

# **Report of the Probation Officers and 911 Telecommunicators Pension Plans Work Group**

Prepared by participants in the Probation Officers and 911 Telecommunicators Pension Plans Work Group and staff of the Legislative Commission on Pensions and Retirement

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## **SECTION 1: Creation of the Probation Officers and 911 Telecommunicators Pension Plans Work Group**

The 2025 Omnibus Pension and Retirement Bill, enacted on May 23, 2025, established a Probation Officers and 911 Telecommunicators Pension Plans Work Group (Work Group). The Work Group consists of the executive directors and designated staff from the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA), individuals designated by the Commissioner of Corrections and the Commissioner of Public Safety, and the representatives of various unions, county and city associations, and other organizations that represent employees and employers in probation or telecommunication fields. The participants in the Work Group are listed in Appendix A.

The purpose of the Work Group is to recommend legislation that will create new pension plans for probation officers and 911 telecommunicators. Any legislation recommended by the Work Group must require MSRS and PERA to have the new plan or component plan operational by January 1, 2027.

The Work Group was to determine the features of each pension plan, including but not limited to:

- whether the new plans will be entirely new pension plans or whether the new plans will be component pension plans;
- employee and employer contribution rates;
- vesting requirements;
- the benefit formula;
- normal and early retirement ages;
- disability benefits;
- postretirement adjustments (COLAs);
- the extent to which past service will be credited and paid for; and
- definitions for "probation officer" and "911 telecommunicator."

The Work Group was to consider:

- the study prepared by PERA that estimates the costs and benefits for a pension plan for probation officers and 911 telecommunicators;
- the financial impact resulting from the potential cessation of benefit accruals and contributions for members that transfer from the MSRS General State Employees Retirement Plan (MSRS General Plan) or the PERA General Employees Retirement Plan (PERA General Plan) to the new pension plan;

- the option for members to purchase credit for past service, including the method for purchasing credit for past service;
- how contributions used to prefund benefit improvements can be made before any new pension plan is created;
- any other public safety adjacent positions that should be included in the new pension plans and how those positions should be defined;
- the balance of employee and employer contributions, including the interest in funding pension benefit improvements with increased employee contributions; and
- the bill introduced during the 2025 legislative session (S.F. No. 1986 (Kupec)/H.F. No. 1779 (Wolgamott)), including the testimony on the bill at the meetings of the Legislative Commission on Pensions and Retirement (LCPR or Commission).

(We will refer to this list later in this Report as the “required considerations.”)

The Work Group was required to convene its first meeting by August 1, 2025, and submit its recommendations to the LCPR by January 15, 2026. The Work Group met nine times, with each meeting conducted in a hybrid format. The following provides an overview of the topics discussed at each meeting:

- June 30, 2025: Work Group mandate; election of co-chairs Scott Vadnais and Anne Finn; the features of current PERA and MSRS pension plans; bill, amendments, and testimony considered by the LCPR during the 2025 legislative session; and background on the actuarial study for a new PERA plan.
- July 31, 2025: stakeholder perspectives and priorities and PERA combined service annuities.
- August 18, 2025: GRS actuarial study of the cost of a new PERA plan; workers' compensation data on probation officers and telecommunicators (see additional information in Appendix T); and federal law requirements on purchasing credit for past service and normal retirement age.
- September 4, 2025: MSRS combined service annuities; the option and method to purchase credit for past service; federal law requirements on prefunding benefit improvements; and whether to include forensic scientists and law enforcement administrative professionals in new plans.
- September 15, 2025: definitions of “probation officer” and “public safety telecommunicator” and new plan features to be determined.
- October 2, 2025: PERA’s cost menu for various benefits in a new PERA plan; income replacement ratios (percentage of income to be replaced with retirement benefits); expectations for employer and employee contribution rates; and new plan features, including definitions.

- October 20, 2025: Features of the MSRS deferred compensation plan; withdrawal liability; coverage by Social Security of members of a new PERA plan; cost of new MSRS plan; and new plan features.
- November 6, 2025: examples of state aid to offset the cost of purchasing past service; plan features; report assignments; and bill drafting.
- November 25, 2025: whether to include Metro Transit telecommunicators in new MSRS subplan; new plan features; and report assignments.

## SECTION 2: Pensions in Minnesota and Other States for Probation Officers and 911 Telecommunicators

Currently, in Minnesota, probation officers and 911 telecommunicators are members of the MSRS General Plan or the PERA General Plan. The plan terms for the MSRS General Plan and the PERA General Plan as of January 1, 2026, are outlined in the table below.

	<b>MSRS General</b>	<b>PERA General</b>
<b>Eligibility</b>	Employees of the State of Minnesota, the Metropolitan Council, and the University of Minnesota	Employees of cities, counties, and school districts (who are not teachers)
<b>Vesting Period</b>	3 years	3 years
<b>Multiplier</b> <i>multiplied by high-five salary &amp; years of service</i>	1.7% per year to 7/1/25 1.9% per year after 6/30/25	1.7%
<b>Normal (Unreduced) Retirement Age</b>	66	66
<b>Early (Reduced) Retirement Age</b>	55	55
<b>Early Retirement Reduction</b>	Actuarial Equivalence	Actuarial Equivalence
<b>Post Retirement Increase (COLA)</b>	1.75%	100% of Social Security COLA, 1% Minimum, 1.75% Maximum
<b>Employer Contribution Rate</b>	6.25%	7.5%
<b>Employee Contribution Rate</b>	6%	6.5%

See Appendix B for a comparison of the plan terms of the MSRS General Plan, subplans within the General Plan, Correctional Plan, and State Patrol Plan, and the PERA General Plan, Correctional Plan, and Police and Fire Plan.

To gather information on the pension benefits provided to probation officers and 911 telecommunicators in other states, LCPR staff contacted the National Association of State

Retirement Administrators (NASRA) and the National Conference of State Legislatures (NCSL). Both NASRA and NCSL responded to the requests for information.

NASRA provided the following two documents:

- Responses to Survey Retirement Benefits for Public Safety Personnel, from Keith Brainard, Research Director, NASRA (received November 3, 2025)
  - This survey, conducted in 2023, includes responses from 32 retirement systems in 31 states. NASRA staff supplemented these responses with additional research, and in total, this report includes data from 40 statewide retirement systems.
  - See Appendix C for Responses to Survey Retirement Benefits for Public Safety Personnel.
- Plan Design Spreadsheet, from Keith Brainard, Research Director, NASRA (received November 3, 2025)
  - This spreadsheet shows plan design details of plans in states that provide retirement benefits for general employees or public safety officers in 49 states (missing Alaska).
  - See Appendix T, Additional Information, for the Plan Design Spreadsheet.

NCSL provided the following two emails:

- Email from Angela Rowe, Policy Specialist, Employment, Labor & Retirement Program, NCSL (received November 5, 2025)
  - This email provides data on 8 states (Idaho, Maine, Minnesota, Oregon, Utah, Virginia, West Virginia, and Washington) that provide enhanced pension benefits or have considered providing enhanced pension benefits for 911 telecommunicators.
  - See Appendix D for the email
- Email from Angela Rowe, Policy Specialist, Employment, Labor & Retirement Program, NCSL (received December 17, 2025)
  - This email provides data on 7 states (Arizona, Illinois, New Mexico, North Carolina, Minnesota, Wisconsin, and Wyoming) that provide enhanced pension benefits or have considered providing enhanced pension benefits for probation officers.
  - See Appendix E for the email

LCPR staff analyzed the information provided by NASRA and NCSL and reached the following conclusions:

- Of the 49 statewide retirement systems that NASRA collected data on, 17 states (or 35%) provide enhanced retirement benefits for probation officers.

- 11 states (or 22%) provide enhanced retirement benefits for 911 telecommunicators.
- In states that offer enhanced benefits to probation officers:
  - The average employee defined benefit contribution rate is 8.18%, with the highest rate being 12.5%, and the lowest rate being 0.75%. Employer contribution rates were not included in the data.
  - The average vesting period is 7 years, with the shortest vesting period being 4 years, and the longest vesting period being 20 years.
  - The average multiplier is 2.3%, with the highest multiplier being 3.33%, and the lowest being 1.5%.
  - The average normal retirement age is 57, with the lowest normal retirement age being 50 and the highest normal retirement age being 65.
  - The average early retirement age is 54, with the lowest age being 50 or any age with 20 years of service, and the highest early retirement age being 62.
- In states that offer enhanced benefits to 911 telecommunicators:
  - The average employee defined benefit contribution rate is 6.42%, with the highest rate being 10.36%, and the lowest rate being 0.75%. Employer contribution rates were not included in the data.
  - The average vesting period is 5 years, with the shortest vesting period being 4 years, and the longest period being 10 years.
  - The average multiplier is 2%, with the lowest multiplier being 1.5%, and the highest multiplier being 2.5%.
  - The average normal retirement age is 59, with the lowest normal retirement age being 50 and the highest normal retirement age being 65.
  - The average early retirement age is 53, with the lowest early retirement age being 50 and the highest early retirement age being 62.

