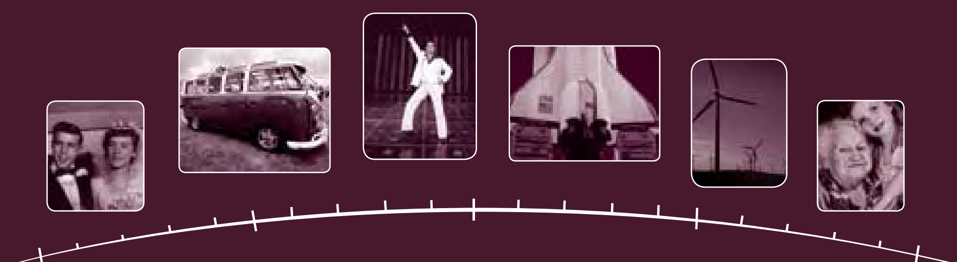
2007 Comprehensive Annual Financial Report

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



PERS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MISSISSIPPI

The Bea Barnard Memorial Fund

The 2007 Comprehensive Annual Financial Report is dedicated to the Bea Barnard Memorial Fund and to the memory of each former teacher under this system who faithfully served our state's educational program. The fund, formerly the Teacher's Retirement System, was established on July 1, 1944, to serve teachers and administrators in the public schools of Mississippi, including senior colleges, junior colleges and special schools. The fund was closed to new members in 1952 and brought under the administration of the newly created Public Employees' Retirement System. In 2001, the fund was renamed in honor of Bea Barnard, a native of Lee County, who was one of the first publicly elected female Superintendents of Education in Mississippi.

There is strength in numbers, as the adage goes.

PERS has in fact been growing stronger and stronger every year since 1952. With the 2007 CAFR, we look back on the milestones and the people who've added greatly to our strength. We never forget that behind every number is, of course, a person. For more than 50 years, PERS has been here to serve our state's public employees – those who, in turn, serve others – so that together we can continue to make our state as strong as it possibly can be.

2007 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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December 18, 2007

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

Dear Board Members:

I am pleased to submit the 2007 Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System of Mississippi (System). This year's report is presented in honor of the Bea Barnard Memorial Fund, previously the Former Teachers' Retirement System, which terminated this year with the passing of our single remaining retired teacher. In 1952, the closing of the Bea Barnard Memorial Fund to new members was the catalyst for legislative creation of the Public Employees' Retirement System, established, in part, to administer pension benefits for former teachers in the plan. Many changes have occurred and many successes have been achieved over the past 55 years, but one constant remains. We continue our commitment to serve members, who serve others, by helping to provide them with a strong 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. As of June 30, 2007, the System served a total of 286,858 members and 73,720 retirees and beneficiaries. There are 886 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 $1.4 billion. Employers contributed $636 million during the fiscal year while members of the System contributed a total of $394 million during the same period. As of June 30, 2007, net investment income totaled $3.5 billion and net assets held in trust for pension benefits reached $21.9 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. 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.

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 30.

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 2007 independent audit was conducted by Horne LLP, a firm of licensed certified public accountants. The Independent Auditors' Report is presented in the Financial Section on page 15.

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 auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with this letter.

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 were evaluated quarterly by the System's investment consultant, which was Callan Associates, Inc., Investment Measurement Service at June 30, 2007. The investment return for fiscal year 2007 was 18.9 percent, while the ten year investment return was 7.89 percent. A performance summary of rates of return compared to appropriate benchmark rates of return is located on page 56 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, the Board of Trustees devised a long-range approach to enhance funding adequacy of the System. Our consulting actuary recommended an employer contribution rate for PERS of 12.50 percent as a measure to achieve our funding objectives. To mitigate the financial impact to the State of Mississippi, the Board of Trustees agreed to transition employer contribution rate increases in .55 percent increments. The rate continued to increase until a sufficient funding level was reached to maintain the liability payment period within 30 years. As a result, the employer contribution rate was increased to 11.30 percent effective July 1, 2006, and 11.85 percent effective July 1, 2007. Favorable investment performance, coupled with prior year increases in employer contribution rates, have enabled our consulting actuary to decrease the recommended employer contribution rate to 11.85 percent in the most recent actuarial valuation report.

Employer contribution rates for MHSPRS and SLRP remain at 2006 levels of 30.30 percent and 6.65 percent, respectively. 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, 2006 actuarial valuation. MRS plans are aggregated for financial reporting purposes and plans are closed to new members.

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 73.7 percent, MHSPRS is funded at 76.7 percent, MRS is funded at 55.7 percent and SLRP is funded at 84.5 percent. Funding status and progress is presented in the Required Supplementary Information Schedules and accompanying notes beginning on page 42.

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

During 2007, an organizational study was completed which focused on determining the most logical and cost-effective functional structure necessary to support our operations and objectives. We believe that the operating plan which resulted from this study provides PERS with an effective strategy for balancing current needs with successful future performance. Opportunities were identified in the plan including reorganization of staff and related processes in the Retirement Services Division, development of a dedicated Communications Department, expansion of the Investment Division, a reasonable and more competitive pay plan, enhancements to our employee development program and improvements aimed toward stronger succession planning. I am pleased to report that the initial phases of the plan have yielded positive results and we look forward to full implementation during fiscal year 2009.

Information technology has been an area of careful consideration and review for PERS over the passed two years. In keeping with our efforts to provide high quality pension benefits administration, the System engaged L. R. Wechsler, Ltd. to examine our current processes in order to assist with business process reengineering assimilating industry best practices. Additionally, the consultant will assist in developing an RFP to procure a business software solution to optimize business processes, fully integrate business components and achieve greater depth in using and analyzing system data for decision making purposes.

Our reengineered web-based Employer Reporting system, known as WEB-ERS, has been introduced to a pilot group of participating employers. The new reporting system offers immediate availability of system updates, enhanced instructional guides and the ability to capture a broader range of data. We anticipate that WEB-ERS will be available to all employers by the end on fiscal year 2008.

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, 2006. 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 twenty 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, 2006. 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 this award for the last four 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 2007 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

2007 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
7/07 to 6/13

Edward Lee Childress, Ed.D., Chairman
Elected by Public School and Community/Junior College Employees
5/04 to 4/10

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
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 6/08

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

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Pacific Investment Management Co.
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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, 2006

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.

Government Finance Officers Association of the United States and Canada Corporation SEAL Chicago

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2007 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 – Bureau of Benefit Services

Greg Gregory, CPA
Deputy Administrator – Office of Administrative Services

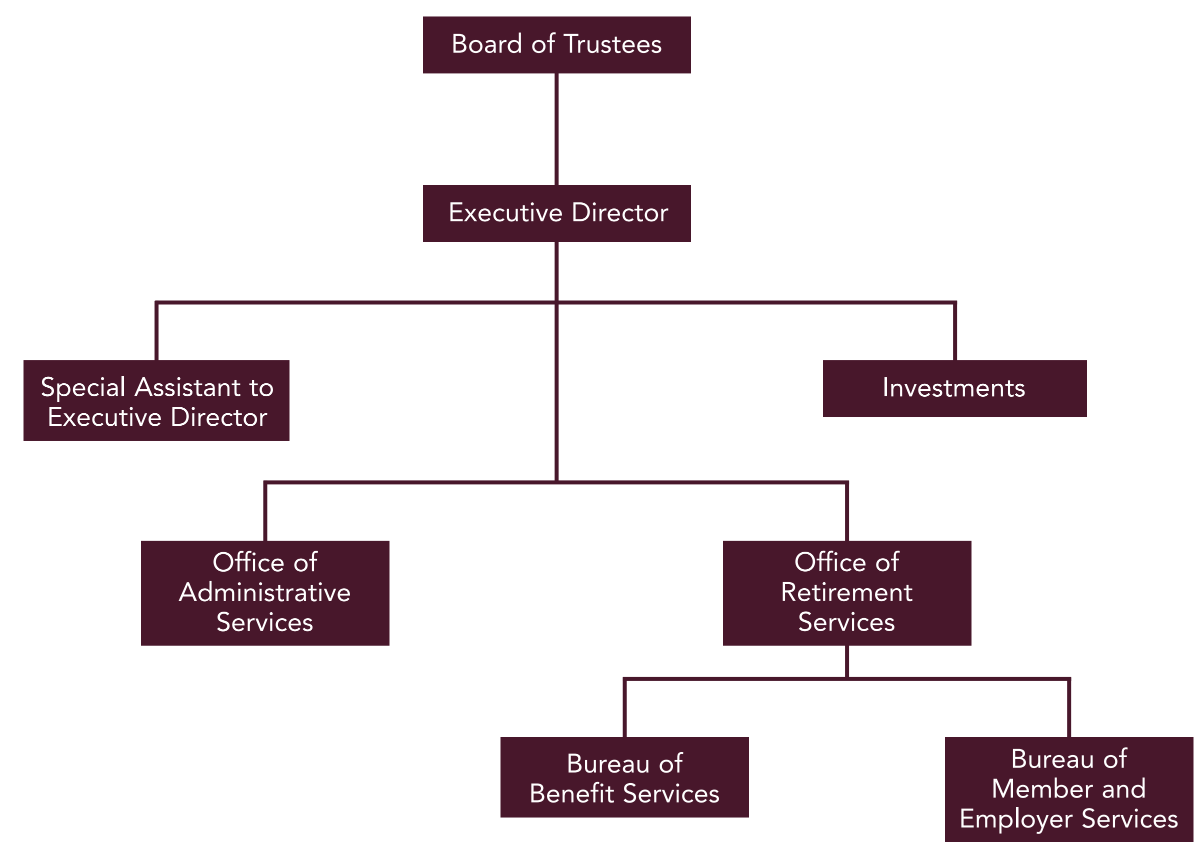
Denise Owens-Mounger, JD, CLU
Deputy Director – Special Assistant
To Executive Director

Robert J. Rhoads, CPM
Deputy Administrator – Office of Retirement Services

Shirley Sessoms
Deputy Director – Bureau of Member and Employer Services

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

Organizational Chart



Financials

PERS through the years

1958 – Mississippi Highway Safety Patrol Retirement System is established.

1952 – PERS established to provide benefits for all state and public employees.

1957 – John F. Kennedy earns a Pulitzer Prize for his book, *Profiles in Courage.*

1951 – Leo Fender introduces the Broadcaster, later to become the legendary Telecaster.

1950s and ’60s

1966 – The very first PERS 13th check (for annual cost-of-living increase) is paid to those retired prior to July 1, 1966.

1963 – Da Vinci’s “Mona Lisa” exhibited for the first time in the United States.

July 20, 1969 – Apollo 11 lands on the moon with astronauts Neil Armstrong and Buzz Aldrin.

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, 2007, 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, 2007, 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 19, 2007, 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 16 through 24 and the schedules of funding progress and employer contributions on pages 42 and 43 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 19, 2007

Management's Discussion and Analysis

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, 2007. 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 $3.1 billion, or 16.4 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 2007 was 18.9 percent compared with fiscal year 2006 rate of return of 10.7 percent. The U.S. and international equity portfolios returned 20.6 percent and 29.1 percent for the year respectively, while the return on debt securities was 6.3 percent. The rate of return on real estate investments was 16.2 percent as of fiscal year end.

- The defined benefit plans administered by the System were actuarially funded at an average of 72.7 percent as of June 30, 2007, an increase from the comparative average of 72.0 percent as of June 30, 2006. The increase in funding percentage was primarily due to favorable investment performance. Funding status is further described in note 6 of the basic financial statements.

- The GEDCP net assets increased $141 million during fiscal year 2007 primarily due to an increase in the market value of securities.

- The GEDCP rates of return for investment options ranged from a high of 25.9 percent to a low of 4.3 percent compared to prior year investment option returns of a high of 26.4 percent and a low of negative .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, 2007. This financial information also summarizes 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, 2007, 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, 2007, 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, 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 Statement of Fiduciary Net Assets. Investment gains or losses are reported in the Statement 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, 2007, the System's total investments approximated $21.9 billion, an increase of $3.1 billion from fiscal year 2006 investment totals. The combined investment portfolio experienced a return of 18.9 percent compared with a median large public plan return of 17.6 percent*. 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 56 in the Investment Section.

*Callan Associates Public Plan Sponsor Large Fund Universe

Equity Securities

At June 30, 2007, the System held $16.1 billion in U.S. and international equity securities, an increase of $2.6 billion from fiscal year 2006. U.S. equity and international equity securities had returns of 20.6 percent and 29.1 percent respectively, for the 2007 fiscal year, compared to the System's benchmark returns of 20.1 percent and 27.0 percent, respectively.

Long-Term Debt Securities

At June 30, 2007, the System held $4.5 billion in U.S. long-term debt securities, which is approximately $271 million more than fiscal year 2006 holdings. Long-term debt securities returned 6.3 percent compared with the System's benchmark return of 6.1 percent.

Real Estate

The real estate portfolio is divided between core commingled and value added 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, 2007, holdings totaled $859 million, an increase of $136 million from 2006.

Real estate investments experienced returns of 16.2 percent for the year end. The NCREIF Index, the benchmark for the System's core commingled fund investments, saw returns of 17.2 percent for the year ended June 30, 2007, while the Wilshire REIT Index, used to benchmark REIT investments, had returns of 11.7 percent for the same period.

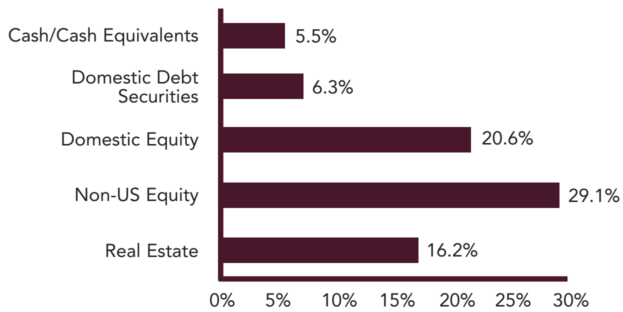
Short-Term Securities

At June 30, 2007, the System held $276 million in short-term investments, which is approximately the same as 2006 holdings. Short-term investments returned 5.5 percent for the 2007 fiscal year.

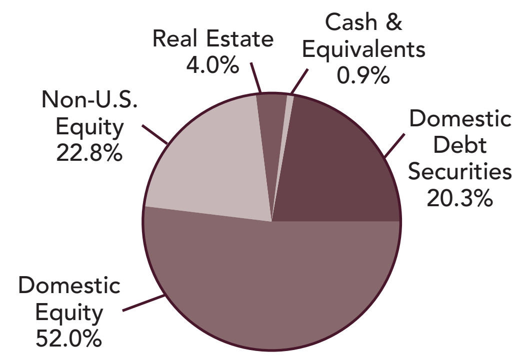
Securities Lending

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 for their clients. BNY invests cash collateral in order to earn interest. For the 2007 fiscal year, net securities lending income to the System amounted to $12.6 million, an increase of $2.2 million from fiscal year 2006. The increase in securities lending revenue for fiscal year 2007 is representative of an increase in demand by broker-dealers to borrow available securities, as well as larger lending spreads.

Defined Benefit Plans
- Investment Rates of Return by Investment Type
  Fiscal Year 2007



Defined Benefit Plans
- Asset Allocation at Fair Value
  June 30, 2007



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, 2007, amounted to $21.4 billion, an increase of $3.1 billion (16.5 percent) over $18.3 billion at June 30, 2006.

Additions to PERS net assets held in trust for benefits include employer and member contributions and investment income. For the 2007 fiscal year, member and employer contributions increased from those of fiscal year 2006 from $933.4 million to $1 billion or an increase of $66.6 million (7.5 percent). This change is attributed to an increase in the employer contribution rate, effective July 1, 2006, from 10.75 percent to 11.30 percent. PERS recognized net investment income of $3.4 billion for the 2007 fiscal year, compared with $1.8 billion for the 2006 fiscal year.

Deductions from PERS net assets held in trust for benefits primarily include retirement and beneficiary benefits, and administrative expenses. For the 2007 fiscal year, benefits amounted to $1.4 billion, an increase of $92 million (7.3 percent) over the 2006 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 2007 fiscal year, the costs of administering the System amounted to $10.3 million, a increase of $567 thousand (5.8 percent) from fiscal year 2006. The rise in administrative expenses was due primarily to increases in personal and contractual services categories.

An actuarial valuation of PERS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2007, the funded status of the plan increased to 73.7 percent from 73.5 percent at June 30, 2006. The amount by which the PERS actuarial assets were less than actuarial benefit liabilities was $7.1 billion at June 30, 2007, an increase of $464 million over June 30, 2006. The increase in funded status relates primarily to favorable investment returns and an increase in the employer contribution rate.

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

	PERS		MHSPRS	
	2007	2006	2007	2006
Assets:				
Cash, cash equivalents, and receivables	$ 645,230	$ 656,173	$ 9,821	$ 7,781
Investments at fair value	21,210,276	18,308,481	304,832	230,230
Invested securities lending collateral	5,953,742	4,974,021	85,920	72,558
Capital assets	16,747	17,180	-	-
Total assets	27,825,995	23,955,855	400,573	310,569
Liabilities:				
Investment accounts and other payables	510,957	588,672	7,381	7,103
Securities lending liability	5,962,022	5,046,120	86,040	37,829
Total liabilities	6,472,979	5,634,792	93,421	44,932
Total net assets	$ 21,353,016	$ 18,321,063	$ 307,152	$265,637

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

	PERS		MHSPRS	
	2007	2006	2007	2006
Additions:				
Contributions	$ 1,003,156	$ 933,443	$ 10,053	$ 8,473
Investment income	3,402,562	1,777,853	49,104	25,934
Other additions	604	580	2,341	2,628
Total additions	4,406,322	2,711,876	61,498	37,035
Deductions:				
Pension benefits	1,291,456	1,198,230	19,774	19,359
Refunds	72,572	73,344	44	110
Administrative and other deductions	10,341	9,774	165	138
Total deductions	1,374,369	1,281,348	19,983	19,607
Increase in net assets	$ 3,031,953	$ 1,430,528	$ 41,515	$ 17,428

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, 2007 amounted to $307.2 million, an increase of $42 million (15.6 percent) from $265.6 million at June 30, 2006.

