



HF 4074 (Lillie): Minnesota State Retirement System 2026 Administrative Bill

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Introduction

Affected Plans: Pension and retirement plans administered by the Minnesota State Retirement System (MSRS):

- General State Employees Retirement Plan (General Plan)
- Correctional State Employees Retirement Plan (Correctional Plan)
- State Patrol Retirement Plan (State Patrol Plan)
- Judges Retirement Plan (Judges Plan)
- Legislators Retirement Plan (Legislators Plan)
- State Unclassified Employees Retirement Plan (Unclassified Plan)

Laws Amended: Minnesota Statutes, sections [352.021](#), [352.029](#), [352.115](#), [352.87](#), [352.905](#), [352.907](#)

Bill Status

HF4074 (Lillie) is the annual MSRS administrative bill, which makes administrative and technical changes to the statutes that govern the pension and retirement plans administered by MSRS. The bill, with its Senate companion, SF4276 (Frentz), was considered and approved by the Legislative Commission on Pensions and Retirement at its meeting on March 17, 2026.

Our understanding from Commission Chair Frentz and Vice Chair Lillie is that this bill is to serve as the vehicle bill for this year's omnibus pension bill. The delete-everything amendment that is the omnibus pension bill has not yet been approved by the Commission, but will be considered for approval by the Commission in the next couple weeks.

General Summary

The bill makes the following changes to current statutes:

- revises MSRS' coverage provisions to clarify that a state employee is covered by the General Plan unless the state employee is covered by the Correctional Plan;

- clarifies that correctional employees may elect to remain in the Correctional Plan while working for a labor organization;
- revises MSRS' annuity application procedures to conform to MSRS' current practice;
- removes the ability of a member to elect coverage by the Fire Marshal subplan and instead requires coverage of members first employed as a deputy state fire marshal, fire/arson investigator, after June 30, 2026; and
- clarifies that the Correctional Plan membership committee is not subject to the open meeting law of Chapter 13D and the agency appointment and registration requirements of sections 15.0597 and 15.0599.

The bill also includes a session law that allows current deputy fire marshals to elect coverage in the Fire Marshal subplan.

Section- by- Section Summary

Section 1: Clarifying coverage by the General Plan

Section 1 amends section 352.021, subdivision 2, which states, “[e]very person who becomes a state employee as defined in section 352.01 is covered by the general state employees retirement plan.” Section 1 clarifies that a state employee is covered by the General Plan unless the state employee is covered by the Correctional Plan under section 352.905. Section 1 also clarifies that salary deductions are credited to the state employee’s account in the fund of the plan that provides retirement coverage.

Sections 2–5: Clarifying coverage for employees of labor organizations

Current law addresses the treatment of members of the General Plan who take a leave of absence to work for a labor organization but fails to clearly address the treatment of members of the Correctional Plan who take a similar leave of absence. The law currently references the statute for the Correctional Plan contribution rates, but that is the extent the Correctional Plan is mentioned. The changes in these sections of the bill revise current law to treat Correctional Plan members the same as General Plan members.

Section 2 amends section 352.029, subdivision 1, to clarify that paragraph (a) allows state employees covered by the General Plan to elect coverage by the General Plan while on a leave of absence without pay to provide service as an employee or officer of a labor organization representing state employees. Section 2 also amends section 352.029, subdivision 1, by adding paragraph (b), which states that a state employee covered by the Correctional Plan who is on a leave of absence to provide service to a labor organization may elect to be covered by the Correctional Plan.

Section 3 amends section 352.029, subdivision 2, to reference both the General Plan and the Correctional Plan in describing the process to elect coverage by the applicable plan. Section 3 also makes technical changes.

Section 4 amends section 352.029, subdivision 2a, by inserting a reference to section 352.92, which is the section that sets out the required contributions, including the supplemental employer contributions, to the Correctional Plan. Section 4 also makes technical and conforming changes. Specifically, section 4 removes an unnecessary reference to section 352.75 and revises the subdivision to use language that is used throughout Chapter 352.

Section 5 amends section 352.029, subdivision 3, to reference both employees covered by the General Plan and employees covered by the Correctional Plan in describing the contributions required and who pays those contributions.

Section 6: Updating the annuity, refund, and benefit application procedure

Section 6 amends section 352.115, subdivision 7a, which describes the application procedure for a person applying for an annuity, refund, disability benefit, survivor benefit, death benefit, or other benefit. Members of General Plan, Correctional Plan, State Patrol Plan, Judges Plan, Legislators Plan, and Unclassified Plan must follow the application procedure in section 352.115, subdivision 7a. Section 6 updates the application procedure to state that filing an application is effective on the date an original application is received by MSRS, but to complete the application, supporting documents must be received by MSRS no later than 60 days after filing the application. Section 6 also makes technical changes.

Section 7: Technical changes to the accrual of annuity provision

Section 7 amends section 352.115, subdivision 8, by breaking up the large subdivision into four paragraphs. Section 7 also makes conforming changes to reflect the language used in section 352.115, subdivision 7a.

Section 8: Adding a reference in the annuities payable monthly provision

Section 8 amends section 352.115, subdivision 9, to include a reference to Chapter 356. Chapter 356 includes sections that may result in revocation of a benefit in certain circumstances.