LCPR staff also examined states in close geographical proximity to Minnesota. These states are Wisconsin, Iowa, Nebraska, Montana, South Dakota, and North Dakota. Of these states, only Wisconsin offers enhanced retirement benefits to 911 telecommunicators. Both Wisconsin and Montana offer enhanced retirement benefits to probation officers. For example, Wisconsin’s plan for “protective occupation participants” has an employee contribution rate of 6.95%, a five-year vesting period, normal retirement at age 54 or 53 with 25 years of service, and early retirement at 50. See Appendix C, Responses to Survey Retirement Benefits for Public Safety Personnel, and Appendix T, Additional Information, Plan Design Spreadsheet, for the plan features of Wisconsin’s plan for protective occupation participants.

## **SECTION 3: Work Group Considerations**

As stated in Section 1, the legislation requiring the formation of the Work Group directed the group to make a series of “determinations” about the features of the new pension plans and address a series of “considerations.” The Work Group’s discussion of the plan features is included in Section 4 and the determinations are included in the recommendations set forth in Section 5. Section 3 addresses each required consideration, which are listed in Section 1, on pages 1 and 2.

In addition to the required considerations, the Work Group also considered whether members of a new PERA pension plan would automatically be covered by Social Security and where the retirement benefits under the new pension plans would stack up when compared to a member’s current pay, sometimes referred to as the “income replacement ratio.” The Work Group considered each of these topics, and the following provides an overview of the information provided to the Work Group on each topic.

### **A. Summary of S.F. No. 1986 (Kupec)/H.F. No. 1779 (Wolgamott) (Probation Bill)**

The Probation Bill was introduced during the 2025 legislative session and taken up by the LCPR on March 25, 2025, and April 22, 2025. The Commission adopted an amendment to the Probation Bill, Amendment S1986-2A, during its meeting on March 25, 2025. See Appendices F and G for S.F. No. 1986 (Kupec) and Amendment S1986-2A, respectively.

The Probation Bill, as amended by Amendment S1986-2A, revises only three statutes in each of the chapters governing the MSRS General Plan (Chapter 352) and the PERA General Plan (Chapter 353). The Probation Bill, as amended:

- (1) adds a definition for “probation agency employees” to the definitions sections;
- (2) increases the employee contribution rates; and
- (3) adds a new “normal retirement annuity,” which establishes new criteria for receiving a full, unreduced retirement annuity.

These changes apply only to probation agency employees.

For probation agency employees in the MSRS General Plan, the employee contribution rate increases from 5.5% (or 6% beginning July 1, 2025) to 10.35%. For probation agency employees in the PERA General Plan, the employee contribution rate increases from 6.5% to 10.35%. In both plans, a probation agency employee is eligible for a normal retirement annuity if the employee is at least age 60 or has at least 35 years of service. The probation agency employee only needs to meet the age requirement or the service requirement to be eligible for the benefit.

During two meetings in March and April, the LCPR heard testimony from nine individuals and received written testimony from both individuals and organizations. A summary of the oral testimony and links to the written testimony can be found in Appendix H.

The Probation Bill was ultimately laid over and not included in the 2025 Omnibus Pension and Retirement Bill. However, the Probation Bill was the catalyst for the creation of the Work Group.

The Work Group was provided with a copy and summary of the Probation Bill, amendments, written testimony, and handouts provided by people who testified on the Probation Bill.

## **B. Other Public Safety Adjacent Positions Considered for Inclusion in the New Plans**

### **1. Forensic Scientist Professionals**

The Work Group received a request to be included in the new plans from two forensic scientists representing the Minneapolis Police Department Forensic Services Division and a laboratory director from the Midwest Regional Forensic Laboratory. They appeared on behalf of forensic scientists, supervisors, managers, directors, and closely related forensic professionals across Minnesota who provide objective, science-based information to law enforcement agencies and the courts.

These representatives described themselves as public-safety-adjacent based on several factors. They emphasized the high-stakes, high-stress nature of forensic work, noting that their findings can directly influence the outcomes of criminal cases and that they experience emotional and psychological impacts similar to other public safety personnel currently eligible for enhanced pension plans. They further highlighted that most forensic professionals are civilian employees who work side by side with sworn personnel, often performing similar duties, yet receive different pension benefits.

The representatives also raised concerns about the length of required education and training, the resulting later entry into the workforce, and the challenges of working to age 65 or beyond in this profession. They cited ongoing recruitment and retention difficulties, particularly in competition with federal and neighboring agencies that offer more favorable pension provisions and argued that an unreduced benefit at or before age 60 would improve workforce stability. Finally, they noted that fewer than 350 forensic science professionals are employed statewide, and argued that including this group would have a minimal fiscal impact compared to the potential gains in morale, fairness, and retention.

After discussion, the Work Group concluded that, while forensic scientist professionals play a critical role in the criminal justice system and share some characteristics with other public-safety-adjacent roles, they fall outside the specific scope of this Work Group's legislative charge, which was limited to probation officers and 911 telecommunicators. To maintain a focused analysis, ensure actuarial clarity, and avoid setting a precedent for piecemeal expansion to additional occupational groups without a broader policy framework, the Work Group determined that forensic scientist professionals **should not be included** in the initial recommendation for the new pension plans. The Work Group's decision is not a judgment on

the importance of forensic science, but rather a reflection of the defined scope and time-limited mandate for the Work Group.

## **2. Law Enforcement Administrative Professionals**

The Work Group received a formal request to be included in the new plans from the Minnesota Law Enforcement Administrative Professionals (MN LEAP), representing civilian records technicians, data specialists, administrative staff, and other non-sworn personnel working within law enforcement agencies statewide. In their memorandum, MN LEAP outlined the significant stressors associated with their work, including frequent exposure to traumatic incident information, interactions with individuals in crisis, and the need to process critical law enforcement data with high accuracy and timeliness.

The Work Group acknowledged the importance of these support functions and the interest expressed by MN LEAP. However, given the limited timeframe for developing the new pension structure, the Work Group determined that it could not complete the level of occupational analysis and validation necessary to assess whether the work done by these positions is similarly hazardous or high stress as the work done by 911 telecommunicators and probation officers. Additionally, the Work Group noted that many of the duties described by MN LEAP closely mirror those performed by probation clerical administrative staff—roles that were not included in early-retirement classifications. Including one group while excluding another with substantially similar job functions would have been inconsistent and would not have satisfied the parameters in the session law establishing the Work Group. As a result, the Work Group determined that MN LEAP positions **should not be included** in the initial recommendation for the new pension plans; however, their submission is formally noted for potential consideration in future legislative review.

## **3. Evidence Technicians**

An evidence technician with the Minneapolis Police Department Property and Evidence Unit contacted LCPR staff and expressed an interest in evidence technicians being included in one of the new pension plans, if created. LCPR staff requested that the individual submit materials for the Work Group to consider in advance of the September 4<sup>th</sup> meeting—the date the Work Group was to consider which, if any, other public safety adjacent positions should be included in the new pension plans. While the individual later submitted the requested materials, they were not received in advance of the September 4<sup>th</sup> meeting. The individual was informed that the Work Group determined that the new plans should be limited to probation officers and 911 telecommunicators at this time.

## **4. Transit Control Center Supervisors**

As part of its review, the Work Group examined the full range of Public Safety Answering Points (PSAPs) operating in Minnesota to determine which telecommunicator positions fall under existing MSRS or PERA pension coverage and which lie outside the scope of the Work Group's statutory charge. This examination revealed that a Secondary PSAP operated by Metro Transit

and covered by MSRS was not represented in the Work Group’s membership. Upon this realization, LCPR staff invited representatives from the Metropolitan Council (employer) and Metro Transit (employee) to attend the remaining Work Group meetings.

The representatives spoke to the Work Group and provided information about the job of Transit Control Center Supervisors, requesting that they be included in any new MSRS-administered pension plan on the same basis as other public safety telecommunicators. Supervisors in the Transit Control Center are all fully trained telecommunicators and police dispatchers who also manage all bus operations communications. They answer and process 911 calls, emergency alarms, e-tels (emergency call boxes), and public calls, while simultaneously handling radio traffic from bus operators, TRIP Agents, and field supervisors. They dispatch Metro Transit Police and track mobile crimes and incidents that often move across multiple cities and counties, requiring real-time location updates and coordination. In addition to these core public safety duties, Supervisors support the operational side of transit by assisting bus operators, managing service-related incidents, and maintaining system continuity. Their work combines the responsibilities of a 911 call taker, dispatcher, and transit operations controller into a single job position.