Additions to MHSPRS net assets held in trust for benefits include employer and member contributions and investment income. For the 2007 fiscal year, member and employer contributions increased by $1.6 million (18.6 percent) from those of fiscal year 2006, from $8.5 million to $10.1 million. Contributions increased due to an increase in the employer contribution rate to 30.3 percent, effective July 1, 2006, and an increase in members. MHSPRS recognized net investment income of $49.1 million for the 2007 fiscal year compared with $25.9 million for the 2006 fiscal year.

Net Assets – Defined Benefit Plans
June 30

(In Thousands)

MRS		SLRP		Eliminations	Total Defined Benefit Pension Plans		Total Percent Change
2007	2006	2007	2006	2007	2007	2006	
$ 6,661	$ 6,554	$ 368	$ 323	$ (5)	$ 662,075	$ 670,824	(1.3)%
237,566	193,378	13,717	10,042	-	21,766,391	18,742,131	16.1%
66,961	60,330	3,866	3,179	-	6,110,489	5,110,088	19.6%
-	-	-	-	-	16,747	17,180	(2.5)%
311,188	260,262	17,951	13,544	(5)	28,555,702	24,540,223	16.4%
5,700	5,979	331	314	(5)	$ 524,364	602,061	(12.9)%
67,054	33,406	3,872	1,610	-	6,118,988	5,118,965	19.5%
72,754	39,385	4,203	1,924	(5)	6,643,352	5,721,026	16.1%
$ 238,434	$ 220,877	$ 13,748	$ 11,620	$ -	$ 21,912,350	$ 18,819,197	16.4%

Changes in Net Assets – Defined Benefit Plans
Year Ended June 30

(In Thousands)

MRS		SLRP		Eliminations	Total Defined Benefit Pension Plans		Total Percent Change
2007	2006	2007	2006	2007	2007	2006	
$ 15,253	$ 15,876	$ 627	$ 606	$ -	$ 1,029,089	$ 958,398	7.4%
38,269	21,563	2,209	1,137	-	3,492,144	1,826,487	91.2%
-	-	-	-	(594)	2,351	2,632	(10.7)%
53,522	37,439	2,836	1,743	(594)	4,523,584	2,787,517	62.3%
35,544	35,165	699	632	-	1,347,473	1,253,386	7.5%
1	1	-	1	-	72,617	73,456	(1.1)%
420	430	9	8	(594)	10,341	9,774	5.8%
35,965	35,596	708	641	(594)	1,430,431	1,336,616	7.0%
$ 17,557	$ 1,843	$ 2,128	$ 1,102	$ -	$ 3,093,153	$ 1,450,901	113.2%

Deductions from MHSPRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2007 fiscal year, benefits amounted to $19.8 million, an increase of $349 thousand (1.8 percent) from the 2006 fiscal year. For the 2007 fiscal year, MHSPRS transferred $165 thousand to PERS to offset the cost of administration, an increase of $27 thousand (19.6 percent) from fiscal year 2006.

An actuarial valuation of MHSPRS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2007, the funded status of the plan increased to 76.7 percent from 75.8 percent at June 30, 2006. The amount by which the MHSPRS actuarial assets were less than actuarial benefit liabilities was $86.6 million, compared with $85.0 million at June 30, 2006. The change in funded status relates primarily to favorable investment returns and an increase in the employer contribution rate.

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, 2007 amounted to $238.4 million, an increase of $17.5 million (7.9 percent) from $220.9 million at June 30, 2006.

Additions to MRS net assets held in trust for benefits consist of employer and member contributions and investment income. For the 2007 fiscal year, member and employer contributions of $15.3 million was $600 thousand (3.9 percent) less than contributions of $15.9 million received in fiscal year 2006. Municipal plan employer contributions are funded through taxes levied on assessed properties. The decrease in contributions is a result of a decline in assessed value of property in this closed system. MRS recognized net investment income of $38.3 million for the 2007 fiscal year compared with $21.6 million for the 2006 fiscal year.

Deductions from MRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2007 fiscal year, benefits amounted to $35.5 million, an increase of $379 thousand (1.1 percent) over the 2006 fiscal year. The increase in benefit payments resulted primarily from retirees added to retirement roles having somewhat higher benefits due to higher annual salaries while those removed from roles were typically retired for a number of years based at salary rates which were comparatively lower. For the 2007 fiscal year, MRS transferred $420 thousand to PERS to offset the cost of administration, compared to $430 thousand transferred for fiscal year 2006. 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, 2006, decreased to 55.7 percent from 56.1 percent at September 30, 2005. The amount by which the MRS actuarial assets were less than actuarial benefit liabilities was $169.8 million at September 30, 2006, compared with $170.2 million at September 30, 2005. The effect of setting MRS actuarial assets equal to market value of net assets for fiscal year 2006 mitigated the effects of the expected downward trend in funding status.

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, 2007 amounted to $13.7 million, an increase of $2.1 million (18.3 percent) over $11.6 million at June 30, 2006.

Additions to SLRP net assets held in trust for benefits include employer and member contributions and investment income. For the 2007 fiscal year, member and employer contributions were $627 thousand, an increase of $21 thousand (3.5 percent) from those of fiscal year 2006. Contributions increased due to an increase in the employer contribution rate to 6.65 percent, effective July 1, 2006. SLRP recognized net investment income of $2.2 million for the 2007 fiscal year, compared with $1.1 million for the 2006 fiscal year.

Deductions from SLRP net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2007 fiscal year, benefits amounted to $699 thousand, an increase from $633 thousand (10.4 percent) in the 2006 fiscal year. Benefit payments increased due to an increase in the number of retired participants. For the 2007 fiscal year, SLRP transferred $9 thousand to PERS to offset the cost of administration. Transfers in 2006 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, 2007, the funded status of the plan increased to 84.5 percent from 82.6 percent at June 30, 2006. The amount by which the SLRP actuarial assets were under actuarial benefit liabilities was $2.3 million, compared with $2.4 million at June 30, 2006. The change in funded status relates primarily to favorable investment returns, as well as an increase in the employer contribution rate.

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 42. This table shows 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, 2007, funding ratios ranged from a high of 84.5 percent to a low of 55.7 percent, as compared to 82.6 percent and 56.1 percent for June 30, 2006. The average funding ratio increased from 72.0 percent to 72.7 percent during the fiscal year Investment performance and increases in the PERS, MHSPRS and SLRP employer contribution rates were major elements in the System's overall funding increase.

At June 30, 2007, the Systems' total unfunded actuarial accrued liability had increased to $7.3 billion from $6.9 billion at June 30, 2006. This is a net increase in the unfunded actuarial accrued liability of $465 million for the year. At June 30, 2007, the difference between the actuarial value of assets and market value of assets was $1.5 billion resulting in actuarially deferred gains which will be recognized in equal increments over the next four years. In 2006, the actuarial value of assets was set equal to the

Net Assets – IRC 457 Plan

June 30

(In Thousands)

	IRC 457 Plan GEDCP 2007	2006	Percent Change
Assets:			
Cash and receivables	$ 6,835	$ 6,756	1.2 %
Investments at fair value	1,052,101	911,239	15.5 %
Total	1,058,936	917,995	15.4 %
Liabilities:			
Investment accounts and other payables	201	266	(24.4)%
Total	201	266	(24.4)%
Total net assets	$ 1,058,735	$ 917,729	15.4 %

Changes in Net Assets – IRC 457 Plan

Year ended June 30

(In Thousands)

	IRC 457 Plan GEDCP 2007	2006	Percent Change
Additions:			
Contributions	$ 78,076	$ 82,325	(5.2)%
Investment income	119,691	57,436	108.4 %
Total	197,767	139,761	41.5 %
Deductions:			
Pension benefits	56,761	49,098	15.6 %
Total	56,761	49,098	15.6 %
Increase in net assets	$ 141,006	$ 90,663	55.5 %

market value of assets for PERS, MHSPRS and SLRP. Municipal Retirement Systems' actuarial assets were set equal to market value of net assets at the MRS valuation date of September 30, 2006. Smoothing of MRS 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.

In 2005, the Board of Trustees developed a plan to enhance funding adequacy of the System through adjustments to employer contribution rates. Our consulting actuary recommended a PERS 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's general fund budget, the Board approved a plan to distribute the rate increase over multiple years in .55 percent increments until a sufficient funding level was reached to maintain the liability payment period within 30 years. Beginning July 1, 2007, the employer contribution rate for PERS was increased from 11.3 percent to 11.85 percent. In the June 30, 2007 valuation report, our consulting actuary recommended a decrease in the required contribution rate to 11.85 percent.

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, 2007, amounted to $1.1 billion, an increase of $182.3 million (15.4 percent) over net assets of $917.7 million at June 30, 2006.

Additions to the 457 Plan net assets held in trust for benefits include contributions and investment income. For the 2007 fiscal year, contributions decreased from those of the 2006 fiscal year from $82.3 million to $78.1 million or a decrease of $4.2 million (5.2 percent). Contributions decreased from last year due primarily to a reduction in the number and dollar amount of funds being rolled into the plan from PERS. However, participation in the plan increased from 37,084 in 2006 to 38,145 in 2007. Net investment income of $119.7 million was recognized for the 2007 fiscal year compared with net investment income of $57.4 million for the 2006 fiscal year.

Deductions from the 457 Plan net assets include payments to participants and beneficiaries. For the 2007 fiscal year, payments amounted to $56.8 million, an increase of $7.7 million (15.6 percent) over the 2006 fiscal year. The increase in payments is attributed to an increase in the number of retirees.

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

Requests for Information

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

Public Employees' Retirement System of Mississippi

Statement of Fiduciary Net Assets – June 30, 2007

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds	Agency Funds	Total 2007
Assets										
Cash and cash equivalents (note 3)	$ 237,988	$ 3,408	$ 2,656	$ 153	$ -	$ 244,205	$ 2,173	$ 246,378	$ 15	$ 246,393
Receivables:										
Employer	45,723	-	271	-	-	45,994	-	45,994	-	45,994
Employee	29,335	-	16	-	-	29,351	4,481	33,832	-	33,832
Investment proceeds	236,262	3,395	2,646	153	-	242,456	-	242,456	-	242,456
Interest and dividends	95,243	1,369	1,067	62	-	97,741	181	97,922	-	97,922
Other receivables	663	1,649	5	-	-	2,317	-	2,317	-	2,317
Total receivables	407,226	6,413	4,005	215	-	417,859	4,662	422,521	-	422,521
Investments, at fair value (note 3)										
Short-term securities	268,939	3,866	3,012	173	-	275,990	17,254	293,244	-	293,244
Long-term debt securities	4,389,529	63,086	49,165	2,839	-	4,504,619	23,615	4,528,234	-	4,528,234
Equity securities	15,714,411	225,845	176,010	10,163	-	16,126,429	567,898	16,694,327	-	16,694,327
Real estate investments	837,397	12,035	9,379	542	-	859,353	-	859,353	-	859,353
Asset allocation fund	-	-	-	-	-	-	45,252	45,252	-	45,252
Fixed rate and variable	-	-	-	-	-	-	397,614	397,614	-	397,614
Life insurance contracts	-	-	-	-	-	-	468	468	-	468
Total investments before lending activities	21,210,276	304,832	237,566	13,717	-	21,766,391	1,052,101	22,818,492	-	22,818,492
Securities lending:										
Short-term securities	1,349,849	19,480	15,182	876	-	1,385,387	-	1,385,387	-	1,385,387
Long-term debt securities	4,603,893	66,440	51,779	2,990	-	4,725,102	-	4,725,102	-	4,725,102
Total securities lending	5,953,742	85,920	66,961	3,866	-	6,110,489	-	6,110,489	-	6,110,489
Total investments	27,164,018	390,752	304,527	17,583	-	27,876,880	1,052,101	28,928,981	-	28,928,981
Due from (to) other funds (note 5)	16	-	-	-	(5)	11	-	11	-	11
Capital assets, at cost, net of accumulated depreciation (note 4)	16,747	-	-	-	-	16,747	-	16,747	-	16,747
Total assets	27,825,995	400,573	311,188	17,951	(5)	28,555,702	1,058,936	29,614,638	15	29,614,653
Liabilities										
Accounts payable and accrued expenses	509,797	7,381	5,695	331	-	523,204	199	523,403	15	523,418
Obligations under securities lending	5,962,022	86,040	67,054	3,872	-	6,118,988	-	6,118,988	-	6,118,988
Due to other funds (note 5)	22	-	5	-	(5)	22	2	24	-	24
Funds held for others	1,138	-	-	-	-	1,138	-	1,138	-	1,138
Total liabilities	6,472,979	93,421	72,754	4,203	(5)	6,643,352	201	6,643,553	15	6,643,568
Net assets held in trust for pension benefits	$21,353,016	$307,152	$ 238,434	$13,748	$ -	$21,912,350	$1,058,735	$22,971,085	$ -	$22,971,085

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

Public Employees' Retirement System of Mississippi

Statement of Changes in Fiduciary Net Assets – For the Year Ended June 30, 2007

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds 2007
Additions:								
Contributions:								
Employer	$ 610,888	$ 8,275	$ 15,050	$ 432	$ -	$ 634,645	$ -	$ 634,645
Employee	392,268	1,778	203	195	-	394,444	78,076	472,520
Total contributions	1,003,156	10,053	15,253	627	-	1,029,089	78,076	1,107,165
Net investment income:								
Net appreciation in fair value	2,844,068	41,044	31,987	1,847	-	2,918,946	116,718	3,035,664
Interest and dividends	581,899	8,398	6,545	377	-	597,219	2,973	600,192
Total before lending activities	3,425,967	49,442	38,532	2,224	-	3,516,165	119,691	3,635,856
Securities lending:								
Net appreciation in fair value	31,549	455	355	20	-	32,379	-	32,379
Interest	263,773	3,807	2,967	171	-	270,718	-	270,718
Interest expense	(280,881)	(4,053)	(3,159)	(182)	-	(288,275)	-	(288,275)
Program fees	(2,119)	(31)	(24)	(1)	-	(2,175)	-	(2,175)
Net income from securities lending	12,322	178	139	8	-	12,647	-	12,647
Managers' fees and trading costs	(35,727)	(516)	(402)	(23)	-	(36,668)	-	(36,668)
Net investment income	3,402,562	49,104	38,269	2,209	-	3,492,144	119,691	3,611,835
Other additions:								
Rent income	9	-	-	-	-	9	-	9
Administrative fees	594	-	-	-	(594)	-	-	-
Other	1	2,341	-	-	-	2,342	-	2,342
Total other additions	604	2,341	-	-	(594)	2,351	-	2,351
Total	4,406,322	61,498	53,522	2,836	(594)	4,523,584	197,767	4,721,351
Deductions:								
Retirement annuities	1,291,456	19,774	35,544	699	-	1,347,473	56,761	1,404,234
Refunds to terminated employees	72,572	44	1	-	-	72,617	-	72,617
Total	1,364,028	19,818	35,545	699	-	1,420,090	56,761	1,476,851
Administrative expenses:								
Personal services:								
Salaries, wages and fringe benefits	6,579	-	-	-	-	6,579	-	6,579
Travel and subsistence	66	-	-	-	-	66	-	66
Contractual services	2,887	-	-	-	-	2,887	-	2,887
Commodities	314	-	-	-	-	314	-	314
Total administrative expenses	9,846	-	-	-	-	9,846	-	9,846
Depreciation	495	-	-	-	-	495	-	495
Administrative fees	-	165	420	9	(594)	-	-	-
Total	1,374,369	19,983	35,965	708	(594)	1,430,431	56,761	1,487,192
Net increase	3,031,953	41,515	17,557	2,128	-	3,093,153	141,006	3,234,159
Net assets held in trust for pension benefits:								
Beginning of year	18,321,063	265,637	220,877	11,620	-	18,819,197	917,729	19,736,926
End of year	$21,353,016	$307,152	$238,434	$13,748	$ -	$21,912,350	$1,058,735	$22,971,085

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

1. Plan Description

(a) General

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

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

**Closed to new members*

The System's purpose is to provide pension benefits for all State and public education employees, 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	237	–	17	–	254
Other political subdivisions	256	–	–	–	256
Total employers	862	2	17	5	886
Members:					
Active vested	108,744	453	49	127	109,373
Active nonvested	54,060	138	-	48	54,246
Total active members	162,804	591	49	175	163,619
Inactive vested	17,288	15	1	51	17,355
Inactive nonvested	105,842	32	2	8	105,884
Total inactive members	123,130	47	3	59	123,239
Retirees and beneficiaries	70,756	638	2,200	126	73,720
Total retired/inactive members	193,886	685	2,203	185	196,959
Total members	356,690	1,276	2,252	360	360,578
Active members by employer:					
State agencies	33,335	591	–	175	34,101
State universities	17,191	–	–	–	17,191
Public schools	65,535	–	–	–	65,535
Community/junior colleges	5,733	–	–	–	5,733
Counties	14,286	–	–	–	14,286
Municipalities	18,125	–	49	–	18,174
Other political subdivisions	8,599	–	–	–	8,599
Total active members	162,804	591	49	175	163,619

**Information furnished for MRS is as of September 30, 2006.*

(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 are vested and retire at or after age 60 or those who retire regardless of age with at least 25 years of creditable 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. For members who enter the System on or after July 1, 2007, benefits vest upon completion of 8 years of membership service. For members who entered the System before July 1, 2007, 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, 2007, the total additional annual payments were $255,939,000.

(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, 2007, the total additional annual payments were $5,292,000.

(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 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, 2007, the total additional annual payments were $4,265,000.

(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 the requisite number of membership service years 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, 2007, the total additional annual payments were $104,000.

(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, 2007, total plan assets aggregated $1,058,936,000.

(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 2007. 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, the 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 resulting 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 2007, the Governmental Accounting Standards Board issued Statement No. 50, *Pension Disclosures.* This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB). This alignment enhances information disclosed in the notes to the financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. The requirements of this Statement are effective for the System's fiscal year beginning July 1, 2007, however, the System opted for early implementation in the fiscal year 2007 CAFR. This pronouncement has no impact on the System's net assets, but resulted in additional disclosures which are presented in notes 6 and 7.

(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, 2007, 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 rated by Standard and Poor's Corporation or 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, stocks and convertible securities of established foreign companies which are listed on primary national stock exchanges of foreign nations; and in foreign government securities. 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, 2007, 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, 2007, was $246,393,000. Cash deposits in bank accounts totaled $305,000 which were covered by federal depository insurance. At June 30, 2007, the System held $243,326,000 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, 2007.

