

*Public Employees Retirement Association
Board of Trustees*

Governance Manual



Modified August 2012

Introduction

The Board of Trustees of the Public Employees Retirement Association of Minnesota (PERA) plays an important fiduciary role in serving and protecting the interests of plan participants, and it believes that a sound governance framework is essential to fulfilling this role successfully. As part of its efforts to build and maintain a sound governance framework, the Board has prepared this Governance Manual.

The Manual describes the governance framework within which the Board intends to set policy and oversee the programs and operations of PERA. The Board intends that the Manual will serve as a resource and a frame of reference for both new and experienced Trustees, and therefore encourages Trustees to periodically review its contents and ensure that it is kept up-to-date.

If there is any discrepancy between this manual and the actual law or the provisions of applicable negotiated employee collective bargaining agreements or compensation plans, the provisions of the law, or of the agreements or plans will govern.

The Statutory references found in each section of the manual have an impact on the material contained therein. Review of those items is helpful to supplement your understanding of the subject.



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1.1 GENERAL PURPOSE

The Public Employees Retirement Association (PERA) was established in 1931 to provide retirement, survivor and disability benefits to public employees. A public employee is defined as "a government employee or a public officer performing personal services for a governmental subdivision ..., whose salary is paid, in whole or in part, from revenue derived from taxation, fees, assessments, or from other sources."¹

A. Exclusive Benefit of Members and Beneficiaries

(Applicable to Police and Fire Fund, Basic Fund and Coordinated Fund, Local Correctional Employees Retirement Plan and Minneapolis Employees Retirement Fund.)

PERA was established "to provide for the retirement of [its] members and to provide funds for the beneficiaries of members in the event of death of a member"² and is to be maintained for the exclusive benefit of its members and beneficiaries.³ Except as provided in Minnesota Statutes § 356.001, subd. 2 and 3, no part of the moneys of the funds shall revert to the fund, or be used for, or diverted to, purposes other than the exclusive benefit of the members or their beneficiaries.⁴

B. Allowable Expenses

(Applicable to Police and Fire Fund, Basic Fund and Coordinated Fund, Local Correctional Employees Retirement Plan and Minneapolis Employees Retirement Fund.)

"The necessary, reasonable, and direct expenses of maintaining, protecting, and administering the public plan or fund, as authorized in the laws governing the plan or fund, shall be considered as expenditures for the exclusive benefit of the members and their beneficiaries."⁵

C. Effect of Amendments or Termination

(Applicable to Police and Fire Fund, Basic Fund and Coordinated Fund, Local Correctional Employees Retirement Plan, and Minneapolis Employees Retirement Fund.)

¹ Minn. Stat. § 353.01, subd. 2.

² Minn. Stat. § 353.001, subd. 1(a).

³ Minn. Stat. § 353.001, subd. 1(b).

⁴ *Id.*

⁵ Minn. Stat. § 353.001, subd. 2.

If a PERA fund or plan were amended or terminated, the following state requirements would apply:⁶

1. No part of the moneys held in the fund or plan could be used for, or diverted to, any purpose other than the exclusive benefit of the members or their beneficiaries, except as provided in Minnesota Statutes § 356.001, subd. 3.
2. All affected members have a non-forfeitable interest in their benefits accrued and funded to date. The value of the accrued benefits to be credited to the account of each affected member would be calculated as of the date of termination and the funding ratio of the fund or plan would be applied to the accrued benefit of each affected member.
3. The Board of Trustees of the fund or plan would then, as soon as administratively feasible, pay each eligible member or beneficiary on behalf of a member, the amount in each member's account in a lump sum.

D. PERA Police and Fire Fund Members

The following policy was adopted when the Police and Fire Fund was established in 1959:

“It is recognized policy of the state that special consideration should be given to employees of governmental subdivisions who devote their time and skills to protecting the property and personal safety of others. Since this work is hazardous, special provisions are hereby made for retirement pensions, disability benefits and survivors benefits based on the particular dangers inherent in these occupations. The benefits provided in [Minnesota Statutes] § 353.63 to 353.68 [laws outlining the PERA Police and Fire Fund] are more costly than similar benefits for other public employees since they are computed on the basis of a shorter working lifetime taking into account experience which has been universally recognized. This extra cost should be borne by the employee and employer alike at the ratio of 40 percent employee contributions and 60 percent employer contributions.”⁷

⁶ Minn. Stat. § 353.001, subd. 3.

⁷ Minn. Stat. § 353.63.