Metro Transit publishes data online on the number of calls for service it receives. The data is broken into two categories: dispatched calls for service and officer-initiated calls for service. Dispatched calls for service are those in which someone seeking a public safety response dials 911 and is routed to Metro Transit telecommunicators and dispatchers. Officer-initiated calls for service are those in which an officer addresses a concern or crime without being called on for assistance. The following table provides an overview of the calls for service since 2017.

	Dispatched Calls for Service	Officer-Initiated Calls for Service
<b>2017</b>	20,600	35,178
<b>2018</b>	26,268	41,274
<b>2019</b>	30,333	52,496
<b>2020</b>	26,292	34,681
<b>2021</b>	27,470	39,495
<b>2022</b>	27,153	48,377
<b>2023</b>	33,614	48,814
<b>2024</b>	30,788	42,791

Source: Metro Transit Performance Webpage (last visited January 19, 2026).

See Appendix I for the Metro Transit Performance Data.

After hearing from the representatives, the Work Group determined that Transit Control Center Supervisors are public safety telecommunicators and, therefore, **should be included** as members of the new MSRS pension plan. The Work Group believes that including this group is not an expansion of the scope of the members to be included in the new pension plans, but rather an acknowledgement that this group is part of the 911 telecommunicators for whom the new pension plans are being established.

### C. Cost of Various Plan Benefits

PERA retained its external actuary, Gabriel, Roeder, Smith & Company (GRS), to prepare an actuarial valuation estimating the valuation results for a new plan containing 911 telecommunicators, probation officers, and parole officers who are currently members of the PERA General Plan. GRS’s actuarial valuation used information provided by PERA, including potential new plan features and PERA’s estimate that 2,248 members would be eligible for the new PERA plan. The plan features on which GRS based its valuation included the following:

- Normal retirement age: 60 years old
- Early retirement age: 50 years old, actuarially reduced from the age 60 full retirement benefit to be actuarially equivalent to the age 60 benefit
- Multiplier: 2.2%
- Disability benefit: similar to the PERA General Plan in one cost estimate or similar to the PERA Police and Fire Plan in a second cost estimate
- COLA: 100% of Social Security COLA, with a 1% minimum and 2.5% maximum

GRS completed the actuarial valuation and presented the results to the Work Group. The cost of the new plan, if disability benefits are similar to those under the PERA General Plan, is 19.08% of payroll. The cost of the new plan, if disability benefits are similar those under the PERA Police and Fire Plan, is 24.19% of payroll. GRS stated that these costs would decline over time because the initial costs are based on a relatively short future service period for a mature group of members, and over time, younger new hires will enter the plan, which will lengthen the future service period.

Based on these cost estimates, the Work Group requested that PERA prepare additional cost estimates capturing different scenarios. PERA provided the Work Group with cost estimates for a plan with a normal retirement age of 60, an early retirement age of 50, disability benefits similar to those in the PERA General Plan, and various multipliers and COLAs. The cost estimates are presented in the table below, which shows total cost as a percentage of pay. Total cost is typically split between employees and employers and paid as contributions each pay period.

Benefit Multiplier	COLA Assumption			
	1.50%	1.75%	2.00%	2.25%
2.20%	18.1%	18.6%	19.1%	19.6%
2.10%	17.3%	17.7%	18.2%	18.7%
2.00%	16.5%	16.9%	17.4%	17.8%
1.90%	15.6%	16.1%	16.5%	16.9%
1.80%	14.8%	15.2%	15.6%	16.0%
1.70%	14.0%	14.4%	14.7%	15.1%

Source: Estimated Costs of a New PERA Plan, page 2.

See Appendix J for the Estimated Costs of a New PERA Plan.

After the Work Group discussed how much the employees and employers were willing to pay to fund the benefit increases, GRS prepared a supplemental actuarial valuation that calculated the cost of a new plan with the following features:

- Normal retirement age: 60 years old
- Early retirement age: 50 years old, actuarially reduced from the age 60 full retirement benefit to be actuarially equivalent to the age 60 benefit
- Multiplier: 1.9%
- Disability benefit: similar to the PERA General Plan
- COLA: 100% of Social Security COLA, with a 1% minimum and 1.75% maximum

The total cost of a new PERA-administered plan with these features, plus the amortization of unfunded past service liability and plan expenses, is 16.86% of payroll.

MSRS also enlisted GRS to estimate the cost of a new plan containing 911 telecommunicators, probation officers, and parole officers who are currently members of the MSRS General Plan. GRS initially prepared estimated costs based on various plan features, which are presented in the table below.

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
<b>Plan Features</b>	Multiplier: 2% COLA: 1.75% NRA: 60	Multiplier: 1.9% COLA: 1.75% NRA: 60	Multiplier: 2% COLA: 1.75% NRA: 62	Multiplier: 1.9% COLA: 1.75% NRA: 62
<b>Cost (as a % of Payroll)</b>	18.27%	17.77%	17.07%	16.57%

Source: October 2025 Estimated Costs for a New MSRS Subplan.

See Appendix K for the October 2025 Estimated Costs for a New MSRS Subplan.

After the last Work Group meeting, MSRS requested that GRS conduct another study to determine the cost of the subplan based on the features determined by the Work Group and including coverage of the transit control center supervisors at Metro Transit. On February 10, 2026, MSRS provided LCPR staff with a cost estimate for a subplan with a multiplier of 1.9%, a COLA of 1.75%, a normal retirement age of 60, and an early retirement age of 55. The cost of a subplan with those features is 16.96% of pay. See Appendix K for the February 2026 Estimated Costs for a New MSRS Subplan document located in Appendix K.

## **D. Impact of Members Transferring from the General Plans to the New Plans**

Withdrawal liability is the amount of unfunded benefit costs that shift from one group of members and employers to the remaining members and employers of a pension plan when the

group of members or employers stops participating in the pension plan. In a pension plan that is underfunded, such as the PERA General Plan, assets do not equal the cost of benefits accrued. When a group of employees leave the plan, they will eventually be entitled to receive the benefits accrued to the date of departure, but those benefits were not fully funded at the date of departure. The pension plan reasonably seeks to charge the departing employees for the liability they are leaving behind.

The PERA Executive Director informed the Work Group that the PERA Board of Trustees “opposes the discontinuation of membership for an individual or group in a PERA fund unless the departing individual or group’s sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability for the departing group.” GRS estimated that the withdrawal liability resulting from probation officers and telecommunicators leaving the PERA General Plan and joining the new PERA plan would be \$33 million.

Specifically, based on July 1, 2024, actuarial valuation for the PERA General Plan, GRS estimated that, for the PERA General Plan:

- Present value of future benefits would be reduced by \$212M;
- Present value of future contributions would be reduced by \$245M; and
- The PERA General Plan will be \$33M worse off if a new plan is created and the group of eligible employees leaves the General Plan to participate in the new plan.

To alleviate PERA’s withdrawal liability concern, the Work Group agreed to transfer from the PERA General Plan to the new PERA pension plan the assets and liabilities attributable to the departing members who join the new PERA pension plan. This transfer would take place upon the creation of the new PERA pension plan and would mean the new PERA plan would begin with an unfunded liability.

The Work Group heard from the MSRS Executive Director that MSRS does not have a similar withdrawal liability concern because the MSRS General Plan is nearly 100% funded, so it does not have an unfunded liability. Establishing the new MSRS plan as a subplan of the MSRS General Plan would be a factor favoring no withdrawal liability.

## **E. Employer and Employee Contributions to Fund New Plans**

The Work Group spent several meetings discussing the various perspectives on the topic of contributions the employers and employees were willing to pay to fund new pension plans.

### **1. PERA and MSRS Perspective**

PERA and MSRS did not take a position on how the contributions necessary to fund the new pension plans should be allocated between employees and employers. Instead, PERA’s and MSRS’s concerns related to intergenerational equity and adequately funding the new plans.

PERA provided the Work Group with the following list of employee contribution rate options, assuming that the employer contribution rate would not increase from the current 7.5%:

- Option 1: 9.36%, reduces to 8.08% in 10 years, and 6.80% in 20 years
  - PERA projected that Option 1 would not result in a funding sufficiency or deficiency for the new plan.
- Option 2: 8.82%, reduces to 8.08% in 10 years, and 6.80% in 20 years
  - PERA projected that Option 2 would result in an initial funding deficiency that would trend towards a funding sufficiency within 5 years, if all assumptions are met.
- Option 3: 8.31%, reduces to 8.08% in 10 years, and 6.80% in 20 years
  - PERA projected that Option 3 would result in an initial funding deficiency that would trend towards a funding sufficiency within 10 years, if all assumptions are met.

PERA suggested that the Work Group consider how future cost increases or decreases should be addressed.