As of June 30, 2007, 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	243,326,000
Total	$ 243,326,000

(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.

In October 2002, the Board of Trustees adopted real estate 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, 2007 (in thousands):

Investment type:	Fair Value
Commercial paper	$ 1,104,934
Repurchase agreements	503,272
International currency	26,361
U.S. Government agency obligations	424,085
U.S. Treasury obligations	1,268,200
Collateralized mortgage obligations	1,233,767
Corporate bonds	4,124,518
Mortgage pass-throughs	828,140
Municipals	43,632
Asset backed securities	1,290,909
Yankee/Global bonds	43,280
Domestic equity securities	11,295,552
International equity securities	4,968,908
Real estate	859,353
Money market fund	17,254
Fixed income funds	23,615
Asset allocation funds	45,252
Fixed and variable funds	397,614
Life insurance contracts	468
Equity funds	429,867
Total	$28,928,981

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' $27.9 billion in investments at June 30, 2007, $6.1 billion were exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian whom acquired them as 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, 2007, are presented by type below (in thousands):

	Fair Value
Commercial paper	$1,085,387
Repurchase agreements	300,000
Corporate bonds	3,199,662
Asset backed securities	1,148,729
Collateralized mortgage obligations	376,711
Total	$6,110,489

Interest Rate Risk

As of June 30, 2007, the System had the following debt security 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	$ 1,290,909	$1,215,235	$ 13,378	$ 2,854	$ 59,442
Collateralized mortgage obligations	1,233,767	408,297	24,139	32,277	769,054
Commercial paper	1,104,934	1,104,934	-	-	-
Corporate bonds	4,124,518	1,665,889	1,907,130	290,041	261,458
U.S. Government agency obligations	424,085	21,997	269,230	96,535	36,323
Mortgage pass-throughs	828,140	74	1,744	5,855	820,467
Repurchase agreements	503,272	300,000	-	-	203,272
Municipals	43,632	670	1,569	8,809	32,584
U.S. Treasury obligations	1,268,200	4,813	670,783	322,100	270,504
Yankee/Global bonds	43,280	1,004	21,156	8,284	12,836
Total	$10,864,737	$4,722,913	$2,909,129	$766,755	$2,465,940

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 2007, 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 $1 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 $1,234 million in CMOs at June 30, 2007. Of this amount, $430 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 $1,291 million in ABS that the System held at June 30, 2007, $51 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, 2007, the System has invested in $828 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, 2007, is as follows (fair value in thousands):

	S&P Quality Ratings								
Investment Type	A	AA	AAA	B	BAA	BB	BBB	D	P
Commercial paper……………………	$1,055,213	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Repurchase agreements………………	300,000	-	203,272	-	-	-	-	-	49,721
U.S. Government agency obligations…	-	17,811	404,129	-	-	-	2,144	-	-
Collateralized mortgage obligations….	2,969	24,305	1,194,999	-	-	4,587	6,907	-	-
Corporate bonds..…………………….	1,215,389	1,630,389	963,833	3,044	1,605	9,214	298,905	2,141	-
Mortgage pass-throughs..…………….	1,471	-	785,072	33	-	-	-	-	-
Municipals.…………………..………	4,266	5,893	27,458	-	-	-	6,014	-	-
Asset backed securities..……………..	11,898	1,301	1,268,360	-	7,995	-	1,345	9	-
Yankee/Global bonds…………………	22,734	6,039	10,470	-	-	-	4,038	-	-
Total	$2,613,940	$1,685,738	$4,857,593	$3,077	$9,600	$13,801	$319,353	$2,150	$49,721

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, 2007, was as follows:

Currency	%	Fair Value (in thousands)
Australian Dollar	3.52%	$ 166,637
Brazilian Real	1.43%	67,851
Canadian Dollar	0.73%	34,728
Danish Krone	0.33%	15,867
Egyptian Pound	0.65%	30,569
Euro	36.80%	1,744,441
Hong Kong Dollar	1.80%	85,242
Hungarian Forint	0.28%	13,063
Indian Rupee	1.41%	66,685
Indonesian Rupiah	0.57%	26,881
Japanese Yen	15.81%	749,044
Moroccan Dirham	0.01%	1
Mexican Nuevo Peso	0.13%	5,980
New Israeli Shekel	0.48%	22,588
New Taiwan Dollar	1.06%	50,232
New Turkish Lira	0.40%	19,094
New Zealand Dollar	0.19%	9,106
Norwegian Krone	0.23%	10,674
Pound Sterling	21.71%	1,028,566
Russian Ruble	0.13%	6,020
Singapore Dollar	1.08%	51,089
South African Rand	1.17%	55,379
South Korean Won	2.13%	100,734
Swedish Krona	2.37%	112,379
Swiss Franc	5.35%	253,660
Thai Baht	0.23%	10,736
Total	100.00%	$4,737,246

All foreign currency-denominated investments are in equities and foreign cash. The System's investment asset allocation policy limits non-U.S. investments to 16 percent. At June 30, 2007, the current position is 23.0 percent. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation 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, 2007 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Interest income	$263,773	$3,807	$2,967	$171	$270,718
Net appreciation	31,549	455	355	20	32,379
Income from securities lending	295,322	4,262	3,322	191	303,097
Less:					
Interest expense	280,881	4,053	3,159	182	288,275
Program fees	2,119	31	24	1	2,175
Expenses from securities lending	283,000	4,084	3,183	183	290,450
Net income from securities lending	$ 12,322	$ 178	$ 139	$ 8	$ 12,647

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, 2007 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 4.2 days at June 30, 2007. 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, 2007, was 710 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, 2007. 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 total assets ($6,134,714,000) and the related total liabilities ($6,132,383,000) on the Statement of Fiduciary Net Assets do not equal at June 30, 2007. The difference of $2,331,000 is due to the collateral investment fund's market appreciation and the earnings re-invested until the final 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, 2007 (in thousands):

Securities Lent	Fair Value Including Accrued Income	Cash Collateral Received
Lent for cash collateral:		
Debt securities	$1,396,027	$1,416,956
Domestic equities	3,835,686	3,950,936
International equities	531,010	551,699
REITs	193,781	199,397
Total securities lent	$5,956,504	$6,118,988

(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, 2007 were $587,000.

4. Capital Assets

The following table shows amounts for capital assets as of June 30, 2007 and 2006 (in thousands):

Description	2007	2006
Land	$ 508	$ 508
Building	18,459	18,459
Improvements	25	25
Furniture and equipment	1,222	1,264
Total capital assets	20,214	20,256
Less accumulated depreciation		
Building	2,592	2,246
Improvements	20	20
Furniture and equipment	855	810
Total accumulated depreciation	3,467	3,076
Net capital assets	$ 16,747	$ 17,180

5. Due To/Due From Other Funds

The following is a summary of due to/due from other funds as of June 30, 2007 (in thousands):

Receivable Fund (Due To)	Payable Fund (Due From)	Amount
PERS	GEDCP	$ 2
Information Technology Services	PERS	22
	Total Due To	$ 24
PERS	GEDCP	2
PERS	Mississippi Emergency Management Agency	9
	Total Due From	$ 11

6. Funding Status and Progress

(a) Actuarial Asset Valuation

Actuarial values of assets for PERS, MHSPRS and SLRP are based on a smoothed fair value basis that recognizes 20 percent of the unrecognized and unanticipated gains and losses. The actuarial valuation of assets recognizes assumed investment income fully each year. Differences between actual and assumed investment income are recognized in equal increments over a five-year period with a constraint that actuarial value of assets cannot be less than 80 percent nor more than 120 percent of fair value. Actuarial value of assets for MRS was set equal to market value of net assets for the September 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.

The following table presents the actuarial change in asset valuation for the year ended June 30, 2007 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Valuation assets June, 2006**	$ 18,321,063	$ 265,637	$ 217,140	$ 11,620	$18,815,460
Contributions and other revenue	1,003,156	12,394	15,887	627	1,032,064
Benefit payments	(1,364,028)	(19,818)	(35,299)	(699)	(1,419,844)
Administrative expenses	(9,846)	(165)	(313)	(9)	(10,333)
Investment expenses*	(35,727)	(516)	(401)	(23)	(36,667)
Net new money	(406,445)	(8,105)	(20,126)	(104)	(434,780)
Expected total investment return for 2006 (8%)	1,486,583	21,463	16,582	949	1,525,577
Adjustment towards market (20%) ***	390,363	5,631	(43)	257	396,208
Valuation assets June, 2007**	$19,791,564	$ 284,626	$ 213,553	$ 12,722	$20,302,465

* *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, 2005 and 2006, respectively.*

*** *The adjustment for MRS 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, 2006. As a result of this study, the Board of Trustees adopted new assumptions for PERS which revised rates of withdrawal, death, and service retirement for active members, and revised rates of mortality for retired members and beneficiaries. Also, new assumptions for MHSPRS were adopted which decreased rates of mortality among active members. Changes were adopted in actuarial assumptions for MRS in regard to the post-retirement mortality table. There were no changes in assumptions for SLRP. These changes were used in the actuarial valuation of PERS, MHSPRS and SLRP as of June 30, 2007. Significant actuarial assumptions used in valuations are included in the notes to the required supplemental schedules.

(c) Actuarial Accrued Liability

The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. 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. Contribution rates are established, by the Board of Trustees, for PERS, MHSPRS, and SLRP in accordance with actuarial contribution requirements determined through the most recent valuation.

Based on the June 30, 2005 valuation, the consulting actuary recommended an employer contribution rate for PERS of 12.50 percent. To mitigate the financial impact to the State of Mississippi, the Board of Trustees agreed to transition employer contributions rate increases in .55 percent increments until a sufficient funding level was reached to keep the unfunded accrued liability amortization period within 30 years. As a result, the employer contribution rate was increased to 11.30 percent effective July 1, 2006 and 11.85 percent effective July 1, 2007. In 2007, actual contributions for PERS were less than required contributions due to this employer rate transition. However, with favorable investment performance coupled with prior year increases in employer contribution rates, the consulting actuary has recommended a decrease in the required contribution rate to 11.85 percent in the most recent actuarial valuation report.

Costs to administer plans are financed from investment earnings. In addition, employers of MRS, MHSPRS, and SLRP contribute an administrative fee to the System.

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	$617,001	11.77%	$454,501	7.98%	$621,497	$1,003,156	$392,268	7.25%	$610,888	11.30%	$5,196,295
MHSP	6,203	22.71	3,850	14.09	10,023*	12,394	1,778	6.50	10,616*	30.30	27,037
SLRP	462	7.11	165	2.54	423	627	195	3.00	432	6.65	6,554
Total	$623,666	-	$458,516	-	$631,943	$1,016,177	$394,241	-	$621,936	-	$5,229,886

**Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of $2,600,000 (10.6% of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2007 was $2,341,000.*

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. The significant assumptions include:

	PERS	MHSPRS	MRS	SLRP
Valuation date	June 30, 2007	June 30, 2007	September 30, 2006	June 30, 2007
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	29.3 years	25.8 years	28 years	20.1 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market*	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected salary increases	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 September 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.

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 valuation 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, 2006, aggregate contributions for MRS were equivalent to 101.5 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 .73 to 8.73 mills, totaling $15,635,000 in actual contributions. The employee contribution rates ranged from 7 percent to 10 percent of covered payroll, totaling $252,798 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, 2007 (in thousands):

	PERS	MHSPRS	MRS*	SLRP
Annuity savings account	$ 3,788,781	$ 20,870	$ 3,353	$ 2,301
Annuity reserve	2,461,397	18,330	-	967
Employer's accumulation account	13,541,386	245,426	210,200	9,454
Unfunded actuarial accrued liability (UAAL)	7,071,072	86,607	169,802	2,332
Actuarial accrued liability	$26,862,636	$371,233	$383,355	$15,054
Percent funded	73.7%	76.7%	55.7%	84.5%
Annual covered payroll	$5,196,295	$ 27,037	$ 2,223	$ 6,554
UAAL as a percentage of annual covered payroll	136.1%	320.3%	7,638.4%	35.6%

**The annuity reserve for MRS is reflected as of the September 30, 2006 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, 2007, was $5,043,000; the System's total payroll expense was $6,579,000. System contributions for the years ended June 30, 2007, 2006 and 2005, were $567,000, $506,000 and $467,000, respectively. The contributions for 2006 and 2005 were 100 percent of required contributions. Contributions for 2007 were 90 percent of required contributions. Refer to note 7 to the basic financial statements for more information regarding contributions made for fiscal year 2007. System contributions represent 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						
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
2007	19,791,564	26,862,636	7,071,072	73.7	5,196,295	136.1
Mississippi Highway Safety Patrol Retirement System						
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
2007	284,626	371,233	86,607	76.7	27,037	320.3
Municipal Retirement Systems *						
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	235,221	369,118	133,897	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
2006	213,553	383,355	169,802	55.7	2,223	7,638.4
Supplemental Legislative Retirement Plan						
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	6,289	32.2
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
2007	12,722	15,054	2,332	84.5	6,554	35.6

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

See Notes to Required Supplementary Schedules.

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		
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
2007	621,497	90.0
Mississippi Highway Safety Patrol Retirement System		
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
2007	10,023	100.0
Municipal Retirement Systems *		
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	100.6
2006	15,397	101.5
Supplemental Legislative Retirement Plan		
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
2007	423	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 that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). In addition, the actuarial value of assets cannot be less than 80 percent nor more than 120 percent of market value. Actuarial value of assets for MRS was set equal to market value of assets for the September 30, 2006 valuation. Smoothing will commence in the 2007 valuation with an additional constraint that assets cannot be less than 80 percent nor more than 120 percent of market value.

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.

The Governmental Accounting Standards Board (GASB) Statement 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. In 2005, PERS consulting actuary recommended an employer contribution rate of 12.50 percent as a measure to achieve this funding objective. To mitigate the financial impact to the State of Mississippi, the Board of Trustees agreed to transition employer contribution rate increases in .55 percent increments until the funding level was reached to maintain the liability payment period within 30 years. As a result, the employer contribution rate was increased to 11.30 percent effective July 1, 2006, and 11.85 percent effective July 1, 2007. At June 30, 2007, the actual total contribution amount of $610,888,000 was 90 percent of required total contributions. Favorable investment performance, coupled with prior year increases in employer contribution rates, have enabled our consulting actuary to decrease the recommended employer contribution rate to 11.85 percent in the most recent actuarial valuation report.

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%

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, 2007	June 30, 2007	September 30, 2006	June 30, 2007
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	29.3 years	25.8 years	28 years	20.1 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market*	5-year smoothed market
Actuarial assumptions:				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected salary increases	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 September 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

- Revised rates of withdrawal, death, and service retirement for active members, and revised rates of mortality for retired members and beneficiaries.

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 $2,600,000 annually. The actual additional contribution for 2007 is $2,341,000, therefore, the 2007 valuation results reflect an anticipated amount of $2,300,000 annually.
- Slight decrease in pre-retirement mortality decrements.

SLRP

- No changes.

MRS

- Actuarial value of assets was set equal to the market value for the September 30, 2006 valuation. 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.

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	28.7	29.7	24.5
Change due to:			
Normal amortization	(1.0)	(1.0)	(1.0)
Actuarial experience	(0.2)	0.2	(2.6)
Assumption changes	2.4	(0.1)	-
Plan amendments	-	-	-
Method change	-	-	-
UAL contribution experience	(0.6)	(3.0)	(0.8)
Computed period of years	29.3	25.8	20.1

Schedule 1

Schedule of Administrative Expenses and Depreciation –

For the Year Ended June 30, 2007

(In Thousands)

	Amount
Administrative expenses:	
Personal services:	
Salaries and wages	$ 5,062
Employee benefits	1,517
Travel and subsistence	66
Total personal services	6,645
Contractual services:	
Professional services (See Schedule 3)	1,217
Data processing installation, training, and licensing	527
Communications	299
Utilities	180
Rent of building space and office equipment	173
Bank charges	128
Repair and maintenance of building and equipment	112
Janitorial	74
Security	61
Education	46
Insurance	39
Other contractual services	31
Total contractual services	2,887
Commodities:	
Printing, binding and padding	160
Office supplies and expendable repair parts	81
Office equipment (not capitalized)	49
Business meeting supplies	14
Other commodities	10
Total commodities	314
Total administrative expenses	9,846
Depreciation:	
Building	346
Furniture and equipment	149
Total depreciation	495
Total administrative expenses and depreciation	$ 10,341

Schedule 2

Schedule of Administrative Expenditures/Expenses – Budget and Actual

(Non-GAAP Budgetary Basis) – For the Year Ended June 30, 2007

(In Thousands)

Budget Comparisons

	2007		Variance Favorable
	Budget	Actual	(Unfavorable)
Administration expenditures:			
Personal services:			
Salaries, wages, and fringes benefits	$ 7,024	$ 6,574	$ 450
Travel and subsistence	75	65	10
Contractual services	2,816	2,792	24
Commodities	255	252	3
Capital outlays - other than equipment	-	-	-
Capital outlays	116	116	-
Subsidies, loans, and grants	-	-	-
Total	$ 10,286	$ 9,799	$ 487

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, 2007.

