Date: August 14, 2025
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Subject: NCPERS Life Insurance Administration

Background

PERA currently withholds monthly life insurance premiums for approximately 6,000 retired members who participate in the voluntary life insurance plan offered by the National Conference on Public Employee Retirement Systems (NCPERS). Withheld premiums are transferred to the insurer. PERA's role in the life insurance program is authorized by statute. In order to withhold the life insurance premiums, PERA works with several different entities: NCPERs sponsors the plan, Gallagher serves as the insurance broker and sales organization, Prudential Financial Inc. is the insurer, and EDI/Member Benefits is the plan administrator.

PERA receives a monthly file from EDI/Member Benefits that includes the members whose life insurance premiums should be deducted from their pensions. Since 1985, statute has allowed PERA to facilitate the sale of life insurance to members under the insurance program. PERA's involvement allows members commencing a retirement benefit to have the life insurance premiums withheld from their monthly retirement benefits.

> Minn. Stat. § 353.03, subd. 3(c):
> The board may continue to authorize the sale of life insurance to members under the insurance program in effect on January 1, 1985, but must not change that program without the approval of the commissioner of management and budget. The association shall not receive any financial benefit from the life insurance program beyond the amount necessary to reimburse the association for costs incurred in administering the program. The association shall not engage directly or indirectly in any other activity involving the sale or promotion of goods or services, or both, whether to members or nonmembers.

PERA relies on EDI/Member Benefits to provide timely and accurate member premium data files. If the data files are late, incomplete, or inaccurate, the process may impact *all* member pension benefits from being processed.

Review of Program

PERA's recent experience has highlighted several areas of risk:

- Monthly PERA Payments Could Fail: PERA incorporates the receipt of member data files from the administrator to our monthly benefit recipient payment process. If PERA does not receive the data file in a timely manner, over 141,000 member payments may be delayed.
- Private Data Concerns: PERA was notified on February 3, 2022 that one of our participating employers received a data file from the administrator that contained private data for employees of a different employer.

- File Transfer Issues:
  - October 17, 2023 the secure portal PERA and the administrator used to transfer data files stopped working. The administrator neglected to inform PERA their IP address changed, which prevented that secure connection. PERA was able to modify our firewalls on October 19, 2023.
  - On April 16, 2024 PERA notified the administrator that we did not receive their data file. On April 22, 2024 PERA used an alternate secure method to receive the data file.
  - April 26, 2024 the administrator's data file was incorrectly formatted resulting in incorrect member withholdings. 5,934 member premium withholding amounts were applied incorrectly with the wrong dollar amount.
- Lack of Contract: PERA was unable to find a contract for the administrative services we provide to NCPERS.

In summary, PERA retirees are at risk of private data being shared and monthly pension benefit payments being delayed and/or inaccurate as a result of file transfer process.

While PERA staff remain supportive of the program, given the risks noted above, PERA should considered eliminating PERA's role in the life insurance process. By statute, MMB must approve any changes to the life insurance program.

Member Experience
While PERA's withdrawal from the program could create disruption for the members enrolled, it is important to note that the life insurance program will continue to be available for current and future retirees without PERA's administrative involvement. PERA staff will coordinate among the entities involved making this a seamless transition. The ultimate goal is that with the partnership with EDI and Member Benefits, PERA would assist members in establishing electronic payment withdrawal directly from their personal account rather than from their PERA benefit. This would eliminate the risk posed by late or flawed data files that could affect issuance of pension payments for all retirees.

PERA staff will focus on communication with affected members during the transition and use written and email communication to them throughout FY26. PERA staff will also monitor disenrollment rates and call the remaining members who haven't transitioned to making payments directly near end of FY26.   The communication plan is provided as an attachment.

If the Board approves discontinuing PERA's participation in the insurance program, PERA staff will contact MMB to get the require approval and begin implementation of the communication plan.

Staff Recommendation:
PERA's mission is to administer and promote sustainable retirement plans and provide services our member's value. Benefit recipients who have this withholding can arrange to pay the plan administrator directly instead of having PERA act as the intermediary. This will enhance the member experience by reducing the likelihood of missed or incorrectly applied life insurance premiums.

PERA staff recommends withdrawal from withholding the life insurance program premiums to eliminate the identified risks to its members. This action is consistent with the Board's fiduciary duty to protect all its members and consistent with PERA's role as a pension plan administrator. If approved, the changes will be effective July 1, 2026, which will give members and vendors ample time to plan and execute a transition.

If the Board supports the recommendation to discontinue the NCPERS life insurance withholding, PERA will submit the recommendation to the Commissioner of MMB for approval, pursuant to Minnesota Statutes, Section 353.03, Subdivisions 3(a) and 9(c).

NCPERS Communication Plan

Date			
July 2025	Approval from PERA Board and MMB	Communicate intent to NCPERS	
Aug 2025	Publication changes (CSE)		
Sept 2025	Member letter #1	Email employers	
Oct 2025	Member email	All-staff communication	Knowledge Owl updates
Nov 2025	Member letter #2		
April 2026	Member letter #3		
June 2026	Member Outreach Calls		
July 2026	STOP		

July 23, 2025