## **2. City and County Employees' Perspective**

The public safety telecommunicator representatives initially informed the Work Group that the maximum their group was willing to contribute to fund the new pension plan was an additional 2% of pay. The probation officer representatives noted that probation officers would be willing to contribute more than an additional 2% of pay to fund the new pension plan. Ultimately, because the employees are bearing the majority of the increase in costs, the public safety telecommunicator representatives and the probation officer representatives agreed that increasing the employee contributions to 8.82% of pay, which is a 2.32% increase from the current contribution rate, was reasonable. Specifically, they believed that an 8.82% employee contribution rate would address the initial funding deficiency while balancing a reasonable payoff period with a somewhat reduced contribution increase.

## **3. City and County Employers' Perspective**

During the Work Group meetings, city and county employer representatives expressed an openness to ideas that balance employee needs and employer capacity, but made clear that member cities and counties generally want benefits to be equal across public roles and to ensure that public pension plans are as stable as possible. They also did not want any new plan to negatively impact the PERA General Plan, a broader set of employees, or property taxpayers.

These concerns led employer groups to be sensitive to any increase in their contributions, especially given the existing strain on local government budgets. The city and county employer representatives stated that any increase in employer contributions would be an added burden on local property taxpayers, when property taxes are already increasing at the city and county

level to the highest levels seen in the last 25 years. Aside from the regular pressures on city and county budgets, such as higher wages, benefits, and the cost of construction, the city and county employer representatives cited various new pressures coming from the state and federal governments as reasons not to increase the employer contribution rate.

Due to the current size and scope of the aforementioned issues creating extraordinary pressure on local government budgets, the city and county employer representatives recommended no increase in employer contributions above their current level at 7.5% for any new pension plan. The city and county employers offered that the employer contribution rate of 7.5% could remain at that percentage rather than decreasing to 6.5% when the plan's status improves. Under current law, the employer contribution rate for the PERA General Plan decreases from 7.5% to 6.5% when the plan reaches 98% funded.

As for the employee contributions, the city and county employers would have preferred alternative options that would have eliminated the initial funding deficiency and reduced the overall risk. However, they recognized the employee concerns regarding keeping the total contribution costs as low as possible.

#### **4. State Employees' Perspective**

The state employee representatives discussed what portion of the cost would be acceptable to state employees, given that the proposed new benefit would be an unreduced annuity at age 60 with no prior service credit included or increase to the multiplier. The state employee representatives noted that MSRS General Plan employers currently contribute 1.25% less than PERA General Plan employers. As a result, state employees would need to assume a larger share of the total cost for the new subplan, assuming no increase in the employer contribution rate.

State employee representatives stated that the cost of the new subplan should be shared between state employees and state employers, especially since having the employees bear the total cost of the new subplan would mean an additional employee contribution of 5.5% of pay. (Note that this percentage dropped to 4.71% in the February 2026 cost estimate provided by MSRS.) They also stated that the dollar amount cost is relatively insignificant compared to the total budgets of the state employers at issue, i.e., the Department of Corrections, the Department of Public Safety, and the Metropolitan Council.

Therefore, the state employee representatives supported an employee contribution of 9.5%, which is a 3.5% increase. (Note that these percentages dropped to 8.71% and 2.71% in the February 2026 cost estimate provided by MSRS.) This would mean that the state employers would need to contribute 8.25% of pay, which is a 2% increase, to cover for the cost of the new subplan. The state employee representatives stated that this proposal is both acceptable to their membership and in alignment with LCPR principles of cost sharing.

## **5. State Employers' Perspective**

The Department of Corrections (DOC) and the Department of Public Safety (DPS) do not support employer contribution increases unless there is a corresponding legislative appropriation to fund those costs. The DOC and DPS recognize and value the critical contributions of probation officers, telecommunicators, and other public safety professionals. However, given the state's fiscal environment and competing budget priorities, DOC and DPS maintain that additional employer costs would need to be supported through legislative funding rather than absorbed by agency operating budgets.

The Metro Transit representative stated that Metro Transit would support a 2% increase in employer contributions.

## **F. Purchasing Credit for Past Service**

The issue of receiving credit in the new plans for prior service as a probation officer or 911 telecommunicator covered by the MSRS General Plan or PERA General Plan was of great importance to many members of the Work Group. The Work Group ultimately came to understand that receiving credit for past service in the new plans without each individual paying for their own past service would lead to intergenerational inequity.

The employee stakeholders were disappointed that a mechanism for receiving credit for past service without the individual having to pay for it could not be accomplished. Specifically, the representatives of the city and county probation officers submitted the following paragraphs for inclusion in this report:

The people who are age 50 plus will be impacted negatively as demonstrated by the replacement ratios provided by PERA [which are included in this report on pages 17 and 18]. People who have 30 years or more service in the General Plan will only reach a 60% ratio versus younger people and new hires with 30 years in the new plan who will achieve an 80% ratio. This creates inequity in the plan due to the fact that the people who are age 50 plus will be paying the higher amount for a new plan without the same benefit that others will receive.

If funding is provided by the legislature toward this new plan, it is requested that a mechanism be built in to prioritize the use of funds for the people who will not be able to achieve the same replacement ratio as other employees. If no funding is allocated to alleviate the deficiency of past service credit for the impacted individuals, a waiver of the mandatory reduction in the General Plan should be applied.

The requests of the representatives of the city and county probation officers were discussed by the Work Group, but no consensus was reached. The employee representatives ultimately requested that the bills include an appropriation to help offset the cost of purchasing credit for past service.

MSRS and PERA presented examples, including the following chart prepared by PERA, so the Work Group could see how much it might cost an individual to purchase various amounts of past service.

Age	Years of Past Service							
	<3	3-4	5-9	10-14	15-19	20-24	25-29	30-34
25-29	\$ 56,569	\$ 63,741	\$ 65,415					
	\$ 2,947	\$ 8,500	\$ 16,115					
	5%	13%	25%					
								Average Pay
								Average Cost/EE
								Average Cost/Pay
30-34	\$ 58,698	\$ 69,404	\$ 77,777	\$ 75,897				
	\$ 4,323	\$ 13,156	\$ 27,356	\$ 44,079				
	7%	19%	35%	58%				
35-39	\$ 62,846	\$ 69,771	\$ 77,660	\$ 89,496	\$ 85,831			
	\$ 6,795	\$ 18,924	\$ 38,815	\$ 74,599	\$ 99,493			
	11%	27%	50%	83%	116%			
40-44	\$ 61,886	\$ 67,900	\$ 79,390	\$ 87,448	\$ 93,812	\$ 106,725	\$ 105,260	
	\$ 9,599	\$ 27,060	\$ 58,326	\$ 103,864	\$ 153,921	\$ 234,903	\$ 267,477	
	16%	40%	73%	119%	164%	220%	254%	
45-49	\$ 67,982	\$ 68,806	\$ 80,661	\$ 88,755	\$ 93,274	\$ 104,195	\$ 99,895	
	\$ 15,467	\$ 39,712	\$ 87,966	\$ 157,678	\$ 222,346	\$ 319,180	\$ 378,208	
	23%	58%	109%	178%	238%	306%	379%	
50-54	\$ 45,641	\$ 80,234	\$ 79,306	\$ 90,290	\$ 96,371	\$ 98,254	\$ 102,410	\$ 93,055
	\$ 13,662	\$ 68,356	\$ 125,227	\$ 237,887	\$ 347,027	\$ 435,485	\$ 549,393	\$ 580,555
	30%	85%	158%	263%	360%	443%	536%	624%
55-59	\$ 77,134	\$ 78,289	\$ 78,317	\$ 90,073	\$ 81,563	\$ 97,474	\$ 99,791	\$ 103,074
	\$ 29,191	\$ 74,457	\$ 137,862	\$ 269,202	\$ 324,780	\$ 499,759	\$ 592,199	\$ 704,060
	38%	95%	176%	299%	398%	513%	593%	683%
60-64	\$ 26,158	\$ 62,973	\$ 69,281	\$ 82,696	\$ 85,004	\$ 96,428	\$ 97,231	\$ 102,331
	\$ 4,983	\$ 46,897	\$ 93,977	\$ 195,515	\$ 276,723	\$ 412,175	\$ 478,160	\$ 537,068
	19%	74%	136%	236%	326%	427%	492%	525%

Source: PERA Past Service Purchase Presentation, page 5.

See Appendix L for the PERA Past Service Purchase Presentation.

As an example, if a person earning an annual salary of \$78,317 and aged 55 to 59 wants to buy 5 to 9 years of service, the average cost would be \$137,862 or 176% of pay. The cost to buy 5 years would be less than \$137,862, while the cost to buy 9 years would be more than \$137,862.

## G. Prefunding Benefit Improvements

Due to the cost of purchasing credit for past service, employees may want to set aside funds to be used eventually to purchase credit for past service. LCPR staff informed the Work Group that federal law, specifically sections of the Internal Revenue Code, limit public employees' ability to

elect to contribute to a retirement plan. This is the case regardless of whether the contributions are used to fund the purchase of credit for past service or other benefit improvements.

