

SMARTER PLANNING FOR MINNESOTA BUSINESSES

What Every Small Business Owner Needs To Know Heading Into 2026

7:30am – 7:50am

Arrival & Breakfast Networking

7:50am – 8:00am

Opening Remarks

8:00am – 9:30am

Panel Presentations

Optima | Minnesota Paid Family & Medical Leave

Spruce Valley Payroll (SVP) | Minnesota Earned Sick & Safe Time (ESST)

Human Interest | Minnesota Secure Choice Retirement Mandate

Seleskie Financial | Minnesota Secure Choice Retirement Mandate

AOIA | Strategic Financial Planning for Minnesota's Updated Business Regulations

9:30am – 9:50am

Panel Discussion and Q&A

9:50am – 10:00am

Final Thoughts & Post-Event Conversations



MN Paid Leave Mandate

Planning and Preparation



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with HR at its best.

Fractional HR Talent • HR Managed Service Outsourcing

Talent Solutions • HR Transformation • HR Tech Enablement

Background and Context

Historical Context:

- Minnesota's Parental Leave Act of 1987 provided up to six weeks of unpaid leave for new parents.
 - Extended to 12 weeks in 2014 under Women's Economic Security Act (WESA).
 - Further expanded in 2024.
- The federal Family and Medical Leave Act (FMLA) of 1993 offered 12 weeks of unpaid leave for certain family and medical reasons.

Recent Developments:

- In May 2023, Minnesota enacted the Paid Leave program to provide income replacement benefit, addressing gaps in existing unpaid leave policies.

Legislative Overview

Program Highlights:

- **Effective Date:** January 1, 2026.
- **Leave Types:**
 - Up to 12 weeks for personal medical leave.
 - Up to 12 weeks for family leave.
 - Maximum combined leave: 20 weeks per benefit year.
 - Benefit year under the state plan starts the first day of the leave and is measured forward.

Funding Mechanism:

- Initial payroll tax rate set at 0.88%, split between employers and employees.

What is covered

Medical Leave

Up to 12 weeks

Medical 

Leave to care for an individual's own serious medical condition.

Family Leave

Up to 12 weeks

Bonding 

Leave to bond with an individual's child during the first 12 months after the child's birth or after the placement of the child through adoption or foster care.

Caring 

Leave to care for a family member with a serious health condition.

Safety 

Leave because of domestic abuse, sexual assault, or stalking of the individual or individual's family member.

Active Duty 

Leave because a family member is on active duty or has been notified of an impending call or order to active duty in the Armed Forces.

Maximum of 20 weeks total leave in a benefit year.

Employer Responsibilities

Premium Contributions:

- Begin payroll deductions on January 1, 2026.
- Submit first premiums by April 30, 2026, covering Q1 2026 wages.

Wage Reporting:

- Quarterly wage detail reports due starting October 31, 2024.
- Employers not covered by Unemployment Insurance must create a “Paid Leave Only” account.
- Members of LLCs that own 25% or more of the company and who draw wages are required to report wages for the quarterly reporting.

Employee Notifications:

- Provide written notice to employees about Paid Leave rights and benefits by December 1, 2025.

Policy Updates:

- Review and update internal leave policies to align with Paid Leave requirements, ensuring no conflicts with existing benefits.

Benefits Overview

- **Self-Employed, Independent Contractors and Tribal Nations:** May opt into the program starting **July 1, 2025**, by paying the full premium.
- **Wage Replacement:** Benefits range from **55% to 90%** of the employee's average weekly wage, up to a maximum of **\$1,423 per week**.
 - Tied to Minnesota state average weekly wage (SAWW).
- **Tipped Workers:** Tips are used to calculate wage replacement benefit.
- **Taxation:** Benefits are considered taxable income under state and federal law.
- **Seasonal Employees:** Those employed for no more than 150 days in a consecutive 52-week period in the hospitality industry are not eligible.
- **Remote Workers:** Covered if they work at least **50%** of their time in Minnesota or reside in Minnesota without working 50% in any other single state.

Benefit Payment Calculation

- Benefit payments are based on the employee's average weekly wage (AWW) over the most recent 4 quarters of reported wages
 - The highest quarter is used to calculate the employee's AWW
- Different amounts of earnings are replaced at different percentage rates – based on the state's average weekly wage (SAWW) of \$1,423.00
 - For weekly wages between \$0 and \$711.50 (half of SAWW), payment is 90%
 - For weekly wages between \$711.50 and \$1,423.00 (the current SAWW), payment is 66%
 - For weekly wages above \$1,423.00, payment is 55%
- Weekly payments cannot exceed the state average weekly wage (SAWW), \$1,423.00
- This means no matter how much the employee earns the maximum weekly benefit stops at the state's average weekly wage of \$1,423.00
- A calculator is available [Payments and time off / Minnesota Paid Leave](#) to help employees estimate payment amounts

Example 1

Application Date: February 16, 2026

Hourly Wage: \$23/hour

Hours Worked: Variable, PT

Average Weekly Wage* Calculation:

Q1 2025 = \$494.50/week

Q2 2025 = \$523.25/week

Q3 2025 = \$580.75/week

Q4 2025 = \$414.00/week

Benefit calculated off the highest AWW

AWW Bucket Multiplier x Actual = Benefit

Above \$1,423	55%	\$0	\$0
Second \$711.50	66%	\$0	\$0
First \$711.50	90%	\$580.75	\$522.68

Total Weekly Benefit Amount = \$522.68

* SOURCE: UI Quarterly wage reporting -- total reported income divided by 13 weeks.

