


PERS
of MISSISSIPPI

COMPREHENSIVE ANNUAL FINANCIAL REPORT - 2009

A component unit of the State of Mississippi
Fiscal Year ended June 30

No matter what your dream is for retirement—
doing more of what you love or trying something entirely new—participating in PERS gives you the assurance that you'll be better able to follow that dream. PERS is passionate about helping you balance the yin-and-yang relationship of saving for and investing in the future and then reaping the benefits of that preparation. For nearly 60 years, we've made good on our promise of providing benefits for life and retirement security for thousands. And that's a promise we'll continue to keep.

2009 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 of MISSISSIPPI

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PERS of MISSISSIPPI

Providing Benefits for Life

December 16, 2009

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

Dear Board Members:

I am pleased to submit the 2009 Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System of Mississippi (the System). During our 57 years of operation, we have seen significant advances, continued to meet new challenges, and celebrated numerous achievements. Despite the fact that PERS could not escape the effect of the global recession, I am happy to report that we remain well prepared to provide secure benefits while carefully safeguarding the retirement future of our members and retirees. We trust that you and the other members will find this CAFR helpful in understanding your retirement system.

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' Mississippi Deferred Compensation Plan and Trust (MDC), which was formerly referred to as the Government Employees' Deferred Compensation Plan (GEDPC), 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, 2009, the System's defined benefit plans served a total of 294,541 members and 79,099 retirees and beneficiaries. There are 892 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 $1.5 billion. Employers contributed $740 million during the fiscal year while members of the System contributed a total of $437 million. As of June 30, 2009, net assets held in trust for pension benefits totaled $15.5 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

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Director is designated by the Board to lead and conduct all business for the System. The 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 and audited in accordance with generally accepted auditing standards, as well as standards applicable to financial audits contained in government auditing standards. The fiscal year 2009 independent audit was conducted by KPMG 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.

Turbulent financial market conditions have affected all investors, including public pension programs. Although the System experienced results reflective of the global economic downturn, our capacity to provide retirement benefits to our members and retirees continues to remain stable and secure. Since the inception of the System, the Board of Trustees has maintained a prudent investment philosophy that emphasizes the fundamentals of a well diversified portfolio of securities invested over a long-term horizon. Our asset allocation policy is designed to provide an expected level of return while incurring minimal risk, which over time will fund the liabilities of the System with the contribution rate at a level percent of payroll. Despite a disappointing return of negative 19.4 percent for this year, our investment strategies have served to minimize the impact to the System of a lagging global economy and volatile financial markets. As of September 2009, the Public Employees' Retirement System remains well positioned, ranking as the 65th largest among corporate and public pension plans in the United States and the 130th largest plan in the world.

The System is prepared for fluctuating market conditions, in part, through emphasis on the long-term perspective. Over the 29-year period since the System entered the stock market, we have experienced positive returns as high as 31.2 percent with the exception of four years, 2001, 2002, 2008, and 2009, when negative returns were recorded. The average 29-year return, from 1981 through 2009, is 8.5 percent which exceeds our expected return of 8 percent. Positive investment performance over the long term ensures that the System continues on firm financial ground. The System will continue to navigate through difficult economic conditions. The path forward may not always be smooth, but with a solid record of success and continued diligent effort, we will meet the tough challenges created by sharp declines in the global economy. A performance summary of rates of return compared to appropriate benchmark rates of return is located on page 58 of this report.

An annual actuarial valuation for PERS, MHSPRS, MRS, and SLRP is conducted by the consulting actuarial firm of Cavanaugh Macdonald Consulting, LLC. Actuarial assumptions and contribution rates are based on recommendations made by the actuary. Experience investigations are performed at least 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 of this report.

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 67.3 percent funded; MHSPRS is 74.1 percent funded; MRS is 56.6 percent funded; and SLRP is 81.0 percent funded. Funding status and progress is presented in the Required Supplementary Information Schedules and accompanying notes beginning on page 43. Based on 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.

In October 2008, the Board of Trustees adopted a 15 basis point increase in the PERS employer contribution rate, from 11.85 percent to 12 percent. Additionally the Board adopted an employer contribution rate increase of 156 basis points, to 13.56 percent, in October 2009, which will become effective July 1, 2010. These decisions were made based on the System's funding policy, which states that the need for increases will be evaluated on an annual basis, in conjunction with recommendations made by our consulting actuary, in order to maintain the Unfunded Accrued Liability (UAL) period below 30 years. The duration of financial market volatility and its future impact on the U.S. and global economy cannot be determined at the present time. Should the System incur additional unfavorable experience that would result in the UAL period exceeding 30 years, as recommended by the Governmental Accounting Standards Board, the Board of Trustees may move to further increase the employer contribution rate.

For the Future

Information technology has been an area of careful consideration and review for the System over the past several years. In keeping with our efforts to provide high quality pension benefits administration, the System engaged a consultant to examine our current and future operating capacity requirements. Our objectives are centered on developing a suite of self-service web applications to allow a high level of secure access for our participants. The System has issued a Request for Proposals from vendors to procure a business software solution that will address our current and future needs. Responses to the Request for Proposals are currently being analyzed and evaluated to determine the most beneficial partnership between the System and vendor.

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, 2008. 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 with contents that 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 22 consecutive 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, 2008. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The Public Employees' Retirement System of Mississippi has received a Popular Award for the last six 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 2009 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. I hope all recipients of this report find it informative and useful. This report also is available to the general public at our website, 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 and to secure the retirement future of our members and retirees.

Respectfully submitted,

Pat Robertson

Pat Robertson
Executive Director

Pat Robertson
Executive Director

2009 Board of Trustees

Sitting Left to Right: Joseph S. Paul, Ph.D. • Bill Benson • Virgil F. Belue, Ed.D. • Thomas J. Lariviere
Standing Left to Right: Edward Lee Childress, Ed.D. • Lester C. Herrington • Edwin C. LeGrand, III • Paul Hurst • Tate Reeves

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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, 2008

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

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2009

Presented to

Public Employees' Retirement System of Mississippi

In recognition of meeting professional standards for
plan funding 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

Alan H. Winkle
Program Administrator

Executive Staff

Pat Robertson, CPA, CPM, CGFM, CRA
Executive Director

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

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

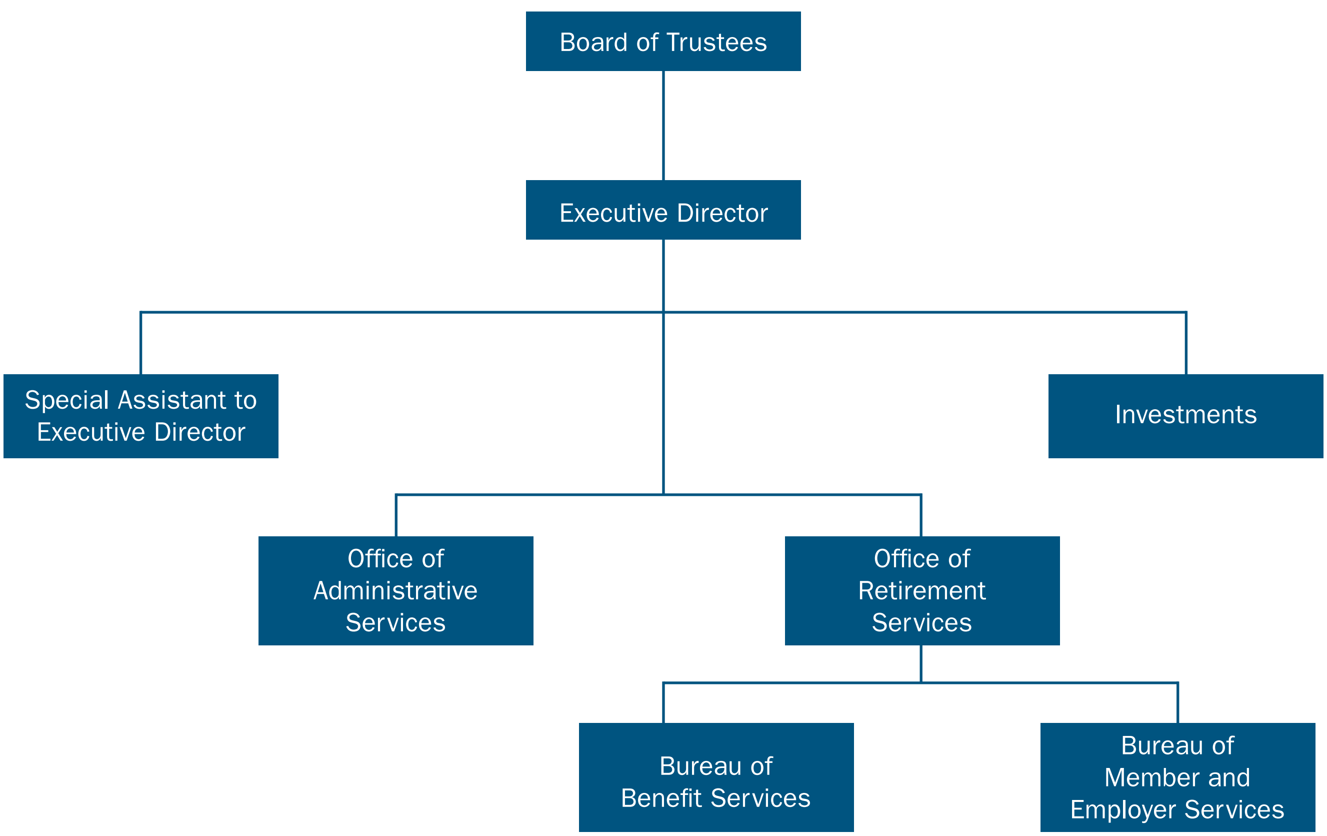
Greg Gregory, CPA
Deputy Administrator – Office of Administrative Services

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

Shirley Sessoms, CPM
Deputy Director – Bureau of Member and Employer Services

Vacant
Deputy Director – Bureau of Benefit Services

Organizational Chart



FINANCIAL

INVESTMENTS

MASTER SERGEANT TAMMY HALL

MISSISSIPPI HIGHWAY PATROL

Tammy Hall loves the excitement of her job as a state trooper. Days filled with the thrill that "you don't ever know what you're going to get into" are the best parts, but she still looks forward to the promise of days with a little less excitement and maybe even some well-deserved spa time.

Defined Benefit Plans –
Report on Investment Activity

Prepared by Lorrie Tingle, CFA
Chief Investment Officer

The fiscal year that ended June 30, 2009, will go down in history as the year global financial markets narrowly escaped a second Great Depression. Never before have investors experienced a year of multiple bank failures, corporate collapses, a complete freezing up of credit markets, and massive government interventions. With few exceptions, there were no safe havens for institutional investors in fiscal year 2009. As a result the System experienced the worst investment returns since its inception.

Periods of extreme market stress, as was experienced in fiscal year 2009, demand that we remain clearly focused on the fundamental truth 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. The System is committed to employing every available avenue to create and maintain a well-diversified portfolio designed to attempt to minimize risks and maximize returns over the long term. It is the goal of the investment program to ensure that adequate funding is available for all current and future pension obligations.

2009 Plan Overview

As of June 30, the market value of the portfolio for all plans was $15.4 billion. This was a decrease of $4.0 billion from the previous year's valuation. As is common in a mature pension plan, the System's annual distributions again surpassed the annual contributions made by employees and employers. This year, the amount paid out to participants exceeded the contributions paid in by $418 million.

The investment portfolio, excluding investments purchased with securities lending cash collateral, was composed of 46.0 percent domestic; 21.0 percent international and 1.5 percent global equities; 26.2 percent debt securities; 4.4 percent real estate investments; 0.2 percent private equity and absolute return investments; and 0.7 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 73 percent of the bond investments carried a AAA rating. This includes 59 percent of the total debt portfolio, which was invested in U.S. Treasuries, TIPS, and government agency bonds.

Mercer Investment Consulting is employed by the Board of Trustees as the System's investment consultant. All performance returns are calculated using a time-weighted investment rate of return for the market value of the total fund and for each of the investment manager portfolios. Mercer also provides investment research and advice, assists the Board in the manager selection process, and conducts periodic asset liability studies for the Board.

The System's securities lending program is managed by its custodial bank, BNY Mellon. 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 2009, the program generated $31.6 million* in additional earnings for the PERS investment program.

In addition to the short-term assets managed in-house, 28 firms were managing 36 different investment portfolios for the System at year end. The chart on page 67 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 Mercer Investment Consulting.

**$31.6 million were the earnings distributed for the fiscal year; $32.4 million was the reported net income as required by GASB 28.*

Performance

Quarterly Recap

The credit crisis that began in the summer of 2007, reached a climax during the first quarter of fiscal year 2009 with the exploding of the credit bubble. Investors saw the nationalizing of insurance giant AIG; the bankruptcy of Lehman Brothers; the forced sale of Merrill Lynch to Bank of America; the transition of investment banking behemoths Goldman Sachs and Morgan Stanley into commercial banks, and the U.S. government placing Fannie Mae and Freddie Mac into conservatorships. As might be expected, these events set in motion a global liquidity and solvency crisis, the fallout of which will potentially be felt for years to come.

Not surprisingly, the year began with the portfolio returning a negative 9.2 percent for the quarter ended September 30. Although difficult, this was not to be the most challenging quarter of the year. The second quarter saw returns drop even further to a negative 15.7 percent. Investors were paralyzed by fear as the painful deleveraging process began. As housing prices plummeted, foreclosure rates increased and the unemployment level rose, concerns about a “Great Recession” were soon replaced by fears of another Great Depression. In an effort to calm the markets and thaw the frozen credit markets, the Federal Reserve slashed interest rates to near zero and poured money into troubled banks.

Finally, by the third quarter, which ended March 31, government efforts to slow the markets' death spiral began to gain traction. After reaching what appears to be the low point on March 9, signs of global reflation began to slowly appear. The System saw performance begin to improve during the quarter. Returns moved out of double digit negative territory and came in at negative 7.8 percent.

Though still reeling, markets participants in the fourth quarter of fiscal year 2009 seemed to believe that disaster had been avoided, and we had at last moved away from the edge of the abyss. As the results of the stress tests applied to U.S. banks began to be released, investors could see that the financial system had survived the credit meltdown. The term “green shoots” began to be used frequently to describe the early signs of improvement in the markets. With equities up as much as 40 percent over the lows of early March, the System experienced a strong 14 percent return for the fourth quarter. Unfortunately, even this remarkable finish was not enough to overcome three quarters of negative returns, and the System ended the fiscal year with a negative 19.4 percent return.

The 1-year total return of negative 19.4 percent outperformed the policy benchmark return, negative 19.8 percent, but significantly underperformed the 8.0 percent actuarial assumed annual rate of return. The 3- and 5-year returns were negative 4.2 percent and positive 1.4 percent, respectively. The 10-year return of 1.8 percent continued to reflect the influence of the negative post-internet-bubble years, coupled with the last two fiscal years’ extreme underperformance resulting from the credit bubble. In looking at the longer term 15- and 20-year returns of 6.5 and 7.2 percents, one can see that longer term performance also has been affected by recent market conditions.

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. These funds are used to fund all benefit payments each month. The return on the internally managed short-term investment program for the year was 1.0 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

Fallout from the credit markets immediately spread to global equity markets in fiscal year 2009. Investor confidence disappeared and a flight to safety ensued. As liquidity-constrained investors sold equities to raise cash or buy Treasuries, equity returns plummeted. The portfolio’s domestic equity return for the fiscal year was negative 25.3 percent, which outperformed the Russell 3000 Index, the System’s broad domestic equity benchmark, by 1.3 percent.

Domestic equity return for the 3-year period ending June 30 was negative 8.0 percent, while the 5-year period posted a negative 1.6 percent return. Although negative, these returns beat those of the Russell 3000 Index, which returned a negative 8.3 percent for the 3-year period and negative 1.8 percent for the 5-year period. For the 10 years ended June 30, the System’s domestic equity portfolio returned a negative 0.9 percent and again exceeded the Russell 3000 return of negative 1.5 percent during the same timeframe.

International and global equities also experienced negative returns for fiscal year 2009, as those markets succumbed to the same panic and fear that impacted U.S. markets. The System’s global equity portfolio returned negative 38.8 percent for the year, which underperformed its benchmark, the MSCI World Index. The System’s developed markets portfolio returned negative 31.6 percent, while the emerging markets assets returned negative 25.8 percent. These components combined for a total international equity portfolio return of negative 30.4 percent for the year. The MSCI All Country World ex U.S. Index, which serves as the benchmark for the international equity investments, returned negative 30.5 percent for the same period. For the 3- and 5-year periods ended June 30, the System’s international equities experienced negative 6.8 and positive 3.6 percent returns, while the benchmark index returned negative 5.4 and positive 4.9 percents, respectively. The longer term results show for the 10-year period the international portfolio had returns of 1.4 percent.

As of June 30, the System had allocated 46.0 percent of the total portfolio to domestic and 22.5 percent to international and global equities. Within the domestic equity portfolio, 75.0 percent of the investments were in large, 16.0 percent were in mid, and 9.0 percent were in small capitalization securities, which correlate with the approximate weighting of the Russell 3000 Index.

Real Estate

The System began funding its real estate investment program in late June 2003. The portfolio is divided between investments in open-end core and closed-end value-added real estate funds, timber investments, and in managed portfolios of real estate investment trusts (REITS). REITS are exchange-traded securities that provide indirect exposure to real estate properties and real estate management companies through the public markets.

The impact of the credit markets’ deleveraging phenomenon was felt as severely in the real estate markets as in the public markets. In fiscal year 2009, the System saw returns of negative 31.7 percent on its total real estate portfolio. The benchmark used for the commingled fund investments is the NCREIF NFI ODCE Index, which returned a negative 30.7 percent for the year, while the REIT portfolio is compared to the Dow Jones U.S. Select REIT Index, which returned negative 45.3 percent. Real estate investments comprised 4.4 percent of the total portfolio.

Bond Portfolio

Although the subprime mortgage problems and credit crunch that hammered the financial markets in fiscal year 2009 began in the bond market, at year end the System's bond portfolio was the only asset class showing positive returns. The effect of the early flight to safety bolstered Treasury returns and the cutting of interest rates early in the crisis helped fixed income investments stay in positive territory. Although the portfolio returned a positive 4.4 percent for the year, it underperformed its benchmark, the Barclays Capital Aggregate Index, which returned 6.0 percent. For the five years ended June 30, 2009, the System's fixed income return was 4.5 percent, while the Barclays Capital Aggregate returned 5.0 percent. The 10-year performance for the System's bonds was 5.8 percent, while the Index returned 6.0 percent. The System ended the year with a 99.0 percent exposure to investment grade domestic bonds.

Asset Allocation

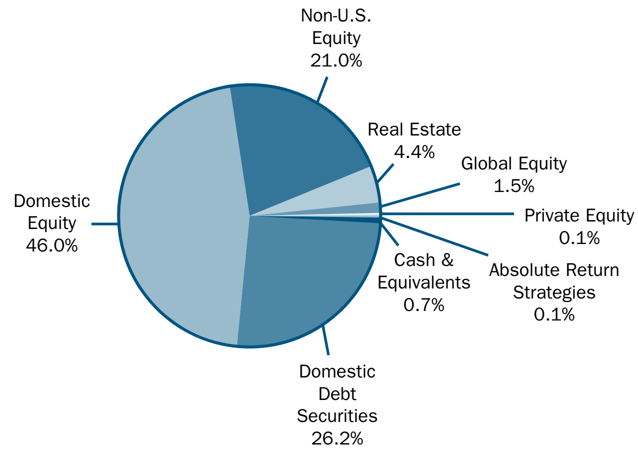
The most critical decisions made by the Board of Trustees is that of determining the long-term asset allocation policy for the investment portfolio. The System's investment consultant conducts periodic asset/liability allocation studies that include consideration of projected future liabilities of the System, projected risk, return and correlations 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 domestic debt investments, 7.0 percent real estate, 5.0 percent private equity, and 5.0 percent in absolute return strategies.

Investments in less liquid asset classes, such as private equity and real estate, can take a considerable amount of time to achieve target allocations. The System continues to work toward full implementation of the long-term policy allocation adopted in 2006.

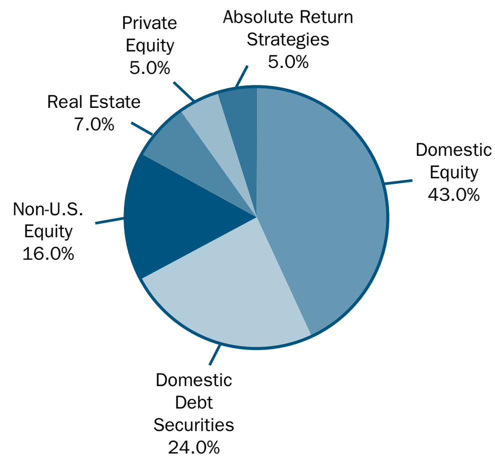
Asset allocation-related decisions for all public pension plans are unique to the individual plan and are based on the specific liability requirements of the plan, as well as any statutory investment restrictions under which the investment program must operate. As a result, the System's allocation is somewhat different than that of the average public pension plan allocation found in the peer universe. From time to time this disparity can result in significant differences in investment returns.

Defined Benefit Plans

Asset Allocation at Fair Value
June 30, 2009



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

If the markets of previous years were characterized as having excessive liquidity and investors with seemingly insatiable risk appetites, fiscal year 2009 can be described as the polar opposite. The challenges faced by investors in fiscal year 2009 appeared early and continued to grow through midyear. What began with financial markets on the brink of a complete meltdown, ended with an alphabet soup of TARP, TALF, PPIP, and other government-sponsored intervention programs propping up the "troubled asset" markets. Investor risk aversion ruled the day as credit and liquidity, which had been so readily available, suddenly vanished.