LCPR staff informed the Work Group that employee pay may be contributed to a pension plan only if the employee contribution is mandatory and “picked-up” by the employer. Employees cannot be given an election of whether to contribute or the rate at which contributions will be made to a pension plan. Because not all employees will want to purchase credit for past service or, if they do, may not want to set aside the same percentage of pay, including a requirement for mandatory employee contributions to fund the purchase of credit for past service is not a desirable plan feature.

LCPR staff noted that one of the best options available to members to pre-fund the purchase of credit for past service is to set aside pay as contributions to the Minnesota Deferred Compensation Plan (MNDCP). The Executive Director of MSRS gave a presentation to the Work Group about the MNDCP, including the following:

- The MNDCP is administered by MSRS and is available to employees of the State and any city, county, township, or school district.
- Employees can elect the amount of pay they wish to contribute to the plan and may be entitled to a matching contribution from their employer.
- The amount contributed is credited to an account in the employee’s name, invested at the employee’s direction, and grows tax-free.
- An employee with an account in the MNDCP may elect to transfer funds from the employee’s account to a pension plan if needed to purchase credit for past service. This transfer can occur during the employee’s employment.

## **H. Social Security Participation**

There are two ways that Social Security coverage extends to public employees: The first way Social Security coverage extends to public employees is if the public retirement plan of which the employee is a member does not meet certain requirements. This extension of coverage was mandated in 1991 to ensure adequate protection for public employees. The second way Social Security coverage is extended to public employees is if a public employee’s position is covered by a Section 218 agreement, even if the employee’s public retirement plan exceeds the protection requirements.

The public pension plans in Minnesota have members who do not receive Social Security benefits (basic members) and members who do receive Social Security benefits (coordinated members). Basic members include public safety employees and other employees hired before the pension plans coordinated with Social Security (generally before 1980). The rest of the individuals covered by a public pension plan are coordinated members.

PERA representatives informed the Work Group that when current members of the PERA General Plan transfer to the new PERA pension plan, they will retain their participation in Social Security. However, PERA stated that because the new PERA pension plan would meet or exceed all the requirements and new hires would not be covered by a Section 218 Agreement, Social Security coverage is not mandated for new hires who become members of the new PERA pension plan after its effective date. PERA stated that a state may not unilaterally extend Social Security coverage to positions that are covered by a retirement plan. Therefore, PERA likely will need to conduct an election to determine whether new hires will be covered by Social Security.

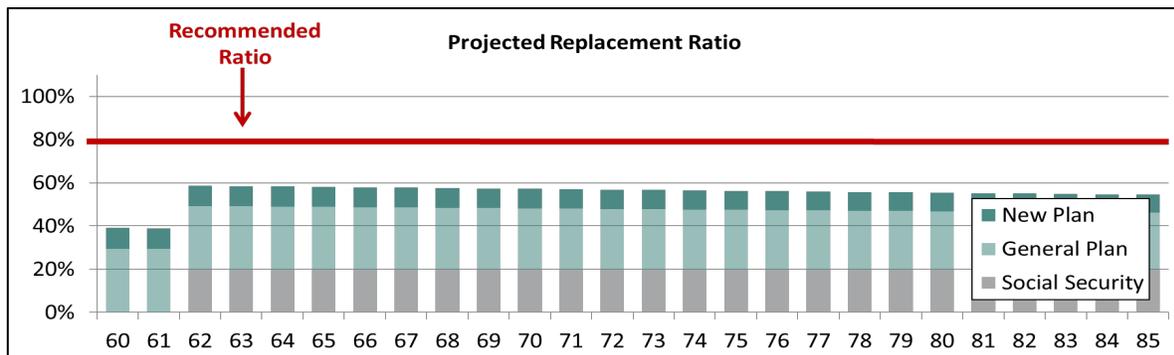
MSRS stated that because the new MSRS-administered plan is a subplan of the MSRS General Plan rather than an entirely new plan, a Social Security election is not required.

## I. Income Replacement Ratios

When deciding the features of the new plans, the Work Group wanted to ensure that the new plans would provide a reasonable benefit at retirement. The PERA Executive Director noted to the Work Group that many financial planners recommend 80% income replacement for retirement. PERA showed the Work Group various income replacement ratios using different multipliers, cost of living adjustments, and retirement ages. Employees must take into account the benefit provided by the new pension plan, any deferred compensation, and Social Security in assessing whether they will achieve the desired level of income replacement in retirement, while allowing for the flexibility to retire at varying retirement ages.

The following chart is a projected replacement ratio based on the following assumptions:

- Years in each plan: 30 years in the PERA General Plan and 5 years in the new PERA-administered plan
- Hire age: 25
- Retirement age: 60
- Social Security commencement age: 62
- Unreduced retirement age in the PERA General Plan: 66
- Unreduced retirement age in the new PERA-administered plan: 60
- Multiplier in the PERA General Plan: 1.7%
- Multiplier in the new PERA-administered plan: 1.9%
- COLA: 1.75%

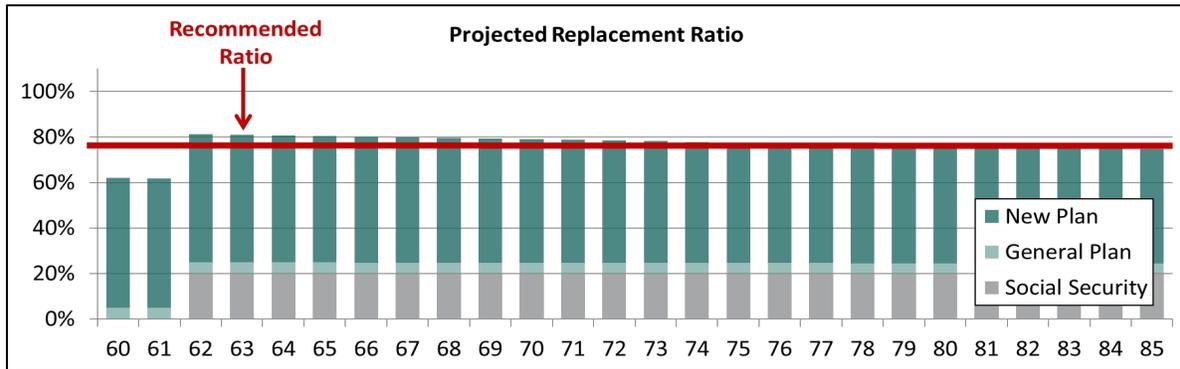


Source: PERA New Plan Replacement Ratio Examples, page 4.

See Appendix M for the PERA New Plan Replacement Ratio Examples.

The following chart is a projected replacement ratio based on the following assumptions:

- Years in each plan: 0 years in the PERA General Plan and 35 years in the new PERA-administered plan
- Hire age: 25
- Retirement age: 60
- Social Security commencement age: 62
- Unreduced retirement age in the new PERA-administered plan: 60
- Multiplier in the new PERA-administered plan: 1.9%
- COLA: 1.75%



Source: PERA New Plan Replacement Ratio Examples, page 7.

See Appendix M for the PERA New Plan Replacement Ratio Examples.

PERA submitted the following explanation to provide additional context for the above figures and explain how the value of benefits may be understood:

Based on the two examples above, it may appear that the new plan provides much greater value to younger members, who will have more years under the new formula and as a result, achieve a higher income replacement ratio. It is important to note that replacement ratios alone do not fully reflect the value of benefits when compared to member contributions.

When evaluating benefits versus costs, an important fact is that the value of benefits earned by a member each year increases as that member gets older while their annual contribution rate stays constant as a percentage of pay. Early in a career a member's contribution is typically more than the value of benefit earned. Later in a career the member's contribution is less than the value of benefit earned. Therefore, evaluating who gains the most from the new plan isn't necessarily who participates in the new plan the longest. The members most likely to gain the most value (benefit in excess of contributions) are actually the members that are in the new plan after that age breakeven point when benefit accruals exceed contributions.

For example, suppose the age at which the value of benefit accruals exceeds the contribution is age 45. A member in the new plan from age 25 to 60 would contribute more than the value of benefits for 20 years and then less than the value of benefits for 15 years. Whereas, a member in the new plan from 45 to 60 would contribute less than the value of their benefit accruals during their entire period of service.

## **J. Policy and Intent**

The Work Group determined that recommended legislation should include a policy statement. Specifically, the Work Group requested that the policy section include language stating that the legislature recognizes only certain employee groups for improved pension benefits and that the additional cost of those benefits is to be borne initially by the employees.