Example 2

Application Date: May 9, 2026

Hourly Wage: \$120,000/year + 1/1/26 COLA

Hours Worked: FT Salaried

Average Weekly Wage* Calculation:

Q2 2025 = \$2,307.69/week

Q3 2025 = \$2,307.69/week

Q4 2025 = \$2,307.69/week

Q1 2026 = \$2,403.85/week

Benefit calculated off the highest AWW

AWW Bucket Multiplier x Actual = Benefit

Above \$1,423	55%	\$980.85	\$539.47 \$313.06
Second \$711.50	66%	\$711.50	\$469.59
First \$711.50	90%	\$711.50	\$640.35

Total Weekly Benefit Amount = \$1,423.00

* SOURCE: UI Quarterly wage reporting -- total reported income divided by 13 weeks.

Funding

- **Premium Rate (2026):** Total of **0.88%** of employee wages up to Social Security cap
 - **Medical Leave:** 0.61%
 - **Family Leave:** 0.27%
- **Potential Increases:** Projections indicate that the rate may need to increase to **0.92%** in the second year to sustain the program.
- **Cost Sharing:** Employers must pay at least **50%** of the premium; the remaining can be deducted from employee wages (but resulting pay must be at or above minimum wage).
- **Small Employer Discount:** Employers with **30 or fewer employees** and average wages below 150% of the statewide average weekly wage may qualify for reduced premiums.

Complexities

- **Remote and Multi-State Workers:** Eligibility for Paid Leave benefits depends on the employee's work location. Employees working at least 50% of their time in Minnesota are covered or those who reside in Minnesota without working 50% in any other single state.
- **Scheduling and Documentation Challenges:** The Paid Leave program allows for intermittent leave, which can complicate scheduling and require meticulous tracking.
- **Operational Strain:** Implementing Paid Leave may require employers to adjust staffing models, especially in industries with tight labor markets, to manage employee absences and ensuring coverage.
- **Qualification Period:** For a continuous MN Paid Leave, the qualifying event must last 7 consecutive calendar days. Once met, benefits are retroactive to day 1. This does not apply to bonding leave, and the 7 days do not have to be consecutive for intermittent leaves.

Coordination of Benefits: Fed/State

Feature	MN Paid Leave	Federal FMLA
Paid or unpaid	Paid	Unpaid
Employer coverage threshold	All MN employers	50+ employees within 75 miles
Employee eligibility	Earned 5.3% of state average annual wage (≈\$3,900) in prior 4 quarters	12 months of service, 1,250 hours worked
Maximum duration per benefit year	Up to 12 weeks per type (capped at 20 weeks combined)	12 weeks total

Issues

Concurrency vs. Stacking:

- MN Paid Leave **can** run concurrently with FMLA if both apply, but it's not automatic. Employers must coordinate and **designate leave appropriately** to prevent stacking.
- Risk: If not properly designated, employees could use 12 weeks of Paid Leave and then request 12 more weeks of FMLA for the same event, **doubling the leave period**.

Job Protection:

- Paid Leave provides job protection if employed for at least 90 calendar days.
- A newly hired employee could qualify for Paid Leave benefits but **not** be protected from termination under Paid Leave unless also FMLA-eligible.

Administrative Burden:

- Employers will need **robust tracking systems** to manage leave types, ensure proper notice and designation, and avoid double-counting.

Coordination of Benefits: STD

STD and Paid Leave may both cover an employee's own serious health condition, leading to overlap.

- Paid Leave is **statutory, required**, and is the primary payer of benefits.
- STD is **voluntary** and plan-specific and will coordinate benefits based on the STD plan's payment.

Plan Design Conflicts: STD plans may:

- Have different waiting periods (e.g., 7 days).
- Offer different durations.
- Cover conditions not qualifying under Paid Leave (**e.g., cosmetic surgery**).

Employer Choices: Revise STD plans to coordinate with Paid Leave or limit STD offerings if Paid Leave offers sufficient income replacement.

Coordination of Benefits: PTO

- **Paid Leave is a separate benefit** and does not require employees to use up PTO before applying for state benefits.
- Employers **may allow** but **cannot require** employees to use PTO before or during Paid Leave leave.
- Employers may consider:
 - Offering “**top-off**” **options** allowing employees to use PTO to supplement Paid Leave if Paid Leave wage replacement is below 100%.
 - Structuring leave policies to **align eligibility and notice requirements** to avoid confusion and conflicts.

Coordination of Benefits: ESST

Feature	MN Paid Leave	MN ESST
Reason for leave	Serious health/family care, bonding, military, safety	Minor illness, safety, medical appointments
Duration	Up to 20 weeks combined	1 hour per 30 hours worked, up to 48 hours/year
Paid?	Yes (state wage replacement fund)	Yes (employer-paid)
Employer-funded?	Partially – through payroll tax	Yes

Issues

Concurrent Use:

- An employee cannot use ESST while receiving Paid Leave benefits for the same time period.
 - Qualification Period Issue

Sequential Use:

- Employees may use ESST to:
 - Cover the **qualification period** before Paid Leave benefits kick in (if applicable).
 - Handle **short-term absences** not qualifying for Paid Leave.
 - Supplement leave before or after Paid Leave usage.

Recommendation:

- Clarify in handbooks how ESST and Paid Leave relate.
- Train managers.

Employer Risks Without Coordination

Issue	Risk
Improper leave designation	Leave stacking (FMLA + Paid Leave separately)
Job protection misunderstandings	Unjustified terminations or HR disputes
Uncoordinated wage replacement	Overpayment or underpayment to employees
PTO policies not updated	Confusion, grievances, possible policy conflicts
Lack of manager training	Misstatements of rights, inconsistent treatment

Paid Leave Coordination

- In addition to required state and federal leaves, the employer may provide an STD benefit. STD may top up state paid leave, if available.
- The employee may choose to use PTO to top-up other paid benefits, up to 100% of their regular wages.