Reconciliation of Budgetary Basis Administrative Expenditures to GAAP Basis Administrative Expenses

	Amount
Administrative expenditures (Budgetary Basis)	$ 9,799
Adjustments:	
Compensated leave accrual	5
Bank service charges	128
Reclass cash transfer from fund 3533 for budgetary purposes	24
Capital asset purchases recorded as expenditures for budgetary purposes	(72)
Fiscal year 2007 budget expenditures paid during lapse period; expenses recorded in fiscal year 2008	(312)
Fiscal year 2007 accruals to GAAP Basis	274
Administrative expenses (GAAP Basis)	$ 9,846

Schedule 3

Schedule of Managers' Fees, Investment Global Out-of-Pocket and Custodial Fees, and Professional Service Fees – For the Year Ended June 30, 2007

(In Thousands)

	Amount
Investment managers' fees:	
Artisan Partners Limited Partnership	$ 2,808
The Boston Company Asset Management	2,403
INTECH	2,332
Wellington Asset Management--small-cap equity	2,197
AllianceBernstein	2,079
Wellington Asset Management--mid-cap equity	2,036
New Star Institutional Managers Ltd	2,026
Delaware Investments.	1,973
Dimensional Fund Advisors	1,869
Lazard Emerging Markets	1,545
Fayez Sarofim & Company	1,482
Lazard Asset Management	1,382
Pacific Investment Management Company	1,359
Private Capital Management	1,177
Capital Guardian Trust Company	1,159
Jarislowsky Fraser Limited	1,137
Aberdeen Asset Management--debt investment	955
Wellington Asset Management--real estate	935
Eagle Capital Management, LLC	930
UBS Global Asset Management	808
RREEF--real estate	797
Eubel, Brady & Suttman Asset Management	749
Acadian Asset Management	631
Northern Trust Global Investment	421
Barclays Global Investors--debt investments	401
Fiduciary Tactical Asset Management	313
Barclays Global Investors--international equity	277
Standish Mellon	260
State Street Global Advisors	151
Total	36,592
Custodial and global out-of-pocket fees - The Bank of New York	76
Total managers' fees, out-of-pockets, and custodial fees	$36,668
Securities lending fees - The Bank of New York	$ 2,175
Professional service fees:	
Actuary-Cavanaugh Macdonald	$ 264
Medical fees-Clinics, Labs.	261
Fund evaluation-Callan Associates	261
Legal-State of Mississippi-Office of the Attorney General, Other	205
Audit-Department of Audit, Horne LLP	109
Graphic design-Maris, West & Baker	36
Reorganization-Cornerstone Consulting	30
Mailing services-Postage Savers	26
Personnel fees	22
Temporary personnel-Express Services, contract personnel	3
Total professional service fees	$ 1,217

Schedule 4

Summary Schedule of Cash Receipts and Disbursements

Pension Trust Funds – For the Year Ended June 30, 2007

(In Thousands)

	Amount
Cash balance at beginning of year	$ 213,593
Receipts	
Contributions:	
Employee	469,562
Employer	627,532
Total contributions	1,097,094
Investments:	
Securities lending and reverse repurchase agreements	175,287,883
Investments matured and sold	30,572,995
Investment income	1,941,093
Total investments	207,801,971
Administrative receipts	596
Other receipts	10,683
Total cash receipts	208,910,344
Disbursements:	
Annuities and refunds:	
Retirement annuities	1,402,597
Refunds to terminated employees	72,740
Total annuities and refunds	1,475,337
Investments:	
Securities lending and reverse repurchase agreements	175,286,593
Investments purchased	31,719,419
Investment expenses	334,033
Total investments	207,340,045
Administrative expenses	10,803
Other disbursements	51,374
Total cash disbursements	208,877,559
Cash balance at end of year	$ 246,378

Schedule 5

Schedule of Investments Due to MRS from PERS – June 30, 2007

(In Thousands)

	Amount
Due to MRS:	
Biloxi Municipal	$ 11,366
Biloxi Fire and Police	533
Clarksdale Fire and Police	1,375
Clinton Fire and Police	9,652
Columbus Fire and Police	1,631
Greenville Fire and Police	5,377
Greenwood Fire and Police	3,662
Gulfport Fire and Police	12,161
Hattiesburg Fire and Police	27,979
Jackson Fire and Police	109,601
Laurel Fire and Police	3,998
McComb Fire and Police	1,663
Meridian Municipal	805
Meridian Fire and Police	9,804
Natchez Fire and Police	2,241
Pascagoula Fire and Police	10,039
Tupelo Fire and Police	9,549
Vicksburg Fire and Police	15,815
Yazoo City Fire and Police	923
Total investments due to MRS	$ 238,174

Schedule 6

Public Employees' Retirement System of Mississippi

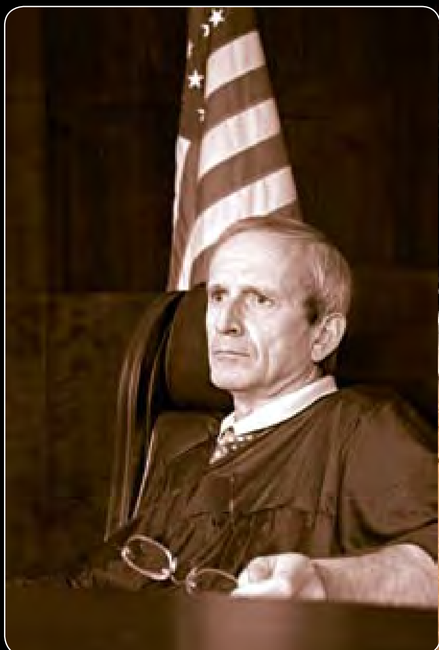
Statement of Changes in Assets and Liabilities – June 30, 2007

(In Thousands)

Flexible Benefits Cafeteria Plan	**Balance June 30, 2006**	**Additions**	**Deductions**	**Balance June 30, 2007**
Assets:				
Cash	$ 22	$ 85	$ 92	$ 15
Accounts receivable	-	-	-	-
Total assets	$ 22	$ 85	$ 92	$ 15
Liabilities:				
Funds held for others	$ 7	$ 85	$ 92	$ -
Accounts payable	15	-	-	15
Total liabilities	$ 22	$ 85	$ 92	$ 15

Investments

PERS through the years



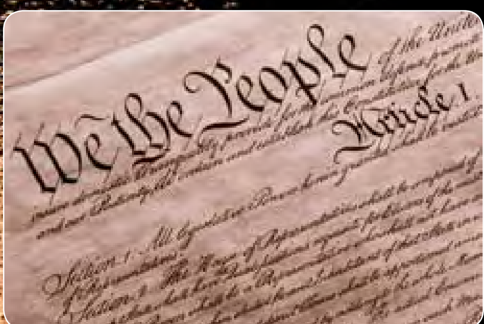
1973 – The Government Employees' Deferred Compensation Plan (GEDCP), a supplemental retirement savings plan, is established.

1976 – America celebrates its bicentennial.

1985 – Vesting reduced from 10 to 4 years for service retirement.

1985 – The Nintendo Entertainment System makes its debut.

1970s and ’80s



1986 – Voters approve constitutional amendment protecting trust fund.

1987 – 17 Firemen’s and Policemen’s Disability and Relief Funds – along with two Municipal Retirement Systems – are added to PERS’ administration.

1989 – Supplemental Legislative Retirement Plan established.

1988 – About 45 million PCs are in use in the United States.

1988 – Chicago Cubs play first ever night game at Wrigley Field.

Defined Benefit Plans – Report on Investment Activity

Prepared by Lorrie Tingle, CFA
Chief Investment Officer

Though faced with market concerns over fluctuating oil prices, slowing GDP, and a meltdown in the subprime mortgage market, the System ended the fiscal year with an 18.9 percent return making 2007 its highest returning fiscal year since 1998. While this year's returns were strong, we remain ever 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.

2007 Plan Overview

As of June 30, 2007 the market value of the portfolio for all plans was $21.8 billion, an increase of $3.0 billion over the fiscal year 2006 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 $391.0 million more was paid out to participants than was paid in as contributions. The $3.0 billion portfolio value increase was net of that distribution.

The investment portfolio, excluding investments purchased with securities lending cash collateral, was composed of 52.0 percent domestic and 22.8 percent international equities, 20.3 percent debt securities, 4.0 percent real estate investments, and 0.9 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 79 percent of the bond investments carried a AAA rating. This included 62 percent of the total debt portfolio, which was invested in U.S. Treasury and government agency bonds.

Callan Associates, Inc. was employed by the Board of Trustees as the System's investment management consultant. Their services included 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 provided investment research and advice, assisted in the manager selection process, and conducted periodic asset/ liability studies for the Board of Trustees. Data used in preparation of this report is obtained from Callan Associates and is in conformance with standards established by Association for Investment Management and Research.

The System's securities lending program was managed 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 2007 the program generated $12.4 million* in additional earnings for the System.

At year end, 27 firms were managing 32 different investment portfolios for the System. The chart on page 63 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.

**$12.4 million was the earnings distributed for the fiscal year; $12.6 million was the reported net income as required by GASB 28.*

Performance

Quarterly Recap

The total portfolio began the fiscal year with a solid first quarter return of 4.4 percent. The real estate portfolio, which consists of core funds, REITS and value-added funds, was the biggest contributor to returns for the quarter. This program returned 5.9 percent compared with the NCREIF policy benchmark, which gained 3.5 percent. The REIT portfolios had the biggest gains within the real estate program at 9.9 and 9.0 percent for the quarter.

Fixed income experienced its best quarter of the fiscal year in the first quarter, returning 3.8 percent. The relatively strong returns resulted from the Federal Reserve's decision, during the quarter, to discontinue its two year tightening program. As the rate increases came to a halt, the bond markets experienced a rally.

Both the domestic and international equity programs experienced similar returns in the first quarter of fiscal year 2007. Domestic equities gained 4.4 percent, but slightly under-performed the Russell 3000 benchmark index return of 4.6 percent. Equity returns were led by large caps as investor sentiment shifted away from the long favored mid and small cap securities. In international markets, led by the emerging markets, the returns for the quarter were 4.7 percent, which beat the EAFE Index program benchmark by 79 basis points.

The second quarter of fiscal year 2007, which ended December 31, provided the strongest total fund returns of the fiscal year at 6.6 percent. This was helped by a 10.6 percent gain in the international equity markets, again led by the emerging markets which returned 16.6 percent.

Fixed income experienced a 1.3 percent increase as strong job growth data reported during the quarter dampened hopes for an interest rate cut, and the U.S. bond markets experienced a sell off. Real estate investments returned 7.5 percent during the quarter. The REIT portfolio strongly contributed as the sell of the largest U.S. office REIT, Equity Office Properties, reduced the REIT supply, which served to boost prices.

Also in the second quarter, domestic equities returned 7.2 percent, beating the Russell 3000 Index benchmark return of 7.1 percent. Once again, mid and small cap stocks took the lead over large cap names as investor confidence rose and risk aversion again diminished.

In stark contrast to the strong returns of the second quarter of fiscal year 2007, third quarter returns turned out to be the weakest of the year. During the period an almost 10.0 percent equity market meltdown in China created unease in global markets. At the same time, a slow down in the domestic housing market and increased concerns about recession added to investor worries. The result was a total fund return of only 1.9 percent for the quarter.

The best returns for this period came from the small and mid cap equity areas of the portfolio which experienced 4.1 percent gains. While "red hot" in previous quarters, emerging market equities posted single digit returns of 3.0 percent, as investors shied away from markets more impacted by China.

The System's real estate portfolio also experienced lower returns during the third quarter, posting gains of only 3.9 percent, due to a large decline in REIT returns. The fixed income portfolio returned 1.6 percent, as investors sought out investment safe havens in the treasury market.

The fourth quarter of fiscal year 2007 was impacted by both increased subprime mortgage defaults and growing recession concerns. The subprime defaults most deeply impacted the fixed income portfolio, which though posting a negative 0.5 percent return, was right on target with the return of the Lehman Aggregate policy benchmark. REITS experienced a long expected correction in the fourth quarter. Even with the portfolios posting disappointing returns of negative 8.6 percent and negative 9.2 percent, both exceeded negative 9.4 percent return of the Wilshire REIT Index benchmark.

The equity markets saw better returns in the fourth quarter with the domestic equity portfolio returning 6.3 percent and international equities returning 7.9 percent. International returns were once again led by the strong returns of the emerging markets portfolio, which gained 15.5 percent.

Fiscal Year Recap

Total Portfolio

The System's total return for fiscal year 2007 was 18.9 percent, which beat both the total fund policy benchmark of 18.2 percent, and the 8.0 percent actuarial assumed rate of return. The 3-and 5-year returns for the total fund were 13.1 percent and 11.4 percent, respectively, while the lower 10-year total return of 7.9 percent continued to reflect the impact of the negative post bubble years. However, the longer term 15- and 20-year returns of 9.6 percent and 9.8 percent compare quite favorably to 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 5.5 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

The world equity markets continued to provide healthy returns throughout fiscal year 2007 with the strongest gains experienced in both the developed and emerging international markets. The continued decline in the dollar helped boost international equity returns for U.S. dollar based investors.

The domestic equity portfolio return for the fiscal year was 20.6 percent, which topped the 20.1 percent gains of the Russell 3000 Index, the System's domestic equity benchmark. For the 3-year period ended June 30, domestic equities returned 12.7 percent, while the 5-year return was 11.8 percent. Over the longer 10- and 15-year periods, domestic equities posted returns of 7.7 and 11.4 percent, respectively.

At June 30, 2007, 51.2 percent of the System's total portfolio was allocated to domestic equities with 73.0 percent in large capitalization stocks, 14.0 percent in mid and 13.0 percent in small capitalization issues. This is designed to approximately match the capitalization weights of the program's Russell 3000 Index benchmark.

Though domestic equities posted very strong returns for fiscal year 2007, the international markets' returns were even stronger. Overall, the System's international portfolio posted gains of 29.1 percent in U.S. dollar terms for the fiscal year. The portfolio's returns were largely led by the emerging markets component, which returned 49.9 percent. The 3-, 5- and 10-year international equity returns also outpaced the domestic markets' returns with gains of 23.9, 17.9 and 8.0 percents, respectively.

International equities made up approximately 22.8 percent of the total portfolio at the fiscal year end. Within the international equity portfolio, approximately 66.0 percent was invested in broad developed market mandates, while 21.0 percent was allocated to regional market portfolios, and 13.0 percent was invested in emerging market equities.

Real Estate

The System funded its first real estate investments in late June, 2003. The portfolio is divided between core commingled and value added real estate funds, 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. For fiscal year 2007, the System saw strong returns of 16.2 percent from its total real estate portfolio. The benchmark used for the commingled fund investments is the NCREIF Index, which returned 17.2 percent for the year, while the REIT portfolio is compared to the Wilshire REIT Index, which returned 11.7 percent. Real estate investments comprised 4.0 percent of the total portfolio. For the 3-year period, the real estate portfolio returned 20.9 percent, with the NCREIF Index returning 18.0 percent and the Wilshire REIT Index returning 22.3 percent.

Bond Portfolio

As the yield curve flattened and inverted and fears over interest rate changes and recession plagued the market, the System's bond investments plodded along. The portfolio of investment grade bonds returned 6.3 percent for the year, outperforming its Lehman Aggregate benchmark return of 6.1 percent. Longer term, the System's bond portfolio performance also beat the Index. For the five years ended June 30, 2007, the bond return was 4.7 percent, while the Lehman Aggregate returned 4.5 percent. The ten-year performance was 6.3 percent versus 6.0 percent for the Index. The System ended the year with a 99.0 percent exposure to investment grade domestic bonds.

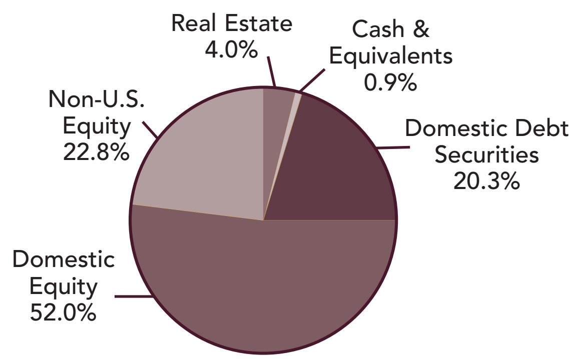
Asset Allocation

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 2006, resulted in the adoption of a long-term policy asset allocation target consisting of 43.0 percent domestic equities, 16.0 percent international equities, 24.0 percent core domestic debt investments, 7.0 percent real estate, 5.0 percent private equity and 5.0 percent in absolute return strategies.

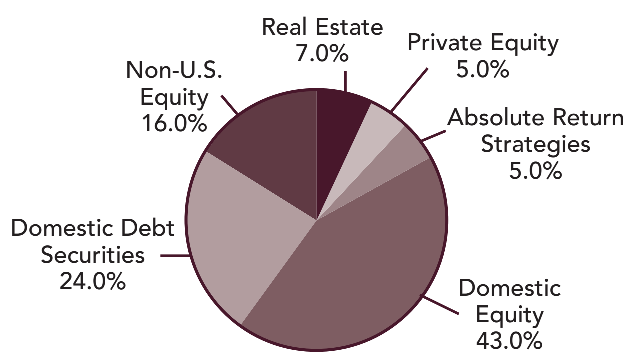
Asset allocation related decisions for all public pension plans are unique to the individual plan, and are based on the specific liability requirements of the plan, as well as, any statutory investment restrictions under which the investment program must operate. As a result, the System's allocations may be quite different than the other public pension plan allocations 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, 2007



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 June 2006. 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

Fiscal year 2007 was a year where excess liquidity and investors' strong appetite for risk maintained the equity and alternatives markets' momentum. In the first half of the fiscal year, steady interest rates, lower oil prices and strong GDP growth resulted in strong equity market returns globally. While equity markets experienced a stellar year, this was not the case for the U.S. fixed income market. As the yield curve remained flat to inverted throughout the year, the fixed income markets returned little over the coupon rate.

During the year, two events occurred which for a while seemed to greatly shake investors' confidence, causing them to become periodically more risk averse. These occurrences also highlighted the global impact of market events and the fragility of investor confidence.

The first event was a sell off of over 9.0 percent in the local Chinese equity market due to a rumored increase in capital gains tax in China. While this occurrence served to unsettle global markets, the same day, former Federal Reserve Chairman Alan Greenspan was quoted as predicting a U.S. recession in late 2007. As a result, late February through mid March saw a strong drop in global equity markets and a flight to safer, less volatile investments. However, by the end of March, the equity markets were back in positive territory. Fears of a rapid global meltdown were replaced by the nagging concerns over a slowing housing market, rising variable rate mortgage payments, weaker consumer confidence and higher energy prices.

The second major market event of fiscal year 2007 began late in the third quarter as a spike in subprime mortgage defaults was experienced. This period also saw the largest rise in delinquent mortgage loan payments in over a decade. As a result, throughout the second half of fiscal year 2007, mortgage lending standards were tightened and market liquidity began to dry up. As default rates continued to rise, it soon came to light that many investors in their search for higher yields, had knowingly or perhaps unknowingly invested in instruments supported by subprime mortgages. As a result of increased mortgage defaults, these investments rapidly declined in value. Additionally, during this time two large hedge funds collapsed sending shock waves through world financial markets.

