8	337,282
62	-	1	1	1	-	2	-	5	187,455
63	-	1	1	-	-	1	-	3	179,688
64	2	-	4	-	-	-	-	6	209,693
65	2	1	-	-	-	-	-	3	99,231
66	-	2	-	1	1	-	-	4	145,377
67	2	-	2	-	-	-	-	4	143,588
68	-	-	2	1	-	-	-	3	109,045
69	-	-	2	-	1	-	-	3	112,055
70 & Over	-	2	4	4	1	3	1	15	533,037
Totals	44	30	62	11	11	13	2	173	$ 6,353,542

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

Age: 55.0 years
Service: 11.4 years
Annual Pay: $36,726

Total Defined Benefit Plans

Benefit Payments by County – June 30, 2006

County	Number of Payments[1]	Amount Paid[2]
Adams	950	$ 15,695,585
Alcorn	783	12,329,500
Amite	261	3,887,524
Attala	658	10,026,712
Benton	205	2,810,953
Bolivar	964	19,085,196
Calhoun	334	5,289,261
Carroll	326	5,477,339
Chickasaw	417	7,019,278
Choctaw	278	4,238,285
Claiborne	247	4,796,071
Clarke	397	6,008,098
Clay	477	8,380,619
Coahoma	806	14,821,246
Copiah	657	11,327,595
Covington	538	8,259,813
DeSoto	710	10,560,017
Forrest	1,398	24,564,393
Franklin	246	3,559,152
George	407	6,149,799
Greene	221	3,100,379
Grenada	516	8,241,331
Hancock	465	6,752,949
Harrison	2,999	54,078,497
Hinds	7,488	152,311,328
Holmes	509	8,457,961
Humphreys	233	3,952,829
Issaquena	18	271,067
Itawamba	488	7,927,560
Jackson	2,310	41,403,476
Jasper	378	5,075,233
Jefferson	267	5,113,465
Jefferson Davis	323	4,960,765
Jones	1,851	29,176,694
Kemper	246	3,845,194
Lafayette	1,401	29,220,871
Lamar	1,448	31,337,626
Lauderdale	1,920	33,007,117
Lawrence	415	6,313,075
Leake	507	7,602,326
Lee	1,483	28,024,785
Leflore	880	16,420,937
Lincoln	697	12,093,302
Lowndes	1,274	22,229,393
Madison	1,928	$ 41,756,458
Marion	553	9,248,260
Marshall	475	7,830,196
Monroe	693	11,405,908
Montgomery	415	6,544,185
Neshoba	508	8,093,591
Newton	788	12,830,112
Noxubee	219	3,163,015
Oktibbeha	1,912	45,328,467
Panola	800	12,254,187
Pearl River	901	12,761,499
Perry	275	4,244,122
Pike	941	16,719,830
Pontotoc	469	8,362,016
Prentiss	783	13,062,857
Quitman	249	3,765,475
Rankin	3,584	70,046,901
Scott	651	10,169,621
Sharkey	156	2,517,518
Simpson	776	11,662,917
Smith	354	4,505,290
Stone	436	8,052,124
Sunflower	715	12,688,451
Tallahatchie	331	5,123,424
Tate	523	9,051,362
Tippah	542	7,775,690
Tishomingo	387	5,381,781
Tunica	128	2,067,947
Union	607	9,420,390
Walthall	289	4,493,853
Warren	954	18,059,557
Washington	1,200	21,924,493
Wayne	347	5,023,854
Webster	328	5,132,677
Wilkinson	212	3,524,310
Winston	516	8,832,762
Yalobusha	437	7,110,500
Yazoo	605	10,197,024
Mississippi	65,383	1,165,337,220
Out-of-State	5,462	87,808,823
Out-of-Country	19	239,957
Total	70,864	$ 1,253,386,000

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.*

Participating Government	2006 Covered Employees	2006 Rank	2006 Percentage of Total System	1998* Covered Employees	1998* Rank	1998* Percentage of Total System
Public Employees' Retirement System						
University Medical Center	5,963	1	3.77%	5,409	1	3.72%
Jackson Municipal Separate Schools	4,786	2	3.03	3,766	2	2.59
Mississippi State University	3,677	3	2.33	3,766	2	2.59
Mississippi Department of Transportation	3,266	4	2.07	3,262	6	2.24
Corrections Department	3,169	5	2.00	3,721	4	2.56
Desoto County Board of Education	3,034	6	1.92	1,219	15	0.84
Department of Human Services	2,947	7	1.86	3,599	5	2.48
Mississippi State Hospital	2,224	8	1.41	2,493	7	1.72
State Department of Health	2,204	9	1.39	2,472	8	1.70
Rankin County Board of Education	2,084	10	1.32	1,386	12	0.95
All Other **	124,737	-	78.90	114,228	-	78.61
Total (851 Governments)	158,091	-	100.00%	145,321	-	100.00%