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Event	Dr. Apt		Recovery from Birth								Bonding Leave											
State Paid Leave	MN ESST		MN PL - Medical Leave								MN PL - Family Leave											
Utilization	8 of 48 hrs		8 of 12 weeks								12 of 12 weeks											
Weekly Benefit			(Pays first)								(Pays first)											
State Unpaid Leave			MN Parental Leave																			
Utilization			12 of 12 weeks																			
Weekly Benefit			Unpaid																			
Federal Unpaid Leave			FMLA																			
Utilization			12 of 12 weeks																			
Weekly Benefit			Unpaid																			
Company Leave			Short Term Disability																			
Utilization			8 of 12 weeks																			
Weekly Benefit			WP	(Supplements MN PL, if applicable)																		
Utilization			PTO Top-Up (optional)																			
Weekly Benefit			Employee may use any time available																			
			(Supplements MN PL and STD, if applicable)																			
Comments	MN PL is exhausted for the year as 20 combined weeks are used.																					

Penalties for Non-compliance Starting January 1, 2026

Infraction	Penalty
Failure to provide/post notices	\$50/employee (first) \$300/employee (subsequent)
Retaliation/interference with MNPL rights	\$1,000 - \$10,000 per violation Employee remedies (damages, liquidated, injunctive fees)
Misrepresentation/fraud/employer misconduct	\$500 or 50% of improper benefit amount, whichever is higher
Late wage reports	\$10/employee (min \$250) Doubles after 30 days
Recordkeeping/audit failure	\$500 (audit refusal) \$100 (failure to provide breakdown)
Missing/erroneous wage info	\$25 per partial/2% of wages if employee is missing
Private plan violations	\$1,000 (1st) \$2,000 (subsequent)
Late payment/premium non-compliance	Interest 1%/month Collection costs, etc.
Fraud/false statements	\$500 or 50% of overpaid benefits, whichever is greater

Key Actions Employers Need to Take

- Analyze plan options and decide program pathway
- Sort, rationalize and adapt leave policies
- Establish internal leave and state/carrier coordination processes
- Communicate to employees and train managers
- Identify a Paid Leave Administrator
- Setup payroll tracking and reconciliation processes

Key Dates

- Decide your plan choice by October 31, 2025
- Retaliation protections/Applications start November 1, 2025
- Private plan applications due November 10, 2025
- Post required notices by December 1, 2025
- Benefits and premium collections begin January 1, 2026
- First premium payments due April 30, 2026



Optima's Approach

Step 1. Analyze & Plan

- Readiness audit of policies, payroll/HRIS, carrier contracts
- Financial impact model and plan-type comparison
- Executive decision brief and timeline

Decision clarity in 3-4 weeks

Step 2. Integrate

- Detailed project plan tied to chosen path
- Vendor coordination, data gathering, tax set-up
- Draft policy language and employee comms

Systems, policies, and vendors aligned

Step 3. Activate

- End-to-end testing and go-live support
- Manager & employee training materials
- Year-one compliance checkpoints

Smooth launch and ongoing accuracy

We're here to help



<https://optimahr.co>

Contact Me:



steve@optimahr.net

- ESST recap
- PFML readiness (config only)
- Minimum Wage and Overtime
- MN Secure Choice
- Remote workers
- Savings ideas

* This is guidance, not legal or tax advice – please loop in your CPA, legal, or HR counsel. We'll help you configure systems, track, and capture savings.

**SMARTER PAYROLL & HR CONFIGURATION FOR 2025-26
(MN FOCUSED)**



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ESST (Earned Sick & Safe Time): Who's covered & the big picture (MN)

- **Effective:** Jan 1, 2024; applies to employees anticipated to work **≥80 hrs/yr in MN** (part-time/seasonal included).
- **Accrual:** **1 hr per 30 hrs worked** in MN; **up to at least 48 hrs/yr** (you may allow more).
- **Location matters:** **Only hours worked in Minnesota accrue ESST** (out-of-state hours don't). Track where work is performed (esp. remote/hybrid).

Note: If staff split time across states, configure timekeeping to capture location; audit exempt classifications—ESST accrues regardless of FLSA exemption status.

ESST Mechanics: Carryover, front-load, termination

- **Carryover:** Unused hours **must carry over** year-to-year **up to 80 hours**.
- **Front-load options:** You can front-load at the start of the plan year. Advantages include no carry-over and ease of tracking; disadvantages are immediate and full access to time off and payout is required at termination unless front-loading 80 hours (max accrual).
- **Termination: No payout required** at separation **unless** your PTO policy promises it or front-loaded at 48 vs. 80 hours. **Reinstate** ESST if rehired within **180 days** (unless you paid it out).
- **Important Note:** You DON'T need a separate policy for ESST if your current plan meets or exceeds the minimums established in the ESST regulations.

Note: Align handbook language (PTO/ESST) to avoid accidental payout obligations.

ESST Pay Rate, Documentation: what must be on pay statements

- **Pay rate:** Pay ESST at the **base rate** for the shift; **no OT premium** is required on ESST hours; tips/gratuities aren't owed.
- **Employee notice & records:** Provide the required ESST notice (in English + primary language). Keep records **3 years**.
- **Every pay period, show: (1) ESST available** and **(2) ESST used** that period (can be on the earnings statement or a system portal).
- **Local ordinances:** Bloomington/Minneapolis/St. Paul may require more; follow the **most protective** rule. As of now, the State mandate is the most protective.

Note: We can surface ESST balances on stubs and employee portals automatically.