Throughout fiscal year 2009, investors feared that the complete failure of the major financial systems worldwide might be at hand. As they watched time-tested institutions, such as Lehman Brothers and Merrill Lynch cease to exist, a flight to quality began. During the year, investors experienced double-digit declines in public and private equity, real estate, and bond markets worldwide.

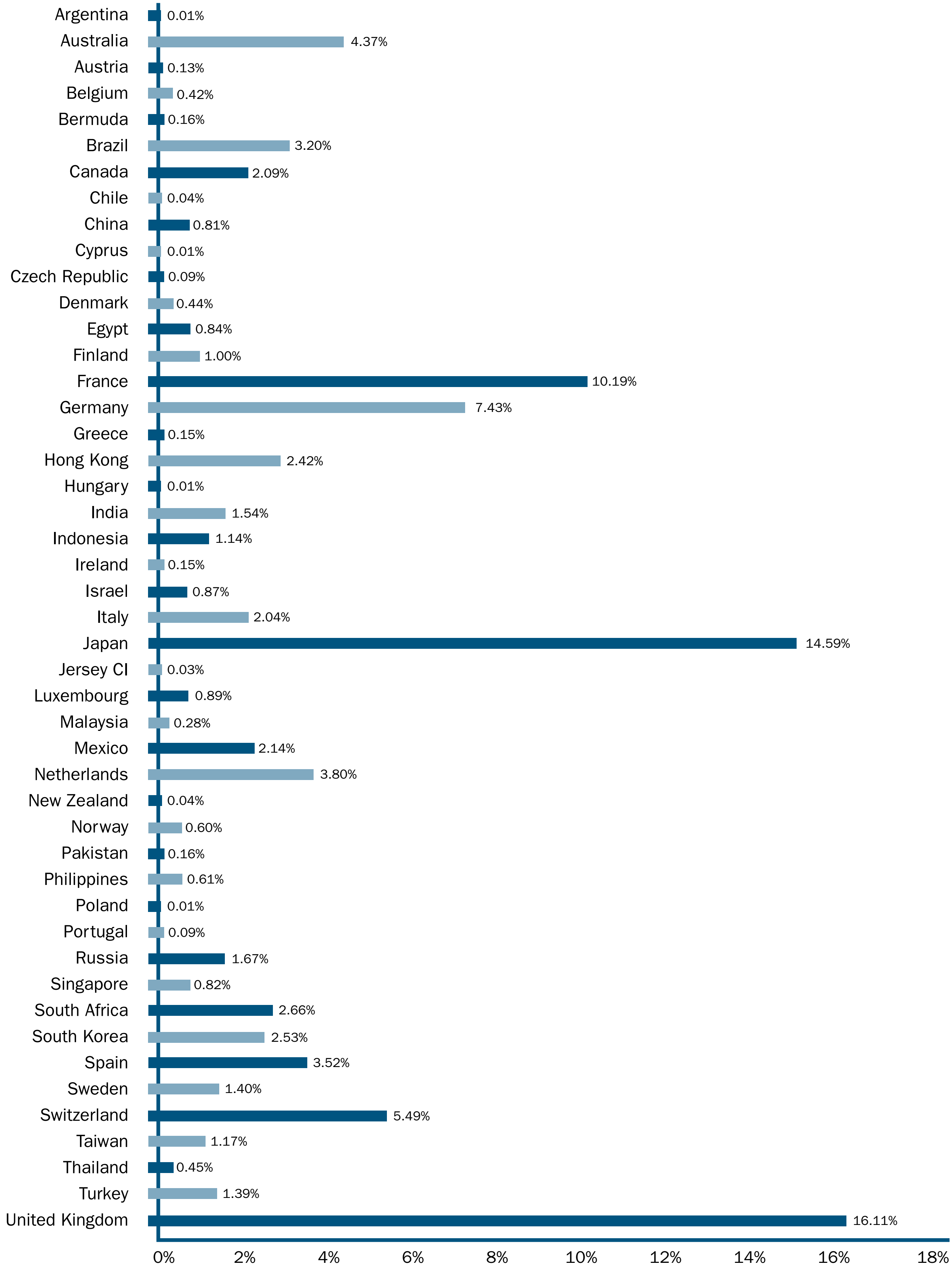
While fiscal year 2009 was a disastrous year for investors, it was a year that saw an innovative Federal Reserve take never-before-seen actions in an effort to keep the wheels of the U.S. financial system functioning. Clearly, the lessons learned from previous financial crises had not been forgotten. Though some mistakes were surely made, the Herculean efforts of the Federal Reserve and other Central Banks enabled the financial markets to avoid what could have been the Great Depression of 2009.

After a year of such catastrophic financial events, one might ask, "What is being done to insure the financial soundness of the System?" By design, a pension plan investment program must focus on a long-term investment horizon. The System is essentially a "perpetual" investor. 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 attempt to ensure that its portfolio is well positioned to meet future financial obligations. These are difficult and frightening times, but it is important to remember that this System invests for the long term. It has weathered financial storms in the past and it will make it through this one as well.

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, 2009



Defined Benefit Plans – Performance Summary for Fiscal Years

Ended June 30, 2009

	Current Year	Annualized 3-year	Annualized 5-year
Total Plans:			
MS PERS Combined Return*	(19.4)%	(4.2)%	1.4%
MS PERS Policy Target Return	(19.8)	(3.7)	1.4
Public Funds >$1 Billion Median	(18.1)	(2.8)	2.5
Domestic Debt Securities:			
Debt Securities Managers Composite*	4.4	5.4	4.5
Barclays Capital Aggregate Bond Index	6.0	6.4	5.0
Domestic Equity:			
Domestic Equity Managers Composite*	(25.3)	(8.0)	(1.6)
Russell 3000 Index	(26.6)	(8.3)	(1.8)
International Equity:			
International Equity Managers Composite*	(30.4)**	(6.8)	3.6
MSCI All Country World Ex U.S. Index	(30.5)	(5.4)	4.9
Global Equity:			
Global Equity Managers Composite*	(38.8)	(10.9)	–
MSCI World Index	(29.5)	(8.0)	0.0
Real Estate:			
Commingled Funds and REITS Composite*	(31.7)	(8.1)	3.4
NCREIF Fund Index-ODCE	(30.7)	(4.2)	4.3
Dow Jones U.S. Select REIT Index	(45.3)	(19.7)	(3.3)
Private Equity:			
Private Equity Composite*	(62.8)***	–	–
S&P 500 + 5 %	5.1	(3.1)	3.6

**Calculations for the System are prepared using a time-weighted rate of return methodology based upon market values.*

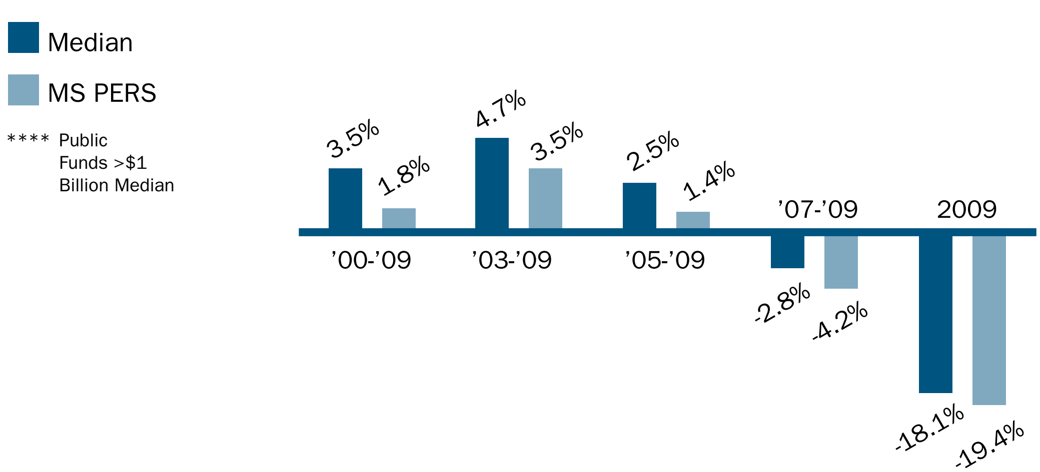
***Includes both developed and emerging market investments.*

****Returns for two quarters.*

Note: Returns are not available for absolute return investments due to funds being invested in the asset class less than one month.

Large Public Plans****

Total Plans: Annualized Rates of Return



Defined Benefit Plans – Domestic Equity Portfolio Summary

	Fair Value
Total Equity Securities	$7,009,084,809
Total Number of Shares of Equity Securities Held	306,106,468
Total Number of Issues of Equity Securities Held	2,286

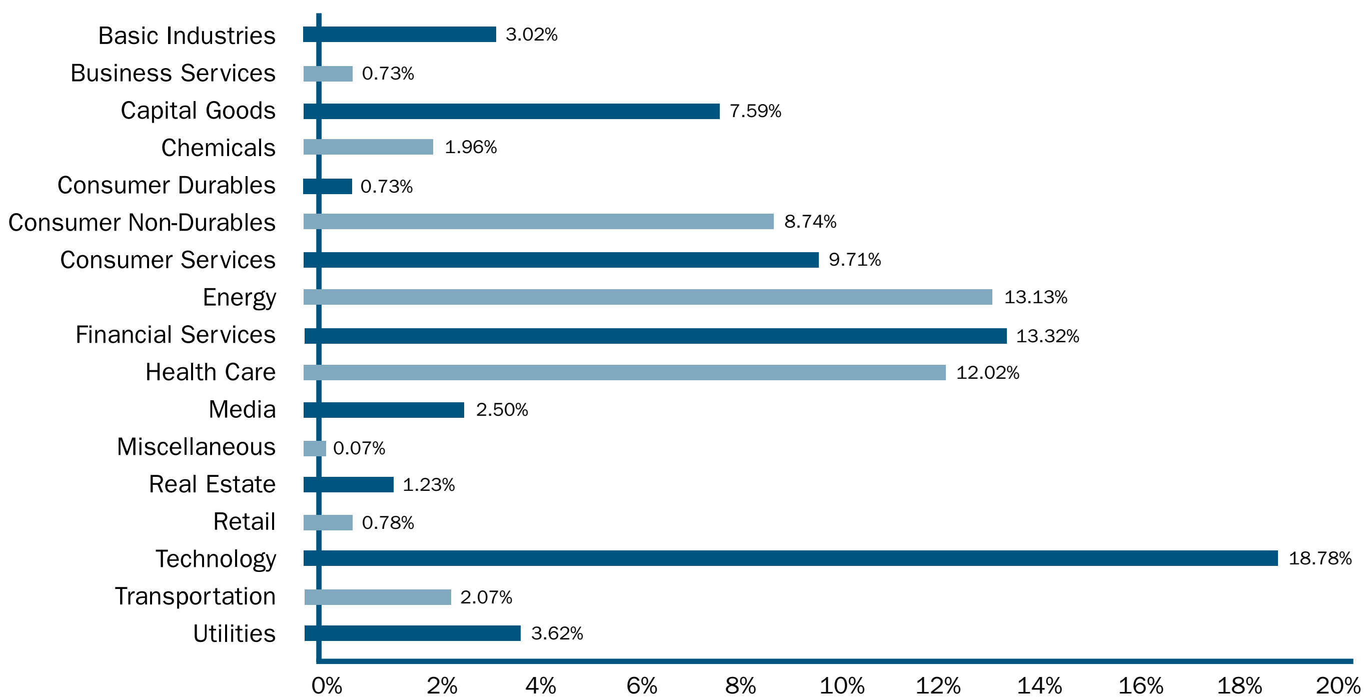
Ten Largest Domestic Common Stock Holdings

	Shares	Fair Value
Exxon Mobil Corporation	4,162,275	$ 290,984,645
Chevron Corporation	1,728,421	114,507,891
Johnson & Johnson	1,906,430	108,285,224
Proctor & Gamble Company	2,071,753	105,866,578
Microsoft Corporation	4,449,654	105,768,276
J P Morgan Chase & Company	2,636,943	89,946,126
AT&T, Inc.	3,568,034	88,629,965
Coca-Cola Company	1,840,295	88,315,757
General Electric Company	7,175,006	84,091,070
Apple, Inc.	551,714	78,580,625
Totals	30,090,525	$1,154,976,157

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

Domestic Equity Investments by Industry Type

Fair Value at June 30, 2009



Defined Benefit Plans – International Equity Investment Portfolio Summary

	Fair Value
Total Equity Securities	$3,161,036,615
Total Number of Shares of Equity Securities Held	548,115,150
Total Number of Issues of Equity Securities Held	1,230

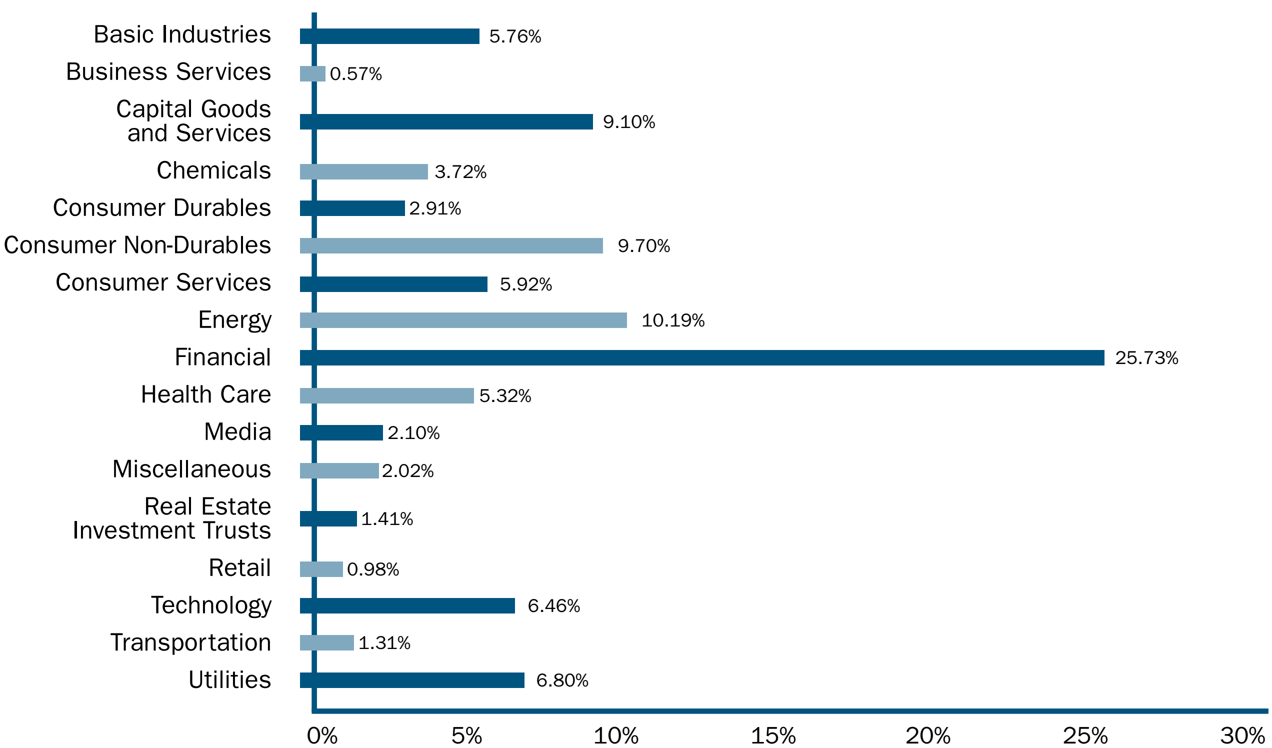
Ten Largest International Stock Holdings

	Shares	Fair Value
Vodafone	31,053,236	$ 59,936,105
BP Plc	5,879,080	46,260,419
Total Sa	784,166	42,324,554
Banco Santander Sa	3,356,963	40,305,994
Nestle Sa	1,036,844	39,012,143
Glaxosmithkline Plc	1,980,920	34,857,442
HSBC Holdings	4,082,118	33,781,246
Credit Suisse Group	687,019	31,332,943
BNP Paribas	431,515	27,993,484
Bayer Ag	481,012	25,786,708
Totals	49,772,873	$ 381,591,038

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

International Equity Investments by Industry Type

Fair Value at June 30, 2009



Defined Benefit Plans – Global Equity Investment Portfolio Summary

	Fair Value
Total Equity Securities	$220,500,119
Total Number of Shares of Equity Securities Held	29,894,984
Total Number of Issues of Equity Securities Held	288

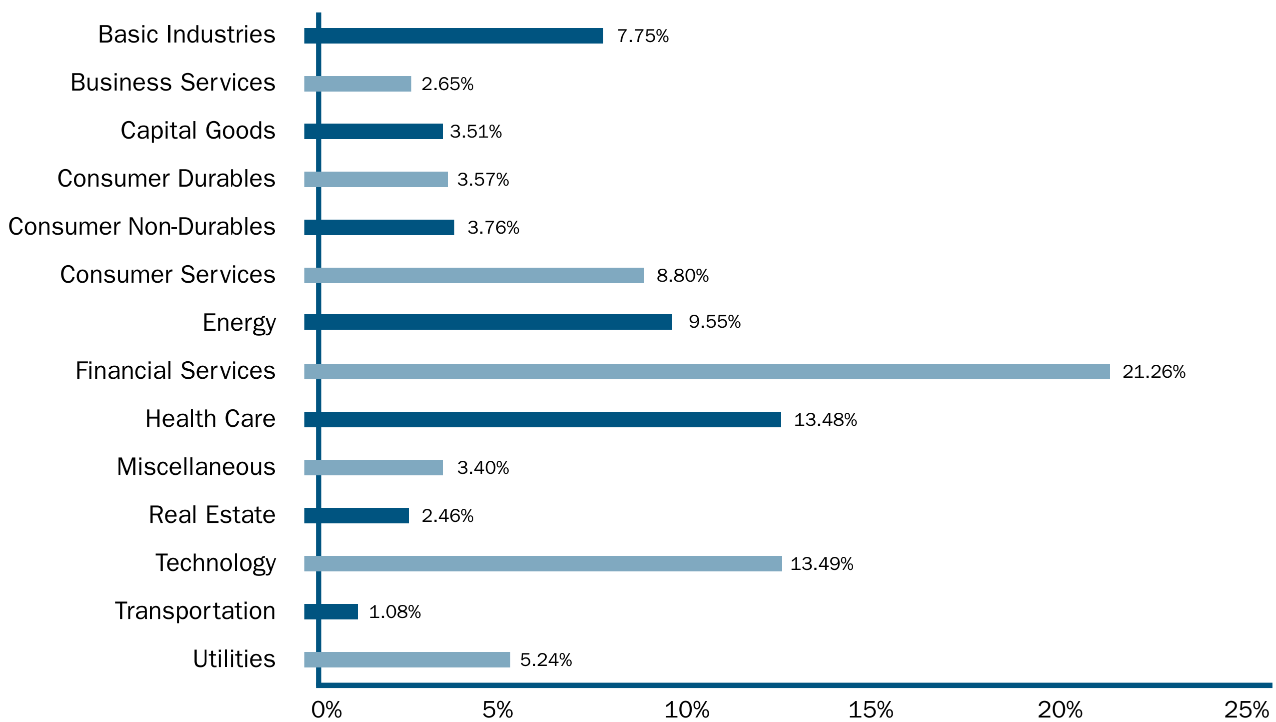
Ten Largest Global Stock Holdings

	Shares	Fair Value
Royal Dutch Shell Plc	351,057	$ 8,764,900
International Business Machines Corporation	81,200	8,478,904
Pfizer Incorporated	542,700	8,140,500
Wal-Mart Stores Incorporated	159,400	7,721,336
Sanofi-Aventis	124,887	7,334,483
Nippon Telegraph and Telephone Corporation	174,600	7,093,662
Altria Group Incorporated	405,462	6,645,522
Sony Corporation NPV	237,600	6,217,961
State Street Corporation	127,887	6,036,266
France Telecom	265,008	6,006,890
Totals	2,469,801	$ 72,440,424

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

Global Equity Investments by Industry Type

Fair Value at June 30, 2009



Defined Benefit Plans – Bond Portfolio Summary*

	Fair Value
Total Bond Investments	$5,820,034,922
Total Par of Bond Investments Held	5,895,251,988
Total Number of Bond Issues Held	2,677

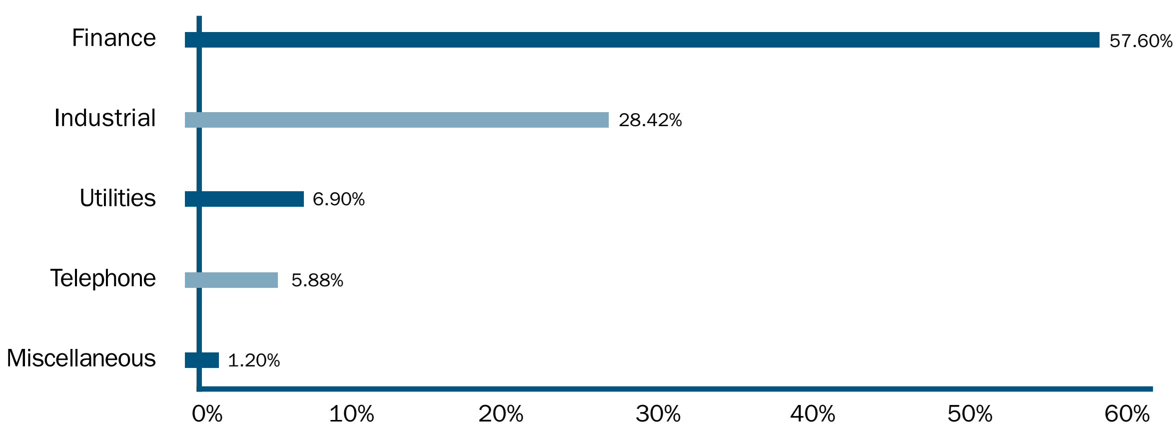
Ten Largest Long Term Corporate Bond Holdings*

