MISSISSIPPI PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

Delaying PERS Reform Increases Cost to Taxpayers

Not only do Public Employees' Retirement System (PERS) actuaries warn of increased pension debt if the employer contribution rate is not raised to 22.4% of payroll in 2024, but they also forecast those required rates to double in the coming decades if stakeholders want to avoid insolvency. Policymakers must act to reform PERS now in order to reduce the growth of pension costs on Mississippi taxpayers.

#1 - Actuarial Assumptions Historically Distort Benefit Cost and Contribution Requirements

A Joint Legislative Committee report indicated that the delay in reducing the PERS return assumption from 7.55% to 7.0% has worsened the impact of underperforming returns by delaying needed contribution increases. In response to Mississippi's rising public pension debt and inadequate employer contribution rates, S&P Global Ratings recently shifted the state's credit outlook from stable to negative.

Recommendation: ***Adopt better governance, funding policy, risk assessments, and actuarial assumptions.***

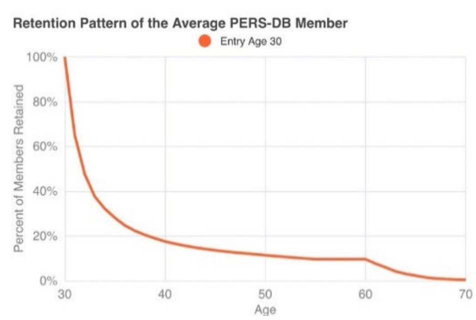
#2 – The Longer PERS Goes Underfunded, the More Expensive the Solution Will Be for Taxpayers

PERS faces a $25.5 billion shortfall largely due to unfunded benefit increases, investment underperformance, and insufficient employer contributions. Akin to paying off high-interest credit card debt, increasing contributions now and reducing the time needed to restore PERS to full funding would save Mississippi taxpayers and governments billions in interest payments.

Recommendation: ***Establish a plan to pay off PERS' unfunded liability as quickly as possible.***

#3 - Fewer PERS Members Receive a Full Benefit Than Ever

Eighty percent of new workers starting at age 30 are expected to leave before vesting with eight years of service and will not even receive a PERS pension. Employees who leave the plan before then must forfeit contributions their school or state made on their behalf. Of the same group, 88% leave before 20 years of service. Less than 10% will remain in the system for a full 30-year career to receive full PERS pension benefits.



Recommendation: ***Provide additional benefit options to better meet the diverse needs of public employees.***

Bottom Line: *Mississippi PERS has never been more expensive for taxpayers. Other states have shown that successful pension reform means adopting more conservative assumptions, establishing a long-term funding strategy, and finding better ways to serve public employees.*

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