MINIMUM WAGE: STATE VS. MINNEAPOLIS & SAINT PAUL

Jurisdiction	2025	2026	Notes
Minnesota (statewide)	\$11.13	\$11.41	One statewide rate; no tip credit .
Minneapolis (all sizes)	\$15.97 (1/1/25)	\$16.37 (1/1/26)	Same rate for all employers.
Saint Paul – Macro (10,001+) & City	\$15.97 (1/1/25)	\$16.37 (1/1/26)	Indexed thereafter.
Saint Paul – Large (101– 10,000)	\$15.97 (1/1/25)	\$16.37 (1/1/26)	
Saint Paul – Small (6–100)	\$15.00 (7/1/25)	\$16.37 (7/1/26)	
Saint Paul – Micro (≤5)	\$13.25 (7/1/25)	\$14.25 (7/1/26)	

Overtime: MN vs. FLSA (which standard applies?)

- **MN law:** OT after **48 hrs/week** at 1.5×.
- **Federal (FLSA):** OT after **40 hrs/week** for **covered** employers. **Most employers are covered** via enterprise ($\geq \$500k$ gross volume & interstate commerce) or individual coverage. Use the **stricter** standard—**practically 40 hours** for almost everyone.

Note: We'll set alerts for 40-hour thresholds and manage differentials/bonuses in the "regular rate." Review exemptions with counsel.

Work Breaks & Meals: new MN rules you'll get asked about

Rest breaks (from 1/1/26): At least **15 minutes** (or time to reach restroom, **whichever is longer**) **each 4 consecutive hours**.
Breaks **<20 min must be paid**.

Meal break (from 1/1/26): **30 minutes** when working **6+ consecutive hours** (unpaid only if fully relieved of duty).



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One Big Beautiful Bill (OBBB): What it really means for payroll

What it is (federal, 2025–2028):

Employees get a **federal income-tax deduction** for (a) **tips**, and (b) the **overtime premium only**—the “extra half” of time-and-a-half required by FLSA. Not the whole OT amount. **Annual cap:** up to **\$12,500** (single) / **\$25,000** (joint), with income phase-outs. Claimed on the **tax return**, not in payroll.

Why employees aren’t seeing it in paychecks (yet):

For **2025**, IRS says **no change to W-2 reporting or withholding tables**. Paychecks will look the same; workers see savings when they **file 2025 returns in 2026**—unless they **self-adjust** withholding. Social Security & Medicare **still apply to tips and OT**.

How employees can reflect it now (optional):

Use the **IRS Tax Withholding Estimator** and submit a new **Form W-4** to lower withholding (Step **4(b) Deductions**). Re-check quarterly to avoid under-withholding. We’ll provide links—but advise staff to **talk with their tax advisor**.

Plain-English example (for FAQs & huddles):

Base rate **\$20/hr**; 10 OT hours paid at **\$30/hr** → OT pay **\$300**. “Premium” portion is **\$100** (the extra 0.5×). **Only that \$100** is potentially deductible (subject to caps/phase-outs).

What employers should (and shouldn’t) change:

Don’t reprogram federal withholding or W-2s for 2025 because of OBBB. **Do:** keep tip reporting tight, educate managers on the OT “premium-only” rule, and post an employee FAQ with links to the IRS Estimator and W-4.

PFML (MN Paid Leave): What to configure now

- **Benefits start: Jan 1, 2026.**
- **If State Plan Adopted: Premiums are 0.88% of taxable wages** (employer pays $\geq 50\%$; employee up to 50% via deduction). **Premiums due starting Apr 30, 2026** for Q1 wages. **Wages subject to premium are capped at the federal Social Security (OASDI) wage base.**
- **If Privately Insured:** Must opt-out of State Plan with proof of coverage, rate will vary based on carrier's quote. You may still deduct .44% from employees.
- **If Self Insured:** Must opt-out plus plan must be approved by the State.
- **System checklist:** New deduction(s); employer share GL; wage-detail reporting via UI/Paid Leave account; OASDI wage-cap.

Note: We'll map earnings, apply the OASDI cap to PFML, and produce the combined UI/Paid Leave wage detail.

MN Secure Choice: (MN Retirement Plan Mandate)

- **Who's covered:** Employers **with 5+ employees** in MN **and no current plan** must facilitate auto-IRA enrollment (employees can opt out).
- **Timing:** Program expected to be **available Q1 2026**; phased onboarding by size (the state's current proposal groups employers by employee size)
- **Employer duties:** Enroll covered employees, **withhold & remit** payroll contributions, give required notices **30 days before** first deduction. Penalties for non-compliance may apply. **No employer contributions required; no fiduciary duty.**

Note: We'll add the deductions, default %, and provide remittance reports (or file) to employer or, if you prefer, recommend a 401(k) provider to satisfy the mandate.



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Remote & Multi-State Hiring: quick risk checklist

- **Income tax withholding:** Withhold where **work is physically performed**.
- **UI/PFML:** Typically, where work is performed (PFML is mandatory even for groups traditionally outside MN UI).
- **Local wage/leave laws:** City rules (e.g., MPLS/STP) can exceed state—apply most protective.

Note: It's important to track where work is performed, pay attention to State-by-State laws regarding transient workers that cross State lines, make sure to discuss tax nexus with your CPA or tax advisor.

