

BOARD OF TRUSTEES

2.1. PERA BOARD ORGANIZATION

The Board is comprised of eleven Trustees. The membership of PERA elects five Trustees for terms of four years. Three of the seats will be filled by active (presently working) members of the Association's defined benefit plans. One elected Trustee must be a member of the Police & Fire Plan and one elected Trustee must be either a former member who met the definition of public employee under Minnesota Statutes § 353.01, subdivisions 2 and 2a, for at least five years prior to terminating membership and who receives a retirement annuity or a member who receives a disability benefit.⁸

The Governor appoints five Trustees to four-year terms, including one who is designated to represent school boards, one to represent cities, one to represent counties, one who is a retired annuitant, and one who is a public member knowledgeable in pension matters.⁹

The State Auditor, or the Auditor's designated representative, is also a Trustee.¹⁰

A. Trustee

A Trustee's primary duties and responsibilities are defined as follows.

Each Trustee must maintain PERA for the exclusive benefit of the members and the beneficiaries of the members.¹¹

Trustees are responsible for the governance and oversight of PERA and owe a fiduciary duty to:

- Active, deferred, and retired members of plan, who are its beneficiaries;
- The taxpayers of the state or political subdivision, who help to finance the plan, and;
- The State of Minnesota, which established the plan.¹²

Prudent person standard

Trustees "shall act in good faith and shall exercise that degree of judgment and care, under the circumstances then prevailing, that persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, considering the probable safety of the plan capital as well as the probable investment return to be derived from the assets."

The Board will indemnify and hold harmless all and any Trustee(s) against any and all claims, losses, damages, expenses and liabilities the Trustee may incur in carrying out the activities of a fiduciary, including from reasonable costs or expenses incurred as a result of any actual or threatened litigation or other proceedings; except the Board will not indemnify and will not hold harmless a Trustee whose actions are determined by a fact finder to have been willful misconduct or gross negligence.¹³

⁸ Minn. Stat. § 353.03, subd. 1.

⁹ Id.

¹⁰ Id.

¹¹ Id.

¹² Minn. Stat. § 356A.04, subd. 1.

¹³ Minn. Stat. § 356A.11.

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If a Trustee lacks the education, experience or skill required to make a Board decision, they have a duty to seek expert guidance or counsel. Trustees must also seek continuing education to develop the knowledge and skills sufficient to enable them to perform their fiduciary activities adequately.¹⁴

Trustees are also co-fiduciaries and must oversee the fiduciary activities of all other fiduciaries, including the other Trustees and the Executive Director. Trustees have a duty to correct fiduciary breaches of which they have, or should have, knowledge. A Trustee cannot ignore breaches of fiduciary duties by co-Trustees and must report breaches or potential breaches to fiduciary counsel, and the Board President or the Executive Director.

Co-fiduciary responsibility may be limited if responsibility for a fiduciary duty is delegated to an appropriate person, so long as proper procedures are followed for making the delegation and there is performance monitoring.¹⁵

Each Trustee is expected to devote the necessary time to fulfill his or her duties on the Board. The commitment includes the responsibility to:

1. Act as a member of an eleven-member Board of Trustees to provide leadership and strategic direction for PERA.
2. Prepare for and attend scheduled Board meetings and committee meetings to which you are appointed.
3. Be an informed and active member of the Board, fully participate in the decisions and actions of the Board and make independent assessments and reasonable judgments.
4. Acquire and maintain the knowledge necessary to perform the duties of a Trustee and to follow the policies and procedures established by the Board.
5. Be accurate in communicating with other Trustees, PERA staff, members, beneficiaries, other interested parties and the public.
6. Qualify statements made to outside parties as either personal opinion when appropriate, or as the officially adopted position of the Board.
7. Act with respect toward other Trustees and staff in the conduct of PERA business.
8. Bring matters of concern that affect the conduct of the business of the Board or PERA to the Board's attention.
9. Comply with the Board's Travel Policy (section 2.4) and the Code of Ethics for State Employees (section 2.6)
10. Adhere to Minnesota state law regarding confidentiality and privacy of member records and benefits.
11. Adhere to the Minnesota Open Meetings Act, Minn. Stat. ch.13D, requiring public access to Board agendas, meetings, and minutes.
12. Assume responsibility for evaluating the Trustee's own performance.
13. Participate in the process defined by the Board President to evaluate the performance of the Executive Director.

