



SF 4373 (Frentz); HF xxxx: Amending salary definitions to exclude payments from the State for Minnesota Paid Leave

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Date: March 2, 2026

Introduction

- Affected Plans:** All pension plans administered by the Minnesota State Retirement System (MSRS), Public Employees Retirement Association (PERA), Teachers Retirement Association (TRA), and St. Paul Teachers' Retirement Fund Association (SPTRFA)
- Laws Amended:** Minnesota Statutes, sections [352.01](#), [353.01](#), [354.05](#), and [354A.011](#)
- Brief Description:** The bill amends the salary definition in the applicable statute governing each fund. The definitions are amended so that payments made to a member from the family and medical benefit insurance account for Minnesota Paid Leave (Paid Leave) would not be included in the member's salary for pension purposes.

Background

The Paid Leave program took effect on January 1, 2026. The program provides eligible individuals with job protection and payments from the state while on medical or family leave. Because a member of any of Minnesota's public pension plans could receive a payment from the Paid Leave program, the question arose about how that payment should be treated in the context of pensions. According to [section 268B.03, subdivision 2](#), the Paid Leave payments are not compensation from a member's employer, but are paid from assets administered by the state (specifically the Department of Employment and Economic Development) to which the employer has paid premiums. Specifically, section 268B.03, subdivision 2, states:

Benefits paid from state funds. Benefits are paid from state funds and are not considered paid from any special insurance plan, nor as paid by an employer. An application for family or medical leave benefits is not considered a claim against an employer but is considered a request for benefits from the family and medical benefit insurance account. The commissioner has the responsibility for the proper payment of benefits

Section 268B.03, subdivision 2, does not give the pension plans or employers much discretion as to how to treat the Paid Leave payments. Therefore, a bill was needed to clarify that payments made to a member from the state's family and medical benefit insurance account for Paid Leave would not be included in the member's salary for pension purposes. This is similar to the way workers' compensation payments are handled.

Section- by- Section Summary

Section 1: Revising MSRS “Salary” Definition

Section 1 amends section 352.01, subdivision 13, which is the definition of “salary.” Section 1 amends the definition to state that “salary” does not include “payments from the family and medical benefit insurance account for Minnesota paid leave under chapter 268B.”

Section 1 is effective retroactively from January 1, 2026.

Section 2: Revising PERA “Salary” Definition

Section 2 amends section 353.01, subdivision 10, which is the definition of “salary.” Section 2 strikes language in section 353.01, subdivision 10, paragraph (a), to simplify when compensation paid during an authorized leave of absence will be considered part of the member’s salary. Section 2 also removes a reference to section 353.86, which was repealed in 2024, from section 353.01, subdivision 10, paragraph (b), clause (11).

Additionally, section 2 amends section 353.01, subdivision 10, paragraph (b), clause (7), to state that “salary” does not mean “payments from the family and medical benefit insurance account for Minnesota paid leave under chapter 268B.”

The amendments to paragraph (a), clauses (4) and (5), and paragraph (b), clause (11), are effective July 1, 2026. The amendment to paragraph (b), clause (7), is effective retroactively from January 1, 2026.

Section 3: Revising TRA “Salary” Definition

Section 3 amends section 354.05, subdivision 35, which is the definition of “salary.” Section 3 amends the definition to state that “salary” does not mean “payments from the family and medical benefit insurance account for Minnesota paid leave under chapter 268B.”

Section 3 is effective retroactively from January 1, 2026.

Section 4: Revising SPTRFA “Salary; Covered Salary” Definition

Section 4 amends section 354A.011, subdivision 24, which is the definition of “salary; covered salary.” Section 4 amends the definition to state that “salary” or “covered salary” does not mean “payments from the family and medical benefit insurance account for Minnesota paid leave under chapter 268B.”

Section 4 is effective retroactively from January 1, 2026.