



Date: December 11, 2025
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Subject: Executive Director Compensation Policy and Annual Performance Review

The PERA Governance Manual includes Section 2.2D Compensation Policy and Annual Performance Review. Both the qualification requirements for an executive director in Minnesota Statute § 353.03, subdivision 3a and the salary policy for an executive director in Minnesota Statute § 15A.0815, subdivision 2 changed effective 2024.

Changes to the qualification for the Executive Director generally broadened requirements to expand eligibility to more potential candidates. The salary policy changes detached the Executive Director salary from a maximum tied to the Governor's salary. The Governance Manual should be updated to reflect the legislative changes.

Staff Recommendation

Staff recommends that the Board approve the proposed changes to the Governance Manual.

PERA Governance Manual, Section 2.2D: Compensation Policy and Annual Performance Review

D. Executive Director Compensation Policy and Annual Performance Reviews

In 2016, the Boards of the Statewide Retirement Systems were granted the authority to set the salaries of ~~its~~ their Executive Directors: ~~under the following statutes:~~

Minnesota Statute 353.03, subdivision 3a, ~~which reads as follows~~ governs the appointment of the executive director by the Board:

(a) Appointment. The board ~~must~~ shall appoint an executive director on the basis of education, experience in the retirement field, ability to manage and lead system staff, and ability to assist the board in setting a vision for the system ~~and leadership ability~~. The executive director must have had at least five years of experience in either an executive level management position or a position with responsibility for the governance, management, or administration of a retirement plan. ~~which has included responsibility for pensions, deferred compensation, or employee benefits~~. The executive director serves at the pleasure of the board. Notwithstanding any law to the contrary, the board must set the salary of the executive director. The board must review the performance of the executive director on an annual basis and may grant salary adjustments as a result of the review. ~~The salary of the executive director must not exceed the limit for a position listed in section 15A.0815, subdivision 2.~~

~~Effective July 1, 2016, the annual salary range of the Executive Director is \$120,000 to \$169,747.~~

Salary Policy

Prior to May, 2023, Minnesota Statutes 15A.0815, subdivision 2, established ~~the~~ the salary maximum at 133 percent of the Governor's salary, which is indexed by inflation. Effective May, 2023, Laws 2023, Ch. 62 Art. 2, Sec. 38 eliminated this limit by striking the cap of 133% of the Governor's salary, thus removing the statutory limitation on the eExecutive dDirector's maximum salary as specified in statute, and reaffirming salary increase methodology for the eExecutive dDirector. ~~The governing law reads as follows:~~

~~The salary for a position listed in this subdivision shall not exceed 133 percent of the salary of the governor. This limit must be adjusted annually on January 1. The new limit must equal the limit for the prior year increased by the percentage increase, if any, in the Consumer Price Index for all urban consumers from October of the second prior year to October of the immediately prior year.~~

Salary Range

The Salary Range will be an "open range," comprised of a minimum and maximum salary value. The entire salary range will be indexed each year as specified in Minnesota Statutes 15A.0815, subdivision 2.

Establishing Initial Salary

~~The Board has the authority to appoint an eExecutive dDirector 353.03, subdivision 3a.~~ Upon initial hire, the Board will set the beginning salary of the executive director within the established salary range, commensurate with the qualifications and experience of the employee. Establishing

and adjusting the Executive Director salary and salary range will be done in accordance with accepted fiduciary practices and due diligence responsibilities.

Annual Performance Reviews

Annually, the Board will evaluate the executive director's performance relative to business goals and objectives established by the Board. The Board Chair/President will conduct a performance evaluation of the executive director based on collective input from the individual Board members which may include additional input at the discretion of the board. Additionally, the Board Chair/President may present the executive director with a professional development plan to enhance his/ her / their future performance.

General Salary Increases

The Board may grant a general salary increase consistent with the general salary increase pattern of other state employees. The board may elect to grant or withhold a general salary increase based on the annual performance review. ~~Managerial Plan submitted to the Legislative Coordinating Commission (LCC) and in compliance with the salary limitations prescribed in 15A.0815, subdivision 2. To grant a general salary increase, the Board must determine that the Executive Director has achieved or exceeded established performance standards or objectives.~~

Performance-based Increases

The board may grant Pperformance-based increases. These increases may be granted by the Board consistent with the Managerial Plan. ~~These increases may only be granted after the Board completes a review and determines that the eExecutive dDirector has achieved or exceeded performance standards or objectives. The Board may elect to grant or not grant a performance-based increase if the Executive Director does not accomplish the targeted business goals and objectives within a given year. Performance-based increases may not exceed 3.5 percent per year. Performance-based increases cannot result in the Executive Director salary exceeding the maximum of the salary range.~~

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Terms and Conditions of Employment

Aside from salary benefits described in this governance manual, the benefits and rights which are afforded to the PERA executive director, including but not limited to , vacation leave, sick leave, other leaves of absence, holidays, medical and dental insurance, life insurance, and expense reimbursement, are the same as the terms and conditions of employment consistent with non-represented state employees. The Managerial Plan established under 43A.18, subdivision 3, defines the terms and conditions of the Executive Director's employment for all benefits and rights, other than salary.

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Salary Range

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Establishing Initial Salary

Upon initial hire, the Board will set the beginning salary of the executive director within the established salary range, commensurate with the qualifications and experience of the employee. Establishing and adjusting the executive director salary and salary range will be done in accordance with accepted fiduciary practices and due diligence responsibilities.

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General Salary Increases

The Board may grant a general salary increase consistent with the general salary increase pattern of other state employees. The board may elect to grant or withhold a general salary increase based on the annual performance review.

Performance-based Increases

The board may grant performance-based increases. These increases may only be granted after the Board completes a review and determines that the executive director has achieved performance standards or objectives. Performance-based increases may not exceed 3.5 percent per year. Performance-based increases cannot result in the Executive Director salary exceeding the maximum of the salary range.

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