See generally: Minn. Stat. ch. 353 and 356

2.1 PERA BOARD ORGANIZATION

The Board is comprised of eleven Trustees. The membership of PERA elects five Trustees for terms of four years. One elected Trustee must be a member of the police and fire fund 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."

⁸ Minn. Stat. § 353.03, subd. 1.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² Minn. Stat. § 356A.04, subd. 1.

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

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.

¹³ Minn. Stat. § 356A.11.

¹⁴ Minn. Stat. § 356A.13.

¹⁵ *Id.*

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. 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

¹⁶ Minn. Stat. § 356A.06, subd. 3.

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).
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.

A. Board Election

The membership of the association,¹⁷ including recipients of retirement annuities¹⁸ and disability and survivor benefits,¹⁹ will elect five Trustees for terms of four years. Terms expire on January 31 of the fourth year, and positions are vacant until newly elected members are seated. Trustees elected by the membership of the association must be public employees²⁰ and members of the association.²¹

B. Board Vacancy

Minnesota Statutes § 353.03, subdivision 1a, defines the authority for filling a Board vacancy. The statute directs that if a vacancy occurs on the Board as the result of death, resignation, or removal of any Trustee, or because an elected Trustee ceases to be a public employee and an active member of the association, the unexpired term must be filled as follows:

1. Vacancies for Trustees elected by the membership and benefit recipients are filled by the Board, which has authority to adopt policies and procedures governing how the vacancy will be filled (see procedure, following); and
2. Vacancies for all other Trustees are filled by the Governor.

¹⁷ Minn. Stat. § 353.01, subd 7

¹⁸ Minn. Stat. § 353.01, subd. 23

¹⁹ Minn. Stat. § 353.01, subd. 27

²⁰ Minn. Stat. § 353.01, subd 2

²¹ Minn. Stat. § 353.01, subd 2a

Procedure for filling the vacancy of an elected Trustee

The Board shall direct staff to announce the vacancy on the PERA website and newsletter. The notice must include the requirements specific to the position being filled as follows:

- an active member of the General Plan for a vacancy that occurs in that Trustee position;
- an active member of the Police and Fire Plan for a vacancy that occurs in that Trustee position; and
- a former member who is receiving a retirement annuity or a member who receives a disability benefit for a vacancy that occurs in that Trustee position.

The notice must specify that interested candidates must submit their letters of interest to a PERA office within a stated 30-day period. The interested candidates will then be required to complete the same set of questions used in the Board election to provide the Board information on the candidates' qualifications.

The Board may appoint a subcommittee of the Board of Trustees to review the candidates' submissions if the number of interested candidates exceeds five. The subcommittee is authorized by the full Board to develop a slate of three to five candidates to be considered by the full Board for appointment to the unexpired term of the vacant position.

C. Appoint an Executive Director

An Executive Director is appointed by the Board of Trustees on the basis of education, experience in the retirement field, and leadership ability. The Executive Director have at least five years of experience in an executive level management position, including responsibility for the administration of retirement benefits, preferably traditional pensions, deferred compensation, or other employee benefits.

The Executive Director serves at the will of the Board of Trustees. The Executive Director's salary is governed by Minnesota Statutes § 15A.081, subdivision 1.

The management of the association is vested in the Executive Director who serves at the will of the Board and is designated as the chief executive officer and administrative head of the association. The Director acts as adviser to the Board on all matters regarding the association and acts as the Secretary of the Board. The position description of the

Executive Director must include all duties defined in section 353.03, subdivision 3a(b), of PERA's governing statutes.

The Executive Director is authorized to establish such administrative procedures as necessary to fulfill the administrative functions of the association.

Other Relevant Statutes

Minnesota Statutes § 15A.0815, subdivisions 1 and 2; 43A.18, subdivision 3; 179A and 353.03, subdivisions 1, 1a, 3, 3a, and 356A

2.3 MEETINGS OF THE BOARD OF TRUSTEES

A. Regular Meetings

1. *Date, Place and Time*

Each year the Board will establish a meeting calendar. The Board traditionally meets on the second Thursday of February, April, May, June, August, October and December. A date in September will be designated for a Trustee planning workshop. The place of the regular meeting will be at the office of the association; however, meetings in greater Minnesota may be scheduled. A Trustee may be included in a meeting by telephone and is considered present for purposes of determining a quorum and participating in all proceedings.