	Par	Fair Value
Paccar Financial Corporation	$ 100,000,000	$ 100,087,200
JP Morgan Chase & Company	100,000,000	99,934,300
ING Security Life Institutional Funding	90,000,000	90,097,110
Paccar Financial Corporation	55,000,000	55,049,500
American General Finance Corporation	60,000,000	51,203,520
Goldman Sachs Group, Inc.	27,315,000	24,157,726
American Express Centurion Bank	20,355,000	20,288,704
General Electric Capital Corporation	10,500,000	10,677,765
Merrill Lynch & Company	11,280,000	10,440,317
Citigroup Funding, Inc.	9,100,000	8,912,085
Totals	$ 483,550,000	$ 470,848,227

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

Corporate Bond Investments by Industry Type*

Fair Value at June 30, 2009



**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	$668,847,065
Total Number of Shares* of Real Estate Investments Held	185,639,944
Total Number of Issues of REITs Held	46

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

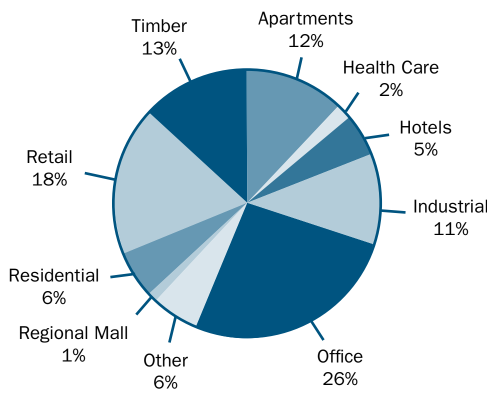
Ten Largest REIT Holdings

	Shares	Fair Value
Simon Property Group, Inc.	268,116	$ 13,789,223
Public Storage Company	162,006	10,608,153
Vornado Realty Trust	216,214	9,736,116
Regency Centers Corporation	260,779	9,103,795
AMB Properties Corporation	464,300	8,733,483
Kimco Realty Corporation	845,400	8,496,270
Boston Properties, Inc.	159,275	7,597,418
Equity Residential	293,300	6,520,059
AvalonBay Communities, Inc.	105,925	5,925,445
Host Hotels & Resorts, Inc.	616,360	5,171,260
Totals	3,391,675	$ 85,681,222

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

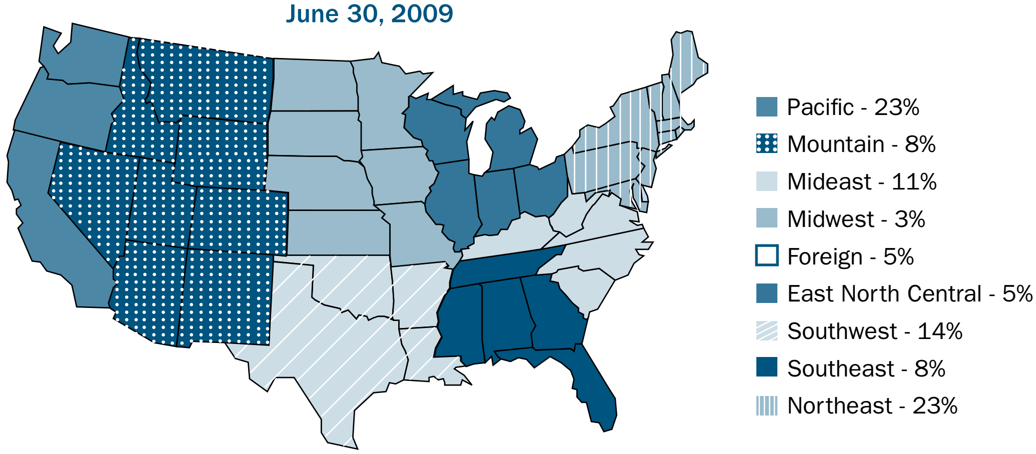
Portfolio Distribution by Property Type

June 30, 2009



Portfolio Distribution by Geographic Location

June 30, 2009

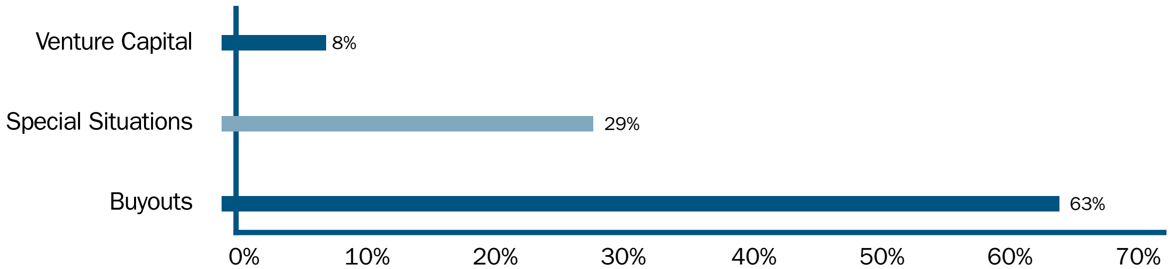


Defined Benefit Plans – Private Equity Investment Portfolio Summary

	Fair Value
Total Private Equity Investments	$ 12,815,940

Private Equity Investments by Fund Type

June 30, 2009

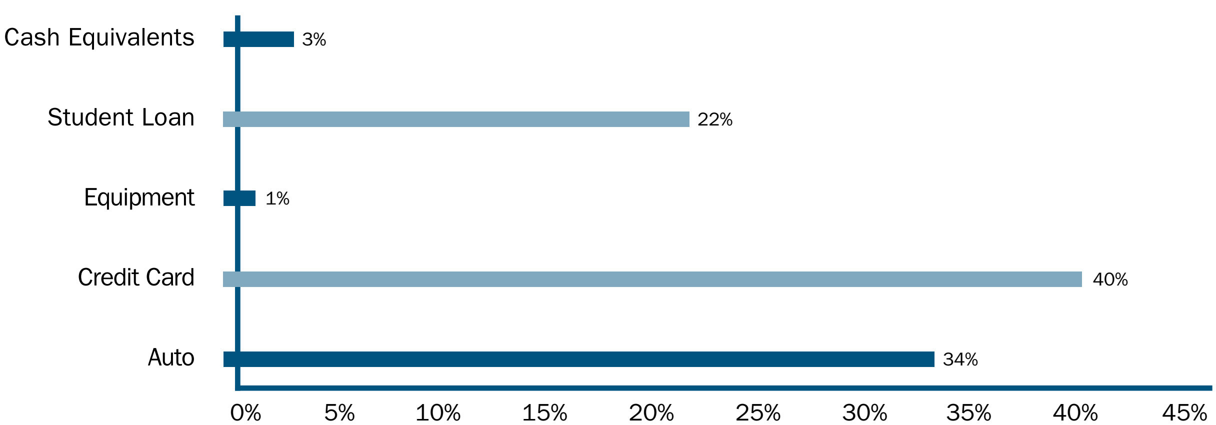


Defined Benefit Plans – Absolute Return Investment Portfolio Summary

	Fair Value
Total Absolute Return Investments	$ 10,863,106

Absolute Return Investments by Sector Type

June 30, 2009



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/ (Loss) From Securities Lending	Total Income/ (Loss)	Manager Fees and Custodian Fees	Net Income/ (Loss) From Investments
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
2008	246,360	363,343	26,374	824,992	(3,192,348)	(1,576)	(1,732,855)	(36,631)	(1,769,486)
2009	224,605	296,492	14,528	(1,710,303)	(2,639,433)	32,433	(3,781,678)	(26,574)	(3,808,252)

Ten-Year Total Pension Investment Rates of Return

(In Millions)

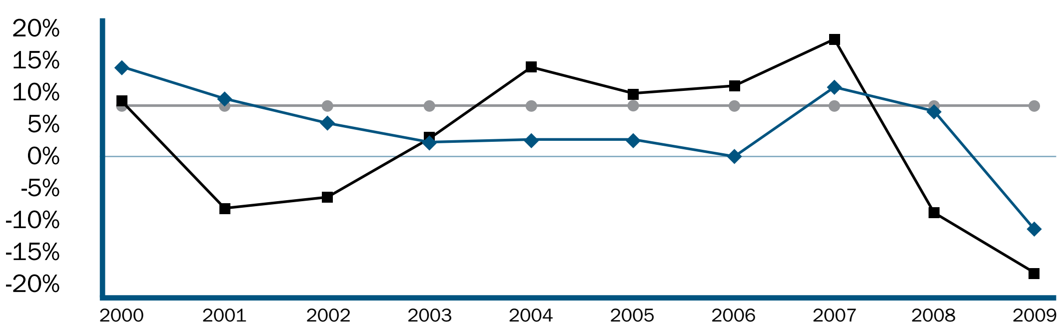
	Total Investment Portfolio Fair Value	Smoothed Rate of Return	Fair Value Rate of Return	Actuarial Assumed Rate of Return
2000	$ 16,626	14.2%	8.4%	8.0%
2001	15,510	9.4	(7.1)	8.0
2002	14,159	5.0	(6.6)	8.0
2003	14,604	2.4	3.5	8.0
2004	16,085	2.5	14.6	8.0
2005	17,250	2.5	9.8	8.0
2006	18,742	-	10.7	8.0
2007	21,766	10.2	18.9	8.0
2008	19,439	7.2	(8.2)	8.0
2009	15,512	(11.0)	(19.4)	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. In fiscal year 2007, smoothing resumed with the additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value. In fiscal year 2009, the 80/120 percent corridor was eliminated for the purpose of determining actuarial value of assets. 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



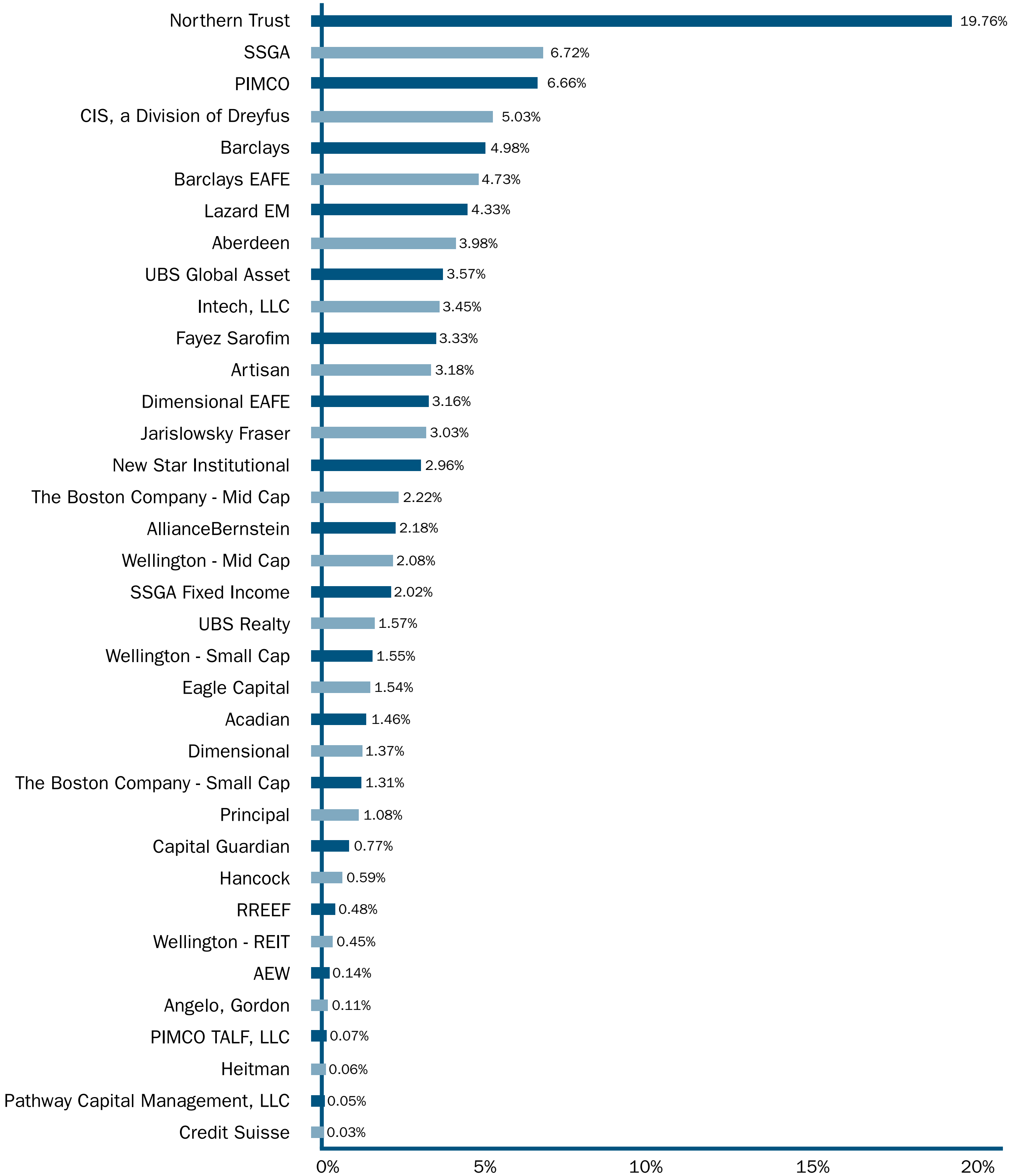
Defined Benefit Plans – Portfolio Detail Illustrated by Advisor

Advisor	Type	Date Initiated	Fair Value % of Total Portfolio*
Equities			
Northern Trust Global Investment	Passive (Index)	July 1985	19.76%
SSGA Russell 1000 Value	Passive - Large Cap Value	September 2004	6.72%
Barclays Global Investors, N.A.	International - EAFE Index	March 2004	4.73%
Lazard Asset Management, LLC	International - Emerging Mkts.	April 1998	4.33%
Intech, LLC	Active - Large Cap Growth	January 2005	3.45%
Fayez Sarofim & Company, Inc.	Active - Large Cap Growth	August 1980	3.33%
Artisan Partners Limited Partnership	Active - Mid Cap Growth	September 2002	3.18%
Dimensional Fund Advisors, Inc.	International - EAFE	August 2007	3.16%
Jarislowsky Fraser Limited	International - EAFE	June 2004	3.04%
New Star Institutional	International - EAFE	July 2004	2.96%
The Boston Company Asset Management, LLC	Active - Mid Cap Value	October 2001	2.22%
AllianceBernstein	International - Europe	December 2003	2.18%
Wellington Management Company, LLP	Active - Mid Cap Value	October 2001	2.08%
Wellington Management Company, LLP	Active - Small Cap Core	July 2002	1.55%
Eagle Capital	Active - All Cap	January 2005	1.54%
Acadian Asset Management	Global Equity	July 2005	1.46%
Dimensional Fund Advisors, Inc.	Active - Small Cap Value	July 2002	1.37%
The Boston Company Asset Management, LLC	Active - Small Cap Growth	July 2008	1.31%
Capital Guardian	International - Pacific Basin	June 2004	0.77%
Sub Total			69.14%
Debt Securities			
Pacific Investment Management Company	Active - Core	August 1983	6.66%
CIS, a Division of Dreyfus	Passive (Index)	November 1989	5.03%
Barclays Global Investors, N.A.	Passive (Index)	September 1986	4.98%
Aberdeen Asset Management, Inc.	Active - Core	August 1991	3.98%
UBS Global Asset Management	Active - Core	August 1991	3.57%
SSGA Fixed Income	Active - Core	February 2009	2.02%
Sub Total			26.24%
Real Estate			
UBS Realty Investors, LLC	Commingled Fund - Core	June 2003	1.57%
Principal Global Investors	Commingled Fund - Core	June 2003	1.08%
Hancock Timber Resource Group	Timber	March 2008	0.59%
RREEF	REITs	June 2003	0.48%
Wellington Management Company, LLP	REITs	June 2003	0.45%
AEW Partners V, L.P.	Value Added	October 2005	0.14%
Angelo, Gordon and Company	Value Added	August 2007	0.11%
Heitman	Value Added	November 2007	0.06%
Sub Total			4.48%
Private Equity			
Pathway Capital Management, LLC	Diversified	December 2008	0.05%
Credit Suisse	Diversified	June 2009	0.03%
Sub Total			0.08%
Absolute Return Strategies			
Pacific Investment Management Company	Opportunistic - Fixed Income	June 2009	0.06%
Sub Total			0.06%
Total			100.00%

**Includes cash and cash equivalents.*

Percent of Portfolio

Fair Value at June 30, 2009



Defined Benefit Plans – Investment Fees and Commissions

For the Year Ended June 30, 2009

Investment Managers:	Assets Under Management	Fees
Domestic Equities	$ 7,095,716,497	$ 13,820,742
International Equities	3,223,017,346	7,680,658
Global Equities	223,503,539	1,019,191
Debt Securities	4,005,789,517	3,005,512
Real Estate	682,121,209	6,792,553
Private Equity	12,816,835	2,964,894
Absolute Return	10,863,106	2,139
Total Investment Managers' Fees*	$ 15,253,828,049	$ 35,285,689

** Includes fees of $8,797,741, which are reflected in net depreciation on the Statement of Changes in Fiduciary Net Assets.*

Other Investment Service Fees:	
Securities Lending Agent/Cash Management Fees	$ 5,566,621
Custodian Fees	25,250
Investment Consultant Fees	511,250
Global Out-of-Pocket Expenses	61,123
Total Investment Service Fees	$ 6,164,244

Brokerage Commissions Paid**

Brokerage Firm, Including Subsidiaries	Number of Shares Traded	Commissions	Commissions Per Share
CS First Boston	72,984,866	$ 677,544	$0.009
Goldman Sachs & Company	39,997,179	630,354	0.016
J P Morgan Securities	45,816,310	571,064	0.012
Bank of New York Mellon	33,237,281	561,444	0.017
Merrill Lynch Pierce Fenner	66,633,250	547,917	0.008
Deutsche Bank	35,308,729	451,701	0.013
UBS AG	58,605,824	449,910	0.008
Citigroup, Inc.	40,737,819	404,801	0.010
Weeden & Co., LP	14,765,288	399,503	0.027
Liquidnet, Inc.	20,702,239	392,140	0.019
Knight Securities	11,796,853	364,518	0.031
Morgan Stanley and Company	35,938,775	324,202	0.009
Investment Technology Group	22,770,263	279,002	0.012
Instinet	33,524,854	250,045	0.007
Cantor Fitzgerald	6,547,363	191,425	0.029
Jefferies Company, Inc.	7,204,288	190,405	0.026
Sanford C. Bernstein Co., LLC	11,655,327	175,755	0.015
Cowen & Company	4,062,116	154,360	0.038
Macquarie Securities	31,309,628	150,790	0.005
Robert W. Baird & Company	3,377,146	139,653	0.041
Lehman Brothers	5,490,019	123,648	0.023
Credit Lyonnais SA	24,717,200	112,126	0.005
RBC Capital Markets	2,988,796	109,948	0.037
Barclays Capital	3,814,938	106,376	0.028
Banc America Security	3,064,727	93,206	0.030
Thomas Weisel Partners	3,407,279	89,880	0.026
National Financial Services	4,908,769	79,333	0.016
Jones Trading	2,133,873	78,768	0.037
FBR Group, Inc.	2,129,160	74,945	0.035
Piper Jaffray Companies	1,555,782	57,063	0.037
Oppenheimer & Company	2,074,052	56,426	0.027
Wells Fargo Securities	1,440,715	56,316	0.039
HSBC Securities, Inc.	4,943,778	55,953	0.011
Others (less than $55,000)	134,789,850	1,742,984	0.013
Commission recapture income	-	(531,000)	-
Total	794,434,336	$9,612,505	$0.012

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

Defined Benefit Plans – Investment Summary

For The Year Ended June 30, 2009

(In Thousands)

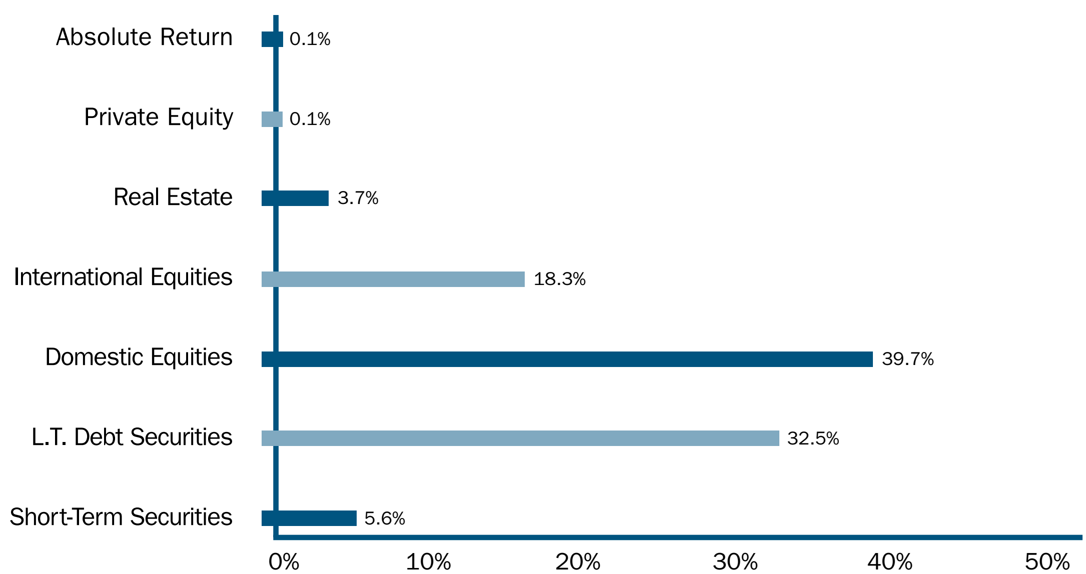
	July 1, 2008 Beginning Fair Value*	Purchases	Sales and Maturities	Increase/ (Decrease) in Fair Value	June 30, 2009 Ending Fair Value**	% of Total Fair Value
Short-Term Securities	$ 2,036,705	$117,817,578	$118,843,882	$ (2,111)	$ 1,008,290	5.6%
L.T. Debt Securities	8,320,938	12,107,245	14,672,043	63,895	5,820,035	32.5%
Domestic Equities	9,144,227	4,213,571	4,492,385	(1,750,603)	7,114,810	39.7%
International Equities	4,546,495	1,625,812	2,158,614	(737,882)	3,275,811	18.3%
Real Estate	905,080	532,350	559,281	(209,302)	668,847	3.7%
Private Equity	-	16,967	-	(4,151)	12,816	0.1%
Absolute Return	-	10,000	-	863	10,863	0.1%
Total	$24,953,445	$136,323,523	$140,726,205	$(2,639,291)	$17,911,472	100.0%

