



SF 1556 (Bahr); HF 708 (Scott): Public Employees Retirement Association; Adding a Correctional Plan member to the Board of Trustees

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Introduction

Affected System: Public Employees Retirement Association (PERA)

Laws Amended: [Minnesota Statutes, Section 353.03, subdivision 1](#)

Brief Description: The bill expands the 11-member PERA Board of Trustees to add a twelfth member who is a member of the PERA Local Government Correctional Service Retirement Plan (Correctional Plan).

Background

PERA Board of Trustees Membership

Under current law, the PERA board of trustees has eleven members, five that are appointed by the governor, five that are elected by the membership, and the state auditor (or a deputy auditor designated by the state auditor). Except for the state auditor, who serves indefinitely, the appointments and elections are for four-year terms. All board members serve in a fiduciary capacity.

The five appointed members must consist of the following:

- an individual designated to represent school boards;
- an individual designated to represent cities;
- an individual designated to represent counties;
- a retired annuitant; and
- a public member knowledgeable in pension matters.

Of the five elected members, one must be a member of the PERA Police and Fire Plan (P&F Plan) and one must be a former member receiving a retirement annuity or disability benefit who was a public employee for at least five years before terminating membership. The remaining three elected members must be public employees and members of PERA.

According to the definition in [section 353.01, subdivision 7](#), “member” means:

“a person who accepts employment as a “public employee”..., who is an employee who works in one or more positions that require or allow membership in the association ..., for whom contributions have been withheld from salary and who is not covered by the [PERA defined contribution] plan ... or excluded under subdivision 2b.”

Based on this definition, a member of the Correctional Plan could run for and be elected a member of the PERA Board of Trustees.

PERA Board of Trustees Powers and Responsibilities

The PERA board is responsible for electing the board president and vice-president, appointing the executive director, approving the staffing necessary to administer the fund, approving mortality assumptions and early retirement and optional annuity factors, and providing for the payment of necessary expenses and claims for pensions and other benefits, among other duties ([Minn. Stat. § 353.03, subd. 3](#)).

Number of Correctional Plan Members as a Percentage of Overall Active Membership

The table below shows for recent years, 2016 through 2024, the number of active members in each of the pension plans administered by PERA and the Correctional Plan’s percentage of the total. The table indicates that Correctional Plan members have been between 2% and 2.5% of total PERA pension plans’ membership since 2016.

Year <i>(as of June 30)</i>	PERA General (Coordinated and Basic)	PERA Police and Fire	PERA Correctional	Percentage of Correctional Members
2024	164,223	11,994	3,914	2.22%
2023	154,259	11,635	3,786	2.28%
2022	149,983	11,626	3,564	2.21%
2021	149,275	11,705	3,788	2.35%
2020	153,734	12,022	3,855	2.33%
2019	154,122	11,760	3,965	2.39%
2018	153,050	11,669	3,981	2.42%
2017	152,852	11,517	3,842	2.34%
2016	148,726	11,389	3,827	2.39%

Sources: relevant sections of the plans’ annual [actuarial valuation reports](#).

Section- by- Section Summary

SF1556/HF708 consists of one section and amends Minnesota Statutes, section 353.03, subdivision 1, the statute governing the size and membership of the PERA Board of Trustees, by expanding the board from eleven to twelve trustees through the addition of a PERA Correctional Plan member.

The bill is effective the day following final enactment.

Considerations

Differences Among the Boards of the Pension Plans

While the existing pension plan boards differ in size, they all perform very similar functions. The Commission may wish to consider whether there's any merit to creating more uniformity among the pension systems. The size of these boards range from eight for the Teachers Retirement Association (TRA) to eleven for Minnesota State Retirement System (MSRS) and PERA. The St. Paul Teachers Retirement Fund Association (SPTRFA) Board of Trustees is made up of ten members, the chair of Independent School District No. 625 and nine elected members.

MSRS also administers a correctional plan, for state employees employed in state correctional facilities and programs. Pursuant to [Minnesota Statutes, section 352.03, subdivision 1, paragraph \(a\), clause \(5\)](#), one member of the MSRS Board of Directors must be an *"employee who is a member of the correctional state employees retirement plan."* The requirement to have a correctional plan member on the MSRS Board of Directors was added into the statutes in 1983. Based on the actuarial valuation reports from the last five years for the MSRS plans, correctional plan members have been between 8% and 8.6% of total MSRS pension plan membership.

Implications of Adding an Additional Member to the PERA Board Versus Replacing an Existing Seat

The Commission may wish to consider whether, instead of adding a new seat resulting in a 12-member Board or Trustees, one of the existing elected seats should be required to be a member of the correctional plan. As noted above, only two of the elected trustees must satisfy certain criteria: one must be a member of the P&F Plan, and another must be a former member of at least five years who is receiving a retirement annuity or disability benefit. There are no requirements for the remaining three elected trustees. One of these three could be required to be a member of the correctional plan, which would keep the board at 11 members, an odd number that can be helpful for ensuring that no vote will end in a tie when all trustees are voting.