Practical Ways to Save (without cutting corners)

- **Pre-tax benefits:** Cafeteria plan (Section 125), HSA/FSA, ICHRA – all reduce taxable wages. (Coordinate with your broker.)
- **Scheduling & timekeeping:** Tighten schedules to reduce OT; implement **Time and Attendance** with manager alerts for missed punches and early / late in-outs.
- **Wage configuration:** Use differential/incentive-based pay instead of ad-hoc bonuses to control regular-rate inflation; deploy job/departments costing to find leakage.
- **Retirement plan credits:** If you start a plan (instead of MN Secure Choice), federal startup and auto-enroll credits may offset admin costs—review with your 401K broker / administrator.
- **PFML:** Make sure not to include non-taxable/above-cap (OASDI) wages so you don't over-remit.

Note: Our team will make sure your plans are set up properly so you realize the savings.

How our systems help

- **ESST:** balances on stubs/portal; carryover logic to **80 hrs**; front-load option sets; documentation workflows.
- **Wage & Hour:** location-aware minimum wage tables for **MN/MPLS/STP**; OT calculators aligned to **40 hrs** by default.
- **PFML:** deductions/employer match; OASDI-cap tracking; quarterly wage-detail exports.
- **Secure Choice:** auto-401K/IRA deductions, default %, opt-outs, file remittance.
- **Remote:** state tax profiles, multi-state UI/PFML mapping.

What to Do this Month: simple 6-point checklist

- **ESST Policy Tune-Up:** carryover, payout language, pay-stub display.
- **Update Wage Tables** for 2025–26 (MN + MPLS/STP) and set location rules.
- **Set OT logic to 40 hours** unless counsel confirms FLSA non-coverage.
- **PFML Config:** method determined; set employee deductions, verify OASDI wage cap, GL mapping; verify your UI/Paid Leave account access.
- **Secure Choice:** choose state auto-IRA or adopt a 401K/IRA plan; line up payroll deductions/notices.
- **Remote Employees:** confirm UI/PFML status; if multi-state and transient workforce: geofence time punches.



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Quick Reference

MN ESST overview/FAQs & employer obligations:

- <https://www.dli.mn.gov/sick-leave>
- <https://dli.mn.gov/sick-leave-FAQs>

ESST carryover (80 hrs) & termination payout:

- <https://dli.mn.gov/sick-leave-FAQs>

MN minimum wage 2025–26; Minneapolis; Saint Paul tables:

- <https://www.dli.mn.gov/minwage>
- <https://minimumwage.minneapolismn.gov/>
- <https://www.stpaul.gov/departments/human-rights-equal-economic-opportunity/labor-standards-enforcement-and-education/minimum-wage>

Overtime (MN 48 vs FLSA 40 & coverage):

- <https://www.dli.mn.gov/business/employment-practices/hours-faqs>
- <https://www.dol.gov/agencies/whd/fact-sheets/23-flsa-overtime-pay>
- <https://www.dol.gov/agencies/whd/fact-sheets/14-flsa-coverage>

Rest/meal breaks (effective 1/1/26):

- https://www.dli.mn.gov/sites/default/files/pdf/law_update_webinar_0725.pdf

PFML premium, due dates, OASDI cap on taxable wages:

- <https://mn.gov/deed/paidleave/employers/premiums/>
- <https://mn.gov/deed/paidleave/employers/faq/>
- <https://www.revisor.mn.gov/statutes/cite/268B/full>

MN Secure Choice statute & timeline:

- <https://www.revisor.mn.gov/statutes/cite/187/full>
- <https://securechoice.mn.gov/>

Reciprocity (MI/ND) + Form MWR:

- <https://www.revenue.state.mn.us/reciprocity>
- https://www.revenue.state.mn.us/sites/default/files/2024-12/mwr-25_0.pdf

Let's Talk

We'll partner with your trusted advisors to set up policies; **we'll handle the build** (payroll/HRMS/time), reporting, and change management—so you stay compliant and uncover savings.

Bob Willbanks

Mobile: (612) 298-1176

bob@svpayroll.com

Schedule a Meeting:

www.Calendly.com/bob-svpayroll



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We Bring Peace of Mind to Payroll

Retirement Legislation: Minnesota State Mandate

September 2025

A large, solid teal semi-circle graphic located on the right side of the slide, partially cut off by the edge.

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Thanks for having me!



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Agenda

- The current state of retirement
- The growth of retirement legislation
- Minnesota Secure Choice Retirement Program details
- Questions to ask when evaluating retirement plans
- Q&A

Retirement
landscape

The current state of retirement

HOW BIG IS “THE GAP”?¹

\$28,000,000,000

As of 2015

\$137,000,000,000

By 2050

¹ World Economic Forum (2017), [“We’ll Live to 100 – How Can We Afford It?”](#)

Retirement today

1 in 4

\$1,000

77%

One in four U.S. adults have **no retirement savings**.¹

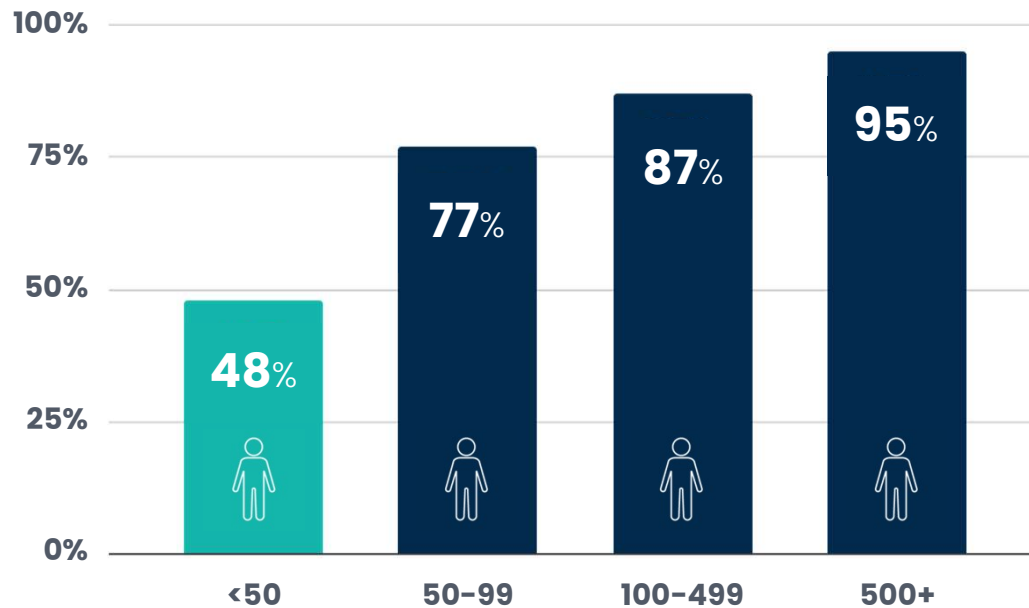
It is estimated that the median retirement savings account of \$120,000 for those approaching retirement age (55 to 64) will likely provide less than \$1,000 per month over a 15-year retirement span.²

