

# Legislative Commission on Pensions and Retirement

---

## SENATE MEMBERS

Senator Julie A. Rosen, Chair  
Senator Nick A. Frentz  
Senator Jeff R. Howe  
Senator John R. Jasinski  
Senator Sandra L. Pappas  
Senator Jason Rarick  
Senator David H. Senjem

## HOUSE MEMBERS

Representative Michael V. Nelson Vice Chair  
Representative Tim O'Driscoll, Secretary  
Representative Kaela Berg  
Representative Luke Frederick  
Representative Kaohly Her  
Representative Mary Murphy  
Representative Jordan Rasmusson

## COMMISSION STAFF

Susan Lenczewski, Executive Director  
Chad Burkitt, Analyst  
Lisa Diesslin, Commission Assistant  
Phone: 651-296-2750  
TDD: 651-296-9896  
Fax: 651-297-3697  
website: [www.lcpr.leg.mn](http://www.lcpr.leg.mn)

## Summary of Pension Legislation Passed During the 2021 Regular Legislative Session and Special Sessions

Prepared by: *Chad Burkitt*  
*Susan Lenczewski*

Date: *April 8, 2022*

### Introduction

This summary covers the actions relating to pensions and retirement by the Legislature and the Legislative Commission on Pensions and Retirement (LCPR or Commission) that occurred during the 2021 regular legislative session and subsequent special sessions occurring during the spring and summer of 2021. Most of the pension legislation enacted during the 2021 legislative session was enacted as part of the 2021 omnibus pension and retirement bill, which was passed as [Laws 2021, Chapter 22](#), and was signed by the governor on May 25, 2021.

This summary is divided into the following sections:

- I. [Session Overview](#) summarizes the work done by the LCPR.
- II. [Plan-Specific Provisions](#) summarizes pension legislation that relates to a specific plan or class of plans, such as volunteer firefighter relief association plans.
- III. [General Pension Provisions](#) summarizes legislation that applies to all or most public pension plans or the LCPR.
- IV. [Other Provisions](#) summarizes noteworthy legislation that is indirectly related to pensions and retirement topics.
- V. [Other Commission Action](#) summarizes non-legislative actions taken by the LCPR.

### I. Session Overview

#### Commission Meetings

The LCPR held its first meeting of the 2021-22 biennium on February 16, 2021, and held an additional five meetings throughout the session. The Commission considered 17 bills and recommended 13 for inclusion in the 2021 omnibus bill. The Commission also considered 8 informational items during its six meetings, including the Report on the LCPR Study of Postretirement Adjustments (COLAs).

Due to restrictions in place to combat the COVID-19 pandemic, all meetings of the LCPR were conducted remotely using video conferencing technology. Agendas, meeting minutes, and audio and video recordings of the meetings are available on the Commission's website.

## 2021 Omnibus Pension and Retirement Bill – Chapter 22; SF 1712

The 2021 omnibus pension and retirement bill was approved unanimously by the Commission on May 4, 2021. The bill proceeded through the Senate with one minor amendment made on the Senate floor, before the bill was passed. The House adopted and passed the Senate language. The bill was signed by the governor on May 25. A general summary, section-by-section summary, and list of source bills are available on the Commission's [website](#).

