

PROPOSED LEGISLATION: MISSISSIPPI SB2439 (2025)

MISSISSIPPI PUBLIC EMPLOYEES RETIREMENT SYSTEM

OVERALL ASSESSMENT



SLIGHTLY WORSE

For more details on how we make this assessment, please visit: Equable.org/RSR-Policy-Score-Methodology

PROPOSED LEGISLATION SUMMARY

- Creates a new tier of benefits, "Tier 5," for PERS employees hired on or after March 1, 2026.
- Tier 5 is a Hybrid plan with both a defined benefit pension and individual defined contribution account.
- New PERS employees will pay the same rate (9% of salary), but contributions will be split: 4% to the pension, and 5% to their DC retirement accounts.
- The Tier 5 pension component has a lower benefit multiplier (1.0%) than Tier 4, and it would not have any cost-of-living adjustment like prior PERS tiers of benefits.

HOW WOULD THE PROPOSED LEGISLATION CHANGE PROJECTED VALUE OF BENEFITS OR REPLACEMENT RATES FOR DIFFERENT GROUPS OF WORKERS COVERED BY THE RETIREMENT PLAN?

	SHORT-TERM WORKERS <10 Years of service		MEDIUM-TERM WORKERS 10-20 years of service		FULL-CAREER WORKERS >20 years of service	
SHARE OF ACTIVE PLAN PARTICIPANTS	84%		6%		10%	
AVERAGE RETIREMENT BENEFIT PROVIDED BY THE PLAN						
	ANNUAL BENEFIT	REPLACEMENT RATE	ANNUAL BENEFIT	REPLACEMENT RATE	ANNUAL BENEFIT	REPLACEMENT RATE
CURRENT PLAN	\$1,716	3.1%	\$7,137	13.1%	\$27,382	50.1%
PROPOSED CHANGES	\$2,499	4.3%	\$5,296	10.2%	\$25,940	44.9%
TOTAL VALUE OF BENEFIT EARNED (WITHDRAWN OR TAKEN AS A PENSION)						
CURRENT PLAN	\$44,400		\$184,617		\$708,313	
PROPOSED CHANGES	\$52,011		\$123,348		\$539,932	
NET CHANGE	\$7,611 ↑ INCREASE		-\$61,269 ↓ DECREASE		-\$168,382 ↓ DECREASE	
RSR RETIREMENT BENEFITS SCORE (BASED ON 70% REPLACEMENT RATE TARGET)						
CURRENT PLAN	15.5 out of 30		26.0 out of 30		30 out of 30	
PROPOSED CHANGES	20.2 out of 30		20.9 out of 30		25 out of 30	
CHANGE IN SCORE	4.7 points ↑ INCREASE		-5.1 points ↓ DECREASE		-5.0 points ↓ DECREASE	

Notes: Figures are not inflation adjusted. The purchasing power of benefits earned may decline significantly for those who leave service years or decades before they are eligible to withdraw benefits. Estimated benefit values are based on a 25-year-old entrant earning an average starting salary and using the plan's salary growth assumptions. "Total Value" is equal to the net present value of benefits using the plan's reported assumptions from their most recent actuarial valuation.

EQUABLE'S ASSESSMENT

SB2439 would introduce a new tier of benefits for future public employees covered by Mississippi PERS. The proposed "Tier 5" is a hybrid defined benefit and defined contribution plan for all members hired starting in 2026. Changes to public retirement plans often involve trade-offs that mean certain stakeholders gain while others do not, and this set of changes is no different. While there are groups of public employees that would have better benefits from Tier 5, **Equable's assessment is Tier 5 as proposed in SB2439 is worse overall for workers than the currently available Tier 4 pension plan.**

Positive Elements of the Proposed Changes:

- The introduction of a partial defined contribution plan makes retirement benefits more portable for members who won't remain enrolled in PERS for their whole career. The PERS board has adopted assumptions that suggest more than 4 in 5 public workers in Mississippi work fewer than 10 years, meaning this improvement could help many future workers covered by PERS.
- The benefits for Short-Term Workers (who work 10 years or less) are more generous than those offered by the current Tier 4 pension. The annual benefit is almost 50% larger and the total benefit value is more than \$7,500 higher. Because this is overwhelmingly the largest segment of PERS members, Tier 5 would be a better fit for today's more mobile workforce.
- While the proposed benefits for Medium-Term Workers (who work 10 to 20 years) and Full-Career Workers (who work 20+ years) are less than Tier 4, they are still enough that, when combined with Social Security, they will still provide a secure retirement benefit to PERS members that replaces more than 70% of pre-retirement income..
- The costs of providing Tier 5 benefits are substantially lower than the current plan offerings, which is an important consideration for a plan that was only 55.8% funded with \$26 billion in unfunded liabilities in 2023. Tier 5 would be less likely to see costs rise moving forward.

Neutral Elements of the Proposed Changes:

- Social Security benefits are estimated to replace 50% or more of PERS employees' salaries in retirement and, when combined with the PERS benefits, Tier 5 members can still experience total replacement rates above 90%, well above the 70% target identified by Social Security and private retirement providers.
- Tier 5 increases the service requirements for early and normal retirement (which will affect some future workers), but leaves the normal retirement age at 65 which is still lower than Social Security.

Negative Elements of the Proposed Changes:

- The elimination of inflation protection through a COLA is a significant reduction in the value of benefits from Tier 4 to the proposed Tier 5. This reduces the total value of benefits and means retiree income will be susceptible to the decay of inflation over time.
- While the costs of Tier 5 are lower than Tier 4, nearly all of the costs will be paid for by members while the vast majority of future employer contributions to PERS will just be for paying down legacy pension debt. This effectively means future worker benefits are being lowered to make it more affordable for the state to pay for unfunded liabilities.
- Tier 5 would mean a substantial reduction in the benefits earned by Medium-Term Workers and Full Career Workers. As the table shows, total benefits would be reduced by over \$60,000 for Medium-Term Workers and more than \$160,000 for Full Career Workers.

ABOUT THE RETIREMENT SECURITY REPORT (RSR)

The RSR is a universe of in-depth research, interactive tools and other resources to shed light on the quality and value of retirement benefits for all public workers. All RSR projects are based on data from our comprehensive benefit database of retirement plans offered to public workers and use an open-source scoring methodology that accounts for three primary criteria: Eligibility, Income Adequacy (based on a 70% pre-retirement income replacement rate), and Flexibility & Mobility.

ABOUT EQUABLE INSTITUTE

Equable is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.

BACKGROUND DETAILS

KEY RETIREMENT PLAN BENEFIT PROVISIONS

	CURRENT TIER 4 PENSION PLAN	PROPOSED TIER 5 HYBRID PLAN
MULTIPLIER	2.0%, 2.5% for each YOS over 30	1.0% for the pension
FINAL AVERAGE SALARY	Calculated as the average of the highest 4-years of a member's salary	Calculated as the average of the highest 8-years of a member's salary
NORMAL RETIREMENT ELIGIBILITY	Age 65 with 8 YOS, or any age with 30 YOS	Age 65 with 8 YOS, age 62 with 30 YOS, or any age with 35 YOS
VESTING	New members must work 8 years to be fully vested in their benefit	No change for the pension. Members vest in their DC plan immediately
MEMBER CONTRIBUTION RATE	Members contribute 9% of their salary toward their benefits	Members contribute 9% (split between 4% to the pension benefit and 5% to the DC plan) of their salary toward their benefits
REFUNDING POLICY	Members that withdraw are entitled to all their contributions refunded with interest	No change for the pension. Members DC account balances are available immediately
CREDITING RATES	Member contributions are credited with interest set by the PERS Board each year	No change for the pension. There is no set return for the DC plan
COST-OF-LIVING ADJUSTMENTS	Automatic, 3.0% fixed-rate compounding COLA	No COLA for the pension portion; no explicitly prescribed inflation adjusted annuity options for the DC plan

TOTAL LIFETIME VALUE OF BENEFITS FOR TIER 4 v. PROPOSED TIER 5