## **SECTION 4: Discussion of Plan Features**

Discussing the above considerations allowed the Work Group to determine certain features of each new plan like past service credit and contribution rates. However, there were additional features that the Work Group still needed to agree upon. After a brief discussion, the Work Group was able to agree on features like vesting requirements, the benefit formula, COLAs, disability and survivor benefits, and refunds. These conversations were usually straightforward and often came down to cost. However, the discussion of features like the normal retirement age, the definitions of "probation officer" and "911 telecommunicator," and how annuities should be calculated when a person is eligible to receive annuities from multiple pension plans, spanned multiple meetings. To keep the recommendations in Section 5 for the plan features succinct, an explanation of the Work Group's discussions about those three plan features is included here as Section 4.

### **A. Normal Retirement Age**

Normal retirement age is the age at which members of a pension plan can begin taking their pension without any reduction in the monthly payment for early commencement.

The employee representatives who had advocated for the adoption of S.F. 2016 (Kupiec)/H.F. 1779 (Wolgamott) during the 2025 session were committed to setting a normal retirement age of 60 in the new pension plans, which was the normal retirement age in the 2025 proposed legislation. The Work Group discussed the trade-offs that would be necessary in the benefits offered under the new plan in order to retain a normal retirement age of 60 and still keep the plan affordable to new members.

The Work Group also considered federal law restrictions on setting a normal retirement age as low as age 60. Relying on final regulations issued by the IRS in 2007, LCPR staff initially informed the Work Group that federal regulations limited a pension plan's ability to establish a normal retirement age younger than age 62. The 2007 final regulations, at Treasury Regulation Section 1.401(a)-1(b)(2)(i), state that:

- the normal retirement age under a plan must be an age that is not earlier than the earliest age that is reasonably representative of the typical retirement age for the industry in which the covered workforce is employed; and
- a normal retirement age of age 62 or later is deemed to satisfy the reasonably representative requirement.

After more research, LCPR staff corrected that earlier guidance and informed the Work Group that proposed regulations issued by the IRS in 2016 permitted governmental plans to rely on the less stringent proposed regulations, even though they have not yet become final. Under the proposed regulations, a normal retirement age of the later of age 60 or the age at which the member has 5 years of service would be deemed to satisfy the reasonably representative requirement. 81 Federal Register 4604 (January 27, 2016).

Accordingly, the Work Group determined that the normal retirement age would be set at age 60, as long as the cost of this feature, along with the others being discussed, would not make the new pension plans too costly.

## **B. Definitions for “Probation Officer” and “911 Telecommunicator”**

The Work Group considered various definitions of "probation officer" and "911 telecommunicator." The Work Group’s goal was to come up with definitions that would accurately capture the individuals who are doing probation or telecommunicator work that can be hazardous or high stress. Many discussions included the issue of whether supervisors should be included in the new plans and how far up the chain of command coverage should extend.

The Work Group determined that members of the new PERA plan would be the individuals whom the employers certify perform certain probation or public safety job duties. The Work Group determined that members of the new MSRS subplan would be the individuals in certain job classifications or whom the employers certify perform certain probation or dispatch job duties.

## **C. Calculating Annuities When a Person Has Service in Multiple Pension Plans**

Generally, when a person is eligible to receive annuities from multiple pension plans, that person can either use the combined service annuity (CSA) provisions at section 356.30, or the coverage by more than one plan (CBMTOP) provisions at section 356.311. Under the CSA approach, each annuity is calculated using the person’s highest average salary for 5 consecutive years during the entire period of public service covered by the plans if the person meets the following conditions:

- (1) has service in two or more pension plans;
- (2) has at least 6 months of service in each plan;
- (3) is vested overall across all applicable plans; and
- (4) the annuity starting dates of each plan is within 12 months of each other.

The CBMTOP approach allows the annuity starting dates to be more than 12 months apart, but each plan uses the person's highest salary for service covered by that plan for the annuity calculation.

While the CSA and CBMTOP provisions are in statute, MSRS allows members with MSRS General Plan and MSRS Correctional Plan service to use what MSRS calls "mixed service," which is not defined in statute. Mixed service is based on section 352.01, subdivision 14a, paragraph (c), in the definition of "average salary," which states:

For an employee covered by the correctional state employees retirement plan, "average salary" means the average of the monthly salary during the employee's highest five successive years of salary as an employee covered by the general state employees retirement plan, or the correctional state employees retirement plan, or by a combination of the two.

MSRS permits the use of the highest five average salary for service covered by the General and Correctional Plan in calculating the annuity under those Plans without regard to the CSA requirements, even though the CSA statute, at section 356.30, subdivision 1, paragraph (a) states that it applies "[n]otwithstanding any provisions of the laws governing the covered retirement plans listed in subdivision 3." The list in subdivision 3 includes the MSRS General Plan and MSRS Correctional Plan.

The following compares the mixed service approach and the CSA approach:

- The mixed service approach would allow a member to start receiving a retirement annuity from the new plan at age 60 and wait until the full retirement age of 66 to receive an unreduced retirement annuity from the general plan, with both annuities being calculated based on the member's highest average salary for 5 consecutive years under either plan.
- The CSA approach requires both retirement annuities to begin within 12 months of each other, in order to have both annuities calculated based on the member's highest average salary for 5 consecutive years under either plan, which means the annuity from the general plan will be reduced for early commencement at age 60.

The Work Group determined that the new plans should allow for the use of the mixed service approach. A member can still choose to use the CSA or CBMTOP approaches over the mixed service approach, but it is likely that the mixed service approach will provide for a higher benefit. For the new MSRS subplan, mixed service will work the same way as it does for members with MSRS General Plan and MSRS Correctional Plan service. For the new PERA plan, the PERA representatives were opposed to using the mixed service approach unless it was limited to only members who transferred from the PERA General Plan to the new PERA plan on January 1, 2027. Employees who become members of the new PERA plan after January 1, 2027, and who also have service covered by the PERA General Plan would be able to use the CSA or

CBMTOP approaches, but not mixed service. The employee representatives decided to agree with PERA's position.

## **SECTION 5: Work Group Recommendations**

The Work Group agreed to recommend the establishment of a new PERA-administered pension plan for probation officers and 911 telecommunicators who are local government employees, and a new subplan within the MSRS General Plan for probation officers and 911 telecommunicators who are state employees. The Work Group recommends the following features for each pension plan:

### **A. PERA Local Government Probation and Telecommunicator Retirement Plan**

Note that, for clarity, the following explanation of some features of the new PERA plan includes an explanation of that feature under the PERA General Plan. Features of the PERA General Plan will continue to be relevant to members of the PERA Probation and Telecommunicator Plan if they transfer from the PERA General Plan to the new PERA Plan on January 1, 2027, because their PERA General Plan benefit will transfer with them. This is because assets and liabilities attributable to members who transfer from the PERA General Plan to the new PERA Plan will be transferred from the PERA General Plan to the new PERA Plan on January 1, 2027. This avoids having to increase the employee cost of the new pension plan to pay for "withdrawal liability," as explained in section 5.A.17. This transfer of assets and liabilities means that the new PERA Plan will pay a retiree two pensions: a pension for service under the PERA General Plan and a pension for service under the new PERA Plan. A feature under the PERA General Plan that is different than the feature under the new PERA Plan will continue to apply to the General Plan pension even though it will be paid from the new PERA Plan.

#### **1. Name of Plan**

The plan will be called the Local Government Probation and Telecommunicator Retirement Plan (referred to as the PERA Probation and Telecommunicator Plan or the new PERA Plan).

#### **2. Standalone New Pension Plan or Subplan Within Current Pension Plan**

The PERA Probation and Telecommunicator Plan will be a standalone new pension plan.

#### **3. Eligibility**

Eligible employees who meet the definition of a probation officer or public safety telecommunicator are required to participate in the PERA Probation and Telecommunicator Plan. However, a person who first became a public employee or a member of a pension fund before July 1, 1989, is not eligible to participate as a member of the PERA Probation and Telecommunicator Plan. The employer is required to certify that the employees meet the eligibility requirements.

#### **4. Vesting Requirements**

A member in the PERA Probation and Telecommunicator Plan will become fully vested after 3 years of service. This is consistent with the PERA General Plan, which also has cliff vesting at 3 years. Service from the PERA General Plan will count towards vesting in the PERA Probation and Telecommunicator Plan.

#### **5. Normal Retirement Age**

An employee can retire and begin taking an unreduced retirement annuity at age 60. The unreduced benefit applies only to future service. Future service is service earned after the effective date of the PERA Probation and Telecommunicator Plan. Service earned prior to the effective date is referred to as past service. This past service is the service credited to a member under the PERA General Plan.

#### **6. Early Retirement Age**

An employee can retire and begin taking a reduced retirement annuity at age 55. The benefit for service in the PERA Probation and Telecommunicator Plan is reduced to an actuarially equivalent amount of a benefit paid at age 60. The reduction is necessary because the benefit is payable for a longer period. The actuarial equivalent reduction for service in the PERA General Plan will continue to be determined using a normal retirement age of 66.