Percentage of working Americans that are NOT on track to have sufficient savings by age 67.³

²PwC "Retirement in America: Time to rethink and retool" 2021

³Economic Well-Being of U.S. Households in 2021

It's hard to save when you don't have a retirement plan.



**Plan access by
company size**

⁴ Source: [Center for Retirement Research; Boston College](#)

57M People

Nearly half of all employees do not have access to an employer-provided pension or retirement savings plan.⁵

⁵ Source: [AARP](#). July 2022.



Legislation

The growth of the retirement legislation

What does SECURE Act 2.0 mean **for retirement plans?**

- **Encourages employees to participate**
- **Doubles tax credits** for new plans for companies with fewer than 50 employees
- **Replace** SIMPLE IRA with a Safe Harbor 401(k) mid-year
- **Added new credits for employer contributions** (based on %)
- **Auto-enroll & auto-escalation will be required** for all plans starting in plan year 2025⁶

⁶ Only those with an effective date after 12/29/2022



Expanded SECURE 2.0 Act small business tax incentives

The Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 was signed into law on December 29, 2022, allowing more tax incentives for eligible employers:¹

1

Doubles tax credits for new plans

Businesses with up to 50 employees may be eligible for a tax credit to cover 100% of plan start-up costs (up from 50%), capped annually at \$5,500/employer for three years (a total of \$16,500).

2

Adds new credits for employer contributions

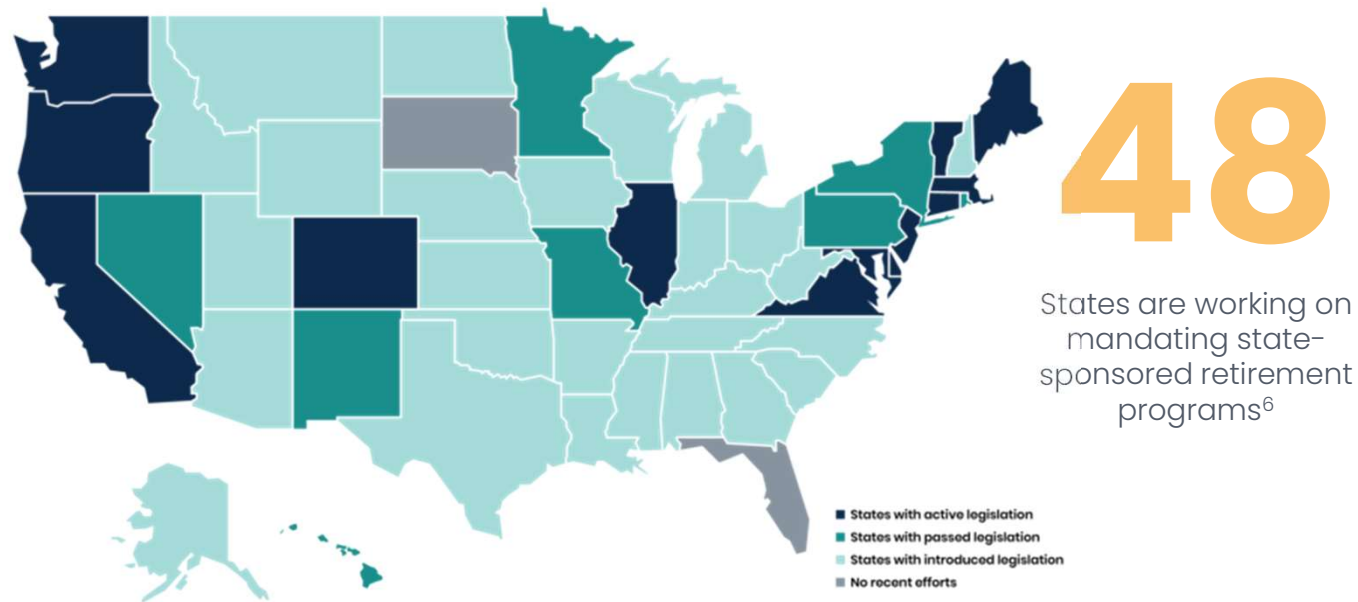
Small businesses with up to 50 employees will receive a new tax credit based on a percentage of employer contributions, up to \$1,000/employee for those making less than \$100,000.



¹ [Retirement Plans Startup Costs Tax Credit](#)

State legislation spreading across the country

Over 20 states and two cities have already passed legislation. **13 states** have active programs where **employers may be subject to penalties** for noncompliance.⁶



48

States are working on mandating state-sponsored retirement programs⁶



Scan the QR code to visit
**Human Interest's retirement
legislation hub** and stay up to
date on each state's mandate

⁶ [What is a state-sponsored retirement plan?](#) Human Interest. As of February 1, 2025. Subject to change.