** Includes investment securities on loan to broker-dealers with a fair value of $5,372,649. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $5,514,498. 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 $19.7 billion, the fair value total must be adjusted by $(5.3 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 $2,360,643. It also includes the securities purchased with the cash collateral received in the lending program with a fair value of $2,399,970. 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 $15.4 billion, the fair value total must be adjusted by $(2.5 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.*

Defined Benefit Plans – Investments by Type

Fair Value at June 30, 2009



Defined Contribution Plan – Investment Summary

For The Year Ended June 30, 2009

Fund Name of Assets	Fair Value of Assets	Annual Rate of Return
AllianceBernstein International	$ 2,788,053	(39.64)%
American New Perspective Fund	16,044,604	(24.62)%
Barclays Global Investors Equity Index Fund	44,393,581	(25.92)%
Barclays Global Investors Money Market Fund	23,891,484	1.13%
Barclays Intermediate Government/Corporate Bond Index Fund	21,130,348	5.26%
Boston Company Premier Value Fund	101,808,820	(19.83)%
Conseco Life Insurance Company	335,357	N/A
Fayez Sarofim Common Stock Fund	90,966,491	(24.62)%
Fidelity Diversified International Fund	21,874,665	(34.14)%
Fidelity Small Cap Fund	12,930,350	(21.39)%
GE U.S. Equity Fund	3,796,960	(21.27)%
ING Fixed Account	375,448,813	4.15%
ING VP Growth & Income Portfolio	51,778,579	(24.93)%
Nationwide Fixed Account	103,153,830	4.09%
PIMCO Total Return Fund II	16,782,565	9.56%
T. Rowe Price International Stock Fund	23,889,857	(29.87)%
State Street Global Advisors TIPS	1,583,506	*
Vanguard Target Retirement 2010	22,925,146	(12.23)%
Vanguard Target Retirement 2015	3,491,231	(14.77)%
Vanguard Target Retirement 2020	2,839,775	(17.24)%
Vanguard Target Retirement 2025	1,669,511	(19.76)%
Vanguard Target Retirement 2030	1,088,750	(22.07)%
Vanguard Target Retirement 2035	624,276	(23.54)%
Vanguard Target Retirement 2040	184,639	(23.39)%
Vanguard Target Retirement 2045	211,317	(23.52)%
Vanguard Target Retirement 2050	319,753	(23.45)%
Vanguard Target Retirement Income	2,246,764	(5.64)%
Vanguard II Fund	14,363,578	(24.15)%
	$ 962,562,603	

** Return is not shown since fund has been included in Defined Contribution Plan investment options less than one year.*

FINANCIAL

DR. MARCUS CHANAY
JACKSON STATE UNIVERSITY

Helping students feel at home away from home is what fulfills Marcus Chanay as associate vice president for student life. Helping himself feel at home away from home will fulfill his dream for retirement when he is ready to "go abroad—Mexico, Paris—and find a nice resort to put (his) feet up."

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

Independent Auditors' Report

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

We have audited the accompanying statement of fiduciary net assets of the Public Employees' Retirement System of Mississippi (the System), a component unit of the State of Mississippi, as of June 30, 2009, and the related statement of changes in fiduciary net assets for the year then ended. These basic financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 of the System as of June 30, 2009, and the changes in the System's net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 25, 2009, 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 43 through 47 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, investment section, actuarial section, statistical section and supplementary information included in Schedules 1 through 6 on pages 48 through 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included in Schedules 1 through 6 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 25, 2009

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Public Employees' Retirement System of Mississippi's (the System) financial position and performance for the year ended June 30, 2009. 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 Mississippi 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' Mississippi Deferred Compensation Plan and Trust (MDC), formerly known as the Government Employees' Deferred Compensation Plan (GEDCP), which is a supplemental retirement savings plan, and the Optional Retirement Plan (ORP) which is 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, and 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 decreased by $4.2 billion, or 21.5 percent. This decrease was primarily the result of the decline in overall market performance brought on by a lagging global economy.

- The 2009 rate of return on investments for the defined benefit plans was negative 19.4 percent compared with fiscal year 2008's rate of return of negative 8.2 percent. Domestic, international and global equity portfolios returned negative 25.3 percent, negative 30.4 percent and negative 38.8 percent for the year respectively, while the return on debt securities was 4.4 percent. The rate of return on real estate investments was negative 31.7 percent and the six-month return on the private equity portfolio was negative 62.8 percent as of fiscal year end.

- The defined benefit plans administered by the System were actuarially funded at an average of 69.8 percent as of June 30, 2009, a decrease from the comparative average of 73.3 percent as of June 30, 2008. The decrease in funding percentage was primarily due to unfavorable investment performance as a result of the global economic downturn. Funding status is further described in note 6 of the basic financial statements.

- The Government Employees' Mississippi Deferred Compensation Plan and Trust (MDC), formerly the Government Employees' Deferred Compensation Plan (GEDCP), net assets decreased $87 million during fiscal year 2009, primarily due to a decrease in the market value of securities.

- The MDC rates of return for investment options ranged from a high of 9.6 percent to a low of negative 39.6 percent compared to prior year investment option returns with a high of 11.5 percent and a low of negative 24.6 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, 2009. 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.** The June 30, 2009 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 MDC, 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, 2009. 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 basic 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, 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 provides information about System employees as members of PERS.

(3) **Required Supplementary Information.** The required supplementary information consists of two schedules and related notes concerning actuarial information, funding status and required contributions for 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. Also included are summaries of cash receipts and disbursements, a comparison of budget and actual administrative expenses, and a statement of changes for the Flexible Benefits Cafeteria Plan.

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 a proportionate investment allocation of income or loss 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. The rate of return on investments is therefore approximately the same for each of the plans.

Total System Investments

At June 30, 2009, the System's total investments, before securities lending activities, approximated $15.5 billion, a decrease of $3.9 billion from fiscal year 2008. The combined investment portfolio experienced a return of negative 19.4 percent compared with a median large public plan return of negative 18.1 percent*. Investment results over time compared with the System's benchmarks are presented on page 58 in the Investment Section.

**Mercer Public Funds > $1 Billion Universe Median*

Short-Term Securities

At June 30, 2009, the System held $59.2 million in short-term investments, which is $231 million below 2008 holdings. Short-term investments returned 1.0 percent for the 2009 fiscal year.

Debt Securities

At June 30, 2009, the System held $4.4 billion in domestic debt securities, which is approximately $184 million less than fiscal year 2008 holdings. Debt securities returned 4.4 percent compared with the System's benchmark return of 6.0 percent.

Equity Securities

At June 30, 2009, the System held $10.4 billion in U.S., international and global equity securities, a decrease of $3.3 billion from fiscal year 2008. U.S., international and global equity securities had returns of negative 25.3 percent, negative 30.4 percent and negative 38.8 percent, respectively. The System's benchmark return for domestic equity securities was negative 26.6 percent while the international securities benchmark returned negative 30.5 percent. The global securities benchmark used by the System returned a negative 29.5 percent.

Private Equity

The System funded a private equity asset class, totaling $12.8 million, in December 2008 which returned a negative 62.8 percent. Private equities are investments in operating companies, typically accessed through limited partnerships, which provide a differentiated return stream and diversification. This asset class is generally managed for long-term gains where returns and asset value take time to develop.

Absolute Return Strategies

The Board of Trustees added a five percent allocation to absolute return investments to further diversify the System's overall portfolio. These investments include a combination of equity holdings based on selected specific investment strategies. In late June 2009, $10.9 million was allocated to absolute return strategies which showed no return at year end due to the short time period in which investments were held.

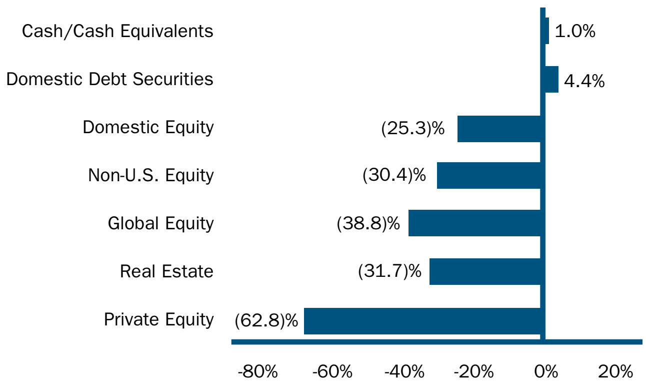
Real Estate

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, 2009, combined holdings totaled $669 million, a decrease of $236 million from 2008. The System's real estate portfolio experienced returns of negative 31.7 percent on the total real estate portfolio for the year end. The NFI ODCE Index, the benchmark for the System's real estate fund investments, saw a return of negative 30.7 percent for the year ended June 30, 2009, while the Dow Jones U.S. Select REIT Index had a return of negative 45.3 percent for the same period.

Securities Lending

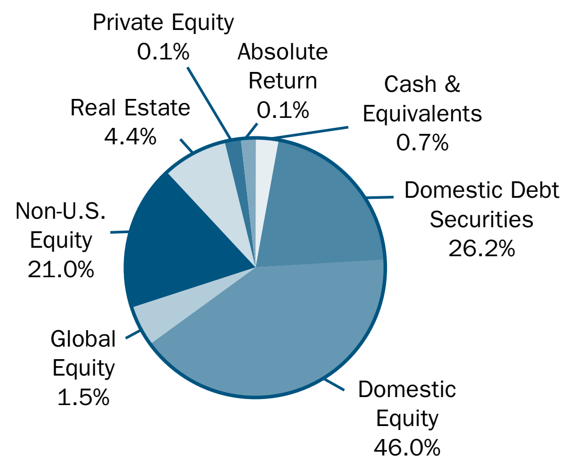
The System earns additional investment income by lending investment securities to broker-dealers. This is done on a pooled basis by the System's custodial bank, Bank of New York Mellon (BNYM). The broker-dealers provide collateral to BNYM and generally use the borrowed securities to cover short sales and failed trades for their clients. BNYM invests cash collateral in order to earn interest. For the 2009 fiscal year, net securities lending income to the System amounted to $32.4 million, an increase of $34 million from fiscal year 2008. The increase primarily reflects a combination of the changes in market values of collateral securities, realized gains on bonds and a reduction in interest expense.

Defined Benefit Plans
- Investment Rates of Return by Investment Type Fiscal Year 2009



Note: Returns are not available for absolute return investments due to funds being invested in the asset class less than one month. Returns for private equity investments represent two quarters.

Defined Benefit Plans
- Asset Allocation at Fair Value June 30, 2009



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 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, 2009, amounted to $15.1 billion, a decrease of $4.1 billion (21.4 percent) below $19.3 billion at June 30, 2008.

Additions to PERS net assets held in trust for benefits include employer and employee contributions and investment income (loss). For the 2009 fiscal year, employer and employee contributions increased from those of fiscal year 2008 from $1.1 billion to $1.15 billion or an increase of $47 million (4.3 percent). This change is attributed to a slight increase in average salary, as well as an increase in the number of active members. PERS recognized net investment loss of $3.7 billion for the 2009 fiscal year, compared with net investment loss of $1.7 billion for the 2008 fiscal year.

Deductions from PERS net assets held in trust for benefits primarily include retirement and beneficiary benefits, and administrative expenses. For the 2009 fiscal year, benefits amounted to $1.5 billion, an increase of $70 million (4.7 percent) over the 2008 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 2009 fiscal year, the cost of administering the System amounted to $12.3 million, an increase of $790 thousand (6.8 percent) from fiscal year 2008. 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, 2009, the funded status of the plan decreased to 67.3 percent from 72.9 percent at June 30, 2008. The amount by which PERS actuarial assets were less than actuarial benefit liabilities was $10.0 billion at June 30, 2009, an increase of $2.3 billion over June 30, 2008. The decrease in funded status is due primarily to unfavorable investment performance brought on by a decline in the global economy.

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

	PERS 2009	PERS 2008	MHSPRS 2009	MHSPRS 2008
Assets:				
Cash, cash equivalents, and receivables	$ 1,071,214	$ 1,029,839	$ 15,033	$ 14,197
Investments at fair value	15,140,813	18,956,254	214,803	272,694
Invested securities lending collateral	2,342,474	5,377,211	33,318	77,560
Capital assets	15,814	16,310	-	-
Total assets	18,570,315	25,379,614	263,154	364,451
Liabilities:				
Investment accounts and other payables	1,058,922	715,469	14,972	10,220
Securities lending liability	2,376,906	5,413,076	33,808	78,077
Total liabilities	3,435,828	6,128,545	48,780	88,297
Total net assets	$ 15,134,487	$ 19,251,069	$ 214,374	$ 276,154

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

	PERS 2009	PERS 2008	MHSPRS 2009	MHSPRS 2008
Additions (deletions):				
Contributions	$ 1,147,650	$ 1,100,308	$ 11,232	$ 11,238
Investment income (loss)	(3,717,016)	(1,725,434)	(52,869)	(24,886)
Other additions	657	637	3,208	3,156
Total	(2,568,709)	(624,489)	(38,429)	(10,492)
Deductions:				
Pension benefits	1,465,500	1,393,175	23,098	20,295
Refunds	70,050	72,750	72	26
Administrative and other deductions	12,323	11,533	181	185
Total	1,547,873	1,477,458	23,351	20,506
Decrease in net assets	$ (4,116,582)	$ (2,101,947)	$ (61,780)	$ (30,998)

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, 2009, amounted to $214.4 million, a decrease of $62 million (22.4 percent) from $276.2 million at June 30, 2008.

Additions to MHSPRS net assets held in trust for benefits include employer and employee contributions and investment income (loss). For the 2009 fiscal year, employer and employee contributions were $11.2 million, a slight decrease of $6 thousand or .01 percent from 2008. MHSPRS also received fees of $3.2 million to fund retirement benefits. Contributions decreased due to a decrease in the number of active employees, from 626 in 2008 to 570 in 2009. MHSPRS recognized net investment loss of $52.9 million for the 2009 fiscal year compared with a net investment loss of $24.9 million for the 2008 fiscal year.

Net Assets – Defined Benefit Plans
June 30

(In Thousands)

MRS		SLRP		Eliminations		Total Defined Benefit Pension Plans		Total Percent
2009	2008	2009	2008	2009	2008	2009	2008	Change
$ 10,003	$ 10,235	$ 645	$ 616	$ (9)	$ (6)	$ 1,096,886	$ 1,054,881	4.0 %
145,985	197,718	9,901	12,281	-	-	15,511,502	19,438,947	(20.2)%
22,643	56,235	1,535	3,492	-	-	2,399,970	5,514,498	(56.5)%
-	-	-	-	-	-	15,814	16,310	(3.0)%
178,631	264,188	12,081	16,389	(9)	(6)	19,024,172	26,024,636	(26.9)%
10,188	7,423	691	461	(9)	(6)	1,084,764	733,567	47.9 %
22,976	56,610	1,558	3,516	-	-	2,435,248	5,551,279	(56.1)%
33,164	64,033	2,249	3,977	(9)	(6)	3,520,012	6,284,846	(44.0)%
$ 145,467	$ 200,155	$ 9,832	$ 12,412	$ -	$ -	$ 15,504,160	$ 19,739,790	(21.5)%

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

(In Thousands)

MRS		SLRP		Eliminations		Total Defined Benefit Pension Plans		Total Percent
2009	2008	2009	2008	2009	2008	2009	2008	Change
$ 17,569	$ 16,076	$ 665	$ 652	$ -	$ -	$ 1,177,116	$ 1,128,274	4.3 %
(35,930)	(18,046)	(2,437)	(1,120)	-	-	(3,808,252)	(1,769,486)	n/m
-	-	-	-	(657)	(633)	3,208	3,160	1.5 %
(18,361)	(1,970)	(1,772)	(468)	(657)	(633)	(2,627,928)	(638,052)	n/m
35,848	35,870	790	845	-	-	1,525,236	1,450,185	5.2 %
12	-	9	14	-	-	70,143	72,790	(3.6)%
467	439	9	9	(657)	(633)	12,323	11,533	6.8 %
36,327	36,309	808	868	(657)	(633)	1,607,702	1,534,508	4.8 %
$ (54,688)	$ (38,279)	$ (2,580)	$ (1,336)	$ -	$ -	$ (4,235,630)	$ (2,172,560)	n/m

n/m – not meaningful

Deductions from MHSPRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2009 fiscal year, benefits amounted to $23.1 million, an increase of $2.8 million (14 percent) from the 2008 fiscal year. The increase in benefit payments was due to an increase in the number of retirees. For the 2009 fiscal year, MHSPRS transferred $181 thousand to PERS to offset the cost of administration, a decrease of $4 thousand (2.2 percent) from fiscal year 2008.

An actuarial valuation of MHSPRS assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2009, the funded status of the plan decreased to 74.1 percent from 78.3 percent at June 30, 2008. The amount by which the MHSPRS actuarial assets were less than actuarial benefit liabilities was $102 million, compared with $82.9 million at June 30, 2008. The decrease in funded status relates primarily to unfavorable investment performance due to a decline in the global economy.

Management's Discussion and Analysis (Continued)

Municipal Retirement Systems

Two municipal retirement plans and seventeen fire and police disability and relief plans comprise the Municipal Retirement Systems (MRS), all of which are closed to new members. 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 six 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 employer and employee contributions, and by earnings on investments. The aggregated plan's net assets held in trust for benefits at June 30, 2009, amounted to $145.5 million, a decrease of $54.7 million (27.3 percent) from $200.2 million at June 30, 2008.

Additions to MRS net assets held in trust for benefits consist of employer and employee contributions and investment income (loss). For the 2009 fiscal year, employer and employee contributions of $17.6 million was $1.5 million (9.3 percent) more than contributions of $16.1 million received in fiscal year 2008. Municipal plan employer contributions are funded through taxes levied on assessed properties. The increase in contributions is a result of increased millage rates in a number of municipal systems, as well as an increase in the assessed property values in some municipalities. MRS recognized net investment loss of $35.9 million for the 2009 fiscal year compared with net investment loss of $18 million for the 2008 fiscal year.

Deductions from MRS net assets held in trust for benefits include retirement and beneficiary benefits and administrative fees. For the 2009 fiscal year, benefits amounted to $35.9 million, a decrease of $10 thousand over the 2008 fiscal year. The decrease in benefit payments resulted primarily from a small reduction in the number of retirees. For the 2009 fiscal year, MRS transferred $467 thousand to PERS to offset the cost of administration, compared to $439 thousand transferred for fiscal year 2008. 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, 2008, increased to 56.6 percent from 56.2 percent at September 30, 2007. The amount by which the MRS actuarial assets were less than actuarial benefit liabilities was $159.6 million at September 30, 2008, compared with $166.2 million at September 30, 2007.

Supplemental Legislative Retirement Plan

The Supplemental Legislative Retirement Plan (SLRP) provides supplemental retirement benefits to all elected members of the State Legislature and 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, 2009 amounted to $9.8 million, a decrease of $2.6 million (20.8 percent) from $12.4 million at June 30, 2008.

Additions to SLRP net assets held in trust for benefits include employer and employee contributions and investment income (loss). For the 2009 fiscal year, employer and employee contributions were $665 thousand, an increase of $13 thousand (2.0 percent) from those of fiscal year 2008. SLRP recognized net investment loss of $2.4 million for the 2009 fiscal year, compared with a net investment loss of $1.1 million for the 2008 fiscal year.

Deductions from SLRP net assets held in trust for benefits primarily include retirement and survivor benefits, as well as administrative fees. For the 2009 fiscal year, benefits amounted to $799 thousand, a decrease from $859 thousand (7.0 percent) in the 2008 fiscal year. Several large lump sum retirement payments were made during fiscal year 2008. The same level of lump sum payments did not reoccur in fiscal year 2009 resulting in a decrease in total benefits as compared to 2008 benefits. For the 2009 fiscal year, SLRP transferred $9 thousand to PERS to offset the cost of administration. Transfers in 2008 also totaled $9 thousand.

An actuarial valuation of SLRP assets and benefit obligations is performed annually. At the date of the most recent actuarial valuation, June 30, 2009, the funded status of the plan decreased to 81.0 percent from 85.9 percent at June 30, 2008. The amount by which the SLRP actuarial assets were under actuarial benefit liabilities was $3.1 million, compared with $2.2 million at June 30, 2008. The change in funded status relates primarily to unfavorable investment performance brought on by the decline in global financial markets.