2. *Notice of Meetings and Cancellation of Meetings*

Each Trustee will be sent a meeting notice, stating the date, time and place, no later than ten days prior to a scheduled meeting. A regular meeting of the Board may be cancelled by the President upon a determination that there is a lack of business, or there will not be a quorum present. Written or oral notice of a cancellation will be given to each Board member prior to the scheduled meeting. A Trustee who wants to be included in the meeting by telephone must inform the executive secretary prior to the meeting. The secretary will provide the Trustee with directions on how to be connected to the meeting by telephone.

3. *Agenda*

The tentative agenda, together with all available exhibits, will be mailed to each Trustee no later than five days prior to the meeting. Immediately following the call to order, the Board will adopt the agenda in the form mailed to them prior to the meeting, or an amended form as a majority of the Trustees may approve.

4. *Minutes*

The votes of the Trustees on any action taken in a meeting required to be open to the public will be recorded in the minutes kept for that purpose. The minutes will be open to the public for review during all normal business hours and will be located in the executive division. Copies of the minutes will be posted on the PERA web site.

B. Special Meetings

A special meeting of the Board may be called by the President or petitioned by any three members of the Board if notice of the meeting (setting forth the date, time, place, and purpose of the meeting) is sent to each Trustee at least three days in advance. No business can be conducted at a special meeting other than that which is stipulated in the notice.

C. Emergency Meetings

An emergency meeting of the Board may be called by the President or petitioned by any three members of the Board; if notice of said meeting (setting forth the date, time, place, and purpose of the meeting) is given by telephone to each Trustee at least one day in advance. No business can be conducted at an emergency meeting other than that which is stipulated in the notice.

D. Committee Meetings

Committees may meet at a time set by the committee chairperson, or at the call of the Board President if written notice (setting forth the date, time, place and purpose of the meeting) is given to all members of the Board by facsimile or e-mail at least ten days prior to the meeting.

E. Special Purpose Committee Meetings

Special purpose committees will meet at the call of the Board President, or the chairperson of the committee if written notice (setting forth the date, time, place and purpose of the meeting) is given to all members of the Board by facsimile or e-mail at least ten days prior to the meeting.

F. Quorum

A quorum for the Board or a committee meeting is defined as a majority of the members of the Board or appointed committee members.

G. Conduct of Business

1. *Rules of Order*

Board and committee meetings will be governed by Robert's Rules of Order, with revisions to be consistent with state law and the regulations contained under Section 2 of the PERA Governance Manual.

2. *Voting*

Any authorized action may be taken by the Board or committees by a majority vote of the members at any lawfully convened meeting as defined by Robert's Rules of Order and by regulations under this Section 2 of the PERA Governance Manual.

Voting will be by acclamation except when a roll call is requested by any member of the Board or committee or when a Trustee participates by telephone. In this case, the votes will be polled, and the yeas and nays recorded in the minutes. When there is a tie vote, the question is defeated. The order for polling the Board and committee members will be rotated, except the President will be polled last.

3. *Open Meetings*

- a. All Board and committee meetings will be open to the public. A schedule of the regular meetings will be posted on PERA's website and, if any Trustee is participating by telephone, this fact must be included in a special notice posted on the website at least ten days before the meeting.
- b. At each official Board or committee meeting, at least one copy of all printed material relating to the agenda items will be available in the meeting room for public inspection.
- c. Interested parties must notify the PERA Executive Director, in writing, if they wish to receive notice of all Board and committee meetings. They will be notified by postcard or e-mail, which will contain the following information: (1) type of meeting (Board or Committee), (2) date, (3) time, and (4) location.
- d. PERA will charge individuals for all exhibits to the agenda and printed material other than the agenda and minutes at a rate that reflects actual costs for time and materials in accordance with state law. Postage will be charged if the material is mailed to the individual. Payment is requested within 20 days of receipt of the material; no further material will be given until payment is received.

- e. PERA will charge individuals the cost for copying or duplicating any audio or video recordings. Originals will not be released to the public.

4. *Closed Meetings*

Closed meetings will be held only when authorized by law, and the Board will consult with its Attorney General Representative prior to closing a meeting in order to determine when to close a meeting.

2.4 BOARD TRAVEL AND EDUCATION REIMBURSEMENT

It is recognized that travel by Trustees in the conduct of business or continuing education necessary to the operations of the PERA agency is a frequent occurrence.

A. Board Reimbursement of Expenses

The Board will establish procedures governing reimbursement of expenses to Trustees; however, the procedures must comply with applicable rules and policies of the Department of Administration and the Department of Management and Budget. These procedures will define the types of activities and expenses that qualify for reimbursement, will provide that all out-of-state travel must be authorized by the Board, and will provide for independent verification of claims for expense reimbursement.