## II. Plan- Specific Provisions

### A. Plans Administered by the Minnesota State Retirement System (MSRS)

#### *General Employees Retirement Plan*

1. Increasing an individual's retirement benefit. This session law addresses an issue for an individual who retired in reliance on inaccurate estimates provided by MSRS. The provision increases the benefit from the MSRS General Plan to the amount that was indicated in the estimates prepared by MSRS. *Laws 2021, Ch. 22, Art. 8, Sec. 1. Source: SF950-Pappas, HF407-Nelson, M.*
2. Plan coverage for ombudsperson for family childcare providers and staff. A new statute (proposed coding: section 245.975) establishes an ombudsperson for family childcare providers. The new statute specifically provides that the ombudsperson and full-time staff are members of MSRS. *Laws 2021, 1st Special Session, Ch. 7, Art. 2, Sec. 3. Source: 1st SS, HF33-Liebling, SF37-Benson.*
3. Plan coverage for ombudsperson for American Indian families and staff. A new statute (proposed coding: section 3.9215) establishes the Office of the Ombudsperson for American Indian Families. The statute specifically provides that the ombudsperson and full-time staff are members of MSRS. *Laws 2021, 1st Special Session, Ch. 7, Art. 14, Sec. 1. Source: 1st SS, HF33-Liebling, SF37-Benson.*
4. Plan coverage for director and staff of Office for Missing and Murdered Indigenous Relatives. A new statute (proposed coding: section 299A.85) establishes the Office for Missing and Murdered Indigenous Relatives. The statute specifically provides that the director and full-time staff of the office are members of MSRS. *Laws 2021, 1st Special Session, Ch. 11, Art. 2, Sec. 15. Source: 1st SS, HF63-Mariani.*

#### *General Employees Retirement Plan and Correctional State Employees Retirement Plan*

1. Permitting an individual to transfer service credit from the General Plan to the Correctional Plan. This session law applies to an employee of the Department of Human Services who was mistakenly covered by the MSRS General Plan but should have been covered by the MSRS

Correctional Plan. It permits the employee to transfer past service credit from the MSRS General Plan to the MSRS Correctional Plan if the employee pays additional employee contributions. If the employee makes the payment, the Department of Human Services is required to contribute to the MSRS Correctional Plan the amount required to cover the additional liability attributable to the transfer of past service credit. *Laws 2021, Ch. 22, Art. 8, Sec. 2. Source: SF2098-Pratt, HF2188-Mortensen.*

### **General Employees Retirement Plan and Unclassified Employees Retirement Plan**

1. Compliance with federal law requiring plan eligibility for certain visa holders. Under Minnesota Statutes, Section 352.01, "state employees," as defined, are eligible for coverage by certain MSRS-administered plans, unless the individual is included in the list of "excluded employees." One group of excluded employees are foreign citizens, for their first three years of employment, who are employed under a work permit, H-1b visa, or J-1 visa, of less than three years. Federal law does not permit this three-year exclusion from participation for employees who are holders of an H-1B, H-1B1, or E-3 visa. Accordingly, the exclusion for foreign citizens is amended to not apply to these visa status holders, employees who are authorized to work in the U.S. for three years or more, and any other employee who is otherwise required to participate under federal law.

An uncoded session law allows foreign citizens who are currently employed or who terminated employment in the twelve-month period ending on May 26, 2021, to purchase service credit for any period of employment they were excluded under current law. If the "eligible person" or that person's employer pays MSRS the employee contributions missed during the excluded period of employment, MSRS is required to provide the service credit and the employer is required to pay the missed employer contributions plus interest on both the employee and employer contributions. *Laws 2021, Ch. 22, Art. 2, Sections 1 and 3. Source: SF1454-Pappas, HF1497-Feist.*

### **Unclassified Employees Retirement Plan**

1. Extending the use of pre-2017 annuity factors in calculating the annuity benefit for certain Unclassified Plan participants. The annuity factors were changed in 2017 to reflect changes to actuarial assumptions. However, because the pre-2017 factors provided a larger monthly benefit to Unclassified Plan participants than the factors approved in 2017, Section 352D.06, subdivision 1, was amended in 2017 to extend the application of the pre-2017 annuity factors until 2020 for employees who had attained at least age 63 or who had at least 26 years of service. In 2020, use of the factors was again extended until June 30, 2021. The statute was amended to extend until June 30, 2022, the use of the pre-2017 factors in calculating the annuity benefit for any Unclassified Plan participant who:
  - terminates employment on or after June 1, 2021, and before July 1, 2022;
  - is an employee of the House of Representatives, the Senate, or the Legislative Coordinating Commission; and
  - on June 30, 2020, was at least age 63 or had at least 26 years of covered service.*Laws 2021, Ch. 22 Art. 1, Sec. 1. Source: SF2405-Rosen, HF2514-O'Driscoll.*