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 plans is shown in the Schedules of Funding Progress on page 43. 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, 2009, funding ratios ranged from a high of 81.0 percent to a low of 56.6 percent, as compared to 85.9 percent and 56.2 percent for June 30, 2008. The average funding ratio decreased from 73.3 percent to 69.7 percent during the fiscal year. Unfavorable investment performance as a result of economic declines was the principal factor which influenced the change in funding. At June 30, 2009, the Systems' total unfunded actuarial accrued liability had increased to $10.3 billion from $8 billion at June 30, 2008. This is a net increase in the unfunded actuarial accrued liability of $2.3 billion for the year. At June 30, 2009, the difference between the actuarial value of assets and market value of assets was $5.6 billion, resulting in actuarially deferred losses which will be recognized in equal increments over the next four years.

In October 2008, the Board of Trustees adopted a 15 basis point increase in the employer contribution rate, from 11.85 percent to 12 percent. This increase will be effective July 1, 2009. The Board approved an additional employer contribution rate increase in October 2009 of 156 basis points, from 12 percent to 13.56 percent. The Board made these decisions, based on the recommendation of the consulting actuary, in accordance with the System's funding policy. This policy states that the need for increases will be evaluated on an annual basis in order to maintain the unfunded accrued liability period below 30 years as prescribed by Governmental Accounting Standards Board, Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

Net Assets – IRC 457 Plan
June 30

(In Thousands)

	IRC 457 Plan GEDCP 2009	IRC 457 Plan GEDCP 2008	Percent Change
Assets:			
Cash and receivables	$ 6,509	$ 7,464	(12.8)%
Investments at fair value	962,563	1,048,726	(8.2)%
Total	969,072	1,056,190	(8.2)%
Liabilities:			
Investment accounts and other payables	149	199	(25.1)%
Total	149	199	(25.1)%
Total net assets	$ 968,923	$ 1,055,991	(8.2)%

Changes in Net Assets – IRC 457 Plan
Year ended June 30

(In Thousands)

	IRC 457 Plan GEDCP 2009	IRC 457 Plan GEDCP 2008	Percent Change
Additions:			
Contributions	$ 83,131	$ 91,901	(9.5)%
Investment income/(loss)	(115,004)	(40,606)	n/m
Total	(31,873)	51,295	n/m
Deductions:			
Pension benefits	55,195	54,039	2.1 %
Total	55,195	54,039	2.1 %
Decrease in net assets	$ (87,068)	$ (2,744)	n/m

Defined Contribution Plan

457 Defined Contribution Plan

The Government Employees' Mississippi Deferred Compensation Plan and Trust is established under Section 457 of the Internal Revenue Code. MDC 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, 2009 amounted to $969 million, which was a decrease of $87 million (8.2 percent) from net assets of $1.1 billion at June 30, 2008.

Additions to the MDC net assets held in trust for benefits include contributions and investment income (loss). For the 2009 fiscal year, contributions decreased from those of the 2008 fiscal year, from $91.9 million to $83.1 million or a decrease of $8.8 million (9.5 percent). The decrease from last year is due primarily to a reduction in participants' average dollar amount of contributions. This decrease may be driven by adverse economic conditions. Participation in the plan increased from 39,478 in 2008 to 39,802 in 2009. An investment loss of $115 million was recognized for the 2009 fiscal year compared with a net investment loss of $40.6 million for the 2008 fiscal year.

Deductions from the MDC net assets include payments to participants and beneficiaries. For the 2009 fiscal year, payments amounted to $55.2 million, an increase of $1.2 million (2.1 percent) from the 2008 fiscal year. The increase in withdrawals is attributed to a prolonged downturn in the economy.

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, 2009

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan GEDCP	Total Pension Trust Funds	Agency Funds	Total 2009
Assets										
Cash and cash equivalents (note 3)	$ 331,948	$4,693	$3,190	$216	$ -	340,047	$3,323	$343,370	$19	$ 343,389
Receivables:										
Employer	50,553	-	457	-	-	51,010	-	51,010	-	51,010
Employee	30,635	-	10	-	-	30,645	2,971	33,616	-	33,616
Investment proceeds	583,458	8,279	5,626	381	-	597,744	-	597,744	-	597,744
Interest and dividends	74,121	1,052	715	48	-	75,936	215	76,151	-	76,151
Other	490	1,009	5	-	-	1,504	-	1,504	-	1,504
Total receivables	739,257	10,340	6,813	429	-	756,839	3,186	760,025	-	760,025
Investments, at fair value (note 3)										
Short-term securities	57,805	820	557	38	-	59,220	23,892	83,112	-	83,112
Debt securities	4,264,722	60,504	41,120	2,789	-	4,369,135	39,496	4,408,631	-	4,408,631
Equity securities	10,142,309	143,890	97,790	6,632	-	10,390,621	384,636	10,775,257	-	10,775,257
Private equity	12,510	177	121	8	-	12,816	-	12,816	-	12,816
Absolute return strategy	10,604	150	102	7	-	10,863	-	10,863	-	10,863
Real estate	652,863	9,262	6,295	427	-	668,847	-	668,847	-	668,847
Asset allocation fund	-	-	-	-	-	-	35,601	35,601	-	35,601
Fixed rate and variable	-	-	-	-	-	-	478,603	478,603	-	478,603
Life insurance contracts	-	-	-	-	-	-	335	335	-	335
Total investments before lending activities	15,140,813	214,803	145,985	9,901	-	15,511,502	962,563	16,474,065	-	16,474,065
Securities lending:										
Short-term securities	926,333	13,176	8,954	607	-	949,070	-	949,070	-	949,070
Debt securities	1,416,141	20,142	13,689	928	-	1,450,900	-	1,450,900	-	1,450,900
Total securities lending	2,342,474	33,318	22,643	1,535	-	2,399,970	-	2,399,970	-	2,399,970
Total investments	17,483,287	248,121	168,628	11,436	-	17,911,472	962,563	18,874,035	-	18,874,035
Due from other funds	9	-	-	-	(9)	-	-	-		-
Capital assets, at cost, net of accumulated depreciation (note 4)	15,814	-	-	-	-	15,814	-	15,814	-	15,814
Total assets	18,570,315	263,154	178,631	12,081	(9)	19,024,172	969,072	19,993,244	19	19,993,263
Liabilities										
Accounts payable and accrued expenses	1,057,768	14,972	10,179	691	-	1,083,610	149	1,083,759	15	1,083,774
Obligations under securities lending	2,376,906	33,808	22,976	1,558	-	2,435,248	-	2,435,248	-	2,435,248
Due to other funds (note 5)	16	-	9	-	(9)	16	-	16	-	16
Funds held for others	1,138	-	-	-	-	1,138	-	1,138	4	1,142
Total liabilities	3,435,828	48,780	33,164	2,249	(9)	3,520,012	149	3,520,161	19	3,520,180
Net assets held in trust for pension benefits	$15,134,487	$214,374	$145,467	$9,832	$ -	$15,504,160	$968,923	$16,473,083	$ -	$16,473,083

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

Public Employees' Retirement System of Mississippi

Statement of Changes in Fiduciary Net Assets – For the Year Ended June 30, 2009

(In Thousands)

	PERS	MHSPRS	MRS	SLRP	Eliminations	Total Defined Benefit Pension Plans	IRC 457 Plan MDC	Total Pension Trust Funds 2009
Additions:								
Contributions:								
Employer	$ 713,569	$ 9,066	$ 17,415	$ 458	$ -	$ 740,508	$ 509	$ 741,017
Employee	434,081	2,166	154	207	-	436,608	82,622	519,230
Total contributions	1,147,650	11,232	17,569	665	-	1,177,116	83,131	1,260,247
Net investment loss:								
Net depreciation in fair value	(4,245,528)	(60,386)	(41,039)	(2,783)	-	(4,349,736)	(135,845)	(4,485,581)
Interest and dividends	522,792	7,436	5,054	343	-	535,625	20,841	556,466
Total before lending activities	(3,722,736)	(52,950)	(35,985)	(2,440)	-	(3,814,111)	(115,004)	(3,929,115)
Securities lending:								
Net appreciation in fair value	12,753	181	123	8	-	13,065	-	13,065
Interest	50,324	716	487	33	-	51,560	-	51,560
Interest expense	(25,987)	(370)	(251)	(17)	-	(26,625)	-	(26,625)
Program fees	(5,433)	(77)	(53)	(4)	-	(5,567)	-	(5,567)
Net income from securities lending	31,657	450	306	20	-	32,433	-	32,433
Managers' fees and trading costs	(25,937)	(369)	(251)	(17)	-	(26,574)	-	(26,574)
Net investment loss	(3,717,016)	(52,869)	(35,930)	(2,437)	-	(3,808,252)	(115,004)	(3,923,256)
Other additions:								
Administrative fees	657	-	-	-	(657)	-	-	-
Other	-	3,208	-	-	-	3,208	-	3,208
Total other additions	657	3,208	-	-	(657)	3,208	-	3,208
Total	(2,568,709)	(38,429)	(18,361)	(1,772)	(657)	(2,627,928)	(31,873)	(2,659,801)
Deductions:								
Retirement annuities	1,465,500	23,098	35,848	790	-	1,525,236	55,195	1,580,431
Refunds to terminated employees	70,050	72	12	9	-	70,143	-	70,143
Total	1,535,550	23,170	35,860	799	-	1,595,379	55,195	1,650,574
Administrative expenses:								
Personal services:								
Salaries, wages and fringe benefits	7,806	-	-	-	-	7,806	-	7,806
Travel and subsistence	72	-	-	-	-	72	-	72
Contractual services	3,627	-	-	-	-	3,627	-	3,627
Commodities	318	-	-	-	-	318	-	318
Total administrative expenses	11,823	-	-	-	-	11,823	-	11,823
Depreciation	500	-	-	-	-	500	-	500
Administrative fees	-	181	467	9	(657)	-	-	-
Total	1,547,873	23,351	36,327	808	(657)	1,607,702	55,195	1,662,897
Net decrease	(4,116,582)	(61,780)	(54,688)	(2,580)	-	(4,235,630)	(87,068)	(4,322,698)
Net assets held in trust for pension benefits:								
Beginning of year	19,251,069	276,154	200,155	12,412	-	19,739,790	1,055,991	20,795,781
End of year	$15,134,487	$214,374	$145,467	$ 9,832	$ -	$15,504,160	$ 968,923	$16,473,083

The accompanying notes are an integral part of these basic 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' Mississippi Deferred Compensation Plan and Trust (MDC) *Formerly referred to as 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	239	–	17	–	256
Other political subdivisions	260	–	–	–	260
Total employers	868	2	17	5	892
Members:					
Active vested	109,235	412	35	130	109,812
Active nonvested	57,887	158	–	44	58,089
Total active members	167,122	570	35	174	167,901
Inactive vested	18,038	14	2	58	18,112
Inactive nonvested	108,486	33	–	9	108,528
Total inactive members	126,524	47	2	67	126,640
Retirees and beneficiaries	76,143	692	2,123	141	79,099
Total retired/inactive members	202,667	739	2,125	208	205,739
Total members	369,789	1,309	2,160	382	373,640
Active members by employer:					
State agencies	34,465	570	–	174	35,209
State universities	18,081	–	–	–	18,081
Public schools	67,174	–	–	–	67,174
Community/junior colleges	6,195	–	–	–	6,195
Counties	14,884	–	–	–	14,884
Municipalities	18,913	–	35	–	18,948
Other political subdivisions	7,410	–	–	–	7,410
Total active members	167,122	570	35	174	167,901

**Information furnished for MRS is as of September 30, 2008.*

(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 who are not eligible to receive monthly retirement benefits may request a refund of their accumulated 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 2.5 percent for each year of credited service over 25 years. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement 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 eight years of membership service. For members who entered the System before July 1, 2007, benefits vest upon completion of four 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, 2009, the total additional annual payments were $312,471,000.

(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 five 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 four 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 who are not eligible to receive monthly retirement benefits may request a refund of their accumulated 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, 2009, the total additional annual payments were $5,982,000.

(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 66.67 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, 2009, the total additional annual payments were $5,053,000.

(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 who are not eligible to receive monthly retirement benefits may request a refund of their accumulated 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, 2009, the total additional annual payments were $276,000.

(5) Government Employees’ Mississippi Deferred Compensation Plan and Trust

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, 2009, total plan assets aggregated $969,072,000 with 39,802 participants.

(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 and MHSPRS are required to contribute 7.25 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 2009. 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) <u>Financial Reporting Entity</u>

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 MDC. 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) <u>Basis of Presentation – Fund Accounting</u>

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 MDC 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) <u>Basis of Accounting</u>

PERS, MHSPRS, MRS, SLRP, and MDC 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 MDC 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) <u>Budgetary Data</u>

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) Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2009, 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 (S&P) 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, 2009, 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, 2009, was $343,389,000. Cash deposits in bank accounts totaled $2,067,000 which were covered by federal depository insurance. At June 30, 2009, the System held $344,998,000 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 U.S. Government securities, including Agency discount notes, repurchase agreements, and U.S. Treasury bills. The average S&P short-term quality rating of the fund was A-1 at June 30, 2009.

As of June 30, 2009, 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	344,998,000
Total	$ 344,998,000

(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, public equity securities, private equity, absolute return investments, 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 and value added 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.

In fiscal year 2009, PERS began investing in private equity and absolute return investments. The Board adopted the current long term policy asset allocation target in 2006 that includes 5.0 percent private equity and 5.0 percent absolute return strategies. Private equity was adopted to provide returns in excess of those provided through publicly traded stocks and bonds. Absolute return strategies provide returns that are not correlated with the public equity markets.

The following table presents the fair value of investments by type at June 30, 2009 (in thousands):

Investment type:	Fair Value
Commercial paper	$ 789,402
Repurchase agreements	214,729
International currency	4,159
U.S. Government agency obligations	213,921
U.S. Treasury obligations	1,121,386
Collateralized mortgage obligations	505,889
Corporate bonds	1,837,901
Mortgage pass-throughs	1,231,056
Municipals	82,883
Asset backed securities	777,330
Yankee/Global bonds	49,669
Domestic equity securities	7,205,777
International equity securities	3,275,811
Real estate	668,847
Private equity	12,816
Absolute return	10,863
Money market fund	23,892
Fixed income funds	39,496
Asset allocation funds	35,601
Fixed and variable funds	478,603
Life insurance contracts	335
Equity funds	293,669
Total	$18,874,035

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' $17.9 billion in investments at June 30, 2009, $2.4 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, 2009, are presented by type below (in thousands):

	Fair Value
Commercial paper	$ 789,402
Repurchase agreements	159,668
Corporate bonds	863,783
Asset backed securities	587,117
Total	$2,399,970

Interest Rate Risk

As of June 30, 2009, 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	$ 777,330	$ 626,803	$ 9,351	$ 15,162	$ 126,014
Collateralized mortgage obligations	505,889	40,728	7,021	15,641	442,499
Commercial paper	789,402	789,402	-	-	-
Corporate bonds	1,837,901	885,609	330,697	375,808	245,787
Mortgage pass-throughs	1,231,056	12	1,652	36,970	1,192,422
Repurchase agreements	214,729	214,729	-	-	-
State and local obligations	82,883	-	5,599	-	77,284
U. S. Government agency obligations	213,921	16,643	134,244	54,774	8,260
U. S. Treasury obligations	1,121,386	-	503,535	374,481	243,370
Yankee/Global bonds	49,669	-	17,213	19,884	12,572
Total	$6,824,166	$2,573,926	$1,009,312	$892,720	$2,348,208

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 2009, the investments in derivatives by the System were exclusively in asset/liability based derivatives such as interest-only (IO) 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 (PO) 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 valued at $11 thousand 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 more 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 $506 million in CMOs at June 30, 2009. Of this amount, $166 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 $777 million in ABS that the System held at June 30, 2009, $141 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, 2009, the System has invested in $1,231 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, 2009, is as follows (fair value in thousands):

	S&P Quality Ratings											
Investment Type	A	AA	AAA	B	BAA	BB	BBB	C	CC	CCC	D	NR
Asset backed securities	$ 4,463	$ 76,435	$ 627,968	$59,075	$ -	$ -	$ 7,902	$ -	$ 246	$ -	$143	$1,098
Collateralized mortgage obligations	9,194	7,774	437,754	11,771	4,220	1,782	9,916	289	-	1,734	-	-
Commercial paper	789,402	-	-	-	-	-	-	-	-	-	-	-
Corporate bonds	614,503	662,885	167,057	-	-	67,073	324,333	14	1,092	218	-	727
Mortgage pass-throughs	-	-	1,173,692	-	-	-	-	-	-	-	-	-
Repurchase agreements	-	-	214,729	-	-	-	-	-	-	-	-	-
State and local obligations	21,356	38,258	12,727	-	2,098	-	5,702	-	-	-	-	2,742
U.S. Government agency obligations	-	-	213,921	-	-	-	-	-	-	-	-	-
Yankee/Global bonds	25,820	3,348	14,782	-	-	-	5,719	-	-	-	-	-
Total	$1,464,738	$788,700	$2,862,630	$70,846	$6,318	$68,855	$353,572	$303	$1,338	$1,952	$143	$4,567

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 asset-backed securities for the cash collateral fund that are only AAA rated.

Foreign Currency Risk

The System's exposure to foreign currency risk at June 30, 2009, was as follows:

Currency	%	Fair Value (in thousands)
Australian Dollar	4.44%	$ 133,507
Brazilian Real	3.37%	101,480
Canadian Dollar	2.26%	68,045
Czech Koruna	0.09%	2,832
Danish Krone	0.47%	14,221
Egyptian Pound	0.91%	27,458
Euro	30.11%	905,655
Hong Kong Dollar	3.39%	101,964
Hungarian Forint	0.01%	329
Indian Rupee	1.39%	41,964
Indonesian Rupiah	0.64%	19,310
Japanese Yen	15.80%	475,420
Malaysian Ringgit	0.30%	9,099
Mexican Peso	0.18%	5,297
Israeli Shekel	0.83%	24,973
New Taiwan Dollar	1.05%	31,574
New Turkish Lira	1.51%	45,479
New Zealand Dollar	0.04%	1,175
Norwegian Krone	0.66%	19,770
Pakistani Rupee	0.17%	5,070
Polish Zloty	0.01%	445
Pound Sterling	17.60%	529,450
Singapore Dollar	1.04%	31,356
South African Rand	2.89%	87,052
Korean Won	2.54%	76,315
Swedish Krona	1.72%	51,688
Swiss Franc	6.09%	183,208
Thailand Baht	0.49%	14,720
Total	100.00%	$ 3,008,856

All foreign currency-denominated investments are in equities and foreign cash. The System's investment asset allocation policy limits non-U.S. investments to 16.0 percent. At June 30, 2009, the current position is 21.0 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.

Commitments

As of June 30, 2009, the System had real estate, private equity, and absolute return investments legally structured as limited partnerships. The System was one of the limited partners within each fund, with the investment managers serving as the general partners. As part of the limited partnership agreements, PERS agrees to potentially invest up to the committed amounts during the stated fund investment period.

At fiscal year end, PERS had the following outstanding investment commitments:

Commitments–Alternative Investments
June 30, 2009

	Committed Capital	Capital Contributed	Outstanding
Real Estate	$ 300,000,000	$ 176,505,464	$ 123,494,536
Private Equity	1,500,000,000	14,002,537	1,485,997,463
Absolute Return	50,000,000	10,000,000	40,000,000
Total	$ 1,850,000,000	$ 200,508,001	$ 1,649,491,999

Within its Alternative Investment Program, the System has investments, that due to their long term nature, do not provide immediate liquidity. The commingled real estate fund investments allow for quarterly liquidity. As of June 30, 2009, the total fair value of the commingled real estate portfolio was approximately $404 million. The closed-end real estate funds, timber fund and private equity fund investments are all ten to twelve-year commitments. These funds have limited liquidity due to their long investment time horizon, but will make periodic distributions throughout the term of the investment as assets are sold. As of June 30, 2009, the fair value of these investments totaled $142.4 million. The absolute return portfolio also has limited liquidity, but has a shorter three to four-year investment horizon. As of June 30, 2009, the System held $11 million in assets for the absolute return portfolio.

(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, 2009 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Interest income	$ 50,324	$ 716	$ 487	$ 33	$ 51,560
Net appreciation	12,753	181	123	8	13,065
Income from securities lending	63,077	897	610	41	64,625
Less:					
Interest expense	25,987	370	251	17	26,625
Program fees	5,433	77	53	4	5,567
Expenses from securities lending	31,420	447	304	21	32,192
Net income from securities lending	$ 31,657	$ 450	$ 306	$ 20	$ 32,433

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, 2009 are long-term U.S. government and agency obligations, corporate bonds, REITS, and domestic and international equities. At the initiation of a loan, borrowers are required to provide collateral amounts of 102 percent (domestic securities) and 105 percent (international securities) of the fair value and accrued income of the securities lent. In the event the collateral fair value falls to less than 102 or 105 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 4.5 days at June 30, 2009. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, and asset-backed securities at June 30, 2009. The weighted average final duration of all collateral investments at June 30, 2009, was 154 days with a weighted average maturity of 32 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, 2009. 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 of $2,402,157,000, which include the related accrued interest, and the related total liabilities of $2,435,248,000, which include the related expenses, on the Statement of Fiduciary Net Assets do not equal at June 30, 2009. The difference of negative $33,091,000 is due to the collateral investment fund's market depreciation and the earnings receivable 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, 2009 (in thousands):

Securities Lent	Fair Value Including Accrued Income	Cash Collateral Received
Lent for cash collateral:		
Debt securities	$ 1,028,849	$ 1,051,675
Domestic equities	1,117,391	1,148,703
International equities	164,168	183,360
REITs	50,235	51,510
Total securities lent	$ 2,360,643	$ 2,435,248

(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, 2009 were $531,000.