The types of activities and expenses that qualify for reimbursement to Trustees are cited in this section and the Commissioner's Plan prepared by Minnesota Management and Budget Department (MMB) under Minnesota Statutes § 43A.18, subdivision 2.

B. Compensation for Board Activities

Pursuant to Minnesota Statutes, § 353.03, subdivision 2, members of the PERA Board of Trustees receive no compensation for their participation on the Board, except that Trustees, who are state employee or employees of a political subdivision of the state, may receive \$55 per day pursuant to Minnesota Statutes, § 15.0575, subdivision 3, in addition to travel expenses. This payment may only be paid to the individual for Board activities if the employee uses vacation or compensatory leave in accordance with a collective bargaining agreement or personnel agreement as applicable. Trustees will be reimbursed out of the retirement fund for expenses actually and necessarily paid or incurred in the performance of their duties. Members of the Board of Trustees will suffer no loss of compensation from a public employer by reason of service on or for the Board or on any authorized committee thereof.²²

C. Approval of Travel Expenses

1. In-state travel by Trustees attending PERA group and area meetings or other meetings related to PERA business generally does not require prior approval by the full Board of Trustees.

²² Minn. Stat. § 353.03, subd. 2.

2. The annual budget, approved by the Board of Trustees, will reflect approval for attendance at out-of-state conferences by each Trustee to fulfill his or her obligation to stay abreast of pension issues and fiduciary obligations to the overall administration of the plans of the association. Each Trustee is allowed two out-of-state trips per fiscal year.
3. Additional trips, beyond those authorized in the annual budget plan, must be approved on an individual basis by the full Board at its next regularly scheduled meeting, or if time does not permit, by the President. The advance approval by the President must be approved by the full Board at its next regularly scheduled meeting.
4. Requests for reimbursement or advance of travel expenses incurred by Trustees will be approved by the Executive Director.

D. Reimbursement of Travel Expenses

1. Trustees will be reimbursed for authorized expenses in accordance with the terms of the (MMB) Commissioner's Plan and state and agency guidelines and procedures.
2. Travel expense reimbursements or advance requests for Trustees are to be made on the State "Employee Expense Report" form following the instructions for completion as provided on the reverse side of the form.
3. It is recommended that certain travel expenses be directly billed to the PERA agency. These would include airline tickets and conference registration fees. This practice provides for better tracking of expenses and reduces the amount of out-of-pocket expenses initially borne by the traveler.
4. Receipts are required for all expenses except meals. Receipts are encouraged, but not required for baggage handling, parking fees, tolls and taxi service.

E. Vehicle Expenses

Trustees may be reimbursed for the use of their personal automobile for PERA business at the rate per mile established in the (MMB) Commissioner's Plan, using the most direct route according to Department of Transportation schedules.

If air transportation is used in place of vehicle transportation, reimbursement will be made for the lower cost of the two (air fare or mileage).

F. Overnight Travel

Trustees on PERA business in travel status who incur expenses for lodging will be allowed actual, reasonable costs of lodging at the single-room rate, in addition to the actual cost of meals while away from their home station, up to the maximums stated under "Meal Allowances." Trustees in travel status in excess of one (1) week without returning home will be allowed actual cost not to exceed the rate per week established in the (MMB) Commissioner's Plan for laundry and dry cleaning for each week after the first week. A Trustee will be reimbursed for reasonable costs and gratuities for baggage handling, parking fees and toll charges. Trustees receive reimbursement for all work-related long distance telephone calls and for each actual, documented personal phone call at a maximum reimbursement determined by multiplying the number of nights away from home times the rate established in the most recently approved (MMB) Commissioner's Plan.

G. Meal Allowances

Trustees in travel status on PERA business will be reimbursed for the actual cost of meals including tax and a reasonable gratuity according to the reimbursement provisions established in the most recently approved (MMB) Commissioner's Plan and under the following conditions:

1. *Breakfast*

Reimbursement may be claimed only if the Trustee is in a travel status overnight or departs from home before 6 a.m.

2. *Noon Meal*

Any Trustee who is conducting PERA business will be reimbursed for noon meals if the business extends over the normal meal period

and if the Trustee is more than 35 miles away from his/her normal office or home.

3. *Dinner*

Reimbursement by Trustees may be claimed if away from the Trustee's business or home overnight, or until after 7 p.m.

4. *Reimbursement Amount*

Trustees who meet the eligibility requirements for two (2) or more consecutive meals will be reimbursed for the actual costs of the meals up to the combined maximum reimbursement amount for the eligible meals. Receipts will generally not be required for reimbursement of meals obtained within the meal allowance specified in the most recently approved (MMB) Commissioner's Plan.

