



Preliminary Plan Recommendations

Revised April 2023

NEW TIER 5 FOR NEW EMPLOYEES HIRED AFTER A SET DATE WITH A CHOICE BETWEEN:

- **A Reduced Defined Benefit Plan Similar to PERS Tier 4**
 - Similar Defined Benefit structure based on average salary and years of service.
 - No guaranteed cost-of-living adjustment (COLA). Instead, permissive language for the PERS Board to grant potential future COLAs tied to the Consumer Price Index (CPI), capped at 3 percent and contingent upon actuarial funding availability at the time.
 - Any COLAs must be paid on a monthly basis, not as a lump sum.
 - 4-year vesting.
 - Vested and age 65, or 30 years with a minimum age of 55. Member may retire based on service at 30 years but will have an actuarial reduction for all years under 55. Member may retire based on age at 60 but will have an actuarial reduction for each year under 65.
 - 33 years of creditable service required for the Partial Lump Sum Option (PLSO).
 - 2 percent benefit multiplier for all years of service.
 - Average compensation based on the highest 10 years of service instead of the highest 4.
- **A Defined Benefit/Defined Contribution Hybrid**
 - The exact same as the above on the defined benefit portion, except only a 1 percent benefit multiplier, combined with:
 - A defined contribution amount (TBD) from the member, automatically enrolled, with the option to voluntarily save more or possibly opt out.
 - A required employer match based on member contributions up to a certain limit (TBD).
 - Vesting of employer matching contributions on the defined contribution portion at 25 percent each year until fully vested.
 - Voluntary annuitization options at retirement for the defined contribution portion, in partnership with the third-party administrator for Mississippi Deferred Compensation to provide viable alternatives for future retirees to liquidate their savings.
 - In most cases, these employees would still be contributing to Social Security. This combined with the 1 percent defined benefit multiplier would provide for a notable fixed-income stream irrespective of defined contribution savings and investment performance.
- **PERS Should Also Consider:**
 - A different benefit structure within the above options and appropriate costs to be paid for by the member and employer for law enforcement or first responders, as defined later in the legislative process.

PHASE IN THE PREVIOUSLY APPROVED EMPLOYER RATE INCREASE AS FOLLOWS:

- 2 percent July 1, 2024, followed by 2 percent July 1, 2025, followed by 1.3 percent July 1, 2026
 - For a total rate of **22.7 percent***
- And/or consideration of direct state appropriations to offset the increase, subsidize the cost of increases at the local level, or create a contribution reserve account. Also, a dedicated revenue stream for additional PERS funding or annual funding to cover the impact of previous benefit increases from late 90s and early 00s could be considered.

* *This total rate is slightly higher due implementation in phases. Also, it is based on an assumed rate of return of 7.55 percent. RATE WILL BE HIGHER IF CALCULATED AT 7%*

ADDITIONAL RECOMMENDATIONS:

- Consider the merit of legislation to make changes to prospective COLAs, if needed and based on actuarial necessity to maintain the fiscal integrity of the plan.
- Change to 4-year vesting for all existing members assuming funding is provided.
- Closely review the FY 2022 experience study that will be published in April 2023 and other stress-testing scenarios. **A lower assumed rate of return, currently recommended at 7 percent, may be needed in concert with this pension reform.**
- Pursue legislation that all future new retirees must receive or default to monthly COLA.
- Pursue legislation to change the Optional Retirement Plan (ORP) as it pertains to the matching contributions being tied to the PERS employer rate. (Details TBD)
- Pursue exemptions to increase PERS administrative independence consistent with our fiduciary duty for more efficient, cost-effective, and enhanced operations.
- Provide more emphasis on the potential negative impact to PERS due to local or legislative initiatives that lower the number of PERS active members.

TENTATIVE TIMELINE AND OTHER ITEMS:

- **February 2023 Administrative Committee Meeting** – Preliminary recommendations provided.
- **April 2023 Board of Trustees Meeting** – Vote on initial support for outline of recommendations.
- **May through July 2023** – Review experience study, further draft and evaluate plan changes and legislative language, communicate with PERS membership/retirees, and revitalize previous engagement efforts to inform and collaborate with key stakeholders.
- **August 2023 Board of Trustees Meeting** – Vote on final recommendations and legislative package.
- **September through December 2023** – Communicate with members of the Legislature and others on PERS legislative package for the 2024 session based on approved recommendations.
- **December 1, 2023** – Provide plan to the Legislature **no later than December 1, 2023.**
- **July 1, 2025, or January 1, 2026** – Possible implementation dates of potential changes. (TBD)

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