4. Capital Assets

The following table shows amounts for capital assets as of June 30, 2009 (in thousands):

Description	2009
Land	$ 508
Building	18,459
Improvements	25
Furniture and equipment	1,177
Total capital assets	20,169
Less accumulated depreciation	
Building	3,257
Improvements	20
Furniture and equipment	1,078
Total accumulated depreciation	4,355
Net capital assets	$ 15,814

5. Due To Other Funds

The following is a summary of due to/due from other funds as of June 30, 2009 (in thousands):

Due To Other Funds: Receivable Fund	Payable Fund	Amount
Information Technology Services	PERS	$ 16
	Total Due To	$ 16

6. Funding Status and Progress

(a) Actuarial Asset Valuation

Actuarial values of assets for PERS, MHSPRS, SLRP and MRS 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 beginning with the current year.

The following table presents the actuarial change in asset valuation for the year ended June 30, 2009 (in thousands):

	PERS	MHSPRS	MRS	SLRP	TOTAL
Valuation assets June, 2008**	$20,814,720	$298,630	$213,432	$13,412	$21,340,194
Contributions and other revenue	1,147,650	14,440	16,306	665	1,179,061
Benefit payments	(1,535,550)	(23,170)	(35,911)	(799)	(1,595,430)
Administrative expenses	(11,823)	(181)	(323)	(9)	(12,336)
Investment expenses*	(25,937)	(369)	–	(17)	(26,323)
Net new money	(425,660)	(9,280)	(19,928)	(160)	(455,028)
Expected total investment return for 2009 (8%)	1,550,034	22,105	17,691	1,004	1,590,834
Adjustment towards market (20%) ..	(1,341,513)	(19,133)	(2,716)	(870)	(1,364,232)
Valuation assets June, 2009**	$20,597,581	$292,322	$208,479	$13,386	$21,111,768

* *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, 2007 and 2008, respectively.*

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, 2009	June 30, 2009	September 30, 2008	June 30, 2009
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	30 years	29.3 years	26 years	26.2 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	4.5-15.0%	5.0-10.52%	4.5-6.0%	4.50%
Wage inflation rates	4.25%	4.25%	4.0%	4.25%
Increase in benefits after retirement	3.0%[1]	3.0%[2]	2.0-3.75%[3]	3.0%[1]

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

(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, 2008. As a result of this study, the Board of Trustees adopted new assumptions for PERS which revised rates of salary increase, withdrawal, pre-retirement mortality, and disability and service retirement for active members. Also adopted, was a change in post-retirement mortality tables. New assumptions for MHSPRS were adopted which changed retirement decrements and post-retirement mortality tables. A change in salary scale, as well as post-retirement mortality tables was adopted for SLRP. The assumptions for wage inflation and price inflation were changed for PERS, MHSPRS and SLRP. The benefit provision for maximum reportable earned compensation increased for PERS and SLRP, and the twenty percent corridor around the market value of assets used to develop the actuarial value of assets was eliminated for PERS, MHSPRS and SLRP. Changes resulting from the experience for PERS, MHSPRS and SLRP were used in the actuarial valuations as of June 30, 2009.

Due to MRS fiscal year ending on September 30, 2008, changes from the previous experience review were applied to the actuarial valuation as of September 30, 2008. The June 30, 2006 experience review recommended the mortality table for females change from set forward 2 years to set forward 3 years. This change was adopted and used in the valuations for MRS as of September 30, 2007 and 2008.

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.

The annual required contribution rate (ARC) is set two years in advance. Based on the June 30, 2007 valuation, the consulting actuary recommended an employer contribution rate for PERS of 11.85 percent, effective for fiscal year 2009. The Board of Trustees adopted the actuary's recommendation to assure a sufficient funding level to maintain the unfunded accrued liability amortization period within 30 years. For fiscal year 2010, the Board of Trustees approved an increase to 12 percent beginning July 1, 2009. In the June 30, 2009 actuarial valuation report, the consulting actuary recommended the PERS' required contribution rate change to 13.56 percent in order to remain within a 30-year amortization period. This rate increase is scheduled to begin July 1, 2010.

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	$656,978	11.27%	$490,672	7.83%	$657,048	$1,147,650	$434,081	7.25%	$713,569	11.85%	$5,831,864
MHSPRS	7,067	23.63	4,165	13.92	11,668*	14,440	2,166	7.25	12,274*	30.30	26,390
SLRP	476	6.90	189	2.75	449	665	207	3.00	458	6.65	6,803
Total	$664,521	-	$495,026	-	$669,165	$1,162,755	$436,454	-	$726,301	-	$5,865,057

** Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of $2,700,000 (9.1% of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2009 was $3,208,000.*

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. The millage levied by this municipality for MRS employer contributions was used by the municipality to retire the bond indebtedness. Beginning October 2009, the municipality will resume submitting employer contributions.

An actuary is used to determine the implications of the statutory limited contribution levels. At September 30, 2008, aggregate contributions for MRS were equivalent to 106.0 percent of the required annual contributions. Certain municipalities will have a contribution deficiency after the maximum one-half mill per year increase.

The employer contribution millage rates required for each municipality ranged from 0.71 to 8.79 mills, totaling $16,132,000 in actual contributions. The employee contribution rates ranged from 7 percent to 10 percent of covered payroll, totaling $173,212 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, 2009 (in thousands):

	PERS	MHSPRS	MRS*	SLRP
Annuity savings account	$ 4,235,466	$ 20,136	$ 2,688	$ 2,327
Annuity reserve	2,904,307	25,998	-	1,235
Employer's accumulation account	13,457,808	246,188	205,791	9,824
Unfunded actuarial accrued liability (UAAL)	9,996,965	102,308	159,652	3,149
Actuarial accrued liability	$30,594,546	$394,630	$368,131	$16,535
Percent funded	67.3%	74.1%	56.6%	81.0%
Annual covered payroll	$ 5,831,864	$ 26,390	$ 1,713	$ 6,803
UAAL as a percentage of annual covered payroll	171.4%	387.7%	9,320.0%	46.3%

**The annuity reserve for MRS is reflected as of the September 30, 2008 valuation date.*

8. 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, 2009, was $5,965,000; the System's total payroll expense was $7,806,000. System contributions for the years ended June 30, 2009, 2008 and 2007, were $704,000, $656,000 and $567,000, respectively. The contributions for 2009, 2008 and 2007 were 100, 97 and 90 percent of required contributions, respectively. Refer to note 7 to the basic financial statements for more information regarding contributions made for fiscal year 2009. 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						
6/30/2000	$ 14,899,074	$ 18,052,096	$ 3,153,022	82.5%	$ 4,090,596	77.1%
6/30/2001	16,191,631	18,494,207	2,302,576	87.5	4,112,238	56.0
6/30/2002	16,823,185	20,180,347	3,357,162	83.4	4,220,539	79.5
6/30/2003	16,979,457	21,485,838	4,506,381	79.0	4,431,600	101.7
6/30/2004	17,103,285	22,847,260	5,743,975	74.9	4,617,273	124.4
6/30/2005	17,180,705	23,727,098	6,546,393	72.4	4,786,280	136.8
6/30/2006	18,321,063	24,928,464	6,607,401	73.5	4,971,974	132.9
6/30/2007	19,791,564	26,862,636	7,071,072	73.7	5,196,295	136.1
6/30/2008	20,814,720	28,534,694	7,719,974	72.9	5,544,705	139.2
6/30/2009	20,597,581	30,594,546	9,996,965	67.3	5,831,864	171.4
Mississippi Highway Safety Patrol Retirement System						
6/30/2000	$ 244,331	$ 251,937	$ 7,606	97.0%	$ 21,314	35.7%
6/30/2001	259,713	250,621	(9,092)	103.6	21,972	(41.4)
6/30/2002	263,255	285,548	22,293	92.2	20,339	109.6
6/30/2003	259,746	302,134	42,388	86.0	21,052	201.3
6/30/2004	256,481	316,570	60,089	81.0	22,683	264.9
6/30/2005	253,477	335,117	81,640	75.6	22,343	365.4
6/30/2006	265,637	350,638	85,001	75.8	24,499	347.0
6/30/2007	284,626	371,233	86,607	76.7	27,037	320.3
6/30/2008	298,630	381,578	82,948	78.3	29,597	280.3
6/30/2009	292,322	394,630	102,308	74.1	26,390	387.7
Municipal Retirement Systems*						
9/30/1999	$ 235,221	$ 369,118	$ 133,897	63.7%	$ 9,440	1,418.4%
9/30/2000	253,713	375,059	121,346	67.6	8,485	1,430.1
9/30/2001	262,260	381,782	119,522	68.7	7,350	1,626.1
9/30/2002	259,586	393,011	133,425	66.1	5,980	2,231.2
9/30/2003	250,640	399,622	148,982	62.7	4,584	3,250.0
9/30/2004	235,198	393,061	157,863	59.8	3,675	4,295.6
9/30/2005	217,140	387,386	170,246	56.1	2,909	5,852.4
9/30/2006	213,553	383,355	169,802	55.7	2,223	7,638.4
9/30/2007	213,432	379,584	166,152	56.2	1,953	8,507.5
9/30/2008	208,479	368,131	159,652	56.6	1,713	9,320.0
Supplemental Legislative Retirement Plan						
6/30/2000	$ 8,199	$ 9,973	$ 1,774	82.2%	$ 5,856	30.3%
6/30/2001	9,124	10,302	1,178	88.6	5,941	19.8
6/30/2002	9,730	11,328	1,598	85.9	5,988	26.7
6/30/2003	10,196	12,220	2,024	83.4	6,289	32.2
6/30/2004	10,323	12,934	2,611	79.8	5,794	45.1
6/30/2005	10,634	13,402	2,768	79.3	6,530	42.4
6/30/2006	11,620	14,064	2,444	82.6	6,354	38.5
6/30/2007	12,722	15,054	2,332	84.5	6,554	35.6
6/30/2008	13,412	15,615	2,203	85.9	6,753	32.6
6/30/2009	13,386	16,535	3,149	81.0	6,803	46.3

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

See Notes to Required Supplementary Schedules.

Required Supplementary Information

Schedules of Employer Contributions – Last Ten Fiscal Years

(In Thousands) • (Unaudited)

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
Public Employees' Retirement System of Mississippi		
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
2008	636,546	97.0
2009	657,048	100.0
Mississippi Highway Safety Patrol Retirement System		
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
2008	10,492	100.0
2009	11,668	100.0
Municipal Retirement Systems*		
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
2007	15,426	97.1
2008	15,219	106.0
Supplemental Legislative Retirement Plan		
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
2008	436	100.0
2009	449	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). For the June 30, 2009 valuation of assets, the 20 percent corridor around the market value of assets was eliminated.

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 this schedule.

Employer contribution rates for PERS, MHSPRS, and SLRP are set by State statute. The adequacy of these rates is assessed annually by individual actuarial valuations. Unfunded actuarial accrued liabilities are amortized as a level percent of the active member payroll, over a fixed period of future years which produces the statutory employer contribution rate. 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. Actual MRS employer contributions were $16,132,000, which was 106.0 percent of required contributions for the valuation period ending September 30, 2008.

Beginning with fiscal year 2007, the Governmental Accounting Standards Board (GASB) Statement No. 25 required a maximum acceptable amortization period for the total unfunded actuarial liability of not more than 30 years. In order to comply with the GASB statement, the consulting actuary recommended, in the June 30, 2006 actuarial valuation report, a PERS employer contribution rate of 12.25 percent effective July 1, 2007. To mitigate the financial impact to the State of Mississippi, the Board of Trustees agreed to transition employer contribution rate increases in 0.55 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 11.85 percent effective July 1, 2007. Due to favorable investment performance in previous years, coupled with prior year increases in employer contribution rates, the consulting actuary decreased the recommended employer contribution rate to 11.85 percent in the June 30, 2007 actuarial valuation report. For fiscal year 2010, the Board of Trustees approved a .15 percent increase to 12 percent, based on the June 30, 2008 actuarial valuation. This increase is effective July 1, 2009. At June 30, 2009, the actual employer contribution amount for PERS was $713,569,000, which was 100 percent of required total contributions. Actual employer contributions for MHSPRS and SLRP remain at 100 percent of annual required contribution.

2008/2009 Fiscal Year

PERS Annual Required Contribution (ARC) – Based on the Valuation as of June 30, 2007

Annual Required Contribution (ARC)	Rate
Normal	4.02%
Accrued liability	7.83
Total	11.85%

3. Actuarial Assumptions

(a) Plan Overview

Based on the most recent actuarial valuation report dated June 30, 2009, the Board of Trustees adopted an employer contribution rate increase of 1.56 percent for PERS, from 12.00 percent to 13.56 percent effective July 1, 2010. 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, 2009	June 30, 2009	September 30, 2008	June 30, 2009
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	30.0 years	29.3 years	26 years	26.2 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	4.5-15.0%	5.0-10.52%	4.5-6.0%	4.50%
Wage inflation rates	4.25%	4.25%	4.0%	4.25%
Increase in benefits after retirement	3.0%[1]	3.0%[2]	2.0-3.75%[3]	3.0%[1]

[1]Calculated 3% simple interest to age 55, compounded each year thereafter. [2]Calculated 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

- The withdrawal rates, pre-retirement mortality rates, disability rates, and retirement rates have been revised to more closely reflect the actual experience of the System.
- The post-retirement mortality table used for service retirements and dependents of deceased pensioners has been changed from the 1983 Group Annuity Mortality Table, set forward one year for women, to the 1994 Group Annuity Mortality Table.
- The rates of salary increase for service periods on or after 13 years were lowered.
- The assumption for wage inflation has been changed from 4.00 percent to 4.25 percent, and the assumption for price inflation has been changed from 3.75 percent to 3.50 percent.
- The maximum reportable earned compensation was increased from $230,000 to $245,000 to coincide with the compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code.
- The 20 percent corridor around the market value of assets used to develop the actuarial value of assets was eliminated.

MHSPRS

- Slight changes to the retirement decrements to better match the actual experience of the System.
- The post-retirement mortality table used for service retirements and dependents of deceased pensioners has been changed from the 1983 Group Annuity Mortality Table, set forward one year for women, to the 1994 Group Annuity Mortality Table.
- The 20 percent corridor around the market value of assets used to develop the actuarial value of assets was eliminated.
- 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 $2,700,000 annually. The actual additional contribution for 2009 is $3,208,000. However, since previous years' additional contributions have not been consistent, the last three years have been averaged to provide 2009 valuation results, which total an anticipated amount of $3,100,000 annually in the future.

SLRP

- The salary scale was lowered from 5.0 percent to 4.5 percent for all ages.
- The post-retirement mortality table was changed to the 1994 Group Annuity Mortality Table.
- The maximum reportable earned compensation was increased from $230,000 to $245,000 to coincide with the compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code.
- The 20 percent corridor around the market value of assets used to develop the actuarial value of assets was eliminated.

MRS

- The retirees of the City of McComb were granted a COLA guaranteed at 2.5% of the annual benefit for each fiscal year in retirement after July 1, 2007, with a maximum COLA percentage of 10%.
- The post-retirement mortality table was changed for females to increase the set forward from 2 years to 3 years.

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.

	PERS	MHSPRS	SLRP
Previously reported period of years	29.4	16.6	16.8
Change due to:			
Normal amortization	(1.0)	(1.0)	(1.0)
Actuarial experience	0.6	8.3	5.7
Assumption changes	0.8	3.4	4.4
Plan amendments	-	-	-
Method change	-	-	-
UAL contribution experience	0.2	2.0	0.3
Computed period of years	30.0	29.3	26.2

Schedule 1

Schedule of Administrative Expenses and Depreciation

For the Year Ended June 30, 2009

(In Thousands)

	Amount
Administrative expenses:	
Personal services:	
Salaries and wages	$ 5,999
Employee benefits	1,807
Travel and subsistence	72
Total personal services	7,878
Contractual services:	
Professional services (See Schedule 3)	1,946
Communications	569
Data processing installation, training and licensing	272
Rent of building space and office equipment	162
Utilities	196
Repair and maintenance of building and equipment	162
Bank charges	125
Janitorial	83
Security	64
Insurance	31
Other contractual services	17
Total contractual services	3,627
Commodities:	
Printing, binding and padding	169
Office supplies and expendable repair parts	80
Office equipment (not capitalized)	41
Business meeting supplies	10
Fuel	9
Other commodities	9
Total commodities	318
Total administrative expenses	11,823
Depreciation:	
Building	352
Furniture and equipment	148
Total depreciation	500
Total administrative expenses and depreciation	$ 12,323

Schedule 2

Schedule of Administrative Expenditures/Expenses – Budget and Actual

(Non-GAAP Budgetary Basis) – For the Year Ended June 30, 2009

(In Thousands)

Budget Comparisons

	2009		Variance
	Budget	Actual	Favorable (Unfavorable)
Administration expenditures:			
Personal services:			
Salaries, wages, and fringe benefits	$ 8,413	$ 7,786	$ 627
Travel and subsistence	85	81	4
Contractual services*	4,087	3,906	181
Commodities	317	281	36
Capital outlays – other than equipment	-	-	-
Capital outlays	56	50	6
Subsidies, loans, and grants	-	-	-
Total	$ 12,958	$ 12,104	$ 854

**Contractual Services budget includes $400,000 for initial phases of the pension administration computer system replacement.*

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, 2009.

Reconciliation of Budgetary Basis Administrative Expenditures to GAAP Basis Administrative Expenses

	Amount
Administrative expenditures (Budgetary Basis)	$ 12,104
Adjustments:	
Compensated leave accrual	22
Bank service charges	125
Reclass cash transfer from fund 3533 for budgetary purposes	(4)
Capital asset purchases recorded as expenditures for budgetary purposes	(5)
Fiscal year 2009 budget expenditures paid during lapse period; expenses recorded in fiscal year 2010	(744)
Fiscal year 2009 accruals to GAAP Basis	325
Administrative expenses (GAAP Basis)	$ 11,823

Schedule 3

Schedule of Managers' Fees, Investment Global Out-Of-Pocket and Custodial Fees, and Professional Services Fees – For the Year Ended June 30, 2009

(In Thousands)

Investment managers' fees:	Amount
Private Equity Managers	$ 2,965
Artisan Partners Limited Partnership	2,150
UBS Realty Investors	2,009
Principal Global Investors	2,002
INTECH	1,927
Lazard Asset Management	1,833
The Boston Company - mid cap equity	1,535
Dimensional Fund Advisors - EAFE	1,492
Eagle Capital Management, LLC	1,490
New Star Institutional Managers Limited	1,484
Pacific Investment Management Company - debt investments	1,484
Wellington Asset Management - small cap equity	1,453
Wellington Asset Management - mid cap equity	1,377
Fayez Sarofim & Company	1,177
Dimensional Fund Advisors - small cap equity	1,078
AllianceBernstein	1,047
Acadian Asset Management	1,019
The Boston Company - small cap equity	943
Jarislowsky Fraser Limited	909
Hancock Timber Resource Group	893
Aberdeen Asset Management	890
Capital Guardian Trust Company	722
AEW Partners	625
RREEF - REITs	517
Wellington Asset Management - REITs	445
Barclays Global Investors - debt investments	368
Delaware Investments	361
CIS, a Division of Dreyfus	242
Northern Trust Global Investment	225
Angelo Gordon & Company	221
Barclays Global Investors - international equity	194
State Street Global Advisors - equity	105
Heitman	81
State Street Global Advisors - debt investments	21
Absolute Return Managers	2
Total*	35,286
Custodial and global out-of-pocket fees - Bank of New York Mellon	86
Total managers' fees, out-of-pockets, and custodial fees	$ 35,372
Securities lending fees - Bank of New York Mellon	$ 5,567
Professional service fees:	
Fund evaluation - Mercer Investment Consulting, Inc	$ 511
Medical fees - clinics, labs	269
Actuary - Cavanaugh Macdonald	249
Legal - Chapman and Cutler, Whiteford, Taylor and Preston	216
Legal - State of Mississippi - Office of the Attorney General, Other	200
System development consultant - L.R. Wechsler LTD	159
Audit - Department of Audit, KPMG LLP	118
Voting services - VR Election Services	81
Reorganization - Cornerstone Consulting	63
Mailing services - Postage Savers, Sourcelink	49
Graphic design - Maris, West & Baker	31
Total professional service fees	$ 1,946

** Includes fees of $8,797,741 which are reflected in net depreciation on the Statement of Changes in Fiduciary Net Assets.*

Summary Schedule of Cash Receipts and Disbursements

Pension Trust Funds – For the Year Ended June 30, 2009

(In Thousands)

	Amount
Cash balance at beginning of year	$ 253,821
Receipts:	
Contributions:	
Employee	520,025
Employer	738,023
Total contributions	1,258,048
Investments:	
Securities lending and reverse repurchase agreements	118,978,071
Investments matured and sold	25,811,660
Investment income	(950,283)
Total investments	143,839,448
Administrative receipts	659
Other receipts	9,741
Total cash receipts	145,107,896
Disbursements:	
Annuities and refunds:	
Retirement annuities	1,579,307
Refunds to terminated employees	70,572
Total annuities and refunds	1,649,879
Investments:	
Securities lending and reverse repurchase agreements	118,980,217
Investments purchased	24,312,067
Investment expenses	63,660
Total investments	143,355,944
Administrative expenses	12,399
Other disbursements	125
Total cash disbursements	145,018,347
Cash balance at end of year	$ 343,370

Schedule 5

Schedule of Investments Due to MRS from PERS – June 30, 2009

(In Thousands)

Due to MRS:	Amount
Biloxi Municipal	$ 1,804
Biloxi Fire and Police	7,026
Clarksdale Fire and Police	882
Clinton Fire and Police	6,362
Columbus Fire and Police	1,170
Greenville Fire and Police	3,411
Greenwood Fire and Police	2,453
Gulfport Fire and Police	8,243
Hattiesburg Fire and Police	18,154
Jackson Fire and Police	60,449
Laurel Fire and Police	2,729
McComb Fire and Police	1,007
Meridian Municipal	609
Meridian Fire and Police	6,335
Natchez Fire and Police	1,665
Pascagoula Fire and Police	6,258
Tupelo Fire and Police	5,922
Vicksburg Fire and Police	9,942
Yazoo City Fire and Police	594
Total investments due to MRS	$ 145,015

Schedule 6

Public Employees' Retirement System of Mississippi

Statement of Changes in Assets and Liabilities – June 30, 2009

(In Thousands)

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
Flexible Benefits Cafeteria Plan				
Assets:				
Cash	$ 24	$ 85	$ 90	$ 19
Accounts Receivable	-	-	-	-
Total Assets	$ 24	$ 85	$ 90	$ 19
Liabilities:				
Accounts Payable	$ 15	-	-	$ 15
Funds Held for Others	9	85	90	4
Total liabilities	$ 24	$ 85	$ 90	$ 19

ACTUARIAL

CHRIS WATKINS

MISSISSIPPI STATE HOSPITAL

Chris Watkins is a people person who finds being a nurse practitioner and helping folks from all walks of life—old, young, rich, poor—always interesting, never boring, and highly rewarding. Retirement holds rewards, too: the promise of unfettered moments spent in his beloved outdoors where he'll "get to enjoy more of that quiet, peaceful, quality time."