Future legislation changes

How do state-mandated retirement plans work?

While these plans are commonly thought of as 401(k)s, this isn't necessarily true. The majority of state-sponsored plans are auto IRAs, which have a different set of factors to compare from a competitor offering a 401(k):

- 401(k)s can be pre or post tax, while Roth IRAs are always post-tax
- 401(k)s have a higher annual contribution limit compared to IRAs
- In 2025, 401(k) contribution limits are \$23,500 (\$31,000 for those older than 50, and \$34,750 for 60-63 year olds); while IRA contribution levels are \$7,000 (\$8,000 for those older than 50).⁷

⁷ Source: <https://www.irs.gov/newsroom/irs-announces-401k-limit-increases-to-20500>

Future legislation changes

Comparison of a state mandated plan versus a 401(k)

	CalSavers (Roth IRA)	Human Interest 401(k)
Pre- / Post-Tax	Post-tax (you pay taxes today)	You choose! We offer traditional 401(k) and Roth options so you can pick pre- or post-tax contributions
Max Contribution	\$7,000 - if under the age of 50 \$8,000 - if 50 and older	\$23,500 - if under the age of 50 \$31,000 - if 50 and older \$34,750 - if aged 60-63
Employee Fees	0.825%-0.95%	0.05% HII custody fee ⁷ 0.01% HIA Advisory fee ⁷ .006-.007% average fund fee ⁸
Payroll Integration	None	Integration with 500+ payroll partners ⁸
Ongoing Employer Responsibilities	- Update contribution amounts for every change (contribution rate or opt-out) - File contributions every pay period and process contributions - Employee census: add new hires and terminate old employees	Our “no-touch” integration with 500+ payroll partners⁷ means we help with ongoing responsibilities: - Payroll changes sync seamlessly - Managing required plan documents

⁷ Asset fees are deducted monthly from the employee's account according to humaninterest.com/terms-of-service and humaninterest.com/hia/terms-of-service. All prices are exclusive of applicable taxes. If the plan sponsor elects to hire an external investment advisor, the plan sponsor will pay such advisor as agreed between the plan sponsor and advisor. Average fund fees as of 6/30/24. Asset-weighted average of mutual fund monthly net operating expenses (“expense ratio”) for all plan participants invested in Human Interest Advisors’ Model Portfolios (“Models”). Provided for illustrative purposes only. Actual, average fund expenses a participant experiences vary based on the specific Model selected, allocation changes to Models, whether participants opt out of Models and choose their own investments and allocations, or allocation drift, especially in volatile markets. Model allocations and underlying mutual fund expenses are subject to change. Before investing, carefully review the fund's prospectus, which includes, among other things, a description of fees and expenses a fund will charge.

⁸ As of 10/1/24. Asset-weighted average of mutual fund monthly net operating expenses (“expense ratio”) for all plan participants invested in Human Interest Advisors’ Model Portfolios (“Models”). Provided for illustrative purposes only. Actual, average fund expenses a participant experiences vary based on the specific Model selected, allocation changes to Models, whether participants opt out of Models and choose their own investments and allocations, or allocation drift, especially in volatile markets. Model allocations and underlying mutual fund expenses are subject to change. Before investing, carefully review the fund's prospectus, which includes, among other things, a description of fees and expenses a fund will charge.

But I can ignore it, right?⁸

Illinois

\$250 penalty per eligible employee for the first calendar year the employer is noncompliant.

\$500 penalty per eligible employee if found noncompliant in subsequent years. Noncompliance does not need to be consecutive.⁸

Notice of noncompliance:

- 120 days to comply
- Employees are an average count from state payroll tax forms
- If you don't pay, your bank account can be levied

⁸ (820 ILCS 80/) Illinois Secure Choice Savings Program Act. Subject to change

⁹ The Illinois state mandate penalty letter originated from a prospective client in 2023 and may not reflect the most current penalty letter information.

Notice of Proposed Assessment



We have received notice that you are not compliant with the Illinois Secure Choice Savings Program Act.

As you have been previously notified, under the Illinois Secure Choice Savings Program Act, 820 ILCS 80/ ("Act"), businesses with at least 5 Illinois employees, that have been in business for two or more years, and that do not offer a qualified retirement plan must either begin offering a qualified plan or automatically enroll their employees into the Illinois Secure Choice Savings Program ("Program").

Our records indicate that calendar year ending December 31, 2021, is your first year of noncompliance since penalty action has started, which has resulted in a Tier 1 \$250 penalty per employee. We have reviewed your self-reported employee figures for calendar year ending December 31, 2021 and determined that you had an average of 50 employees, which meets or exceeds the applicable employee threshold of 25 that was in effect during the calendar year. The total assessment for this is \$12,500.00. Please note that paying this assessment will not bring you into compliance with the Act. Please follow the instructions below to register for (or report your exemption from) the Program to prevent future penalties.

If you do not agree with this employee count, please review your Illinois Withholding Income Tax Account for the year in question. The total employee count is determined using the annual average from employer-reported quarterly data. Specifically, the employee count is determined by averaging the total number of employees showing tax withheld on the Schedule P, Illinois Withholding Payroll Schedule, from all four quarters of the calendar year in question. If the employee count is incorrect, you will need to amend your IL-941 return for any period in which the employee count is incorrect. The fastest way to amend your IL-941 return is to submit an IL-941-X electronically via MyTax Illinois.

If you have already filed an amended IL-941 return or believe there is a data reporting error, please call the Department at 1 800 732-8866. You may also email us at REV.TA-BIT-WIT@Illinois.gov.