Sections 9–10 and 14: Revising how eligible members become covered by the Fire Marshal Subplan

Section 9 amends section 352.87, subdivision 1, to revise how a deputy state fire marshal, fire/arson investigator, becomes covered by the Fire Marshal subplan. Instead of employees electing into the special coverage for deputy state fire marshals, the changes in this section will mean that fire marshals will be covered by the special coverage unless they elect not to be covered. Specifically:

- (1) a member first employed as a deputy state fire marshal, fire/arson investigator, before July 1, 2026, is only covered by the Fire Marshal Subplan if the member elected special benefit coverage under the laws in effect on the day the member was first employed as a deputy state fire marshal, fire/arson investigator; and

- (2) a member first employed as a deputy state fire marshal, fire/arson investigator, after June 30, 2026, is automatically covered by the Fire Marshal Subplan.

Section 9 also changes “general plan” to “general state employees retirement plan,” which is how the General Plan is referenced in Chapter 352. Additionally, section 9 divides section 352.87, subdivision 1, into two paragraphs.

Section 10 amends section 352.87, subdivision 2, by changing “general plan members” to “members of the general state employees retirement plan.”

Section 14 repeals section 352.87, subdivision 8, which sets out the provisions for electing coverage by the Fire Marshal Subplan and explains the salary deductions that must be made for the retroactive coverage by the Fire Marshal Subplan. Because section 9 removes the ability to elect coverage going forward since coverage will not be the default, section 352.87, subdivision 8, will not be applicable as of July 1, 2026.

Section 11: Clarifying coverage by the Correctional Plan

Section 11 amends section 352.905, by adding subdivision 8, which states, “[e]mployees who meet the coverage and election requirements of section 352.029 will continue to be covered by the correctional employees retirement plan.” Section 352.029 is the section that allows eligible members to elect to be covered by the General Plan or Correctional Plan, as applicable, while on a leave of absence to work for a labor organization. As noted above in the summary of sections 2-5, this corrects the omission of references to the Correctional Plan.

Section 12: Explaining the laws that are not applicable to the Correctional Plan Membership Committee

Section 12 amends section 352.907, which is a new provision enacted in 2025 to establish a committee to review changes to coverage by the Correctional Plan, such as adding new employment positions to the lists in section 352.905. Section 12 amends section 352.907 by adding new subdivision 7, which states, “[m]eetings of the correctional plan membership committee are not subject to chapter 13D.” Chapter 13D is the open meeting laws. Section 12 also states, “[t]he correctional plan membership committee is not an agency for the purposes of sections 15.0597 and 15.0599.” Sections 15.0597 and 15.0599 require agencies to report to the Secretary of State and follow certain appointment procedures.

Section 13: Allowing current Deputy State Fire Marshals to elect coverage by the Fire Marshal Subplan

Section 13 is a session law that consists of four subdivisions. This session law is “special legislation” to allow two deputy state fire marshals who missed making an election of the special coverage for deputy fire marshals to make the election.

Subdivision 1 defines “eligible employee” as “a member of the general state employees retirement plan of the Minnesota State Retirement System who began employment with the Department of Public

Safety, State Fire Marshal Division, as a deputy state fire marshal, fire/arson investigator, after July 31, 2021, and before October 5, 2022.”

Subdivision 2, paragraph (a), allows an eligible employee to elect to be covered by the Fire Marshal Subplan by filing a notice with the executive director of MSRS no later than 60 days after enactment. Subdivision 2, paragraph (b), states that the elections are irrevocable. Subdivision 2, paragraph (c), states that an eligible employee who makes an election is entitled to retirement or disability benefits as stated in section 352.87, and that the elected coverage is effective retroactively as of the first day of employment. Subdivision 2, paragraph (d), states that a failure to file a timely notice is a waiver of coverage by the Fire Marshal Subplan.

Subdivision 3, paragraph (a), requires the executive director of MSRS to calculate the following upon the request of the eligible employee or if the eligible employee files the notice electing coverage:

- (1) employee contributions that would have been deducted from the eligible employee's salary starting with the first day of covered employment but were not deducted because the eligible employee had not yet filed the notice electing coverage, plus interest at the applicable rate or rates specified in section 356.59, subdivision 2; and
- (2) employer contributions that would have been paid by the employer starting with the eligible employee's first day of covered employment but were not deducted because the eligible employee had not yet filed the notice electing coverage, plus interest at the applicable rate or rates specified in section 356.59, subdivision 2.

Subdivision 3, paragraph (b), requires the executive director to inform the eligible employee and the Department of Public Service of the amount of contributions no later than 30 days after receiving the request or the notice electing coverage.

Subdivision 4, paragraph (a), requires an eligible employee who elected coverage to pay the employee contributions and interest in a lump sum. The eligible employee's payment must be made within six months of filing the notice electing coverage or on the date the eligible employee terminates employment as a deputy state fire marshal, fire/arson investigator, whichever is earlier. Subdivision 4, paragraph (b), requires the Department of Public Safety to pay the employer contributions and interest within 30 days of the date on which the executive director certifies to the Department of Public Safety that the eligible employee made the payment required under subdivision 4, paragraph (a).

Section 15: Effective Date

Sections 1 to 14 are effective July 1, 2026.