***In 2006, "All Other" consisted of:*

Type	Number	Employees
State Agencies	108	18,872
State Universities	7	7,145
Public Schools	147	54,438
Community/Junior Colleges	15	5,632
Counties	82	13,944
Municipalities	233	17,783
Other Political Subdivisions	249	6,923
Total	841	124,737

Participating Government	2006 Covered Employees	2006 Rank	2006 Percentage of Total System	1998* Covered Employees	1998* Rank	1998* Percentage of Total System
Municipal Retirement Systems						
City of Hattiesburg	14	1	21.54%	69	2	20.06%
City of Clinton	10	2	15.38	23	3	6.69
City of Jackson	7	3	10.77	84	1	24.42
City of Natchez	5	4	7.70	12	7	3.49
All Other ***	29	-	44.61	156	-	45.34
Total (17 Governments)	65	-	100.00%	344	-	100.00%

****In 2006, "All Other" consisted of:*

Type	Number	Employees
State Agencies	-	-
State Universities	-	-
Public Schools	-	-
Community/Junior Colleges	-	-
Counties	-	-
Municipalities	13	29
Other Political Subdivisions	-	-
Total	13	29

**Data not available prior to 1998*

Participating Employers Covered by Law

State agencies
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
Belmont
Belzoni
Benoit
Bentonia
Biloxi
Blue Mountain
Booneville
Boyle
Brandon
Brookhaven
Brooksville
Bruce
Bude
Burnsville
Byhalia
Caledonia
Calhoun City
Canton
Carthage
Centreville
Charleston
Chunky
Clarksdale
Cleveland
Clinton
Coffeeville
Coldwater
Collins
Columbia
Columbus
Como
Corinth
Crawford
Crenshaw
Crosby
Crystal Springs
Decatur
DeKalb
D'Lo
Derma
D'Iberville
Drew
Duck Hill
Durant
Ecru
Edwards
Ellisville
Enterprise
Ethel
Eupora
Falkner
Farmington
Flora
Florence
Flowood
Forest
Fulton
Gautier
Gloster
Golden
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
Mayersville
McComb
McLain
Meadville
Mendenhall
Meridian
Merigold
Mize
Monticello
Moorhead
Morton
Moss Point
Mount Olive
Myrtle
Natchez
Nettleton
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
Pontotoc
Poplarville
Port Gibson
Potts Camp
Prentiss
Puckett
Purvis
Quitman
Raleigh
Raymond
Renova
Richland
Richton
Ridgeland
Rienzi
Ripley
Rolling Fork
Rosedale
Roxie
Ruleville
Saltillo
Sallis
Sandersville
Sardis
Sebastopol
Seminary
Senatobia
Shannon
Shaw
Shelby
Sherman
Shubuta
Shuqualak
Silver Creek
Sledge
Smithville
Soso
Southaven
Starkville
State Line
Stonewall
Sturgis
Summit
Sumner
Sumrall
Sunflower
Taylorsville
Tchula
Tishomingo
Tremont
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
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
Delta Blues Museum
Desoto County Convention & Visitors Bureau
Desoto County Regional Utility Authority
Diamondhead Fire Protection District
East Leflore County Water and Sewer District
Emergency Management District
Forrest County Soil & Water Conservation District
George County Soil & Water Conservation District
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 Regional Planning Commission
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 County Utility Authority
Jackson Municipal Airport Authority
Jones County Economic Development Authority
Lafayette County Soil & Water Conservation District
Lamar County Economic Development 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 Economic Development Authority
Madison County Human Resource Agency
Mantachie Natural Gas District

Juristic Entities (continued)

Marion County Soil & Water Conservation District
Mental Health & Retardation, Region III (NE MS MHR)
Mental Health & Retardation, Region IV (Corinth)
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
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 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
Runnelstown Utility District
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 Airport Commission
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
Walthall County Soil & Water Conservation District
Wayne County Economic Development District
West Jackson County Utility District
Winston County Economic Development
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
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
Montfort Jones Memorial
Natchez Regional Medical Center
North Sunflower Medical Center
Simpson General
Singing River
South Sunflower County
Tippah County

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
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
Natchez Adams Wilkinson
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
Yalobusha County
Yazoo Library Association