¹⁴ Minn. Stat. § 356A.13.

¹⁵ Id.

14. Seek the advice of the Executive Director, other professionals employed by PERA and other Trustees when necessary to fulfill their fiduciary duties.

PERA is operated for the benefit of its members, the taxpayers, and the State of Minnesota. No Trustee may personally profit, directly or indirectly, as a result of the investment or management of plan assets.¹⁶

1. In pursuit of his or her fiduciary duties, a Trustee has a right to request and receive information; to ask questions and, to receive complete information and answers before voting on a matter pending before the Board.
2. A Trustee will not instruct nor assign tasks to individual PERA staff.
3. A Trustee should make every effort to access PERA resources through action of the full Board.
4. A Trustee may request from the Executive Director or PERA staff information or assistance necessary to meet their responsibilities.
5. The Executive Director may seek the advice of the President or refer the matter to the full Board before complying with individual Trustee requests that, in the Executive Director's opinion, would require a significant amount of PERA resources or cause disruption to the regular administration of PERA.
6. The Executive Director will share any vital or useful information resulting from a Trustee request with other Trustees.
7. The Executive Director may refuse requests of individual Trustees that are in conflict with this policy.
8. Legal counsel from the Office of the Attorney General represents the Board and may be contacted directly regarding any legal or fiduciary matters.

The officers of the Board of Trustees are the President, Vice President and Past President. The responsibilities of each officer and election information are described below.

B. President

The President holds a position of leadership for the Board and PERA and must be willing and able to devote the time necessary to fulfill these special responsibilities as the leader of the Board. Each year, the President will be elected from the Board's membership by a majority vote of the Trustees at the first regularly scheduled meeting of the calendar year. (If a January meeting is held, voting will take place at the subsequent meeting.) The President's duties include, but are not limited to, the following:

1. Facilitating Board meeting agendas, ensuring adequate time is provided for effective study and discussion of business being considered by the Board.
2. Calling special Board meetings when necessary or desirable.
3. Appointing Trustees to serve on committees of the Board.
4. Providing guidance to the Executive Director on what is to be included on Board meeting agenda.
5. Facilitating a process for periodic review of the performance of the Board as a whole (the Board's effectiveness).

¹⁶ Minn. Stat. § 356A.06, subd. 3.

6. Facilitating a process for periodic review of the performance of the Executive Director.
7. Executing such documents and other legal instruments on behalf of PERA as required by Minnesota law or authorized by the Board.

C. Vice President

Each year, the Vice President will be elected from the Board's membership by a majority vote of the Trustees at the first regularly scheduled meeting of the calendar year. (If a January meeting is held, voting will take place at the subsequent meeting.) The Vice President will act as President in the absence of the President. In case of the resignation or death of the President, the Vice President automatically succeeds the President until the next election.

D. Past President

The Past President will automatically be the immediate Past President of the Board. The role of the Past President is to assist in the transition of Board leadership to the newly elected Board President.

E. Secretary

The Executive Director will serve as the Secretary of the Board.

F. Officer Vacancies

A vacancy in the position of President or Vice President will be filled by a member of the Board by a majority vote of the Trustees through a special election.

G. Committees of the Board

Only members of the Board of Trustees may serve on committees created by the Board. The committees, as authorized by these regulations, will be empowered to perform all duties specifically delegated to them. The Board may authorize any committee to exercise those powers of the Board not expressly reserved for the Board. Committee chairpersons will be appointed by the President of the Board from the membership of the committee.

2.2. POWER AND DUTIES OF THE BOARD OF TRUSTEES

The powers and duties of the Board of Trustees are defined in Minnesota Statutes

§ 353.03, subdivision 3. The Board's duties include, but are not limited to, appointing an Executive Director; establishing the annual administrative operating budget; hiring an actuarial consultant; reviewing actuarial valuation reports of the funds and recommending modifications to assumptions when appropriate; etc.

Members and beneficiaries of the funds, and participating employers may appeal decisions regarding membership and benefits to the Board of Trustees. The process by which appeals are administered is defined in Minnesota Statutes, § 356.96.

Other Relevant Laws, Personnel Rules, Contracts, and Administrative Procedures: Minnesota Statutes § 353.03, subdivisions 1, 2 and 2a; Minnesota Statutes § 13.01-13.10; 13.355 and 13.43, subdivision 2a