H. Payment of Expenses

1. The Executive Director will advance the estimated cost of travel expenses where the anticipated expenses to be paid out by the Trustee total at least \$100, provided the Trustee makes such a request a reasonable period of time in advance of the travel date, usually at least five working days.
2. A Trustee who has received a travel advance will submit his/her final expense report and any required attachments as soon as possible after the last day of travel. If the amount advanced exceeds the actual expenses, the Trustee will return the excess (check made payable to PERA) within two (2) weeks from return of travel. Failure to settle an advance promptly may hamper the approval of future advances.
3. If a Trustee combines business and personal travel, PERA will only reimburse for expenses incurred that are directly related to the business portion of the trip.
4. The association can be billed directly for airfare, conference and registration fees, automobile rental, and hotel/motel lodging (excluding meals, tips, telephone and other charges) provided they have been properly approved in advance.

I. Expense Reimbursement

All requests for expense reimbursement should be made on an Employee Expense Report form and submitted to the Finance Division for payment once it has been approved.

1. Trustees Employee Expense Reports must be signed by the Board President, Executive Director or Assistant Executive Director.
2. Executive Director's Employee Expense Reports must be signed by the Board President or the Assistant Executive Director if the total amount is equal to or less than \$500; and must be signed by the Board President or Board Vice President if the total amount exceeds \$500.

Other Relevant Laws, Personnel Rules, Contracts, and Administrative Procedures

Commissioner's Plan, prepared pursuant to Minnesota Statute 43A.18, subdivision 2; MMB Administrative Procedure 4.4 (special expenses).

2.5 CONTINUING FIDUCIARY EDUCATION PLAN

Minnesota Statutes § 356A.13, requires public pension plan fiduciaries to make reasonable efforts to obtain the knowledge and skills needed to adequately perform their fiduciary responsibilities, and to develop a program for continuing education of their Trustees and chief administrative officer.

As required by Minnesota Statutes § 356A.13, the Public Employees Retirement Association Board of Trustees has adopted the following continuing education program:

A. Educational Conferences

As defined earlier in this section, funds are made available for each Trustee and the Executive Director to attend at least two public pension educational conferences each year.

B. Trustees' Orientation

Each new Trustee is scheduled to participate in an orientation program regarding the history, operations and organization of PERA, its governing statutes, its benefits and financing structures and relationships with external authorities including the Pension Commission, the actuary, and the Attorney General's office. Continuing Trustees are also encouraged to attend the orientation sessions.

Each Trustee is to receive copies of information relevant to PERA's benefits and governing statutes and this Governance Manual for ongoing reference.

C. Investment-Related Issues

Trustees are to receive a quarterly briefing regarding the investment performance of the pension funds managed by the State Board of Investment (SBI) in addition to briefings on significant investment policy decisions made by the SBI.

D. Actuarial Valuation Results

Annually the Trustees are to receive a detailed presentation from the PERA actuary regarding the financial status of the pension funds. Trustees will also receive copies of the actuarial valuation results and quadrennial experience studies.

E. Periodic Briefings on Special Policy Issues

In-depth briefings are to be conducted for Trustees during monthly Board meetings on topics of special interest such as the disability appeals process and the fiduciary responsibilities of Trustees.

When Trustees annually develop legislative policy decisions, they are to receive comprehensive policy decision papers to facilitate their decision-making.

F. Monthly Receipt of Background Materials

As a standard item on each monthly Board meeting agenda, current journal articles and up-to-date information on emerging public pension issues are provided and discussed.

G. Input from Membership, Governmental Units

PERA Trustees owe a fiduciary responsibility to PERA members, the taxpayers of political subdivisions who finance the plan and the State of Minnesota. To help carry out its fiduciary obligations to these groups, the Board periodically will solicit the opinions of its members and participating local government employers through such mechanisms as surveys, meetings and information forums. The Board takes these opinions into account when adopting its policies, procedures, and legislative programs.

2.6 CODE OF ETHICS

Trustees of the PERA Board are subject to the same requirements under Minnesota Statute 43A.38 that apply to state employees in the executive branch.

Trustees in the course of or in relation to their official duties shall not, directly or indirectly, receive or agree to receive any payment of expense, compensation, gift, reward, gratuity, favor, service or promise of future employment or other future benefit from any source other than the state for any activity related to the duties of the official, with the exception of:

1. Gifts of nominal or symbolic value;
2. Plaques or similar mementos recognizing individual services;
3. Payment of reimbursement expenses for work-related travel or meals, not to exceed actual expenses incurred, which are not reimbursed by the state;
4. Honoraria and expenses paid for papers, talks, demonstrations or appearances made by officials on their own time for which they are not compensated by the state.