#### **7. Benefit Formula**

The benefit formula for employees covered by the PERA Probation and Telecommunicator Plan is the following:

$$\text{Benefit} = (1.7\% * (\text{years of service as an employee covered by the PERA General Plan}) * (\text{high-five average salary})) + (1.9\% * (\text{years of service as an employee covered by the PERA Probation and Telecommunicator Plan}) * (\text{high-five average salary}))$$

#### **8. Postretirement Adjustments (COLAs)**

The annual benefit increase will be 100% of the cost-of-living adjustment announced by the Social Security Administration in the last quarter of the preceding calendar year (sometimes referred to as the Consumer Price Index (CPI)) with a 1% minimum and a 1.75% maximum. The formula applies to the member's entire benefit, including both the past service and future service components. The formula is the same formula currently used by the PERA General Plan.

#### **9. Employer Contribution Rate**

The employer contribution rate will not increase from the current PERA General Plan rate of 7.5%. The additional 1% included in the 7.5%, which is scheduled to expire when the PERA

General Plan is 98% funded, will remain in effect under the PERA Probation and Telecommunicator plan.

### **10. Employee Contribution Rate**

The employee contribution rate will increase 2.32%, from the current PERA General Plan rate of 6.5% to 8.82%. After December 31, 2036, the employee contribution rate is expected to decrease.

The employee contribution rate of 8.82% is slightly lower than the rate PERA's actuary had determined would be needed to cover the normal cost of the benefits under the new PERA Plan, for at least the first 10 years of the new PERA Plan, assuming the employer contribution rate of 7.5%. With this initial funding deficiency and recognizing the risks associated with creating the new PERA Plan, the Work Group discussed a compromise that acknowledges the potential for future increased employee contributions while accepting a lower contribution rate. Specifically, the Work Group discussed the compromise of using the 8.82% employee contribution rate while recommending that if higher contribution levels are needed to address any shortfall relating to the initial deficiency in the new PERA Plan, they be funded through increased employee contributions or state aid. As a result, the Work Group recommends the 2.32% employee contribution increase, acknowledging the initial funding deficiency and accepting a moderate level of risk to maintain lower contribution rates. This approach was preferred over requiring a 2.86% increase in employee contributions, which would not create a sufficiency or deficiency at the outset of the plan but would come at a higher immediate cost to employees.

### **11. Purchase of Credit for Past Service**

Members will have a one-time opportunity to purchase credit for past service in any amount elected by the member. The option to purchase will be available at the time of retirement. Prior to choosing how much past service a member would like to purchase, the member can request that PERA prepare an estimate of the purchase price for up to three different periods of past service. The purchase price will be calculated by PERA as the actuarial cost of the additional benefit taking into account the purchased service. PERA will assess a \$250 administrative fee to perform the cost calculation, which will be applied toward the total cost if the member elects to proceed with the purchase. The payment must be made in a single lump sum with funds from the member's pre-tax retirement account (e.g., the MN Deferred Compensation Plan). The employer will need to certify that the past service the member wishes to purchase was performed as a probation officer or public safety telecommunicator.

Members of the Work Group may seek an appropriation to assist with the purchase of the past service. If the legislature provides an appropriation to help members buy credit for past service, the purchase price will be offset by an amount or percentage to be determined.

## **12. Disability Pension Benefit**

Members will be eligible for a disability benefit if they are vested and unable to perform any occupation, known as a total and permanent disability. To be eligible, the member must be vested, and the injury or illness must have occurred while the member was an active public employee. The member must apply while employed or within 18 months of terminating employment. The disability benefit formula is the same as the PERA General Plan and is calculated as follows:

$$\text{Disability benefit} = (1.7\% * (\text{years of past service}) * (\text{high-five average salary})) + (1.9\% * (\text{years of future service}) * (\text{high-five average salary without reduction for early commencement}))$$

## **13. Surviving Spouse and Child Coverage**

Survivor benefits are payable upon the death of a member, retiree, or disability recipient.

If the member dies before retirement and is vested, the member's benefit will be paid as follows: first to the surviving spouse; if none, then to dependent children; if none, then to beneficiaries; if none, then to the estate. The pre-retirement survivor benefits will align with the PERA General Plan survivor benefits, after recodification.

If the member dies while receiving a retirement or disability annuity, the member's survivors will receive the survivor option elected by the member at commencement of the annuity. The member may elect a survivor option that is 25%, 50%, 75%, or 100% of the full retirement benefit and that benefit is actuarially reduced to provide the continuing payment.

## **14. Refund of Contributions or Buying Back a Refund**

Both vested and non-vested members may take a refund of their contributions plus interest upon termination of employment. Members may repay the refund if they return to public service after having taken a refund and thereby restore the lost service credit. Refunds and repayment of refunds in the PERA Probation and Telecommunicator Plan will be treated the same as the other PERA pension plans and are payable as a lump sum.

## **15. Mixed Service**

Members who have service under both the PERA General Plan that was transferred to the new PERA Plan and service under the new PERA Plan will be able to begin taking the General Plan annuity anytime after beginning to take the annuity from the new PERA Plan and the annuities will be calculated using the highest high-five average salary for service under either plans. This mixed service approach is explained in detail in Section 4.C. Mixed service also does not require a minimum of six months in each plan, as is required under the combined service approach.

However, if a member has PERA General Plan service that is transferred to the new PERA Plan and service under the new PERA Plan and service under any other plan, in order to use the

highest high-five average salary to calculate all three annuities, the member will have to begin taking the annuity from the other plan within one year of beginning to take the annuity from the new PERA Plan.

A member who has prior service under the PERA General Plan but begins participation in the PERA Probation and Telecommunicator Plan after January 1, 2027, such as might occur if the member transfers employment from a county administrative position to a position as a probation officer after January 1, 2027, the mixed service approach is not available to the member when the member retires and begins taking the annuity from the PERA Probation and Telecommunicator Plan. To use the highest high-five average salary in computing both annuities, the member must begin taking both annuities within a twelve-month period, as required by the combined service approach.

### **16. Social Security Participation or Not**

Current employees who are members of the PERA General Plan and are moved to the PERA Probation and Telecommunicator Plan will retain their participation in Social Security. However, Social Security coverage is not mandated for new hires after January 1, 2027. PERA may need to conduct an election to determine whether and to which members Social Security coverage will extend. If needed, the members eligible to vote in that election are those hired after the effective date of the new PERA Plan and hired prior to the date of the election notice. PERA may conduct this election any time after the effective date of the new PERA Plan, so long as it provides members with 90 days' notice of the election.

### **17. Withdrawal Liability**

Assets and liabilities in the PERA General Plan that are attributable to the probation officers and public safety telecommunicators who become members of the PERA Probation and Telecommunicator Plan will transfer to the PERA Probation and Telecommunicator Plan. Because PERA is not fully funded, currently at approximately 90% funded, assets transferred will be less than liabilities for this group of members, resulting in the new pension plan having unfunded liability from day 1. The obligation to pay both past service and future service benefits will become the obligation of the PERA Probation and Telecommunicator Plan.

## **B. MSRS Probation and Telecommunicator Subplan**

### **1. Name of Subplan**

The name of the subplan will be the Probation and Telecommunicator Retirement Subplan (referred to as the MSRS Probation and Telecommunicator Subplan or the new MSRS Subplan).

### **2. Standalone New Pension Plan or Subplan Within Current Pension Plan**

The MSRS Probation and Telecommunicator Subplan will be a subplan within the MSRS General Plan.

### **3. Eligibility**

Eligible employees who are employed in a covered employment position or whose duties are certified by the employer as those of a probation officer or public safety telecommunicator are required to participate in the MSRS Probation and Telecommunicator Subplan. However, employees who are age 60 or older with three years of service in the MSRS General Plan when the MSRS Probation and Telecommunicator Subplan commences will remain in the MSRS General Plan. The employer is required to certify that the employees meet the eligibility requirements.

In each agency, a standing review committee of members appointed by the Commissioner of Corrections, Commissioner of Public Safety, and the General Manager of Metro Transit, respectively, is established to oversee changes to the titles of an employment positions and approve or deny coverage by the MSRS Probation and Telecommunicator Subplan. An employee will have the right to appeal a determination by the committee.

### **4. Vesting Requirements**

A member in the MSRS Probation and Telecommunicator Subplan will become vested after 3 years of service. This is consistent with the MSRS General Plan. Service from the MSRS General Plan will count towards vesting in the MSRS Probation and Telecommunicator Subplan.

### **5. Normal Retirement Age**

An employee can retire and begin taking an unreduced retirement annuity at age 60.

### **6. Early Retirement Age**

An employee can retire and begin taking a reduced retirement annuity at age 55. The monthly amount payable starting at the early retirement age elected by the member will be actuarially equivalent to the benefit payable at age 60. The reduction is necessary because the benefit is payable for a longer period.