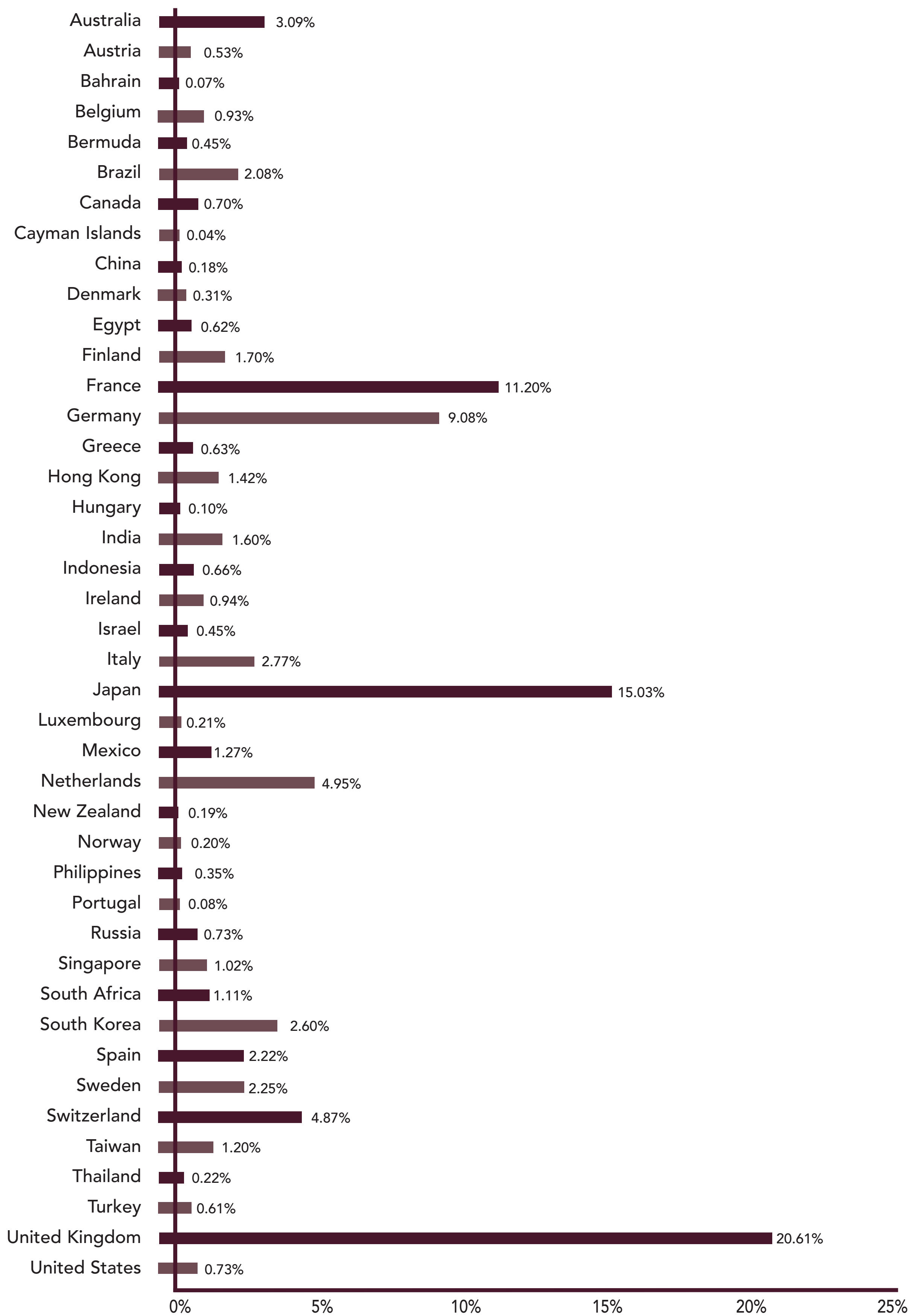
Through all the turmoil experienced in fiscal year 2007, the U.S. equity markets, represented by the S&P 500, managed to surpass its all time high close set in March 2000. On May 30, after eighty-seven months, the U.S. equity market finally recovered all the losses which resulted from the bear market that began in October 2002. Unfortunately for investors, equity markets overall retreated during the month of June, but still finished the fiscal year with very strong returns.

Seeing the volatility of the global financial markets, and the wide swings in investor sentiment 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. In this fiscal year we have seen the fruits of those efforts.

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 as we strive to provide secure benefits for our membership.

Defined Benefit Plans – International Equity Investments by Country

Fair Value at June 30, 2007

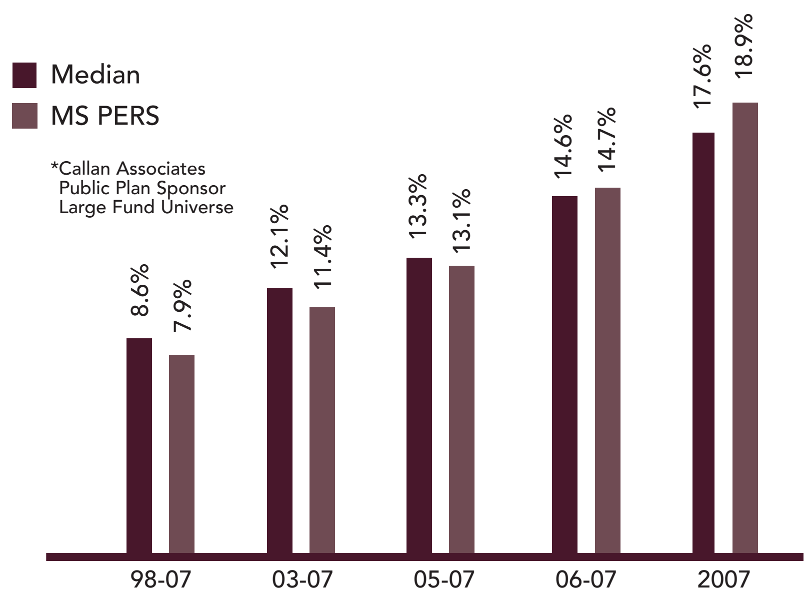


Defined Benefit Plans – Performance Summary for Fiscal Years
Ended June 30, 2007

	Current Year	Annualized 3-year	Annualized 5-year
Total Plans:			
MS PERS Combined Return*	18.9%	13.1%	11.4%
MS PERS Policy Target Return	18.2	12.4	11.0
Callan Associates Plan Sponsor – Large Funds	17.6	13.3	12.1
Domestic Debt Securities:			
Debt Securities Managers Composite*	6.3	4.3	4.7
Lehman Brothers Aggregate Bond Index	6.1	4.0	4.5
Domestic Equity:			
Domestic Equity Managers Composite*	20.6	12.7	11.8
Russell 3000 Index	20.1	12.4	11.5
International Equity:			
International Equity Managers Composite*	29.1**	23.9	17.9
MSCI EAFE Index	27.0	22.2	17.7
MSCI Emerging Markets Free	45.5	38.7	30.7
Real Estate:			
Commingled Funds and REITS Composite*	16.2	20.9	-
NCREIF Index	17.2	18.0	14.4
Dow Jones Wilshire REIT Index	11.7	22.3	19.2

** 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

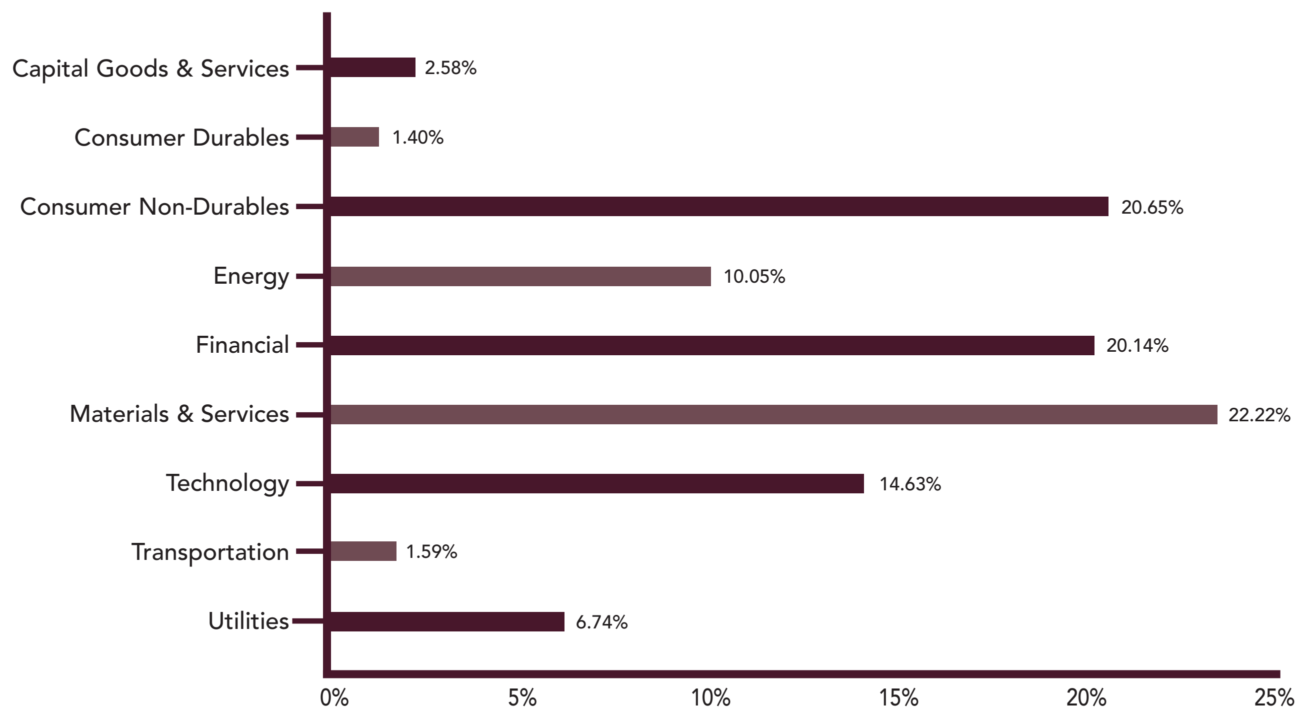
	Fair Value
Total Equity Securities	$11,157,521,319
Total Number of Shares of Equity Securities Held	295,261,257
Total Number of Issues of Equity Securities Held	2,016

Ten Largest Domestic Common Stock Holdings

	Shares	Fair Value
Exxon Mobil Corporation	4,314,686	$ 361,915,862
General Electric Company	7,136,100	273,169,908
Citigroup, Inc.	3,504,808	179,761,602
AT&T, Inc.	3,704,700	153,745,050
Chevron Corporation	1,766,225	148,786,794
Bank of America Corporation	2,903,891	141,971,231
Proctor & Gamble Company	2,159,006	132,109,577
Microsoft Corporation	4,477,707	131,958,025
Pfizer, Inc.	4,880,499	124,794,359
Johnson & Johnson	2,014,082	124,107,733
Totals	36,861,704	$1,772,320,141

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

Domestic Equity Investments by Industry Type
Fair Value at June 30, 2007



Defined Benefit Plans – International Equity Investment Portfolio Summary

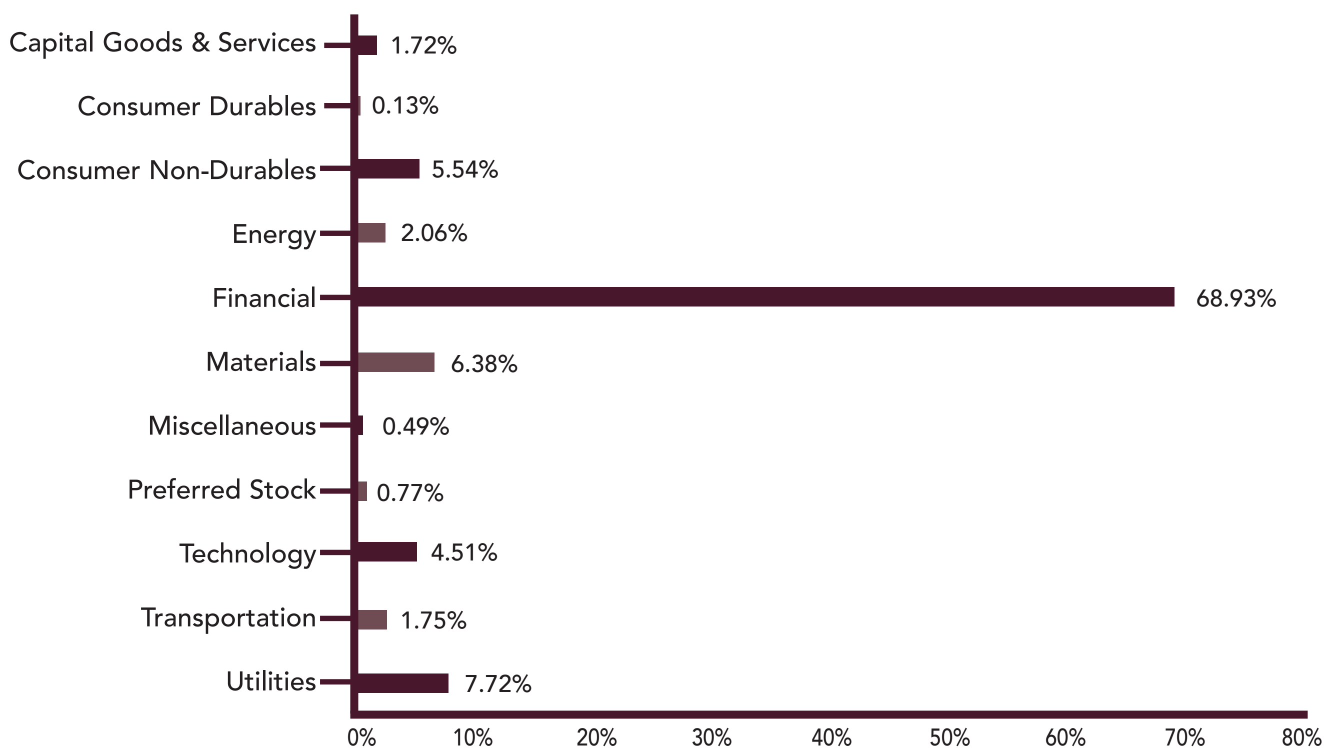
	Fair Value
Total Equity Securities	$4,968,908,142
Total Number of Shares of Equity Securities Held	565,610,892
Total Number of Issues of Equity Securities Held	1,369

Ten Largest International Stock Holdings

	Shares	Fair Value
Vodafone	28,437,398	$ 95,750,928
Total Sa	1,146,542	93,320,683
BP Plc	5,602,111	67,784,470
Glaxosmithkline Plc	2,462,082	64,472,455
Ing Groep	1,320,545	58,486,204
Nestle Sa	137,024	52,112,286
Daimlerchrysler Ag	556,567	51,307,272
Ericsson Ser B Npv	12,510,541	50,112,972
Allianz Se Reg	213,552	50,071,103
Royal Bank of Scotland Group	3,882,764	49,318,049
Totals	56,269,126	$632,736,422

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

International Equity Investments by Industry Type
Fair Value at June 30, 2007



Defined Benefit Plans – Bond Portfolio Summary*

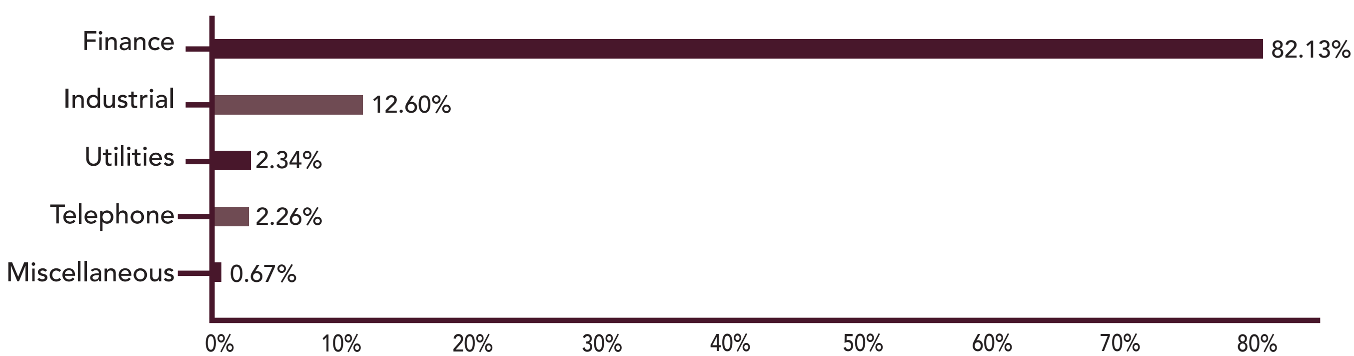
	Fair Value
Total Bond Investments	$9,229,721,114
Total Par of Bond Investments Held	$9,246,948,802
Total Number of Bond Issues Held	2,632

Ten Largest Long Term Corporate Bond Holdings*

	Par	Fair Value
Citigroup, Inc.	$ 176,000,000	$ 176,086,592
General Electric Capital Corporation	175,000,000	175,083,650
Nationwide Life Global Funding	150,000,000	150,171,000
Santander US Debt SA	150,000,000	150,105,900
Bank of America NA	150,000,000	150,025,950
Citigroup, Inc. MTN	150,000,000	149,940,000
World Savings Bank FSB	110,000,000	110,020,900
J.P. Morgan Chase & Company	100,000,000	100,072,000
National City Corporation	100,000,000	100,028,100
J.P. Morgan Chase & Company	100,000,000	100,002,000
Totals	$1,361,000,000	$1,361,536,092

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

Corporate Bond Investments by Industry Type*
Fair Value at June 30, 2007



**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	$859,353,054
Total Number of Shares* of Real Estate Investments Held	262,994,943
Total Number of Issues of REITs Held	48

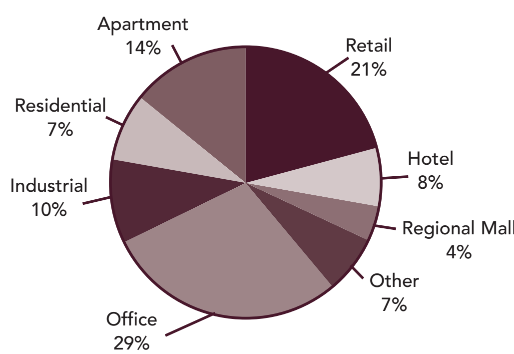
**Includes units of commingled funds and shares of REITS.*