A Trustee will not use confidential information to further the official's private interest, and will not accept outside employment or involvement in a business or activity that will require the official to disclose or use confidential information.

A Trustee will not use or allow the use of state time, supplies, or state owned or leased property and equipment for the official's private interests or any other use not in the interest of the state.

A Trustee will not use or attempt to use their official position to secure benefits, privileges, exemptions, or advantages for the official or the official's immediate family or an organization with which the official is associated which are different from those available to the general public.

A Trustee will not accept other employment or contractual relationships that will affect the official's independence of judgment in the exercise of official duties.

A Trustee will not award a state contract based on political considerations.

A Trustee will not represent any party as an attorney in any action or pending matter that may affect PERA.

A Trustee will not solicit a financial agreement for him/herself or an entity other than the state when the state is currently engaged in the provision of the services which

are the subject of the agreement or where the state has expressed an intention to engage in competition for the provision of the services, unless the affected state agency and the governor waives this provision.

When a Trustee believes the potential for a conflict of interest exists, it is the Trustee's duty to recuse him/herself; meaning to remove him/herself from participation to avoid the conflict of interest.²³

If the Trustee, Executive Director or Board President determines that a conflict of interest exists, the matter shall be assigned to another Trustee who does not have a conflict of interest. A conflict of interest shall be deemed to exist when the any one of the following conditions to be present:

1. The use for private gain or advantage of state time, facilities, equipment or supplies or badge, uniform, prestige or influence of state office or employment;
2. Receipt or acceptance by a Trustee of any money or other thing of value from anyone other than the state for the performance of an act which the Trustee would be required or expected to perform as part of the regular duties as a Trustee;
3. Performance of an act in other than the Trustee's official capacity which may later be subject directly or indirectly to the control, inspection, review, audit or enforcement by the Board.²⁴

²³ Minn. Stat. § 43A,38, subd. 6.

²⁴ Minn. Stat. § 43A,38, subd. 6 and 7.

3.1 GENERAL FINANCIAL OPERATIONS

A. Fiscal Year

In accordance with Minnesota Statutes § 16A.011, subdivision 14, the fiscal year of the association is July 1 through June 30.

B. Accounting System

Transactions in all funds of the Public Employees Retirement Association will be recorded on the accrual basis and in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

1. *Internal Controls*

PERA Management will ensure that the system provides for the necessary internal controls, such as verification of data, audit trail, adequate separation of duties and proper levels of approval. Controls will be designed to provide reasonable assurance for the safekeeping of assets and the reliability of all financial records.

C. Budgets

Annually, under the direction of the Executive Director, the staff will prepare an Administrative and Capital Expenditure Budget for approval by the PERA Board of Trustees. The budget is presented to the Board in May. If modifications are required, a revised budget will be presented in June.

1. *Amending the Budget*

The Board may increase the amounts originally approved for a specific administrative purpose or fixed asset acquisition if approved by a majority vote of the Trustees present at a meeting.

Given three broad expenditure categories of (1) Personnel; (2) Supplies & Services; and (3) Building Costs, either the Executive Director or the Assistant Executive Director may transfer funding of line items *within* each of these three expenditure categories. In order to transfer funds *between* each of these three expenditure categories, the Board must pre-approve those transfers. A transfer of funds within or between expenditure categories does not alter the total amount of administrative expenses originally approved by the Board.

The Administrative and Capital Expenditure Budget will include a contingency amount equal to 1% of the baseline budget. The Executive Director can spend up to \$5,000 (not including a series of payments) of the contingency fund for emergency items without prior Board approval, but requires approval after the fact for affirmation. Any items over \$5,000 require prior Board approval.

2. *Monitoring the Budget*

The Finance Division will prepare quarterly budget summaries and a mid-year budget review to be submitted to the Board for informational purposes. On a monthly basis executive staff is responsible for monitoring budget variances and taking corrective action if necessary.

D. Custodian of Funds

The commissioner of Minnesota Management and Budget, through the treasury operations division must maintain the bank accounts of the retirement funds of the association.

E. Investment of Funds

The Executive Director must certify to the State Board of Investment (SBI) such portions of the retirement funds that are not required for immediate use.

The SBI must invest and reinvest the sum so certified in such securities as are authorized as legal investments for the Retirement Funds, and has the authority to sell, convey, and exchange such securities and invest and reinvest the securities when it deems it desirable to do so. The SBI must sell securities upon the request of the Board of Trustees when such funds are needed for its purposes.