### *Judges Retirement Plan*

1. Reducing the postretirement adjustment rate, or COLA. Section 356.415 was amended to reduce the COLA for members of the Judges Retirement Plan from the current rate of 1.75% per year to the new rate of 1.5% per year. The provision also removes automatic funding triggers that automatically increases the annual postretirement adjustment rate to 2% when the plan achieves a funded ratio of 70% in two consecutive years and to 2.5% when the plan achieves a funded ratio of 90% in two consecutive years. *Laws 2021, Ch. 22, Art. 1, Sec. 2. Source: SF1452-Frentz, HF1291-Murphy.*

## **B. Plans Administered by the Public Employees Retirement Association (PERA)**

### *General Employees Retirement Plan, Police and Fire Plan, and Local Government Correctional Service Plan.*

1. Clarifying plan eligibility for certain visa holders. Under Minnesota Statutes, Section 353.01, "public employees," as defined, are eligible for coverage by PERA-administered plans, unless the individual is included in the list of "excluded employees." As in the MSRS statute, "foreign citizens" are excluded for the first three years of employment, but PERA's exclusion contains exceptions that result in coverage immediately upon hire for employees of Hennepin County or Hennepin Healthcare Systems, employees legally authorized to work in the U.S. for three years or more, and employees otherwise required to participate under federal law. This provision amends the exception to clarify that H-1B, H-1B1, and E-3 status holders are included employees. *Laws 2021, Ch. 22, Art. 2, Sec. 2. Source: SF1454-Pappas, HF1497-Feist.*
2. Administrative changes. PERA proposed several administrative provisions that were considered by the LCPR and passed as part of the 2021 omnibus pension and retirement bill. The provisions included the following administrative changes:
  - Recodifying the coverage and purchasing rules for "periodic and repetitive leaves;"
  - Refining the definition of a "period of reduced salary" (usually a leave of absence) to allow school-employees to use a school year rather than a calendar year when determining timing requirements for purchasing service credit for a leave;
  - Extending the length of time after retiring that a member can purchase service credit for various types of leaves of absence from 30 days to six months;
  - Fixing an inconsistency in the treatment of PERA members retiring from positions covered by non-PERA plans under phased retirement agreements who are also eligible for a combined service annuity;
  - Reducing the interest rate on omitted employee contributions from 8% to 7.5%;
  - Clarifying that Rule of 90 early retirement is available to members of the Correctional and Police and Fire Plans;

- Permitting the PERA executive director to waive the requirement that disability benefit recipients annually complete an earnings report; and
- Clarifying the interest rates used to calculate interest on past contributions made in error.

*Laws 2021, Ch. 22, Art. 3, Sections 1-10. Source: SF1712-Rosen, HF1758-Nelson, M.*

3. Extending the period for purchasing service credit for a military service leave. Section 353.014 was amended to extend the period during which a member can pay to purchase service credit for a military leave. The shortest period allowed to purchase military leave service credit is extended from one year to three years from date of discharge and members who terminate service before making payment have six months instead of 30 days after terminating service to make payment. Source: *Laws 2021, Ch. 22, Art. 3, Sec. 3. Source: SF1993-Howe, HF2163-O'Driscoll.*

#### **Local Government Correctional Service Retirement Plan**

1. Technical correction. Section 353E.02 is amended to correct the misuse of the word "fund" by replacing it with the word "plan." *Laws 2021, Ch. 22, Art. 10, Sec. 1. Source: LCPR Amendment S1712-2A.*

#### **Defined Contribution Plan**

1. Administrative changes. Amendments to Section 353D.071 replace the definition of "required beginning date" with a reference to the definition of the phrase in Chapter 356 and references to "member" with "participant." *Laws 2021, Ch. 22, Art. 3, Sections 11-12. Source: SF1712-Rosen, HF1758-Nelson, M.*