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

November 4, 2009

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, 2009. This valuation indicates that the current contribution rates of 13.56% of payroll for employers and 7.25% of payroll for active members, for benefits then in effect, meet the basic financial objective. There are 167,122 active members as of June 30, 2009.

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 2004 to 2008. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. There were two changes to the benefit structure since the last valuation.

- The maximum reportable earned compensation was increased from $230,000 to $245,000 to coincide with the compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code.
- The 20% corridor around the market value of assets used to develop the actuarial value of assets was eliminated.

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

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

TJC:kc

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November 4, 2009

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, 2009. This valuation indicates that the current contribution rates of 30.30% of payroll for employers and 7.25% 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 570 active members as of June 30, 2009.

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 2004 to 2008. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. There was one change to the benefit structure since the last valuation. The 20% corridor around the market value of assets used to develop the actuarial value of assets was eliminated.

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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November 4, 2009

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, 2008. These valuations indicate that the current contribution rates, for benefits then in effect, meet the basic financial objective. The employee contribution rates vary by participating City and are 7% - 10% of payroll for active members. There were 35 active members as of September 30, 2008.

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 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 was one change to the benefit structure since the last valuation. The retirees of the City of McComb were granted a COLA guaranteed at 2.5% of the annual benefit for each fiscal year in retirement after July 1, 2007 with a maximum COLA percentage of 10%.

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

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

TJC:kc

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November 4, 2009

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, 2009. 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 174 active members as of June 30, 2009.

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 2004 to 2008. Assets are valued according to a market related method that recognizes 20% of the previously unrecognized and unanticipated gains and losses. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. There were two changes made since the previous valuation.

- The maximum reportable earned compensation was increased from $230,000 to $245,000 to coincide with the compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code.
- The 20% corridor around the market value of assets used to develop the actuarial value of assets was eliminated.

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

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 August 25, 2009. 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 and Vesting*		Death**		Disability**	
Age	Male	Female	Male	Female	Male	Female
20	20.0%	20.0%	.01%	.00%	.01%	.01%
25	15.5	15.0	.02	.01	.02	.01
30	11.0	11.0	.02	.01	.02	.02
35	9.5	9.0	.03	.01	.05	.03
40	7.0	6.5	.04	.02	.12	.08
45	6.0	5.5	.06	.02	.23	.13
50	6.0	5.5	.08	.04	.29	.21
55	6.0	5.5	.11	.06	.52	.32
60	6.0	5.5	.22	.09	.40	.30
65	6.0	5.5	.36	.16	-	-
70	6.0	5.5	.61	.27	-	-
74	6.0	5.5	.90	.47	-	-

Service Retirements

Age	Male		Female	
	Under 25 Years of Service	25 Years of Service and Over	Under 25 Years of Service	25 Years of Service and Over
45	-%	13.0%	-%	11.0%
50	-	13.0	-	11.0
55	-	15.0	-	18.0
60	11.0	15.0	13.0	20.0
62	19.0	30.0	18.0	30.0
65	20.0	28.0	25.0	38.0
70	17.0	20.0	19.0	25.0
75	100.0	100.0	100.0	100.0

** For all ages, rates of 35% for 1st year of employment and 21% 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
0	10.75%	4.25%	15.00%
1	10.75	4.25	15.00
2	10.75	4.25	15.00
3	1.25	4.25	5.50
4	1.25	4.25	5.50
5	1.25	4.25	5.50
10	0.75	4.25	5.00
15	0.75	4.25	5.00
20	0.75	4.25	5.00
25	0.75	4.25	5.00
30	0.25	4.25	4.50
35	0.25	4.25	4.50

Payroll Growth: 4.25% per annum, compounded annually.

Price Inflation: 3.50% per annum, compounded annually.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table. 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 market 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 market value.

All the assumptions used in the actuarial valuation were adopted by the PERS Board when the experience study was adopted on August 25, 2009. 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 annual rates of separation from active service are as follows:

Annual Rates of

Age	Withdrawal and Vesting	Death	Disability Non-Duty	Disability Duty	Service	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	15.0
50	0.1	0.16	0.50	0.05	30	25.0
55	–	0.21	0.91	0.02	35	25.0

** The annual rate of service retirement is 100% at age 60.*
It is assumed that a member will be granted $1\frac{3}{4}$ years of service credit for unused leave at termination of employment. In addition, it is assumed that, on average, 1/4 year of service credit for peace-time military service will be granted to each member.

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

Annual Rates of

Age	Merit & Seniority	Base (Economy)	Increase Next Year
25	2.57%	4.25%	6.82%
30	1.75	4.25	6.00
35	1.75	4.25	6.00
40	1.75	4.25	6.00
45	1.25	4.25	5.50
50	0.75	4.25	5.00
55	0.75	4.25	5.00

Payroll Growth: 4.25% per annum, compounded annually.

Price Inflation: 3.50% per annum, compounded annually.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. 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 market 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 market value.

Municipal 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 percent per annum, compounded annually (net after investment expenses).

Separations From Active Service: Representative values of the assumed annual 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 is the 1983 Group Annuity Mortality Table (without projection), set forward 3 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 commenced in 2007 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.

Supplemental Legislative Retirement Plan

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 August 25, 2009. 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: 3.50% per annum, compounded annually.

Payroll Growth: 4.25% per annum, compounded annually.

Salary Increases: 4.50% per annum, for all ages. The merit and seniority component is 0.25% and the wage inflation component is 4.25%.

Death After Retirement: The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. 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 market 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 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, 2009, 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	6/30/08	11.85	150,000	7.25	150,000
7/1/08	6/30/09	11.85	230,000	7.25	230,000
7/1/09	6/30/10	12.00	245,000	7.25	245,000

**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

<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 eight 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 eight 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 eight 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.

**Four years for those who entered the system before July 1, 2007.*

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 eight 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.

**Four years for those who entered the system before July 1, 2007.*

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 for those who entered the System before July 1, 2007 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 June 30, 1998.

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, except for years 2007 and 2008. Refer to note 7 of the basic financial statements for discussion.

** Four years for those who entered the system before July 1, 2007.*

Summary of Benefit and Contribution Provisions – MHSPRS

The following summary presents the main benefit and contribution provisions of the System in effect June 30, 2009, 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	6/30/2008	30.30	-	6.50	-
7/1/2008	-	30.30	-	7.25	-

**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 $3,100,000 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).

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 7 1/4 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, 2008, 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 66 2/3 percent (87 percent for Clinton) 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, Gulfport, 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 66 2/3 percent (87 percent for Clinton) 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 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:	$1,415

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 percent 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 (not to exceed 10 percent).

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, McComb, 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 (b-a)	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
2006-07	2006	15,426	14,976	(450)	97.1
2007-08	2007	15,219	16,132	913	106.0

Supplemental Legislative Retirement Plan of Mississippi

Summary of Main System Provisions As Interpreted For Valuation Purposes

Summary of Main Benefit and Contribution Provisions – SLRP

The following summary presents the main benefit and contribution provisions of the Plan in effect June 30, 2009 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	6/30/2008	6.65	150,000	3.00	150,000
7/1/2008	6/30/2009	6.65	230,000	3.00	230,000
7/1/2009	–	6.65	245,000	3.00	245,000

Benefits

Superannuation Retirement

Condition for Retirement

(a) A retirement allowance is paid upon the request of any member who retires and has attained age 60 and completed at least eight 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 eight 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 eight years* of eligibility service, a benefit is payable, in lieu of a refund of the member's accumulated contributions, to his spouse, if said spouse has been married to the member for not less than one year.

Amount of Allowance

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

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

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

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

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

Disability Retirement

Condition for Retirement

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

Amount of Allowance

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

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

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

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

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

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

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

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

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

Accidental Disability Retirement

Condition for Retirement

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

Amount of Allowance

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

Accidental Death Benefit

Condition for Benefit

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

Amount of Allowance

The annual retirement allowance is equal to 25% of average compensation payable to the spouse and $12\frac{1}{2}$% 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 for those who entered PERS before July 1, 2007 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.

**Four years for those who entered PERS before July 1, 2007.*

The Mississippi Legislature ended its 2009 legislative session with various changes to the plan provisions of the Public Employees' Retirement System.

Public Employees' Retirement System

Senate Bill 3052

Amends Section 7-7-204 pursuant to Section 25-11-105 II (b), Mississippi Code of 1972 to specify that students participating in a paid internship program with a state agency under which they attend college on a full time basis are not eligible for participation in the Public Employees' Retirement System plan. This legislation is effective April 15, 2009.

Municipal Retirement System

House Bill 1775

Amends Chapter 435, Local and Private Laws of 1944, as last amended by Chapter 901, Local and Private Laws of 2001, to amend the annual cost-of-living increase provision for current and future retired members of the General Municipal Employees' Retirement System of the City of Biloxi and their beneficiaries to provide that for years beginning after July 1, 2001, the cost-of-living increase shall equal the sum of (i) three percent (3%) of the annual retirement allowance for each full fiscal year in retirement after June 30, 2001, and through June 30, 2008, and for each full fiscal year in retirement after June 30, 2008, before the member reaches age fifty-five (55), plus (ii) three percent (3%) compounded by the number of full fiscal years in retirement after June 30, 2008, in which the member is age fifty-five (55) or older, multiplied by the amount of the annual retirement allowance. The Bill provides that the total number of fiscal years in which a member or beneficiary thereof may receive an annual cost-of-living increase is twenty years. The maximum cumulative percentage of all annual cost-of-living increases received during that twenty-year period shall not exceed sixty-four and four-tenths percent of the annual retirement allowance. This legislation is effective April 13, 2009.

House Bill 1776

Amends Sections 2, 3 and 4 of Chapter 931, Local and Private Laws of 1993, as last amended by Chapter 902, Local and Private Laws of 2001 to amend the annual cost-of-living increase provision for current and future retired members of the Biloxi Disability and Relief Fund for Firefighters and Police Officers and their beneficiaries to provide that for years beginning after July 1, 2001, the cost-of-living increase shall equal the sum of (i) three percent (3%) of the annual retirement allowance for each full fiscal year in retirement after June 30, 2001, and through June 30, 2008, and for each full fiscal year in retirement after June 30, 2008 before the member reaches age fifty-five (55), plus (ii) three percent (3%) compounded by the number of full fiscal years in retirement after June 30, 2008 in which the member is age fifty-five (55) or older, multiplied by the amount of the annual retirement allowance. The Bill provides that the total number of fiscal years in which a member or beneficiary thereof may receive an annual cost-of-living increase is twenty years and the maximum cumulative percentage of all annual cost-of-living increases received during that twenty-year period shall not exceed sixty-four and four-tenths percent of the annual retirement allowance. This legislation is effective April 13, 2009.

House Bill 1778

Amends Chapter 907, Local and Private Laws of 1990, as last amended by Chapter 952, Local and Private Laws of 2003 to increase the maximum amount of the additional annual payments made to retired members and beneficiaries of the Hattiesburg Police and Fire Disability and Relief Fund from twenty-five percent (25%) to thirty percent (30%) of the annual retirement or disability allowance. This legislation is effective April 13, 2009.

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							
6/30/00	$ 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
6/30/08	3,991,804	14,306,528	10,236,362	20,814,720	100	100	24.6
6/30/09	4,235,466	15,665,712	10,693,368	20,597,581	100	100	6.5
Mississippi Highway Safety Patrol Retirement System							
6/30/00	$ 15,393	$ 155,783	$ 80,761	$ 244,331	100%	100.0%	90.6%
6/30/01	16,080	152,528	82,013	259,713	100	100.0	111.1
6/30/02	16,226	186,501	82,821	263,255	100	100.0	73.1
6/30/03	17,604	192,662	91,868	259,746	100	100.0	53.9
6/30/04	18,352	201,573	96,645	256,481	100	100.0	37.8
6/30/05	18,972	214,844	101,301	253,477	100	100.0	19.4
6/30/06	19,906	222,281	108,451	265,637	100	100.0	21.6
6/30/07	20,870	231,771	118,592	284,626	100	100.0	27.0
6/30/08	21,371	242,265	117,942	298,630	100	100.0	29.7
6/30/09	20,136	273,774	100,720	292,322	100	99.4	0.0
Municipal Retirement Systems*							
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
9/30/07	3,015	366,139	10,430	213,432	100	57.5	0.0
9/30/08	2,688	356,413	9,030	208,479	100	57.7	0.0
Supplemental Legislative Retirement Plan							
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
6/30/08	2,102	8,295	5,218	13,412	100	100	57.8
6/30/09	2,327	8,756	5,452	13,386	100	100	42.2

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

Valuation Date	Number of Employers	Active Members: Number of Employees	Annual Payroll	Annual Average Pay	% Increase In Average Pay
Public Employees' Retirement System					
6/30/00	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	861	162,804	5,196,294,899	31,917	1.5
6/30/08	863	165,733	5,544,704,937	33,456	4.8
6/30/09	866	167,122	5,831,863,534	34,896	4.3
Mississippi Highway Safety Patrol Retirement System					
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
6/30/08	1	626	29,597,374	47,280	3.3
6/30/09	1	570	26,389,909	46,298	(2.1)
Municipal Retirement Systems					
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
9/30/07	17	42	1,952,642	46,491	2.5
9/30/08	17	35	1,712,743	48,936	5.3
Supplemental Legislative Retirement Plan					
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
6/30/08	5	175	6,752,960	38,588	3.0
6/30/09	5	174	6,803,339	39,100	1.3

Schedule of Retirants Added to and Removed from Rolls

Last Six Fiscal Years

		Added		Removed	
Fiscal Year Ended*	Plan	Number	Annual Allowances	Number	Annual Allowances
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	93,495,367	(2,542)	(26,749,850)
	MHSPRS	32	849,210	(28)	(650,466)
	MRS**	67	1,131,297	(84)	(834,404)
	SLRP	12	57,341	(4)	(26,559)
June 30, 2007	PERS	6,218	97,985,045	(2,219)	(31,700,099)
	MHSPRS	29	826,877	(16)	(390,154)
	MRS	46	806,363	(71)	(684,252)
	SLRP	6	17,973	(2)	(6,908)
June 30, 2008	PERS	5,335	93,694,780	(2,551)	(35,621,113)
	MHSPRS	42	1,341,416	(29)	(739,677)
	MRS	42	744,852	(75)	(998,616)
	SLRP	20	107,569	(8)	(29,585)
June 30, 2009	PERS	4,965	87,403,913	(2,362)	(33,633,667)
	MHSPRS	62	2,263,514	(21)	(556,046)
	MRS	39	538,293	(83)	(894,867)
	SLRP	7	33,316	(4)	(26,188)

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

***Beginning at the end of year in 2005, the benefit payments include COLAs. However, all amounts prior to 2005 were reported by the previous actuarial firm and did not include COLA amounts. Therefore, the amount for benefit increases due to COLA in 2005 incorporates all prior year's COLAs since they cannot be broken out by prior years.*

****Information not available for MRS.*

Schedule of Retirants Added to and Removed from Rolls

Last Six Fiscal Years

Increase Due to Annual COLA	Increase Due to Plan Amendments	Rolls at End of Year: Number	Rolls at End of Year: Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowances
$ N/A	$ -	62,407	$ 778,636,196	8.88%	$ 12,477
N/A	-	605	12,111,862	4.48	20,020
N/A	274,798	2,246	31,420,522	3.45	13,990
N/A	-	106	480,314	45.33	4,531
194,238,608	-	63,939	1,022,022,560	31.26	15,984
4,606,095	-	621	17,189,826	41.93	27,681
***	334,359	2,242	32,182,395	2.42	14,354
71,839	-	114	582,565	21.29	5,110
28,442,523	-	66,757	1,117,210,600	9.31	16,735
433,239	-	625	17,821,809	3.68	28,515
2,053,694	74,913	2,225	34,607,895	7.54	15,554
15,870	-	122	629,217	8.01	5,158
30,889,317	-	70,756	1,214,384,863	8.70	17,163
464,023	-	638	18,722,555	5.05	29,346
458,053	-	2,200	35,188,059	1.68	15,995
17,537	-	126	657,819	4.55	5,221
33,449,790	-	73,540	1,305,908,320	7.54	17,758
474,361	-	651	19,798,655	5.75	30,413
429,844	191,067	2,167	35,555,206	1.04	16,408
19,012	-	138	754,815	14.75	5,470
36,261,313	-	76,143	1,395,939,879	6.89	18,333
487,986	-	692	21,994,109	11.09	31,783
257,171	-	2,123	35,455,803	(0.28)	16,701
19,288	-	141	781,231	3.50	5,541

Analysis of Financial Experience

Gains & Losses in Accrued Liabilities for the Year Ended June 30, 2009

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.	$ (99,100.0)	$ 1,457.7	$ 466.8	$ 77.9
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	(48,500.0)	94.4	–	12.4
Death-in-Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, a loss.	(100.0)	(4.7)	17.2	10.6
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	19,100.0	(505.6)	–	40.1
Pay Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	80,300.0	7,243.9	3.0	131.0
New Members. Additional unfunded accrued liability will produce a loss.	(97,100.0)	–	–	–
Investment Income. If there is greater investment income than assumed, there is a gain. If less income, a loss.	(1,439,600.0)	(21,300.0)	(2,716.2)	(950.0)
Death after Retirement. If retirants live longer than assumed, there is a loss. If not as long, a gain.	(49,700.0)	(865.0)	1,530.4	11.4
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(202,000.0)	(2,383.7)	606.4	194.1
Gain (or Loss) During Year from Financial Experience.	(1,836,700.0)	(16,263.0)	(92.4)	(472.5)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, or method changes.	(332,600.0)	(4,123.4)	3,619.0	(494.1)
Composite Gain (or Loss) During Year	$(2,169,300.0)	$(20,386.4)	$ 3,526.6	$ (966.6)

**Valuation information furnished for MRS is as of September 30, 2008.*

STATISTICAL

JAMELIA YOUNG

JACKSON/HINDS LIBRARY SYSTEM

Spending time with children and helping them develop and grow is what Jamelia Young cherishes as a librarian and branch supervisor. After years of guiding them, helping them, and teaching them, her perfect picture of the future after retirement is to be a grandmother.

"Such a lovely thought."

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.

Financial Trends

The schedule of Changes in Net Assets presented on pages 100 and 101 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 0.55 percent to 11.85 percent effective July 1, 2007. This rate has remained in effect through June 30, 2009. Beginning July 1, 2009, the employer contribution rate increased to 12.0 percent. A detailed discussion of changes in employer contribution rates and funding can be found on page 23 of Management's Discussion and Analysis and on page 45, notes 1 and 2 to the Required Supplementary Schedules.

Demographic and Economic Information

The schedule of Total Active Members by Attained Age and Years of Service, shown on pages 108 through 110, 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 112 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 111 offers information on the amount of economic contribution attributed to benefit payments, by county, within the State of Mississippi.

Operating Information

Pages 102 and 103 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 106. The schedule of Average Benefit Payments presents average monthly benefits, average final salary and the number of active retirees by years of credited service, by plan, on pages 104 and 105. Comparative supplemental information on employer and employee groups covered by the Public Employees' Retirement System plan is offered on page 107 along with details of participating employers covered by separate agreement on pages 113 through 116.

Statistical data is provided from the System's internal resources. The System had no outstanding debt as of June 30, 2009.