F. Audit of Books and Accounts

The books and accounts of the association and the retirement fund must be examined and audited annually, if funds and personnel permit, by the Legislative Auditor of the State of Minnesota.

A full detailed report of the audit findings must be made to the Board of Trustees.

Other Relevant Statutes, Personnel Rules, Contracts and Administrative Procedures

Minnesota Statutes § 353.03 subd. 3a (b)(12); 16A.127, subd. 7; 16A.27, subd. 1; 16B; 353.03, subd. 3a (b)(6); 353.05.; 353.16; subd. 6; 11A.23; 353.06; 353.271; and 353D.05.

3.2 FINANCIAL REPORTS

Interim reports on the financial condition and operation of the Retirement Funds will be submitted to the Board of Trustees at its regularly scheduled meetings.

3.3 ACCOUNTS RECEIVABLE- Write-Off of Uncollectible Accounts

The Finance Division staff must prepare a report for the Board on any overpaid member accounts that the staff or an outside agency determine to be uncollectible. Only the Board may approve writing off any receivables.

3.4 CONTRACT INVOLVEMENT

The Board will be involved in the selection of vendors with which the association contracts. PERA staff will notify the Board when the process of soliciting bids is about to begin for each contract at which time the Board will determine its desired level of involvement. In general, the Board will participate in the following way.

A. Contracts < \$50,000

For contracts that are expected to cost less than \$50,000 over the 2 years of the contract, PERA staff is authorized to conduct the bid/Request For Proposal (RFP) process, evaluate responses and select a vendor. Staff will prepare a report and inform the Board of how the process was handled, who the finalists were, and how the final selection was made.

B. Contracts > \$50,000

For contracts that are expected to cost more than \$50,000 over the 2 years of the contract, PERA staff is authorized to conduct the bid/RFP process and evaluate responses. A report will be prepared for the Board, and the Board will select the vendor.

C. Actuarial Services and Contract

The PERA Board of Trustees will retain an independent actuary for the purpose of providing an annual actuarial valuation and communicating results to the Board and to the Pension Commission; responding to requests for cost data on legislative proposals; providing the necessary tables to perform benefit calculations; providing data with respect to consolidations; and responding to other requests for cost projections, explanations, educational meetings, projection valuations, experience studies, etc., as needed by PERA.

Prior to the start of the RFP process, PERA staff will consult with the Board on the extent of Trustee involvement in the process, ranging from the review of the preparation of the RFP, determination of selection factors, and evaluation of responses. The Board President will ask for Trustees to form a subcommittee of the Board for purposes of this activity and to guide staff in recommending finalists for an interview before the full Board. The full Board will select the firm to receive the contract for actuarial services.

4.1 **STATUTORY GUIDANCE**

A. Lobbying Services

Pursuant to Minnesota Statutes § 353.03, subdivision 3a(6), PERA is prohibited from entering into any contract to provide lobbying services or legislative activity of any kind.

B. Committees

The PERA Board of Trustees must not create any Legislative Committee (or committee with legislative responsibilities of any kind) that includes among its membership persons who are not members of the PERA Board of Trustees.

C. Official Activities

None of the official activities of the members of the PERA Board of Trustees shall be considered as "lobbying" since public officials and state employees are excluded from the definition of "lobbyist."

D. Interpretation of Law: Ability of PERA Officials to Engage in "Legislative Activity"

As referenced in an opinion letter dated August 26, 1985, from the Attorney General's office²⁵ with respect to the ability of PERA officials to engage in "legislative activity":

1. No legal basis exists that would prevent the members of the Board of Trustees (and by extension, professional staff authorized by the Board to represent PERA) from serving as advocates or, more generally, official spokespersons with respect to pension changes that affect PERA's funds, its members, contributors and beneficiaries.
2. Such legislative activities should reflect the Board's total obligation to the state and the governmental subdivisions as well as the public employees and should fall short of direct expenditures of monies for such purposes.
3. Board of Trustee members and other PERA officials authorized by the Board to represent PERA can--and should--engage in legislatively-related activities including advocacy in order to serve and advance the interests of the PERA membership.

Other Relevant Statutes, Personnel Rules, Contracts, and Administrative Procedures
Minnesota Statutes § 353.03, subdivision 2a (b)(6)

²⁵ See attachment for entire AG Opinion.