#### **Statewide Volunteer Firefighter Plan**

1. Fire State Aid Allocation. A new statute (proposed coding: Section 477B.041) establishes a process to permit municipalities with both volunteer and career firefighters to submit to the PERA executive director an aid allocation plan that directs the executive director to deposit a portion of fire state aid with the municipality and credit the remainder to the account for the municipality's volunteer firefighter benefits under the Statewide Volunteer Firefighter Plan. The new statute limits the amount that can be allocated to the municipality, requires notice to the volunteer firefighters, and allows the volunteer firefighters to file a petition with PERA to stop the proposed allocation of fire state aid. *Laws 2021, Ch. 22, Art. 4. Source: SF2252-Howe, HF1107-Murphy.*

### **C. The St. Paul Teachers Retirement Fund Association**

1. Increase in employee contribution rate delayed by one year. Section 354A.12 was amended to delay the effective date of an increase in the employee contribution rate, from 7.5% to 7.75%, by one year so the increased rate takes effect on July 1, 2023, instead of on July 1, 2022, consistent with the effective date of an increase in the employee contribution rate for TRA. *Laws 2021, Ch. 22, Art. 5, Sec. 1. Source: SF1303-Pappas, HF1459-Nelson, M.*

2. Correcting error in 2018 pension bill. Section 354A.31 was amended retroactively to correct an error relating to early retirement factors, to provide for an age 59 "bend point" rather than an age 60 bend point. ("Bend point" is the dividing line between a 7% per year reduction and a 4% per year reduction for every year prior to normal retirement age a member begins to take an early retirement benefit.) A similar error in the 2018 pension bill for TRA's bend point was corrected in the 2020 omnibus pension bill. *Laws 2021, Ch. 22, Art. 5, Sec. 2. Source: SF1303-Pappas; HF1459-Nelson, M.*

#### D. Volunteer Firefighter Relief Associations

1. State Auditor Working Group - Administrative Changes. The state auditor's working group proposed several non-substantive amendments that were included in the 2021 omnibus pension bill. Non-substantive amendments included the insertion of a new definition for "municipal clerk", forfeiture of the account of a deceased firefighter before the end of the five-year waiting period, clarification regarding filing requirements for financial reports, and clarification regarding the fees a relief association may pay from the special fund. *Laws 2021, Ch. 22, Art. 6, Sec. 1-3, 5, and 8. Source: SF2056-Rosen; HF2145-Nelson, M.*
2. Combined service pensions. The law regarding combined service pensions was amended to have service credit from two or more relief associations combined for vesting purposes only for the pension benefit in the subsequent relief association and no longer for the pension benefit in the prior relief association. *Laws 2021, Ch. 22, Art. 6, Sec. 4. Source: SF2056-Rosen; HF2145-Nelson, M.*
3. Interest or additional investment performance. Clarifies language in the statute requiring the crediting of "interest or additional investment performance" to deferred member accounts in defined contribution relief associations. The provision also permits an amendment to the bylaws of a relief association relating to the crediting of interest and investment performance, if adopted by January 1, 2022, to apply to firefighters who separated from active service before January 1, 2021 (rather than having the bylaws in effect on the date the firefighter separated from active service apply, as under previous law). *Laws 2021, Ch. 22, Art. 6, Sec. 6. Source: SF2056-Rosen; HF2145-Nelson, M.*
4. Forfeiture of service credit. Permits relief associations to eliminate service credit from their books for former firefighters who leave active service before vesting in their pension benefit and do not return to active service within five years. *Laws 2021, Ch. 22, Art. 8, Sec. 6. Source: SF2056-Rosen; HF2145-Nelson, M.*
5. Ramsey; Nowthen. These provisions apply only to the cities of Ramsey and Nowthen and the Ramsey Relief Association. This topic was addressed during the 2020 legislative session and resulted in the enactment of a session law that provided for the transfer of retirement accounts from the Ramsey Relief Association to another relief association established by a fire department that would employ the firefighters assigned to the Nowthen fire station. Since then, circumstances have changed and Nowthen is in the process of forming a new fire

department and has decided to join the PERA Statewide Volunteer Firefighter Plan (PERA Statewide Plan). The provisions do the following:

- Requires the Ramsey Relief Association to give these firefighters twelve months of service credit for 2021, fully vest these firefighters in their retirement account in the Ramsey Relief Association, and authorizes the immediate distribution of these retirement accounts, if elected by the Nowthen firefighters;
- Modifies requirements for fire state aid so Nowthen will qualify for fire state aid payable in 2022;
- Modifies current law to permit the Nowthen fire department to join the PERA statewide Plan mid-year; and
- Repeals the 2020 session law on the same topic.

