Does The Hybrid Plan Established in HB 1 Meet the Objectives for Good Pension Reform?

Objectives	Status Quo	HB 1 Hybrid
Keeping Promises *Ensures the ability to pay 100% of the benefits earned and accrued by active workers and retirees*	NO	SOME
Retirement Security *Provides retirement security for all current and future employees*	SOME	YES
Predictability *Stabilizes contribution rates for the long-term*	NO	SOME
Risk Reduction *Reduces pension system exposure to financial risk and market volatility*	NO	SOME
Affordability *Reduces long-term costs for employers, employees*	NO	YES
Attractive Benefits *Ensures the ability to recruit 21st Century employees*	NO	YES
Good Governance *Adopts best practices for board organization, investment management, and financial reporting*	YES	N.A.

2025 Mississippi House Bill 1 Analysis
by the Pension Integrity Project at Reason Foundation

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Objectives	Status Quo	PERS Tier 5 Hybrid
Keeping Promises	The Public Employees' Retirement System of Mississippi (PERS) is $26.5 billion short of the funds needed today to ensure promised benefits are paid in the future. Actuarial modeling shows that PERS could run out of assets and go insolvent quickly in the event of a major recession.	Current statutory contribution limits in Mississippi will continue to threaten the state's ability to achieve full funding of promised benefits. That said, the establishment of a risk-reduced Tier 5 for new hires will slow the growth of unfunded liabilities, making the reform a step in the right direction of eventually reaching full funding of the system.
Retirement Security	While PERS pension benefits are legally protected, structural underfunding and other factors have led to rapidly growing pension debt. Absent reforms, PERS is not projected to achieve full funding within the next 50 years, meaning the state's ability to ensure its members' retirement security faces long-term risk.	HB1 establishes a new tier of hybrid benefits that still achieves long-term retirement objectives for career-minded members and improves retirement benefits for short and medium-term workers. To manage the state's long-term exposure to risks, new hires will no longer have a cost-of-living adjustment (COLA), which will mean less security against inflation risks. While the reform sets new security expectations in this area, the improved funding trajectory established by HB1 makes this a positive step toward improving the retirement security of Mississippi's public workers overall.
Predictability	Contribution rates today may be considered *technically predictable* because they are fixed in statute, but this has also led to *unpredictable* structural underfunding and increases in unfunded liabilities, resulting in highly variable and unexpected cost volatility over time.	Contributions rates for PERS employers will remain set in statute, which plan administrators have warned is insufficient to fully fund the pension benefits promised to public workers. This means that the required contributions will continue to be very unpredictable in the long run. The new tier of benefits will slow the growth of unfunded liabilities, which could effectively stabilize annual costs, but the impact of this part of the reform will depend on the plan's investment outcomes over the next few decades.
Risk Reduction	PERS maintains an assumed investment return of 7%. The long-term costs and viability of the system are contingent on the ability to achieve that return, and there is almost no room for error. Modeling shows that a single recession would put PERS on a path of running out of assets, along with an explosion in costs.	Reducing the growth of liabilities through the introduction of a hybrid plan for new hires will reduce employers' exposure to investment risk. Modeling suggests that more will still need to be done to address this fully, as PERS will remain very vulnerable to any major unforeseeable losses.
Affordability	PERS unfunded liabilities generate major long-term costs through interest on the pension debt, creating unfunded liabilities that, in turn, drive fiscal pressures for employers.	The Tier 5 hybrid for new hires will provide more affordable and predictable employer retirement costs over the long term. Reason modeling indicates that HB1 could accelerate PERS' path toward full funding, which could result in lower total costs and significantly lower annual costs a decade sooner than the system's current trajectory. Overall, the reform is expected to save taxpayers as much as $30 billion over 50 years.
Attractive Benefits	The current PERS pension disproportionately benefits those who stay for a full career, which is increasingly rare for the modern workforce. Pension Integrity Project analysis shows that 70% of new members entering at age 30 will leave within five years of service.	Given most of all new hires are likely to leave their public employer before initially vesting in the legacy pension plan, the hybrid plan established in HB1 improves on PERS' ability to meet the retirement security needs of members more equitably by offering a guaranteed benefit with enhanced portability for an increasingly mobile professional workforce. The loss of a COLA makes the DB portion of the hybrid benefit more vulnerable to inflation, but investment returns from the DC portion will provide a partial guard from this risk. A full DC option (not included in this reform) would likely provide faster-growing retirement benefits, which would also be less exposed to inflation.
Good Governance	PERS generally meets the standard of properly managing the retirement benefits of Mississippi's workers.	HB 1 does not address the plan's governing structure.

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