4.2 **STAFF PERSONS AUTHORIZED TO REPRESENT THE INTERESTS OF PERA IN THE LEGISLATIVE PROCESS**

A. Authorized Staff

Persons holding the following staff positions are authorized to represent the interests of PERA and its members in the legislative arena and other appropriate governmental and nongovernmental forums and are specifically authorized to engage in legislative advocacy:

1. Executive Director;
2. Assistant Executive Director;
3. Director of Legislative and Education Services;
4. Specific members of the PERA staff as designated by the Executive Director, for a specific project, function, or occasion; however, in any such case, such activity shall be limited to providing factual, statistical, analytical or other research or research-related data or material and will not extend to the advocacy of particular legislative proposals or options.

B. Authorized Statements of PERA Policy

No member of the PERA staff may make any statement regarding PERA legislative policy or interpretation of PERA policy unless such statement has been authorized by the Executive Director.

4.3 IMPERMISSIBLE "LEGISLATIVE" ACTIVITY

Subject to specifically stated exceptions, the following actions or activities are specifically prohibited:

A. Acceptance of Gifts

The offering or giving of any cash or in-kind gift, directly or indirectly, to members of the State Legislature, other governmental officials or staff is impermissible whether or not the gifts are financed by PERA funds and whether or not the gifts would influence the judgment and decision-making of the recipient. The exceptions to this general rule are:

1. The provision of food, drink or other refreshment in the course of a business meeting or business function as long as the cost:
 - a. Is minimal and reasonable under the circumstances;
 - b. Is not calculated to influence the recipient's decision-making with respect to any specific legislative proposal or issue; and
 - c. Is not incurred for purely social purposes but serves some governmental or organizational purpose or objective; and
2. The charging of the cost of food, drink or other refreshment by the Executive Director to an authorized expense account but only to the extent that:
 - a. The aggregate costs do not exceed the authorized limit of the account; and
 - b. The per person cost is reasonable under the circumstances.

B. Use of Funds

The use of PERA funds for any activities which result in significant personal benefit to government officials or their staff (except to the extent permitted under subsection A above) is prohibited.

C. Membership Lists

The making available, directly or indirectly, of PERA membership lists, or any portion thereof, in any form for political campaign or fund raising purposes is prohibited.

D. Political Campaign

The distribution of political campaign or other political candidate literature promoting particular government officials or others as candidates for public office is prohibited (except where expressly authorized or required by law).

E. Political Action Committees

The establishment of any Political Action Committee (PAC) or the making of contributions to any PAC using PERA funds is prohibited.

F. Rating

The "rating" of members of the State Legislature is prohibited.

G. Other Activities

Other actions or activities may be prohibited as designated from time to time by official action of the Board of Trustees and as reflected in the minutes of Board of Trustee meetings.

4.4 LEGISLATIVE-RELATED ACTIVITY

The PERA Trustees recognize their duty to educate the PERA membership, the reporting units and other interested parties about the legislative process and to keep the membership and reporting units informed with respect to legislative developments affecting pension benefits in general and the PERA plans in particular. In addition, the Trustees, recognizing the need for accountability to the membership, the reporting units, the state, and the taxpayers, deem it essential to enhance the degree to which the membership, the reporting units and other interested parties participate in the affairs of PERA.

4.5 LEGISLATIVE ACTIVITY GUIDELINES FOR INDIVIDUAL PERA TRUSTEES AND STAFF AUTHORIZED TO REPRESENT PERA IN THE LEGISLATIVE PROCESS

A. Forms of Involvement

All forms of involvement in the legislative process in a capacity as a representative of PERA must be strictly nonpartisan; this requirement, however, is not meant to prohibit persons, acting in their own individual capacity, from contributing to, or otherwise participating in, political campaigns on behalf of candidates for public office or in other political activity so long as their conduct as private citizens is kept separate and distinguished from their role as representatives of PERA.

B. Legislative Communications

All legislative communications, representations, etc.,--whether formal or informal--must reflect PERA's organizational views, not individual's views. The ultimate authority for PERA legislative policy is the Board of Trustees. The Executive Director is authorized and required to communicate and interpret the PERA legislative policy views for the benefit of any of the intended audiences.

C. Individual Views

An authorized PERA representative who expresses individual views on legislative policy must give a clear disclaimer that the views are not those of PERA.

D. Conflict of Interest

Any member of the PERA Board of Trustees or staff authorized to represent PERA in the legislative process must not participate in any PERA legislative policy decision-making or other legislative activity if the individual could receive a direct financial benefit that would be disproportionately greater than the benefit enjoyed by other members of the same class.



PERA Board of Trustees Governance Manual

Modified August 2012