*Laws 2021, Ch. 22, Art. 8, Sec. 9-12. Source: SF2056-Rosen; HF2145-Nelson, M.*

6. Technical changes to Chapter 424B, Conversions and Dissolutions. Commission staff proposed an extensive set of technical changes to Chapter 424B, which governs the conversion or dissolutions of volunteer firefighter relief association plans. The proposed changes were included in the 2021 omnibus pension and retirement bill. A full description of the changes can be found in the section-by-section summary of the bill. *Laws 2021, Ch. 22, Art. 10, Sec. 6-33. Source: LCPR Amendment S1712-2A.*
7. Technical changes to Chapter 424A, governing VFRA's. Commission staff proposed four technical amendments to existing sections in 424A which were included in the 2021 omnibus pension and retirement bill. Those changes include the following. A full description of the changes can be found in the section-by-section summary of the bill. *Laws 2021, Ch. 22, Art. 10, Sec. 3-5, and 35. Source: LCPR Amendment S1712-2A.*
8. Work group to study supplemental state aid. Establishes a Supplemental State Aid Work Group to discuss and articulate options to the Commission on changing the method of allocating firefighter supplemental state aid provided under Minnesota Statutes, Section 423A.022. The work group is to be convened and chaired by the State Auditor. Members of the work group include:
  - representatives appointed by the league of Minnesota Cities, Minnesota Association of Townships, and the Minnesota State Fire Departments Association;
  - a representative of the State Fire Marshall Division of the Department of Public Safety;
  - a representative of the Department of Revenue; and
  - the executive director of PERA or the executive director's designee.

The work group must submit a report to the chair, vice chair, and executive director of the Commission by December 31, 2022. *Laws 2021, Ch. 22, Art. 9, Sec. 2. Source: LCPR Amendment S1712-7A; and LCPR Oral Amendment.*

### III. General Pension Provisions

1. Deadline for agency requests to LCPR staff to draft bill. Establishes two new sections in Chapter 356B to add a definitions section, as Section 356B.01, and, as Section 356B.02, a new deadline that applies only to the public pension funds and agencies, when they submit requests to the staff of the Commission to draft bills. The deadline is November 1, which is also the deadline for bill requests from agencies to the Revisor's office under Section 3C.0135. The deadline can be waived by the executive director. An amendment adopted by the Commission removes the State Auditor from the definition of "agency," so bill drafting requests from the State Auditor are not subject to a deadline.

The new sections replaced existing law, at Section 356B.05, that requires public pension funds and agencies to submit proposals for legislation by October 1. This statute was largely obsolete because it applied only to bills that address topics, such as purchases of past service credit, offsets from disability benefits, earnings by reemployed annuitants, and retroactive effect for retirement annuity applications, that are no longer necessary because of changes in applicable law. Article 6 also repeals Section 356B.05. *Laws 2021, Ch. 22, Art. 7, Sec. 1-4. Source: LCPR bill draft LCPR21-023.*

2. Working group to study 911 telecommunicators. Establishes a working group to study whether 911 telecommunicators should receive enhanced pension benefits and to recommend options to the Commission for providing enhanced benefits. The working group will be convened by the Commission's executive director. The work group must be comprised of at least 11 members. Members of the work group include:

- Representatives from MSRS, PERA, and several organizations representing local governments;
- 911 telecommunicators; and
- members of the PERA and MSRS correctional plans.