Ten Largest REIT Holdings

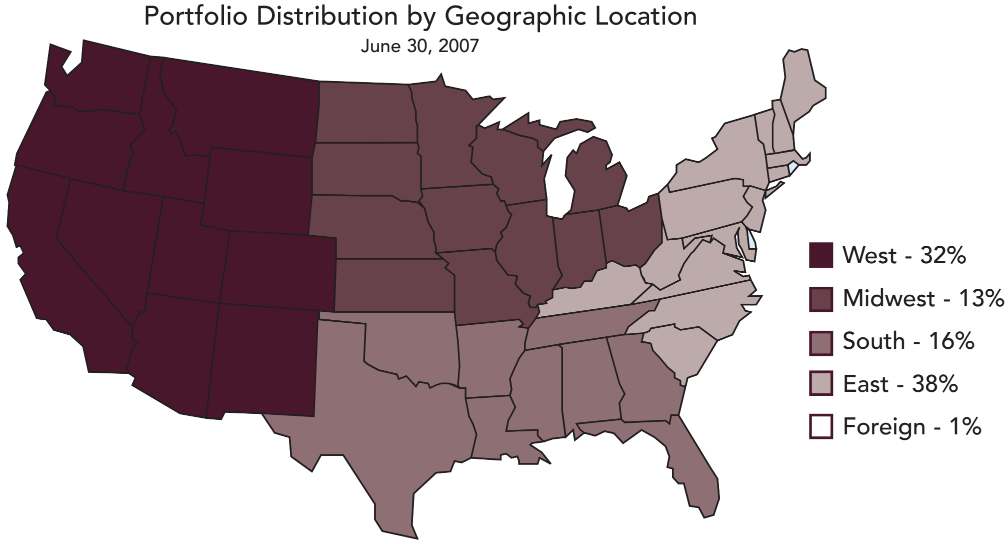
	Shares	Fair Value
Simon Property Group, Inc	337,400	$ 31,391,696
General Growth Properties, Inc.	473,750	25,085,063
Vornado Realty Trust	227,273	24,963,666
Host Hotels & Resorts Inc.	977,860	22,608,123
AvalonBay Communities, Inc.	148,550	17,659,624
Boston Properties, Inc.	144,200	14,727,146
Kimco Realty Corporation	375,100	14,280,057
Equity Residential	309,000	14,099,670
AMB Property Corporation	227,650	12,115,533
Starwood Hotels & Resorts Worldwide, Inc.	179,648	12,048,991
Totals	3,400,431	$188,979,569

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

Portfolio Distribution by Property Type
June 30, 2007



Portfolio Distribution by Geographic Location
June 30, 2007



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
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
2007	229,244	331,397	36,578	1,014,839	1,904,107	12,647	3,528,812	(36,668)	3,492,144

Ten-Year Total Pension Investment Rates of Return

(Dollars In Millions)

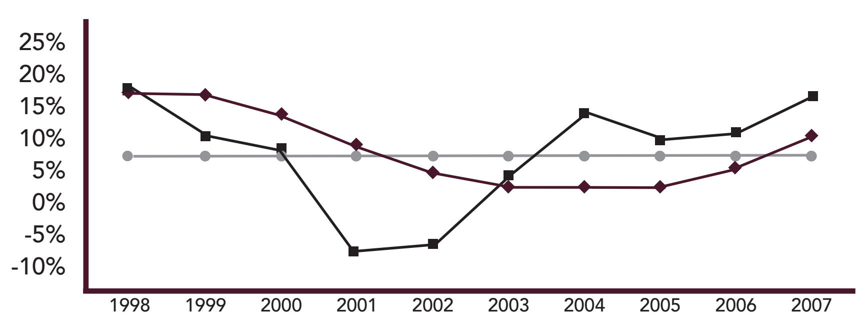
	Total Investment Portfolio Fair Value	◆ Smoothed Rate of Return	■ Fair Value Rate of Return	● Actuarial Assumed Rate of Return
1998	$ 13,867	17.7%	19.1%	8.0%
1999	15,496	17.3	11.3	8.0
2000	16,626	14.2	8.4	8.0
2001	15,510	9.4	(7.1)	8.0
2002	14,159	5.0	(6.6)	8.0
2003	14,604	2.4	3.5	8.0
2004	16,085	2.5	14.6	8.0
2005	17,250	2.5	9.8	8.0
2006	18,742	-	10.7	8.0
2007	21,766	10.2	18.9	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. In fiscal year 2006, PERS, MHSPRS and SLRP actuarial assets were set equal to market value of assets. Therefore, there was no smoothed difference between actuarial and investment asset amounts. Beginning in fiscal year 2007, smoothing resumes with the additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value. 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

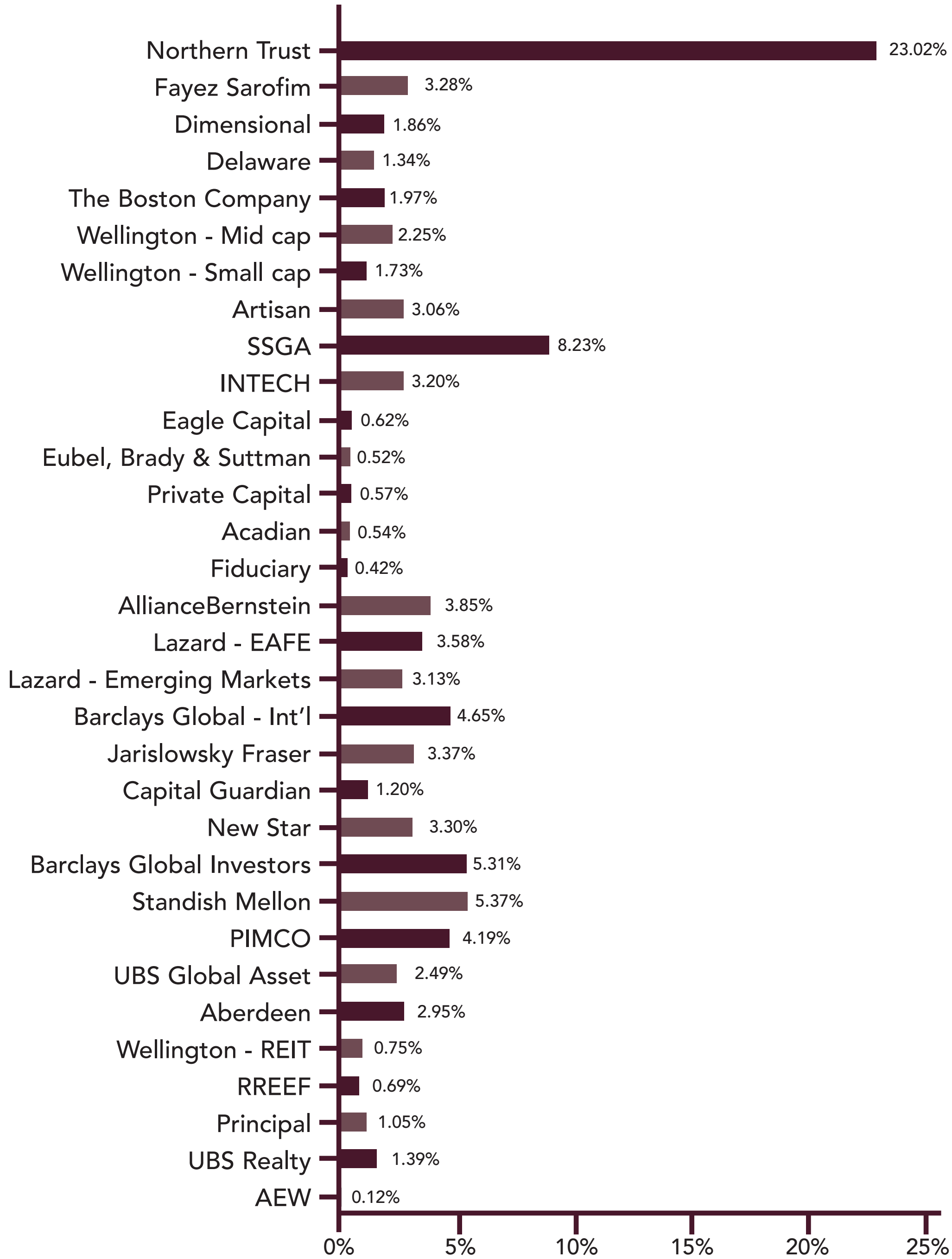
Advisor*	Type	Date Initiated	Fair Value % of Total Portfolio**
Equities			
Northern Trust Global Investment	Passive (Index)	July 1985	23.02%
SSGA Russell 1000 Value	Passive - Large Cap Value	September 2004	8.23%
Barclays Global Investors, N.A.	International - EAFE Index	March 2004	4.65%
AllianceBernstein	International - Europe	December 2003	3.85%
Lazard Asset Management, LLC	International - EAFE	October 1991	3.58%
Jarislowsky Fraser Limited	International - EAFE	June 2004	3.37%
New Star Institutional	International - EAFE	July 2004	3.30%
Fayez Sarofim & Company, Inc.	Active - Large Cap Growth	August 1980	3.28%
INTECH, LLC	Active - Large Cap Growth	January 2005	3.20%
Lazard Asset Management, LLC	International - Emerging Mkts.	April 1998	3.13%
Artisan Partners Limited Partnership	Active - Mid Cap Growth	September 2002	3.06%
Wellington Management Company, LLP	Active - Mid Cap Value	October 2001	2.25%
The Boston Company Asset Management, LLC	Active - Mid Cap Value	October 2001	1.97%
Dimensional Fund Advisors, Inc.	Active - Small Cap Value	July 2002	1.86%
Wellington Management Company, LLP	Active - Small Cap Core	July 2002	1.73%
Delaware Investments	Active - Small Cap Growth	July 2002	1.34%
Capital Guardian	International - Pacific Basin	June 2004	1.20%
Eagle Capital	Active - All Cap	January 2005	0.62%
Private Capital	Active - All Cap	January 2005	0.57%
Acadian Asset Management	Global Equity	July 2005	0.54%
Eubel, Brady, & Suttman	Active - All Cap	January 2005	0.52%
Fiduciary Asset Management	Tactical Asset Allocation	July 2005	0.42%
Sub Total			75.69%
Debt Securities			
Standish Mellon	Passive (Index)	November 1989	5.37%
Barclays Global Investors, N.A.	Passive (Index)	September 1986	5.31%
Pacific Investment Management Company	Active - Core	August 1983	4.19%
Aberdeen Asset Management, Inc.	Active - Core	August 1991	2.95%
UBS Global Asset Management	Active - Core	August 1991	2.49%
Sub Total			20.31%
Real Estate			
UBS Realty Investors, LLC	Commingled Fund - Core	June 2003	1.39%
Principal Global Investors	Commingled Fund - Core	June 2003	1.05%
Wellington Management Company, LLP	REITs	June 2003	0.75%
RREEF	REITs	June 2003	0.69%
AEW Partners V, L.P.	Value Added	October 2005	0.12%
Sub Total			4.00%
Total			100.00%

**Four advisors are not listed since they had not been funded as of June 30, 2007.*

***Includes cash and cash equivalents.*

Percent of Portfolio

Fair Value at June 30, 2007



Defined Benefit Plans – Investment Fees and Commissions

For the Year Ended June 30, 2007

Investment managers:	Assets Under Management	Fees
Domestic equities	$11,249,533,234	$21,033,049
International equities	5,049,088,267	9,969,509
Debt securities	4,398,897,498	3,856,570
Real estate	861,769,723	1,732,761
Total investment managers	$21,559,288,722	$36,591,889

Other investment service fees:	
Securities lending agent/cash management fees	$2,174,934
Investment consultant fees	264,000
Global out-of-pocket expenses	76,477
Total investment service fees	$2,515,411

Brokerage Commissions Paid*

Brokerage Firm, Including Subsidiaries	Number of Shares Traded	Commissions	Commissions Per Share
Merrill Lynch Pierce Fenner	50,350,063	$ 782,305	$0.016
CS First Boston	48,395,484	657,881	0.014
Lehman Brothers	26,660,243	509,626	0.019
UBS AG	24,200,843	502,374	0.021
Bank of New York	16,088,602	471,803	0.029
Citigroup, Inc.	22,316,936	470,870	0.021
Goldman Sachs & Company	18,292,059	391,019	0.021
Deutsche Bank	14,080,000	343,261	0.024
Instinet	19,529,951	326,693	0.017
Bear Stearns	9,111,913	298,284	0.033
Knight Securities	7,574,764	288,674	0.038
Morgan Stanley and Company	17,334,025	284,229	0.016
J P Morgan Securities	29,616,328	223,355	0.008
Investment Technology Group	13,493,441	196,423	0.015
Jefferies Company, Inc.	8,056,143	196,118	0.024
Liquidnet, Inc.	7,630,072	191,406	0.025
Credit Agricole Group	20,478,566	172,052	0.008
Banc America Security	3,642,397	145,986	0.040
Capital Institutional Services	5,564,190	141,959	0.026
Macquarie Securities	21,836,477	139,240	0.006
Rosenblatt Securities Inc.	4,423,700	95,471	0.022
Societe Generale	3,677,968	95,207	0.026
Morgan Keegan, Inc.	2,315,082	93,507	0.040
Sanford C. Bernstein Co., LLC	3,401,018	85,496	0.025
Guzman & Company	3,253,132	82,325	0.025
Cantor Fitzgerald	3,431,835	80,924	0.024
Weeden & Co. LP	2,815,160	80,743	0.029
Nomura Securities International, Inc.	7,930,738	80,615	0.010
Robert W. Baird & Company	1,611,170	72,291	0.045
CIBC World Markets Corporation	1,581,405	60,722	0.038
Dresdner Kleinwort	4,150,865	58,170	0.014
ABN AMRO	4,044,419	52,907	0.013
Mizuho Financial Group	2,836,917	51,670	0.018
FBR Group, Inc.	1,080,000	51,529	0.048
Others (less than $50,000)	74,170,747	1,448,678	0.020
Commission recapture income	-	(587,000)	-
Total	504,976,653	$8,636,813	$0.017

**Approximate figures provided by The Bank of New York.*

Defined Benefit Plans – Investment Summary
For The Year Ended June 30, 2007

(In Thousands)

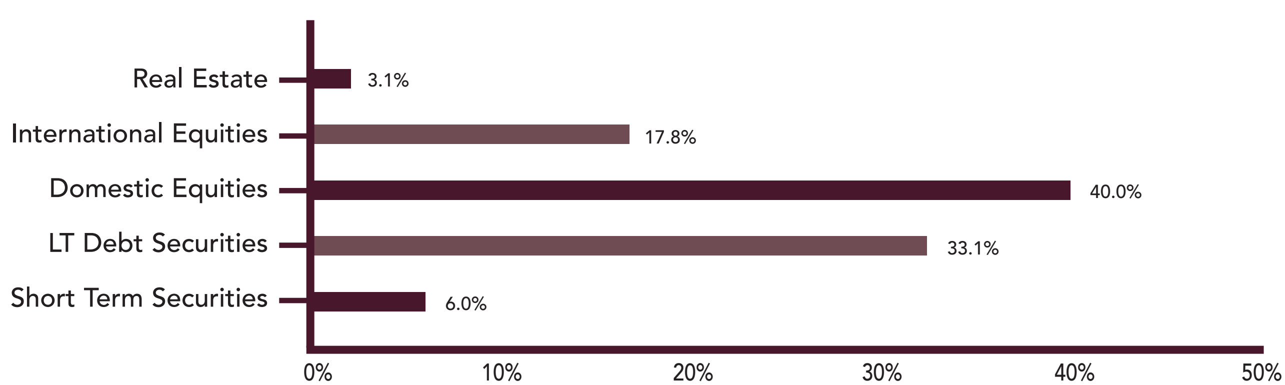
	July 1, 2006				June 30, 2007		
	Beginning Fair Value*	Purchases	Sales and Maturities	Increase/ (Decrease) In Fair Value	Ending Fair Value**	% of Total Fair Value	Annual Rate of Return***
Short Term Securities	$ 1,394,178	$191,023,568	$190,757,688	$ 1,319	$ 1,661,377	6.0%	5.5%
LT Debt Securities	8,226,143	12,200,608	11,214,017	16,987	9,229,721	33.1%	6.3%
Domestic Equities	9,597,508	3,236,917	2,889,304	1,212,400	11,157,521	40.0%	20.6%
International Equities	3,911,263	1,720,491	1,298,750	635,904	4,968,908	17.8%	29.1%
Real Estate	723,127	316,623	219,517	39,120	859,353	3.1%	16.2%
Total	$23,852,219	$208,498,207	$206,379,276	$1,905,730	$27,876,880	100.0%	18.9%

* *Includes investment securities on loan to broker-dealers with a fair value of $5,015,113. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $5,110,088. 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.*

** *Includes investment securities on loan to broker-dealers with a fair value of $5,956,504. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $6,110,489. 22.0% of the total fair value of investments were on loan to broker-dealers. To arrive at the net asset value of investments of $21.8 billion, the fair value total must be adjusted by ($6.1 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, 2007



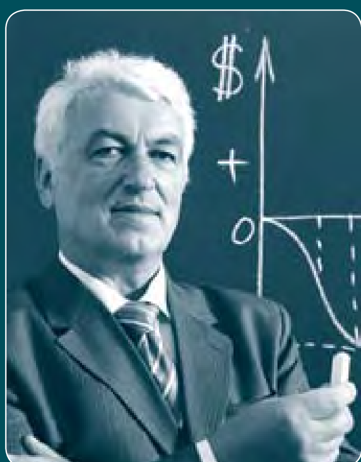
Defined Contribution Plan – Investment Summary
For the Year Ended June 30, 2007

Fund Name of Assets	Fair Value of Assets	Annual Rate of Return
AllianceBernstein International	$ 4,586,445	25.83%
American New Perspective Fund	17,100,525	24.92%
Barclays Global Investors Equity Index Fund	66,932,383	20.58%
Barclays Global Investors Money Market Fund	17,253,617	5.52%
Barclay's Intermediate Government/Corporate Bond Index Fund	17,586,498	5.83%
Boston Company Premier Value Fund	144,413,880	22.40%
Conseco Life Insurance Company	467,980	N/A
Fayez Sarofim Common Stock Fund	138,030,610	19.37%
Fidelity Asset Manager Fund	41,822,142	13.62%
Fidelity Diversified International Fund	31,530,824	25.89%
Fidelity Small Cap Fund	14,973,699	19.09%
GE U.S. Equity Fund	2,757,833	20.38%
ING Fixed Account	317,784,330	4.30%
ING VP Growth & Income Portfolio	89,148,770	20.10%
Nationwide Fixed Account	79,829,337	4.29%
PIMCO Total Return Fund II	6,028,655	4.62%
T. Rowe Price International Stock Fund	38,171,610	24.86%
Vanguard Target Retirement Funds	3,430,442	*
Vanguard Windsor II Fund	20,251,533	22.88%
	$1,052,101,113	

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

Actuarial

PERS through the years



1990 – Optional Retirement Plan established for teachers and administrative faculty of the state's Institutions of Higher Learning.