### **7. Benefit Formula**

The benefit formula for employees covered by the MSRS Probation and Telecommunicator Subplan is the following:

$$\text{Benefit} = (1.7\% * (\text{years of service as an employee covered by the MSRS General Plan through June 30, 2025}) * (\text{high-five average salary})) + (1.9\% * (\text{years of service as an employee covered by the MSRS General Plan after June 30, 2025, to December 31, 2026, and years of service as an employee covered by the MSRS Probation and Telecommunicator Subplan})) * (\text{high-five average salary}))$$

## **8. Postretirement Adjustments (COLAs)**

The annual benefit increase will be a fixed 1.75%. This is the same COLA currently used by the MSRS General Plan.

## **9. Employer Contribution Rate**

The employer contribution rate will increase 2%, from the current MSRS General Plan rate of 6.25% to 8.25%. A blank appropriation is included in the proposed legislation to cover the cost to the employers of the increased employer contributions.

## **10. Employee Contribution Rate**

The employee contribution rate will increase 2.71%, from the current General Plan rate of 6%, to 8.71%. This increase is less than the 3.5% discussed by the Work Group, which would have increased the employee contribution rate to 9.5%. As noted earlier in this report, MSRS' actuary, GRS, updated its cost estimate in a report issued February 10, 2026, which stated that the new MSRS Subplan will cost an estimated 16.96% of pay. Subtracting the 8.25% employer contribution leaves employees with a contribution rate of 8.71% to fully pay for the new MSRS Subplan.

## **11. Purchase of Credit for Past Service**

Members will have a one-time opportunity to purchase credit for past service in any amount elected by the member. The option to purchase will be available at the time of retirement. Prior to choosing how much past service a member would like to purchase, the member can request that MSRS prepare an estimate of the purchase price for up to three different periods of past service. The purchase price will be calculated by MSRS as the actuarial cost of the additional benefit taking into account the purchased service. MSRS will assess a \$250 administrative fee to perform the cost calculation, which will be applied toward the total cost if the member elects to proceed with the purchase. The payment must be made in a single lump sum with funds from the member's pre-tax retirement account (e.g., the MN Deferred Compensation Plan). The employer will need to certify that the past service the member wishes to purchase was performed as a probation officer or public safety telecommunicator.

Members of the Work Group may seek an appropriation to assist with the purchase of the past service. If the legislature provides an appropriation to help members buy credit for past service, the purchase price will be offset by an amount or percentage to be determined.

## **12. Disability Pension Benefit**

The disability provisions for the new MSRS Probation and Telecommunicator Subplan will be the same as the MSRS General Plan. A disability benefit is payable upon total and permanent disability. The definition of total and permanent disability is "the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that has existed or is expected to continue for a period of at least one year."

Minnesota Statutes, section 352.01, subdivision 17. The disability calculation and application process will also be the same as the MSRS General Plan.

### **13. Surviving Spouse and Child Coverage**

The survivor provisions for the new MSRS Probation and Telecommunicator Subplan will be the same as the MSRS General Plan.

If an active, vested member is survived by a spouse, the spouse can choose from three payout options:

- Monthly payments for the spouse's lifetime;
- Monthly payments for a period of 10, 15, or 20 years; or
- A lump sum payment of the plan member's retirement contributions plus interest

If an active, vested member is survived by dependent child(ren), the children may receive a monthly benefit payment until they reach age 20, or five years, whichever is longer.

If a member is not survived by a spouse or dependent child, a lump-sum payment of retirement contributions plus interest is paid to recipients in the following order:

- the designated beneficiary;
- if there is no beneficiary designation on file, non-dependent child(ren) in equal shares;
- if there are no child(ren), parents in equal shares; and
- if none of the above apply, payment is made to the member's estate.

### **14. Refund of Contributions or Buying Back a Refund**

Members who end employment can request a refund of their retirement contributions plus interest compounded daily from the date the contribution was made. Members may be able to reinstate their service by repaying the refund. This is the same as the MSRS General Plan.

### **15. Mixed Service**

Members who have service under both the MSRS General Plan and the MSRS Probation and Telecommunicator Subplan will be able to begin taking the General Plan annuity anytime after beginning to take the annuity from the new MSRS Subplan and the annuities will be calculated using the highest high-five average salary for service under either plans. This mixed service approach is explained in detail in Section 4.C. Mixed service also does not require a minimum of six months in each plan, as is required under the combined service approach.

However, if a member has MSRS General Plan service and MSRS Probation and Telecommunicator Subplan service and service from another plan (other than the MSRS Correctional Plan), in order to use the highest high-five average salary to calculate all three

annuities, the member will have to begin taking the annuity from the other plan within one year of beginning to take the annuity from the MSRS Probation and Telecommunicator Subplan.

## **SECTION 6: Board Actions and Stakeholder Positions**

### **A. PERA and MSRS**

The PERA Board of Trustees met on December 11, 2025, and abstained from taking a position on whether the legislature should create the proposed PERA Probation and Telecommunicator Plan for public safety telecommunicators and probation officers. The Board determined that the Work Group recommendations are consistent with pension policy, IRS requirements, and PERA Board's Long-Term Positions. The Board directed staff to collaborate with the stakeholders and legislature to maintain the Work Group recommendations with stakeholder consensus as the basis for the PERA Probation and Telecommunicator Plan if the legislature elects to create a new plan. The Board noted that stakeholders carry the responsibility for advocating for the PERA Probation and Telecommunicator Plan, the legislature holds the decision to create a new plan, and if created, PERA will administer the PERA Probation and Telecommunicator Plan.

The MSRS Board of Directors met on November 20, 2025, and voted unanimously to support a subplan for 911 telecommunicators and probation officers that work for the State of Minnesota. The Board authorized staff to negotiate plan provisions and contribution rates provided they cover the cost of the benefits provided.

### **B. Employees**

The public safety telecommunicator representatives provided a statement in support of the creation of the PERA Probation and Telecommunicator Plan. The statement also addresses the rationale for supporting the new plan, the impact on current and future employees, why other groups were not included in the PERA Probation and Telecommunicator Plan, and the alignment with LCPR principles. See Appendix N for the public safety telecommunicator stakeholder statement.

The Minnesota Association of County Probation Officers (MACPO), the Minnesota Corrections Association (MCA), the Minnesota Association of Professional Employees (MAPE), the International Brotherhood of Teamsters Local 320 (Teamsters Local 320), and the American Federation of State, County and Municipal Employees Council 5 (AFSCME Council 5) provided a handout highlighting their support for the proposal. They emphasize the employment conditions for probation officers and stress the importance of an earlier retirement age for purposes of recruitment and retention. See Appendix O for the handout from MACPO, MCA, MAPE, Teamsters Local 320, and AFSCME Council 5.

### **C. Employers**

The Association of Minnesota Counties (AMC) provided a statement outlining the Work Group's proposal and stating that it supports the Work Group's recommendations as outlined in AMC's

statement. AMC also stated that the “counties still have conflicting beliefs on whether there should be early retirement enhancements/benefits for these positions, but do agree that these positions are critical for the continuum of public safety.” See Appendix P for AMC’s statement.

The Minnesota Inter-County Association (MICA) provided a statement outlining the Work Group’s proposal and stating that it supports the Work Group’s recommendations as outlined in MICA’s statement. MICA also stated that it “sees this proposal specifically as the best version of this plan if and when the legislature considers early retirement for these employees.” See Appendix Q for MICA’s statement.

The League of Minnesota Cities (LMC) provided a position statement, stating that LMC is neutral on the Work Group’s recommendations. LMC stated that it “has not advocated for the creation of a new pension plan” nor has it “opposed the concept of its creation as long as other plans are held harmless.” See Appendix R for LMC’s position statement.

The Commissioners of Corrections and Public Safety provided a letter stating their positions regarding the Work Group’s recommendations. The Commissioners state that they “do not support employer contribution increases unless there is a corresponding legislative appropriation to fund those costs.” The Commissioners also outline their position on who should be included in the MSRS Probation and Telecommunicator Subplan. See Appendix S for the Commissioners’ letter.

## **SECTION 7: Implementation**

To establish the new MSRS subplan and PERA pension plan legislation is required. The Work Group recommends that the Commission adopt three draft bills and an appendix to the Standards for Actuarial Work, which will be separately provided:

**LCPR26-012**, which amends Chapters 352, 353, and 356 to incorporate references to the MSRS Probation and Telecommunicator Subplan and the PERA Probation and Telecommunicator Plan;

**LCPR26-013**, which amends Chapter 352 to add the MSRS Probation and Telecommunicator Subplan to the MSRS General Plan;

**LCPR26-017**, which adds new Chapter 353H to Minnesota Statutes; and

**Appendix C to the Standards for Actuarial Work**, which outlines the rules for calculating the amount of assets to transfer from the PERA General Plan to the PERA Probation and Telecommunicator Plan.