An amendment adopted on the Senate floor requires that the members of the PERA and MSRS correctional plan who will serve on the working group be designated by the governing boards of PERA and MSRS, respectively. An amendment adopted by the Commission requires the work group to report to the Commission by March 1, 2022, rather than January 15, 2022. *Laws 2021, Ch. 22, Art. 9, Sec. 1. SF2485-Bigham; Senate Floor Amendment scs1712a-1; and LCPR Oral Amendment.*

3. Required minimum distributions. Restates the Minnesota statute that provides for compliance with the federal law's "required beginning date." *Laws 2021, Ch. 22, Art. 10, Sec. 2. Source: LCPR Amendment S1712-2A.*



## IV. Other Provisions

1. Changes to public meeting laws. Chapter 13D, which governs public meetings by governmental entities was updated to permit governmental entities to meet through interactive technology. Section 13D.02, governing meetings by interactive TV, no longer applies to statewide public pension plans. *Laws 2021, Ch. 14, Sec. 4 and 5. Source: SF852-Jasinski, HF820-Koegel.*
2. Purpose statement for Legislative Coordinating Commission updated. The provision providing the legislative purpose for the Legislative Coordinating Commission (section 3.302) was updated to include “coordinating the activities of. . . the joint legislative commissions.” *Laws 2021, Ch. 31, Art. 1, Sec. 2. Source: SF1831-Kiffmeyer, HF1952-Nelson, M.*
3. Hometown Heroes Assistance Program. A new statute (proposed coding: section 299A.85) establishes the Hometown Heroes Assistance Program which:
  - Provides a one-time payment of up to \$20,000 to each firefighter who applies and is diagnosed with cancer or heart disease;
  - Provide up to five psychotherapy session per year to all firefighters in the state and additional sessions as needed; and
  - Provide at least 2 hours of annual training on cancer, heart disease emotional trauma as related to firefighters.

Firefighters eligible for the program include volunteer, part-time, or career firefighters. *Laws 2021, 1st Special Session, Ch. 11, Art. 2, Sec. 12. Source: 1st SS HF63-Mariani.*

4. Fire Protection Taxing Districts. Political subdivisions are permitted to establish special taxing districts for the purpose of providing fire protection. *Laws 2021, 1st Special Session, Ch. 14. Art. 6, Sec. 1. Source: 1st SS 26-Nelson, HF63-Marquart.*

## V. Other Commission Action

1. LCPR Study of Postretirement Adjustments (COLAs). Commission staff, with assistance from the staffs of the pension systems, performed research and analysis and prepared a written report that was delivered to Commission members during the interim before the start of the 2021 legislative session. The Commission considered the report and voted to submit the report to the legislature. A copy of the report was delivered to the Speaker of the House, the President of the Senate, and to the Legislative Reference Library. The Report satisfied the requirements of a session law included in the 2018 pension and retirement bill that the Commission conduct a study of COLAs and report its conclusions during the 2021 legislative session.
2. Approval of Appendix B to the Standards for Actuarial Work.

3. Approval of actuarial assumptions. The Commission approved actuarial assumptions for the:
  - MSRS Correctional Employees Retirement Plan;
  - MSRS Judges Plan;
  - MSRS Legislators Plan;
  - MSRS State Patrol Plan;
  - PERA Correctional Plan; and
  - PERA Police and Fire Plan.
4. PERA Police & Fire disability process. During the fall of 2020 and winter of 2021, PERA maintained a significant backlog of unprocessed applications for disability benefits from the PERA Police & Fire Plan. On February 23, 2021, the Commission held an informational hearing on the topic.
5. 1997 state aid to local governments. At its March 2<sup>nd</sup> meeting, the Commission approved inclusion of a bill to reinstated state aid to local governments (HF 1678-Youakim). The state aid, which was established in 1997, expired in 2020. The Commission Chair removed the provision from the 2021 omnibus pension and retirement bill before the bill was finalized by the Commission.

### Legislative Commission on Pensions and Retirement

55 State Office Building  
Phone: 651-296-2750

100 Rev. Dr. Martin Luther King Jr. Blvd.  
TDD: 651-296-9896; Fax: 651-297-3697

St. Paul, MN 55155-1201  
[www.lcpr.leg.mn](http://www.lcpr.leg.mn)