1991 – Full retirement now possible after 25 years of creditable service, regardless of age.

1991 – The World Wide Web is launched for public use.

1990s

1993 – Retirement income exempted from state income tax.

1999 – Compounding of COLA benefits approved.

1992 – Portland, Oregon starts one of the first citywide recycling programs.

1995 – Space Shuttle Atlantis docks with Russian Mir space station for the first time.

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

October 23, 2007

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, 2007. This valuation indicates that the current contribution rates of 11.85% of payroll for employers and 7.25% of payroll for active members, for benefits then in effect, meet the basic financial objective. There are 162,804 active members as of June 30, 2007.

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 2002 to 2006. 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 recommenced in the 2007 valuation 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:kc

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Cavanaugh Macdonald
CONSULTING, LLC
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October 23, 2007

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, 2007. 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 591 active members as of June 30, 2007.

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 2002 to 2006. 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 recommenced in the 2007 valuation 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:kc

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October 23, 2007

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, 2006. 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 49 active members as of September 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 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 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 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. 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 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

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October 23, 2007

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, 2007. 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 175 active members as of June 30, 2007.

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 2002 to 2006. 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 recommenced in the 2007 valuation 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

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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 June 26, 2007. 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* Male	Withdrawal and Vesting* Female	Death** Male	Death** Female	Disability** Male	Disability** Female
20	20.0%	20.0%	.01%	.00%	.01%	.01%
25	15.5	15.0	.01	.00	.02	.01
30	11.0	11.0	.02	.01	.02	.02
35	9.5	9.0	.02	.01	.05	.03
40	7.0	6.5	.03	.01	.11	.08
45	6.0	5.5	.05	.02	.18	.13
50	6.0	5.5	.07	.03	.30	.21
55	6.0	5.5	.09	.04	.48	.33
60	6.0	5.5	.18	.07	.35	.25
65	6.0	5.5	.29	.13	-	-
70	6.0	5.5	.49	.22	-	-
74	6.0	5.5	.72	.38	-	-

Service Retirements

Age	Male: Under 25 Years of Service	Male: 25 Years of Service and Over	Female: Under 25 Years of Service	Female: 25 Years of Service and Over
45	-%	12.0%	-%	8.5%
50	-	12.0	-	8.5
55	-	15.0	-	13.5
60	14.0	15.0	14.0	17.0
62	14.0	23.0	14.0	21.0
65	18.0	23.0	20.0	24.0
70	18.0	23.0	20.0	24.0
75	100.0	100.0	100.0	100.0

**For all ages, rates of 41% for 1st year of employment and 19% for 2nd year.*
***94% are presumed to be non-duty related, and 6% are assumed to be duty related.*
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 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. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets were set equal to the market value on June 30, 2006. Smoothing commenced in 2007 with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.

Mississippi Highway Safety Patrol Retirement System

Statement of Actuarial Assumptions and Methods

All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on June 26, 2007. 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						
	Withdrawal		Disability			Service
Age	and Vesting	Death	Non-Duty	Duty	Service	Retirement*
25	5.5%	0.03%	0.09%	0.01%	5	5.0%
30	4.0	0.04	0.12	0.02	10	5.0
35	2.5	0.05	0.16	0.04	15	5.0
40	1.0	0.07	0.20	0.07	20	10.0
45	0.5	0.11	0.30	0.06	25	20.0
50	0.1	0.16	0.50	0.05	30	20.0
55	–	0.21	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 1¼ 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. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing commenced in 2007 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. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets was set equal to the market value on September 30, 2006. Smoothing will commence in future years with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value. Actuarial assets were allocated to individual cities in the same proportion that their market value of assets was to the total market value of assets for all cities.

All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on June 26, 2007. 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. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. Actuarial value of assets was set equal to the market value on June 30, 2006. Smoothing commenced in 2007 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, 2007, 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	6/30/07	11.30	150,000	7.25	150,000
7/1/07	-	11.85	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 until 2007. Refer to note 7 of the basic financial statements for discussion.

Summary of Benefit and Contribution Provisions – MHSPRS

The following summary presents the main benefit and contribution provisions of the System in effect June 30, 2007, 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 $2,300,000 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 for each full fiscal year of retirement through June 30, 1999 plus $1.00 per month for each year of credited service. The benefits were increased on July 1, 1999.

Contributions

Members contribute 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, 2006, as interpreted in preparing the actuarial valuation. 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, Jackson, McComb, Meridian, Vicksburg 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: 3 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
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	14,173	82	100.6
2005-06	2005	15,397	15,635	238	101.5

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, 2007 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

<u>Condition for Retirement</u>

(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.

<u>Amount of Allowance</u>

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

<u>Condition for Retirement</u>

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.

<u>Amount of Allowance</u>

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

<u>Condition for Retirement</u>

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

<u>Amount of Allowance</u>

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

<u>Condition for Benefit</u>

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.

<u>Amount of Allowance</u>

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.

The Mississippi Legislature ended its 2007 legislative session with various changes to the plan provisions of the Public Employees' Retirement Systems. All legislation is effective on July 1, 2007 unless otherwise specified.

House Bill 701

Sections 25-11-133, 25-11-309, 25-13-33 and 21-29-317, Mississippi Code of 1972 are amended to authorize the PERS Board of Trustees to provide for the payment of benefits under Public Employees' Retirement System, the Mississippi Highway Safety Patrol Retirement System and the Supplemental Legislative Retirement Plan, and certain Municipal Retirement Systems, in compliance with recent changes to the federal income tax laws.

House Bill 1016

Amends Sections 25-11-103, 25-11-105, 25-11-109, 25-11-111, 25-11-113, 25-11-114, 25-11-115, 25-11-117, 25-11-311 and 25-11-315, Mississippi Code of 1972 to increase the number of years of membership service required to vest to eight (8) years for persons who become members on or after July 1, 2007. The bill also limits selection of the Partial Lump-Sum Distribution Option (PLSO Distribution) to those who have twenty-eight (28) or more years of creditable service at the time of retirement for persons who became members on or after July 1, 2007. The bill conforms the use of the terms "membership service" and "creditable service" and deletes obsolete language regarding phase-in of the new retirement formula and references to retirement Option 4-C.

Senate Bill 2213

Amendments to Section 25-11-121, Mississippi Code of 1972 remove certain restrictions on the types of bonds and foreign government securities in which Public Employees' Retirement System may invest. The bill also exempts from the provisions of the Mississippi Public Records Act of 1983 documentary material or data made or received by PERS which consists of trade secrets or commercial or financial information that relates to investments of the System if the disclosure of the material or data is likely to impair the System's ability to obtain such information in the future or is likely to cause substantial harm to the competitive position of the person or entity from whom the information was obtained. The bill authorizes PERS to hold Executive Sessions when discussing such information that is exempt from the Mississippi Public Records Act. This legislation is effective March 7, 2007.

Senate Bill 2214

Amends Section 25-14-5, Mississippi Code of 1972 to authorize political subdivisions of the State to make contributions to the Government Employees Deferred Compensation Plan (GEDCP) on behalf of actively participating members under certain circumstances. The bill also authorizes funds in GEDCP to be used to purchase fixed or variable life insurance or annuity contracts, if the contracts are authorized for purchase by PERS, from a business approved to offer products in the Plan. The bill clarifies that GEDCP will be operated in accordance with the guidelines established by the IRS as reflected in the Plan Document. This legislation is effective March 30, 2007.

House Bill 422

Amends Chapter 899, Local and Private Laws and subsequent amendments, to increase the amount of minimum monthly benefits authorized for benefit recipients under the Disability and Relief Fund for Firemen and Policemen of the City of Vicksburg. This legislation is effective April 4, 2007.

Senate Bill 3044

This Act allows the City of Clinton to authorize an increase in the maximum amount of relief payments to members of its Disability and Relief Fund for Firemen and Policemen, provided that the increase will not be implemented unless the Disability and Relief Fund is currently sound and will remain sound if the increase is implemented. This legislation is effective April 6, 2007.

Senate Bill 3090

This Act authorizes the governing authorities of the City of Pascagoula to contribute amounts necessary to pay all or a portion of the premiums for retired City employees to participate in the City's Health Insurance Plan. This legislation is effective April 17, 2007.

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							
6/30/98	$ 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
6/30/07	3,788,781	13,342,531	9,731,324	19,791,564	100	100	27.3
Mississippi Highway Safety Patrol Retirement System							
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
6/30/07	20,870	231,771	118,592	284,626	100	100	27.0
Municipal Retirement Systems*							
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
9/30/06	3,353	368,128	11,874	213,553	100	57.1	0.0
Supplemental Legislative Retirement Plan							
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
6/30/07	2,301	7,378	5,375	12,722	100	100	56.6

**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.

		Active Members			
Valuation Date	Number of Employers	Number of Employees	Annual Payroll	Annual Average Pay	% Increase In Average Pay
Public Employees' Retirement System					
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
6/30/07	831	162,804	5,196,294,899	31,917	1.5
Mississippi Highway Safety Patrol Retirement System					
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	21,052,942	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
6/30/07	1	591	27,037,063	45,748	5.3
Municipal Retirement Systems					
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
9/30/06	17	49	2,223,090	45,369	1.4
Supplemental Legislative Retirement Plan					
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)
6/30/07	5	175	6,554,229	37,453	2.0

Schedule of Retirants Added to and Removed from Rolls

Last Six Fiscal Years

Fiscal Year Ended*	Plan	Added Number	Added Annual Allowances	Removed Number	Removed Annual Allowances
June 30, 2002	PERS	5,138	$ 73,692,536	(2,098)	$ (14,603,554)
	MHSPRS	33	918,422	(11)	(165,174)
	MRS	67	1,205,360	(79)	(602,021)
	SLRP	6	26,014	(4)	(15,737)
June 30, 2003	PERS	4,857	76,047,174	(2,115)	(17,494,863)
	MHSPRS	20	331,225	(16)	(225,378)
	MRS	70	1,380,001	(82)	(614,706)
	SLRP	1	6,156	(2)	(8,266)
June 30, 2004	PERS	5,174	82,912,445	(2,214)	(19,375,950)
	MHSPRS	27	768,760	(21)	(249,668)
	MRS	71	1,415,488	(71)	(643,802)
	SLRP	26	172,668	(5)	(22,850)
June 30, 2005	PERS	4,610	74,999,488	(3,078)	(25,851,732)
	MHSPRS	33	578,336	(17)	(106,467)
	MRS	54	972,938	(58)	(545,424)
	SLRP	8	30,412	-	-
June 30, 2006	PERS	5,360	84,374,497	(2,542)	(21,454,469)
	MHSPRS	32	760,672	(28)	(353,602)
	MRS	67	1,131,297	(84)	(834,404)
	SLRP	12	56,988	(4)	(24,632)
June 30, 2007	PERS	6,218	95,337,869	(2,219)	(21,504,035)
	MHSPRS	29	777,073	(16)	(236,315)
	MRS	46	785,813	(71)	(261,327)
	SLRP	6	16,139	(2)	(5,356)

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

	Rolls at End of Year			
Increase Due to Plan Amendments	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
$ 16,258,881	56,705	$ 656,547,390	12.96%	$ 11,578
-	595	11,486,923	7.02	19,306
33,867	2,258	29,353,139	2.22	13,000
9,266	86	332,606	6.24	3,868
-	59,447	715,099,701	8.92	12,029
-	599	11,592,770	0.92	19,354
255,604	2,246	30,374,038	3.48	13,524
-	85	330,496	-0.63	3,888
-	62,407	778,636,196	8.88	12,477
-	605	12,111,862	4.48	20,020
274,798	2,246	31,420,522	3.45	13,990
-	106	480,314	45.33	4,531
-	63,939	827,783,952	6.31	12,946
-	621	12,583,731	3.90	20,264
334,359	2,242	32,182,395	2.42	14,354
-	114	510,726	6.33	4,480
-	66,757	890,703,980	7.60	13,342
-	625	12,990,801	3.23	20,785
74,913	2,225	32,554,201	1.16	14,631
-	122	543,082	6.34	4,451
-	70,756	964,537,814	8.29	13,632
-	638	13,531,559	4.16	21,209
-	2,200	33,078,687	1.61	15,036
-	126	553,865	1.99	4,396

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities for the Year Ended June 30, 2007

Resulting from Differences Between Assumed Experience & Actual Experience

(In Thousands)

	$ Gain or (Loss) For Year			
Type of Activity:	PERS	MHSPRS	MRS*	SLRP
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	$ (16,200.0)	$ (103.8)	$ 366.3	$ (28.6)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	12,300.0	75.3	(0.2)	10.8
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	500.0	10.4	20.9	5.7
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	(93,500.0)	(389.2)	(150.3)	(19.0)
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	228,100.0	(3,999.5)	415.0	178.1
New Members. Additional unfunded accrued liability will produce a loss.	(94,800.0)	(432.3)	0.0	(15.6)
Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	390,400.0	5,631.0	(6,615.0)	257.0
Death after Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	(51,300.0)	(384.1)	(1,529.0)	(29.5)
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(188,100.0)	(1,293.7)	(266.0)	(222.9)
Gain (or Loss) During year from Financial Experience.	187,400.0	(885.9)	(7,758.3)	136.0
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes.	(523,800.0)	(353.1)	6,170.5	0.0
Composite Gain (or Loss) During Year	$(336,400.0)	$ (1,239.0)	$ (1,587.8)	$ 136.0

**Valuation information furnished for MRS is as of September 30, 2006.*

Statistics

PERS through the years

2002 – PERS celebrates 50th anniversary.

2004 – Remodeling and expansion of PERS building complete.

2000 – The world celebrates a new millennium, and the global population reaches 6,070,581,000.

2003 – The last original-style Volkswagen Beetle rolls off the production line in Puebla, Mexico.

2000s

2006 – PERS assets exceed $20 billion.

2007 – GEDCP exceeds $1 billion in total investments.

2005 – The Superjumbo Jet Airbus A380 makes its inaugural flight.

2007 – Live Earth, a series of rock concerts are held worldwide on July 7, launching a 3-year campaign to fight climate change.

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 .55 percent to 11.3 percent. 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, all of which were effective on July 1, 2006. A detailed discussion of changes in employer contribution rates and funding can be found on page 24 of Management's Discussion and Analysis and on page 44, 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 and 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 had no outstanding debt as of June 30, 2007.

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							
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
2007	392,268	7.25	610,888	11.30	3,402,562	604	4,406,322
Mississippi Highway Safety Patrol Retirement System							
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
2007	1,778	6.50	8,275	30.30	49,104	2,341	61,498
Municipal Retirement Systems**							
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
2007	203	**	15,050	**	38,269	-	53,522
Supplemental Legislative Retirement Plan							
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
2007	195	3.00	432	6.65	2,209	-	2,836

**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							
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
2007	1,291,456	72,572	10,341	-	1,374,369	3,031,953	21,353,016
Mississippi Highway Safety Patrol Retirement System							
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
2007	19,774	44	-	165	19,983	41,515	307,152
Municipal Retirement Systems**							
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
2007	35,544	1	-	420	35,965	17,557	238,434
Supplemental Legislative Retirement Plan							
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
2007	699	-	-	9	708	2,128	13,748

Benefit and Refund Payments by Type
– Last Ten Fiscal Years

Public Employees' Retirement System of Mississippi

Number of Participants by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
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
2007	57,019	4,903	8,834	70,756	18,207

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
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
2007	1,178,654	82,168	30,634	1,291,456	72,572

Mississippi Highway Safety Patrol Retirement System

Number of Participants by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
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
2007	435	19	184	638	5

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
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
2007	17,870	471	1,433	19,774	44

Benefit and Refund Payments by Type (continued)
– Last Ten Fiscal Years

Municipal Retirement Systems*

Number of Participants by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
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
2006	1,532	109	559	2,200	1

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

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
2006	26,353	969	5,757	33,079	1

Supplemental Legislative Retirement Plan

Number of Participants by Type of Benefit

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
2007	97	2	27	126	-

Total Payments by Type of Benefit
(In Thousands)

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
2007	638	12	48	699	-

**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, 2002 to June 30, 2007	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+
2007									
Average Monthly Benefit.....$	412	370	536	818	1,114	1,671	1,761	2,127	2,616
Average Monthly Salary ......$	22,554	24,146	27,269	30,518	34,644	42,366	43,541	47,398	51,466
Number of Active Retirants..	340	986	827	747	684	381	917	251	1,085
2006									
Average Monthly Benefit.....$	490	331	492	766	1,137	1,575	1,729	1,942	2,380
Average Monthly 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 Monthly 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 Monthly 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 Monthly 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

Mississippi Highway Safety Patrol Retirement System

	0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
2007									
Average Monthly Benefit.....$	-	-	213	-	2,108	2,247	2,536	1,044	2,257
Average Monthly Salary ......$	-	-	4,971	-	42,894	48,746	47,313	29,283	40,153
Number of Active Retirants..	-	-	1	-	7	3	13	1	4
2006									
Average Monthly Benefit.....$	130	-	194	831	2,364	1,548	2,080	1,803	2,447
Average Monthly Salary ......$	5,261	-	5,120	21,651	53,949	35,031	42,379	39,574	45,797
Number of Active Retirants..	1	-	1	2	6	4	10	2	6
2005									
Average Monthly Benefit.....$	1,151	-	-	138	1,558	2,118	1,585	1,410	2,819
Average Monthly 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 Monthly 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 Monthly Salary ......$	-	-	-	-	39,252	37,178	14,088	22,853	42,139
Number of Active Retirants..	-	-	-	-	2	9	4	3	2