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 (Loss)	Other Revenues and Transfers	Total Additions (Deletions)
Public Employees' Retirement System of Mississippi							
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
2008	417,119	7.25	683,189	11.85	(1,725,434)	637	(624,489)
2009	434,081	7.25	713,569	11.85	(3,717,016)	657	(2,568,709)
Mississippi Highway Safety Patrol Retirement System							
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
2008	1,985	6.50	9,253	30.30	(24,886)	3,156	(10,492)
2009	2,166	7.25	9,066	30.30	(52,869)	3,208	(38,429)
Municipal Retirement Systems**							
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
2008	176	**	15,900	**	(18,046)	-	(1,970)
2009	154	**	17,415	**	(35,930)	-	(18,361)
Supplemental Legislative Retirement Plan							
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
2008	203	3.00	449	6.65	(1,120)	-	(468)
2009	207	3.00	458	6.65	(2,437)	-	(1,772)

** 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							
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
2008	1,393,175	72,750	11,533	-	1,477,458	(2,101,947)	19,251,069
2009	1,465,500	70,050	12,323	-	1,547,873	(4,116,582)	15,134,487
Mississippi Highway Safety Patrol Retirement System							
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
2008	20,295	26	-	185	20,506	(30,998)	276,154
2009	23,098	72	-	181	23,351	(61,780)	214,374
Municipal Retirement Systems							
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
2008	35,870	-	-	439	36,309	(38,279)	200,155
2009	35,848	12	-	467	36,327	(54,688)	145,467
Supplemental Legislative Retirement Plan							
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
2008	845	14	-	9	868	(1,336)	12,412
2009	790	9	-	9	808	(2,580)	9,832

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
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
2008	59,406	5,075	9,059	73,540	16,105
2009	61,466	5,257	9,420	76,143	15,654

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
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
2008	1,272,211	88,937	32,027	1,393,175	72,750
2009	1,339,209	92,925	33,366	1,465,500	70,050

Mississippi Highway Safety Patrol Retirement System

Number of Participants by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
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
2008	443	18	190	651	4
2009	480	16	196	692	14

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
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
2008	18,453	448	1,394	20,295	26
2009	21,194	478	1,426	23,098	72

Municipal Retirement Systems*

Number of Participants by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
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
2007	1,507	104	556	2,167	1
2008	1,470	96	557	2,123	12

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

Year	Service	Disability	Survivor	Total	Refunds
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
2007	27,872	1,072	6,611	35,555	1
2008	27,720	1,011	6,725	35,456	12

Supplemental Legislative Retirement Plan

Number of Participants by Type of Benefit

Year	Service	Disability	Survivor	Total	Refunds
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	-
2008	110	2	26	138	3
2009	113	2	26	141	1

Total Payments by Type of Benefit
(In Thousands)

Year	Service	Disability	Survivor	Total	Refunds
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	639	12	48	699	-
2008	773	14	58	845	14
2009	739	12	39	790	9

**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, 2004 to June 30, 2009	Years of Credited Service 0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
Public Employees' Retirement System of Mississippi									
2009									
Average Monthly Benefit......$	396	374	582	875	1,314	1,673	1,865	2,116	2,822
Average Monthly Salary.......$	26,414	26,280	29,481	32,707	37,865	42,352	45,058	47,003	53,867
Number of Active Retirants...	192	703	669	572	535	378	732	223	961
2008									
Average Monthly Benefit......$	400	383	587	900	1,221	1,738	1,845	2,071	2,726
Average Monthly Salary.......$	25,527	25,618	28,649	33,139	36,537	44,534	45,142	48,053	53,245
Number of Active Retirants...	201	690	703	614	586	386	855	226	1,074
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
Mississippi Highway Safety Patrol Retirement System									
2009									
Average Monthly Benefit......$	-	466	-	439	1,580	3,178	3,144	4,604	3,056
Average Monthly Salary.......$	-	33,560	-	16,845	38,404	61,298	59,584	75,126	52,752
Number of Active Retirants...	-	3	-	1	7	13	21	7	10
2008									
Average Monthly Benefit......$	-	347	1,158	408	1,778	3,442	2,411	4,365	3,035
Average Monthly Salary.......$	-	13,031	46,554	12,949	48,156	64,165	45,198	73,562	54,588
Number of Active Retirants...	-	1	1	3	9	2	9	5	12
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

Retirement Effective Dates:	Years of Credited Service								
July 1, 2004 to June 30, 2009	0-4	5-9	10-15	16-20	21-24	25	26-29	30	31+
Supplemental Legislative Retirement System									
2009									
Average Monthly Benefit......$	-	195	-	-	547	-	833	411	339
Average Monthly Salary.......$	-	29,237	-	-	37,853	-	39,683	41,404	34,997
Number of Active Retirants...	-	3	-	-	1	-	1	1	1
2008									
Average Monthly Benefit......$	117	226	354	447	513	-	655	-	923
Average Monthly Salary.......$	32,859	34,939	36,172	40,512	32,189	-	32,548	-	44,456
Number of Active Retirants...	2	2	4	7	1	-	3	-	1
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	-	-	-

Retired Members by Type of Benefits

June 30, 2009

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	1,705	79	329	8	30	238	6	11	51	32	359
101 - 200	4,131	242	652	18	82	494	25	69	89	59	362
201 - 300	4,133	226	564	10	106	449	39	66	73	49	267
301 - 400	3,455	217	544	20	109	420	60	47	66	63	233
401 - 500	3,065	189	521	8	141	313	72	49	65	63	199
501 - 600	2,536	151	471	14	116	311	89	46	75	52	185
601 - 700	2,279	149	428	10	133	250	136	45	66	51	143
701 - 800	2,131	173	387	10	166	203	171	75	47	42	150
801 - 900	1,949	158	433	7	172	222	189	44	66	46	194
901 - 1,000	1,887	121	420	14	153	226	197	71	67	32	189
over 1,000	22,528	1,535	6,394	155	3,472	2,930	2,116	428	1,314	1,194	5,826
Totals	49,799	3,240	11,143	274	4,680	6,056	3,100	951	1,979	1,683	8,107
Mississippi Highway Safety Patrol Retirement System											
$ 1 - 100	1	-	-	-	-	-	-	-	-	-	-
101 - 200	4	-	-	-	-	-	-	-	-	-	-
201 - 300	8	-	-	-	-	-	-	-	-	-	-
301 - 400	36	-	1	-	-	-	-	-	-	-	-
401 - 500	16	-	-	-	3	-	-	-	-	-	-
501 - 600	16	-	-	-	3	-	-	-	-	-	-
601 - 700	13	-	-	-	3	1	-	-	-	-	-
701 - 800	20	-	1	-	4	-	-	-	-	-	-
801 - 900	22	-	-	-	3	-	-	-	-	-	-
901 - 1,000	18	-	-	-	3	-	-	-	-	-	-
over 1,000	77	1	43	2	382	11	11	-	23	7	61
Totals	231	1	45	2	401	12	11	-	23	7	61
Supplemental Legislative Retirement Plan of Mississippi											
$ 1 - 100	5	-	2	-	-	3	1	-	-	-	1
101 - 200	10	1	6	-	-	-	-	1	-	-	1
201 - 300	17	1	9	2	1	3	-	1	-	-	1
301 - 400	16	1	10	-	2	5	-	1	1	-	6
401 - 500	7	-	3	-	1	2	-	-	-	2	2
501 - 600	1	-	2	-	-	1	-	1	1	-	-
601 - 700	4	-	4	-	-	3	-	-	-	-	1
701 - 800	3	-	-	-	-	1	-	1	-	-	2
801 - 900	2	-	1	-	1	2	-	-	-	-	1
901 - 1,000	1	-	-	-	-	-	-	-	-	-	1
over 1,000	1	-	1	-	-	1	-	-	-	-	1
Totals	67	3	38	2	5	21	1	5	2	2	17

**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

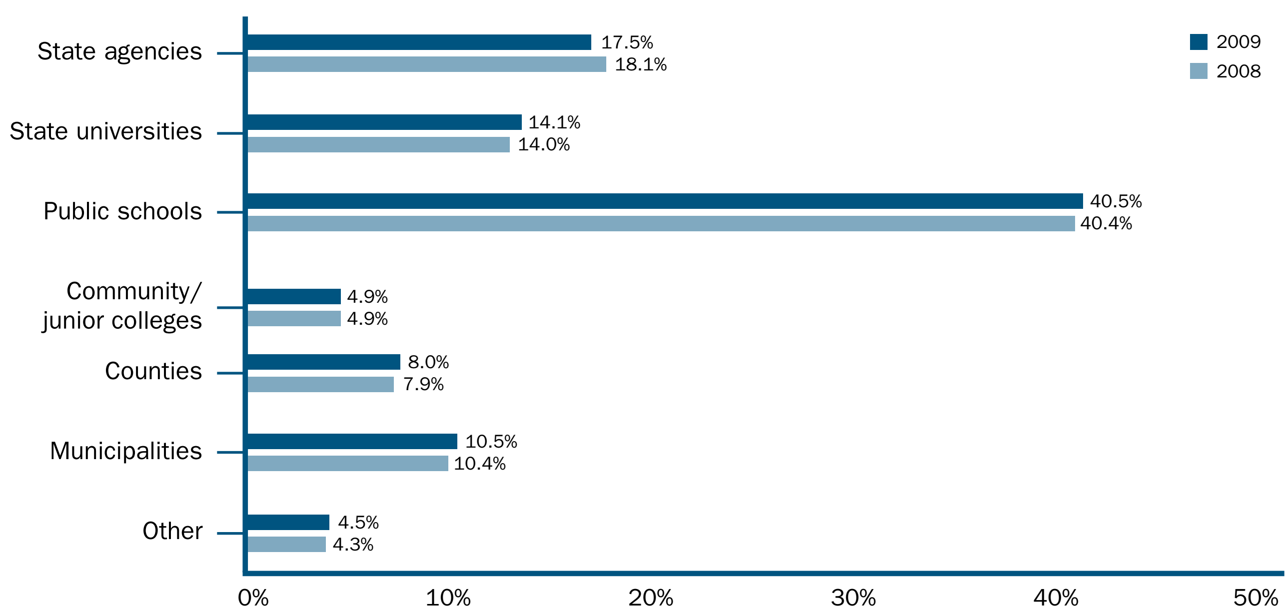
For Fiscal Years Ended June 30, 2009 and 2008

(Contributions In Thousands)

Public Employees' Retirement System of Mississippi

	Employer		Employee		Total	
Employer Group	Units	Contributions	Number	Contributions	Contributions	Percent
2009						
State agencies	113	$ 124,872	34,465	$ 75,934	$ 200,806	17.5%
State universities	9	100,957	18,081	61,391	162,348	14.1
Public schools	150	289,034	67,174	175,760	464,794	40.5
Community/junior colleges	15	35,169	6,195	21,386	56,555	4.9
Counties	82	57,143	14,884	34,749	91,892	8.0
Municipalities	239	74,606	18,913	45,531	120,137	10.5
Others	260	31,788	7,410	19,330	51,118	4.5
Total	868	$ 713,569	167,122	$ 434,081	$ 1,147,650	100.0%
2008						
State agencies	113	$ 123,615	33,887	$ 75,446	$ 199,061	18.1%
State universities	9	95,350	17,593	58,189	153,539	14.0
Public schools	150	275,915	66,941	168,382	444,297	40.4
Community/junior colleges	15	33,221	6,132	20,274	53,495	4.9
Counties	82	54,202	14,935	33,078	87,280	7.9
Municipalities	238	71,206	18,882	43,637	114,843	10.4
Others	258	29,680	7,363	18,113	47,793	4.3
Total	865	$ 683,189	165,733	$ 417,119	$ 1,100,308	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, 2009 by Attained Age and Years of Service

Attained Age	Active Member Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30 +	Totals Number	Totals Valuation Payroll
Under 20	341	3	-	-	-	-	-	344	$ 4,678,105
20-24	6,950	105	3	-	-	-	-	7,058	159,293,989
25-29	13,814	3,459	76	3	-	-	-	17,352	510,263,092
30-34	9,250	7,230	2,117	40	-	-	-	18,637	615,191,941
35-39	8,390	5,632	5,099	1,984	84	-	-	21,189	734,794,251
40-44	6,820	4,706	3,905	3,897	1,766	71	-	21,165	737,727,439
45-49	6,245	4,740	3,964	3,259	3,701	1,603	62	23,574	847,477,138
50-54	5,243	4,119	3,583	3,393	3,228	2,476	1,265	23,307	880,463,380
55-59	3,875	3,339	2,828	2,789	2,792	1,690	1,979	19,292	761,616,888
60	550	506	448	436	422	261	332	2,955	117,961,811
61	533	481	450	397	385	250	277	2,773	110,330,408
62	439	423	391	313	321	195	248	2,330	93,271,940
63	266	284	231	192	165	107	159	1,404	53,711,819
64	247	254	186	146	127	93	136	1,189	45,269,660
65	166	176	144	113	94	71	97	861	35,236,533
66	150	155	109	107	84	43	81	729	27,770,825
67	123	119	105	58	60	33	52	550	19,077,056
68	96	104	71	52	54	31	40	448	14,574,483
69	80	87	68	49	35	23	37	379	12,749,398
70 & over	325	324	269	207	164	103	194	1,586	50,403,378
Totals	63,903	36,246	24,047	17,435	13,482	7,050	4,959	167,122	$5,831,863,534

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 44.2 years
Service: 9.8 years
Annual Pay: $34,896

Mississippi Highway Safety Patrol Retirement System

Total Active Members as of June 30, 2009 by Attained Age and Years of Service

Attained Age	Active Member Years of Service							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 +	Number	Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	16	-	-	-	-	-	-	16	596,694
25-29	62	6	-	-	-	-	-	68	2,567,701
30-34	45	46	5	-	-	-	-	96	3,844,677
35-39	26	41	44	13	-	-	-	124	5,192,039
40-44	7	15	27	28	6	-	-	83	3,798,839
45-49	1	4	14	13	47	11	-	90	4,759,407
50-54	-	2	3	2	24	40	3	74	4,447,627
55-59	1	-	-	-	5	7	6	19	1,182,925
60 & Over	-	-	-	-	-	-	-	-	-
Totals	158	114	93	56	82	58	9	570	$26,389,909

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 40.1 years
Service 12.2 years
Annual Pay: $46,298

Municipal Retirement Systems

Total Active Members as of September 30, 2008 by Attained Ages and Years of Service

Attained Age	Active Member Years of Service							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	-	-	-	-	-	-	-	-	-
45-49	-	-	-	-	6	1	-	7	333,529
50-54	-	-	-	-	-	1	2	3	173,249
55-59	-	-	-	-	-	-	12	12	586,048
60 & Over	-	-	-	-	-	-	13	13	619,917
Totals	-	-	-	-	6	2	27	35	$1,712,743

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 56.8 years
Service: 33.0 years
Annual Pay: $48,936

Supplemental Legislative Retirement Plan

Total Active Members as of June 30, 2009 by Attained Age and Years of Service

Attained Age	Active Member Years of Service 0-4	5-9	10-14	15-19	20-24	25-29	30 +	Totals Number	Totals Valuation Payroll
Under 20	-	-	-	-	-	-	-	-	$ -
20-24	-	-	-	-	-	-	-	-	-
25-29	1	-	-	-	-	-	-	1	33,992
30-34	7	3	-	-	-	-	-	10	373,427
35-39	8	3	1	-	-	-	-	12	449,519
40-44	7	4	3	-	-	-	-	14	523,252
45-49	5	5	2	3	-	-	-	15	601,430
50-54	2	8	3	8	-	3	-	24	977,853
55-59	6	10	1	5	1	6	-	29	1,136,673
60	1	1	-	1	-	-	-	3	114,910
61	1	2	-	1	1	2	-	7	285,119
62	1	3	-	3	-	1	-	8	314,125
63	-	1	4	-	-	-	-	5	194,596
64	1	-	-	4	-	1	1	7	283,631
65	2	1	-	-	1	1	-	5	186,172
66	-	-	-	-	-	1	-	1	99,396
67	-	3	-	3	-	-	-	6	216,966
68	-	1	1	-	-	-	-	2	70,219
69	-	1	1	-	2	-	-	4	149,240
70 & over	2	2	3	7	3	3	1	21	792,819
Totals	44	48	19	35	8	18	2	174	$6,803,339

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Age: 55.8 years
Service: 11.6 years
Annual Pay: $39,100

Total Defined Benefit Plans

Benefits Payments by County – June 30, 2009

County	Number of Payments[1]	Amount Paid[2]
Adams	1,011	$ 17,892,190
Alcorn	883	15,172,130
Amite	267	4,079,759
Attala	688	11,314,308
Benton	222	3,475,982
Bolivar	1,103	23,320,549
Calhoun	361	6,243,132
Carroll	360	6,377,926
Chickasaw	446	7,839,555
Choctaw	305	5,136,441
Claiborne	280	5,418,189
Clarke	455	7,415,610
Clay	508	9,745,075
Coahoma	864	17,324,253
Copiah	755	13,917,580
Covington	585	10,409,795
DeSoto	919	15,653,361
Forrest	1,576	29,426,375
Franklin	260	4,210,202
George	493	8,158,470
Greene	252	3,836,749
Grenada	580	10,473,959
Hancock	573	9,452,428
Harrison	3,347	67,117,795
Hinds	7,861	172,966,530
Holmes	538	9,711,981
Humphreys	239	4,589,148
Issaquena	20	272,244
Itawamba	512	9,069,546
Jackson	2,675	51,438,331
Jasper	423	6,316,273
Jefferson	306	6,249,290
Jefferson Davis	359	6,129,298
Jones	2,021	35,713,702
Kemper	276	4,868,433
Lafayette	1,563	36,668,760
Lamar	1,664	38,990,297
Lauderdale	2,061	38,909,576
Lawrence	464	7,365,331
Leake	558	9,070,441
Lee	1,715	35,669,435
Leflore	933	18,921,826
Lincoln	760	14,418,835
Lowndes	1,390	26,690,370
Madison	2,273	$ 53,958,931
Marion	655	12,280,175
Marshall	504	8,770,743
Monroe	771	14,443,582
Montgomery	455	8,068,629
Neshoba	544	9,169,968
Newton	863	15,479,473
Noxubee	243	4,023,436
Oktibbeha	2,052	53,579,759
Panola	885	15,312,859
Pearl River	1,030	15,465,805
Perry	317	5,170,374
Pike	1,021	20,335,238
Pontotoc	558	10,746,701
Prentiss	866	16,013,122
Quitman	258	4,156,434
Rankin	4,217	90,691,642
Scott	691	11,853,505
Sharkey	178	3,210,783
Simpson	860	14,418,170
Smith	373	5,286,231
Stone	510	10,267,004
Sunflower	736	14,012,459
Tallahatchie	344	6,111,814
Tate	625	12,075,599
Tippah	605	9,874,343
Tishomingo	443	6,814,132
Tunica	145	2,682,923
Union	668	11,505,606
Walthall	323	5,546,948
Warren	1,080	22,354,223
Washington	1,273	24,773,580
Wayne	375	5,976,465
Webster	352	6,055,077
Wilkinson	229	3,879,880
Winston	580	11,282,239
Yalobusha	488	8,438,983
Yazoo	647	11,983,011
Mississippi	72,468	1,413,511,306
Out-of-State	6,483	111,386,690
Out-of-Country	21	337,678
Total	78,972	$1,525,235,674

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	2009 Covered Employees	2009 Rank	2009 Percentage of Total System	2000 Covered Employees	2000 Rank	2000 Percentage of Total System
Public Employees' Retirement System						
University Medical Center	6,725	1	4.02%	5,996	1	3.95%
Jackson Municipal Separate Schools	4,706	2	2.82	4,590	2	3.02
Mississippi State University	3,895	3	2.33	3,894	3	2.57
Desoto County Board of Education	3,566	4	2.13	1,389	14	0.91
Mississippi Department of Transportation	3,412	5	2.04	3,307	6	2.18
Department of Human Services	3,295	6	1.97	3,798	4	2.50
Corrections Department	3,177	7	1.90	3,726	5	2.45
Rankin County Board of Education	2,402	8	1.44	1,617	12	1.07
State Department of Health	2,390	9	1.43	2,394	8	1.58
Mississippi State Hospital	2,298	10	1.38	2,461	7	1.62
All Other *	131,256	-	78.54	118,618	-	78.15
Total (868 Governments)	167,122	-	100.00%	151,790	-	100.00%

** In 2009, "All Other" consisted of:*

Type	Number	Employees
State Agencies	108	19,893
State Universities	7	7,461
Public Schools	147	56,500
Community/Junior Colleges	15	6,195
Counties	82	14,884
Municipalities	239	18,913
Other Political Subdivisions	260	7,410
Total	858	131,256

Participating Government	2009 Covered Employees	2009 Rank	2009 Percentage of Total System	2000 Covered Employees	2000 Rank	2000 Percentage of Total System
Municipal Retirement Systems						
City of Hattiesburg	6	1	17.14%	59	1	23.32%
City of Clinton	6	2	17.14	22	3	8.70
City of Jackson	4	3	11.43	55	2	21.74
City of Greenwood	3	4	8.57	8	7	3.16
All Other *	16	-	45.72	109	-	43.08
Total (17 Governments)	35	-	100.00%	253	-	100.00%

** In 2009, "All Other" consisted of:*

Type	Number	Employees
State Agencies	-	-
State Universities	-	-
Public Schools	-	-
Community/Junior Colleges	-	-
Counties		-
Municipalities	13	16
Other Political Subdivisions	-	-
Total	13	16

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
Cary
Centreville
Charleston
Chunky
Clarksdale
Cleveland
Clinton
Coffeeville
Coldwater
Collins
Columbia
Columbus
Como
Corinth
Crawford
Crenshaw
Crosby
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
French Camp
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

Corinth-Alcorn Convention & Agriculture exposition center

Covington County Soil & Water Conservation District

Culkin Water District

Delta Blues Museum

Desoto County Convention & Visitors Bureau

Desoto County Soil & Water Conservation District

Diamondhead Fire Protection District

East Leflore County Water and Sewer District

Emergency Management District

Forrest 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

Kiln Water & Fire Protection District-Hancock county

Lafayette County Soil & Water Conservation District

Lamar County Economic Development District

Lamar County Soil & Water Conservation District

Lauderdale County Emergency Medical Service District

Lauderdale County Soil & Water Conservation District

Laurel Airport Authority

Lee County Soil & Water Conservation District

Madison County Economic Development Authority

Madison County Soil & Water Conservation District

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

Neshoba County Soil Conservation District

Newton County Soil Conservation District

Northeast Mississippi Regional Water Supply District

Noxubee County Soil & Water Conservation District

NRoute Transit Commission

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

Rankin-Hinds Pearl River Flood

Reservoir Fire Protection District

Ridgeland Tourism Commission

Rosedale-Bolivar County Port Commission

Runnelstown Utility District

Simpson County Human Resource Agency

Simpson County Parks & Recreation

South Mississippi Fair Commission

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
Bay Waveland
Biloxi
Booneville
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
Summit
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
Jefferson County
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
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