



Date: December 11, 2025
To: PERA Board of Trustees
From: Doug Anderson, Executive Director
Amy Streng, Policy Coordinator
Subject: 2026 PERA Legislative Agenda

The 2026 legislative session begins on February 17, 2026. In preparation for the 2026 session, staff have developed recommendations for PERA's legislative agenda. Staff anticipates bringing additional PERA initiatives focused on the PERA Statewide Volunteer Firefighter Plan administration in February.

Eligible Salary for Authorized Leaves of Absences

As the result of implementation of the new Minnesota Paid Leave law, PERA staff conducted a review of our authorized leaves and the impact of this new program.

Minnesota Paid Leave

Minn. Stat. 268.09 Subd. 6 (d)(3) addresses the impact of the paid leave law on pensions. Under this section, the employee cannot be penalized for vesting and eligibility purposes. PERA does not require an employee to be employed on a specific date to be credited with a year of service for vesting, contributions, or participation and PERA allocates service credit on a monthly basis. PERA grants service credit if the member earns PERA eligible salary in a month. We do not prorate service credit.

Since paid family and medical leave payments are provided by a third-party administrator, in this case the State, PERA is unable to collect contributions on these payments. Applying PERA's current statute, state paid family and medical leave program payments are not eligible salary for PERA contributions or service credit. Staff recommends clarifying this implementation in our statute.

Authorized Leave

Minnesota Paid Family and Medical leave interacts with PERA's current authorized leave statute which governs how much supplemental pay is eligible salary.

Employer-paid leave, including sick and vacation, used to supplement paid family and medical leave is eligible salary for PERA contributions and reporting provided the employee is on *medical leave* and the employer-paid leave represents **at least 50%** of the average earnings that the person had received during the first six-months immediately prior to the medical leave. If, however, the employee's medical leave paid time off is less than one-half of the average earnings the individual received in the six months of covered employment prior to the leave, then the pay is not eligible salary for pension purposes and may not be reported to PERA.

If the leave is not medical leave, the use of employer-paid leave, including sick and vacation, used to supplement paid family and medical leave is eligible salary if the amount represents **100%** of the average earnings.

PERA members may purchase salary and service credit lost during a period of authorized leave. For that process, the local government employers have to report all leaves that occurred in the prior calendar year by 1/31/20XX. For example, CY 2025 leaves must be reported by 1/31/2026. Then PERA generates a purchase estimate for the member. Member has until 12/31 of that year to make the purchase. Using same example, member purchase must be complete by 12/31/2026. School districts must report all leaves that occurred in the prior fiscal year by 7/31/XX. For example, FY 2026 leaves must be reported by 7/31/26 and members have until 6/30/2027 to purchase.

The different supplemental salary requirements for medical and non-medical leaves proves challenging for both the employer, member, and PERA. In reviewing the statute and our processes, PERA staff recommends a legislative change that would eliminate the different supplemental salary requirements.

The legislative change would allow any supplemental salary for any authorized leave to be considered eligible salary for PERA. This means that a member would receive service and salary credit based on the supplemental salary used during the authorized leave. The member maintains the option to purchase the leave to address any salary impact.

Staff Recommendation

PERA staff recommends that the PERA Board of Trustees direct staff to seek legislation modifying its eligible salary for authorized leaves.