Retirement Effective Dates:	Years Credited Service								
July 1, 2002 to June 30, 2007	0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
Supplemental Legislative Retirement System									
2007									
Average Monthly Benefit.....$	-	189	256	265	-	-	-	-	-
Average Monthly Salary ......$	-	27,519	34,759	22,042	-	-	-	-	-
Number of Active Retirants..	-	3	2	1	-	-	-	-	-
2006									
Average Monthly Benefit.....$	-	147	310	435	-	-	-	-	963
Average Monthly 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 Monthly 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 Monthly 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 Monthly Salary ......$	-	-	-	-	32,189	-	-	-	-
Number of Active Retirants..	-	-	-	-	1	-	-	-	-

Retired Members by Type of Benefits
– June 30, 2007

Amount of Monthly Benefit*	Option Selected #								PLSO	PLSO	PLSO
	Life	Opt. 1	Opt. 2	Opt. 3	Opt. 4A	Opt. 4B	Opt. 4C**	Opt. 5	1yr**	2yr**	3yr**
Public Employees' Retirement System of Mississippi											
$ 1 - 100	1,646	70	329	7	28	233	6	14	36	30	323
101 - 200	4,144	257	676	17	83	512	23	92	74	43	293
201 - 300	4,182	231	560	6	108	460	39	82	64	39	207
301 - 400	3,354	220	501	19	101	402	61	64	51	49	175
401 - 500	2,949	204	496	7	135	296	66	66	54	42	158
501 - 600	2,363	170	452	15	112	292	88	56	64	45	144
601 - 700	2,129	152	404	8	133	228	130	57	55	39	117
701 - 800	1,956	175	379	7	151	187	158	87	40	35	110
801 - 900	1,780	161	408	6	158	214	171	52	46	39	162
901 -1,000	1,704	123	402	13	135	189	171	80	51	27	151
over 1,000	19,879	1,485	5,736	144	3,030	2,506	2,275	487	1,005	884	4,651
Totals	46,086	3,248	10,343	249	4,174	5,519	3,188	1,137	1,540	1,272	6,491
Mississippi Highway Safety Patrol Retirement System											
$ 1 - 100	1	-	-	-	-	-	-	-	-	-	-
101 - 200	6	-	-	-	-	-	-	-	-	-	-
201 - 300	8	-	-	-	-	-	-	-	-	-	-
301 - 400	37	-	1	-	-	-	-	-	-	-	-
401 - 500	15	-	-	-	3	-	-	-	-	-	-
501 - 600	15	-	-	-	4	-	-	-	-	-	-
601 - 700	11	-	-	-	6	1	-	-	-	-	-
701 - 800	19	-	1	-	5	-	-	-	-	-	-
801 - 900	21	-	-	-	4	-	-	-	-	-	-
901 -1,000	14	-	-	-	3	-	-	-	-	-	-
over 1,000	42	1	45	2	364	9	11	-	21	6	39
Totals	189	1	47	2	389	10	11	-	21	6	39
Supplemental Legislative Retirement Plan of Mississippi											
$ 1 - 100	5	-	2	-	-	3	1	-	-	-	1
101 - 200	12	1	6	-	-	-	-	1	-	-	1
201 - 300	16	-	9	2	1	3	-	1	-	-	-
301 - 400	14	1	7	-	2	2	-	1	1	-	3
401 - 500	5	-	3	-	1	2	-	-	-	2	4
501 - 600	1	-	1	-	-	1	-	1	1	-	1
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	63	2	31	2	6	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

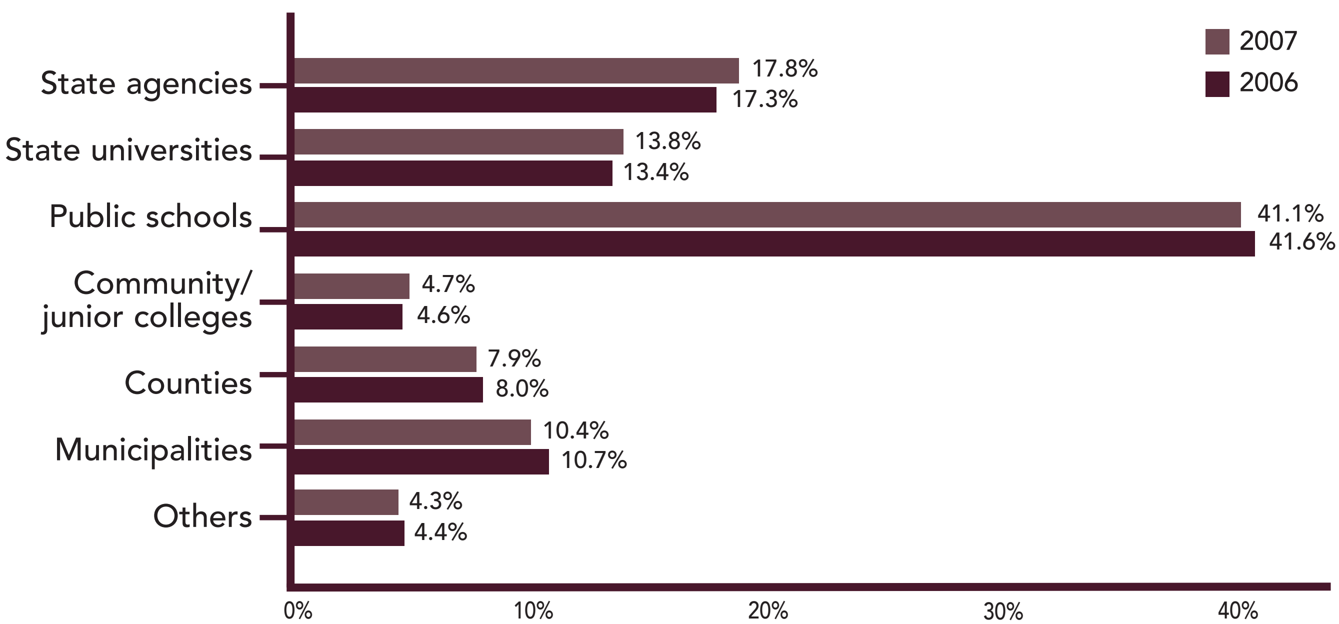
For Fiscal Years Ended June 30, 2007 and 2006

(Contributions In Thousands)

Public Employees' Retirement System of Mississippi

	Employer		Employee		Total	
Employer Group	Units	Contributions	Number	Contributions	Contributions	Percent
2007						
State agencies	113	$108,607	33,335	$ 69,708	$ 178,315	17.8%
State universities	9	84,341	17,191	54,127	138,468	13.8
Public schools	150	250,898	65,535	161,017	411,915	41.1
Community/junior colleges	15	28,794	5,733	18,479	47,273	4.7
Counties	82	48,189	14,286	30,926	79,115	7.9
Municipalities	237	63,634	18,125	41,053	104,687	10.4
Other	256	26,425	8,599	16,958	43,383	4.3
Total	862	$610,888	162,804	$392,268	$1,003,156	100.0%
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%

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, 2007 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	475	-	-	-	-	-	-	475	$ 5,430,190
20-24	7,254	100	-	-	-	-	-	7,354	145,560,769
25-29	13,253	3,354	65	-	-	-	-	16,672	450,649,069
30-34	9,354	6,818	2,032	43	-	-	-	18,247	539,059,538
35-39	8,418	5,606	5,026	1,912	71	-	-	21,033	654,142,734
40-44	6,795	4,890	3,900	3,761	1,829	67	-	21,242	670,574,578
45-49	6,017	4,830	3,946	3,542	3,564	1,674	55	23,628	786,205,674
50-54	5,116	4,044	3,442	3,420	2,910	2,685	1,184	22,801	814,417,881
55-59	3,765	3,072	2,766	2,712	2,516	1,613	1,822	18,266	675,149,906
60	605	503	455	442	425	267	351	3,048	113,008,675
61	394	363	296	273	251	152	219	1,948	69,775,560
62	345	292	248	217	178	130	179	1,589	57,232,195
63	229	246	213	177	152	109	121	1,247	46,425,822
64	222	243	160	176	137	91	124	1,153	40,498,029
65	170	169	117	107	86	55	76	780	27,337,820
66	143	125	93	87	61	40	51	600	19,580,753
67	108	101	90	69	48	36	50	502	15,216,950
68	103	86	58	62	27	24	55	415	13,189,256
69	90	89	68	48	26	18	38	377	11,876,557
70 & Over	288	307	243	199	159	84	147	1,427	40,962,943
Totals	63,144	35,238	23,218	17,247	12,440	7,045	4,472	162,804	$ 5,196,294,899

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

Age: 43.8 years

Service: 9.7 years

Annual Pay: $31,917

Mississippi Highway Safety Patrol Retirement System

Total Active Members as of June 30, 2007 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 +	Number	Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	14	-	-	-	-	-	-	14	466,438
25-29	49	10	-	-	-	-	-	59	2,056,687
30-34	42	45	12	-	-	-	-	99	3,610,448
35-39	28	35	49	7	-	-	-	119	4,674,686
40-44	4	8	39	21	15	-	-	87	3,998,633
45-49	1	4	10	25	55	10	-	105	5,615,516
50-54	-	2	1	6	35	35	2	81	4,911,776
55-59	-	1	-	2	4	15	4	26	1,651,928
60 & Over	-	-	-	-	-	1	-	1	50,951
Totals	138	105	111	61	109	61	6	591	$ 27,037,063

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 40.8 years
Service: 13.2 years
Annual Pay: $45,748

Municipal Retirement Systems

Total Active Members as of September 30, 2006 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 +	Number	Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	7	-	-	7	290,773
45-49	-	-	-	-	5	1	-	6	252,697
50-54	-	-	-	-	-	2	6	8	380,519
55-59	-	-	-	-	-	3	18	21	993,101
60 & Over	-	-	-	-	-	-	7	7	306,000
Totals	-	-	-	-	12	6	31	49	$2,223,090

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 54.1 years
Service: 29.8 years
Annual Pay: $45,369

Supplemental Legislative Retirement Plan

Total Active Members as of June 30, 2007 by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 +	Number	Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-
30-34	6	2	2	-	-	-	-	10	359,645
35-39	5	-	1	-	-	-	-	6	218,434
40-44	3	3	5	-	-	-	-	11	421,668
45-49	6	4	4	3	1	-	-	18	657,270
50-54	4	3	10	8	4	1	-	30	1,105,998
55-59	12	5	4	4	2	5	-	32	1,203,800
60	2	1	1	2	-	1	-	7	255,176
61	1	2	3	-	-	-	-	6	213,430
62	1	1	2	2	-	1	1	8	348,959
63	1	1	1	1	-	2	-	6	222,310
64	-	-	-	1	-	1	-	2	149,738
65	2	-	2	2	-	-	-	6	207,560
66	2	-	1	-	-	-	-	3	99,573
67	-	2	-	1	1	-	-	4	148,378
68	3	-	1	1	-	-	-	5	183,816
69	-	-	1	2	-	-	-	3	113,240
70 & Over	-	2	4	6	2	3	1	18	645,234
Totals	48	26	42	33	10	14	2	175	$6,554,229

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

Age: 56.1 years
Service: 12.1 years
Annual Pay: $37,453

Total Defined Benefit Plans

Benefit Payments by County – June 30, 2007

County	Number of Payments[1]	Amount Paid[2]
Adams	949	$ 16,095,334
Alcorn	801	13,079,888
Amite	268	3,983,031
Attala	668	10,508,790
Benton	212	3,018,032
Bolivar	998	20,266,720
Calhoun	341	5,613,770
Carroll	344	5,973,261
Chickasaw	428	7,434,409
Choctaw	293	4,633,324
Claiborne	259	5,057,782
Clarke	419	6,471,787
Clay	478	8,777,941
Coahoma	824	15,556,124
Copiah	699	12,296,637
Covington	543	8,730,040
DeSoto	775	12,389,565
Forrest	1,488	26,771,000
Franklin	249	3,682,018
George	430	6,570,646
Greene	227	3,269,773
Grenada	552	9,412,331
Hancock	509	7,883,042
Harrison	3,090	58,198,006
Hinds	7,584	159,045,195
Holmes	515	8,909,388
Humphreys	227	3,903,866
Issaquena	17	230,773
Itawamba	495	8,306,099
Jackson	2,453	45,047,169
Jasper	394	5,391,444
Jefferson	284	5,374,560
Jefferson Davis	328	5,367,116
Jones	1,897	31,523,080
Kemper	255	4,122,480
Lafayette	1,485	32,463,395
Lamar	1,539	34,174,360
Lauderdale	1,966	35,002,222
Lawrence	429	6,698,542
Leake	517	8,046,100
Lee	1,573	30,731,236
Leflore	905	17,439,538
Lincoln	729	12,919,520
Lowndes	1,325	24,127,650

County	Number of Payments[1]	Amount Paid[2]
Madison	2,076	$ 45,909,783
Marion	592	10,617,584
Marshall	479	7,974,967
Monroe	731	12,327,498
Montgomery	429	6,968,635
Neshoba	522	8,694,071
Newton	816	13,600,879
Noxubee	227	3,562,448
Oktibbeha	1,956	47,726,793
Panola	853	13,629,834
Pearl River	958	14,067,398
Perry	293	4,655,516
Pike	957	17,583,263
Pontotoc	490	9,025,171
Prentiss	806	14,013,487
Quitman	246	3,824,824
Rankin	3,789	76,531,242
Scott	669	10,786,507
Sharkey	170	2,977,240
Simpson	799	12,594,713
Smith	357	4,685,552
Stone	467	9,000,756
Sunflower	720	13,225,858
Tallahatchie	338	5,472,153
Tate	571	10,460,694
Tippah	558	8,344,246
Tishomingo	405	5,745,545
Tunica	135	2,328,479
Union	616	9,952,636
Walthall	305	4,912,013
Warren	1,019	19,828,724
Washington	1,226	22,737,109
Wayne	365	5,506,789
Webster	334	5,586,623
Wilkinson	217	3,646,489
Winston	551	9,902,083
Yalobusha	454	7,504,232
Yazoo	630	10,877,915
Mississippi	67,887	1,251,286,733
Out-of-State	5,789	95,771,212
Out-of-Country	24	415,055
Total	73,700	$ 1,347,473,000

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*

Ten Largest Participating Employers

Participating Government	2007 Covered Employees	2007 Rank	2007 Percentage of Total System	1998 Covered Employees	1998 Rank	1998 Percentage of Total System
Public Employees' Retirement System						
University Medical Center	6,210	1	3.81%	5,409	1	3.72%
Jackson Municipal Separate Schools	4,813	2	2.96	3,766	2	2.59
Mississippi State University	3,778	3	2.32	3,766	2	2.59
Mississippi Department of Transportation	3,289	4	2.02	3,262	6	2.24
Desoto County Board of Education	3,240	5	1.99	1,219	15	0.84
Corrections Department	3,137	6	1.93	3,721	4	2.56
Department of Human Services	2,997	7	1.84	3,599	5	2.48
Mississippi State Hospital	2,356	8	1.45	2,493	7	1.72
Rankin County Board of Education	2,184	9	1.34	1,386	12	0.95
State Department of Health	2,165	10	1.33	2,472	8	1.70
All Other *	128,635	-	79.01	114,228	-	78.61
Total (862 Governments)	162,804	-	100.00%	145,321	-	100.00%

**In 2007, "All Other" consisted of:*

Type	Number	Employees
State Agencies	108	19,391
State Universities	7	7,203
Public Schools	147	55,298
Community/Junior Colleges	15	5,733
Counties	82	14,286
Municipalities	237	18,125
Other Political Subdivisions	256	8,599
Total	852	128,635

Participating Government	2007 Covered Employees	2007 Rank	2007 Percentage of Total System	1998 Covered Employees	1998 Rank	1998 Percentage of Total System
Municipal Retirement Systems						
City of Hattiesburg	10	1	20.41%	69	2	20.06%
City of Clinton	6	2	12.25	23	3	6.69
City of Jackson	5	3	10.20	84	1	24.42
City of Natchez	5	4	10.20	12	7	3.49
All Other *	23	-	46.94	156	-	45.34
Total (17 Governments)	49	-	100.00%	344	-	100.00%

**In 2007, "All Other" consisted of:*

Type	Number	Employees
State Agencies	-	-
State Universities	-	-
Public Schools	-	-
Community/Junior Colleges	-	-
Counties	-	-
Municipalities	13	23
Other Political Subdivisions	-	-
Total	13	23

Participating Employers Covered by Law

State agencies
State universities
Community/junior colleges
Public school districts

Participating Employers Covered by Separate Agreement

Counties

Local Governmental Entities Covered by Separate Agreement

Municipalities

Aberdeen
Ackerman
Algoma
Amory
Anguilla
Arcola
Artesia
Ashland
Baldwyn
Bassfield
Batesville
Bay Springs
Bay St. Louis
Beaumont
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
Crowder
Crystal Springs
Decatur
De Kalb
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
Hickory Flat
Hollandale
Holly Springs
Horn Lake
Houlka
Houston
Indianola
Inverness
Itta Bena
Iuka
Jackson
Jonestown
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
Woodland
Woodville
Yazoo City

Juristic Entities

Adams County Soil and Water Conservation District

Adams County Airport Commission

Bogue Phalia Drainage District

Bolivar County Soil and Water Conservation 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

Coahoma County Soil & Water Conservation 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 Utility Authority

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

Holmes 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

Mantachie Natural Gas District

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

Panola County Soil & Water Conservation District

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

Smith County Chancery Clerk

South Mississippi Fair Commission

Stone County Soil & Water Conservation District

Sunflower County Soil & Water Conservation District

Tallahatchie 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

Wayne County Soil & Water Conservation District

West Jackson County Utility District

Wilkinson County Soil & Water Conservation District

Winston County Economic Development

Winston County Soil & Water Conservation District

Yazoo County Convention & Visitors Bureau

Yazoo County Soil & Water Conservation District

Yazoo-Mississippi Delta Joint Water Management District

Yazoo-Mississippi Delta Levee Commission

Yazoo Recreation Commission

Housing Authorities

Attala
Baldwyn
Bay St. Louis
Biloxi
Canton
Clarksdale
Columbus
Corinth
Forest
Greenwood
Hattiesburg
Hazlehurst
Holly Springs
Itta Bena
Iuka
Jackson
Laurel
Long Beach
Louisville
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
Madison County Nursing Home
Magnolia Regional Health Center
Montfort Jones Memorial
Natchez Regional Medical Center
North Sunflower Medical Center
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

PERS

Public Employees' Retirement System of Mississippi