If you agree with the proposed assessment, we encourage you to use MyTax Illinois at mytax.Illinois.gov or the voucher on the enclosed Taxpayer Statement to make your payment.

You may request an administrative hearing by following the instructions on the protest rights page.

If you have not registered, and are not facilitating the program, then you must either report your exemption, request an administrative hearing, or pay the assessment in full by July 5, 2023. Any balance due may be subject to collection action, such as levying your wages and/or bank accounts, the filing of a lien, or other action.

Note: If you are under bankruptcy protection, see the "Bankruptcy Information" section on the following pages of this notice for additional information and instructions.

	Liability	Payments	Unpaid Balance
Penalty	\$12,500.00	\$0.00	\$12,500.00
Assessment Total	\$12,500.00	\$0.00	\$12,500.00

You can avoid paying the assessed penalty by coming into compliance with the Act on or before July 5, 2023. Visit employer.itssecurechoice.com and use the "access code" identified at the top right of this letter to start the registration process. If you already offer a qualified retirement plan to your employees, you can report your exemption from the Program by visiting employer.itssecurechoice.com/exempt. For more information about the Program, you can call the Program's Client Services team at 855-536-5379 between 8:00 a.m. and 6:00 p.m. CST, Monday through Friday, or email clientservices@itssecurechoice.com.

IDOR-2P-NF (11-22-23)

P-001448

Plan Details

Minnesota Secure Choice Retirement Program

Understanding Minnesota Secure Choice Retirement Program

Program details¹⁰

The program is expected to be available between January 1 – March 30, 2026:

- 100+ Employees – **First 6 months – 5,500 ER**
- 50–99 Employees – **7 – 12 months – 2,861 ER**
- 25–49 Employees – **3 – 18 months – 5,677 ER**
- 10–24 Employees – **19 – 24 months – 14,962 ER**
- 5–9 Employees – **25 – 30 months – 19,000 ER**
- **Eligible employees**
 - Employees are automatically enrolled in an **IRA** with a default 5% payroll contribution, with a yearly auto-escalation of 1% until they reach 8%.
 - Employees may opt-out if they do not wish to contribute.
- **Employers** that meet the following criteria must offer a qualified plan:
 - Has 5+ employees.
 - Does not offer a qualified savings plan – like a 401(k), 457(b), SEP-IRA, or Simple IRA



¹⁰ [Minnesota Secure Choice Retirement Program](#). Mn.gov. July 2025.

Understanding Minnesota Secure Choice Retirement Program

Minnesota Secure Choice Retirement Program administrative responsibilities⁷

Task	Cadence
Changes to contribution amounts	Every time
Updating an opted-out employee	Every time
File contributions and send file listings	Every pay period, must be sent within 7 days of payroll
Debit company's bank account	Every pay period
Add or remove employees to census	Each new eligible or terminated employee



“

We can help customers
save a significant **75+ hours**
annually across 401(k)
administration and payroll
processing, which can
equal **\$7,500 in savings.**¹

— Human Interest

”

¹ Human Interest internal data as of February 28, 2024.
Calculations are based on customer information, including
75 hours of 401(k) administration management per year
and one hour of payroll management per pay cycle at a
\$100 per hour rate. Actual cost savings may differ.

For more details and to keep up to date:



Scan the QR code to visit
Human Interest's retirement
legislation hub and stay up to
date on each state's mandate

Retirement plans

Questions to ask when evaluating plans

Questions to ask when evaluating plans

1. What retirement plans will keep my business in **compliance**?
2. How do the **annual contribution limits** differ for each plan?
3. Will there be **employer and/or employee fees** for my chosen plan?
4. Can I **integrate my plan** with my existing payroll provider?
5. How much **administrative work** am I willing to take on?

Q+A

Thank you

For more information, please contact shelbi.larsen@humaninterest.com

Understanding Minnesota Secure Choice and SECURE 2.0 Retirement Changes

Joel Seleskie, Private Wealth Advisor & Founder
Tony Zodrow, Retirement Planning Specialist
September 2025

Agenda

- 1 Overview of Minnesota Secure Choice Retirement Program
- 2 Key Features and Requirements
- 3 SECURE 2.0 Act Key Changes
- 4 Implications for Employers and Employees
- 5 Next Steps and Resources

Overview of Minnesota Secure Choice Retirement Program

What is Minnesota Secure Choice?

State-sponsored
retirement savings
program, signed into law
May 2023 (HF 782)

Targets ~718,000
private-sector workers
without employer-
sponsored plans

Mandatory for
employers with 5+
employees who don't
offer a qualified plan

Administered by a
7-member board,
overseen by the MN State
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Secure Choice Tax Credits

If you have **50 or fewer employees** who received at least \$5,000, **the credit is 100%** of eligible startup costs, up to the greater of:

\$500

OR

The lesser of:

- \$250 multiplied by the number of NHCEs who are eligible to participate in the plan
- **OR**
- \$5,000

If you have **51-100 employees** who received at least \$5,000, **the credit is 50%** of your eligible startup costs, up to the greater of:

\$500

OR

The lesser of:

- \$250 multiplied by the number of NHCEs who are eligible to participate in the plan
- **OR**
- \$5,000

Eligible Start Up Costs Include | Set up, Administration & Education

Tax Credit for Plan Contributions

The tax credit is not available for contributions to employees earning more than \$100,000

For employers with 1-50 employees, the tax credit available for each participant is:

- 1st plan year | 100% of contribution, up to \$1,000
- 2nd plan year | 100% of contribution, up to \$1,000
- 3rd plan year | 75% of contribution, up to \$1,000
- 4th plan year | 50% of contribution, up to \$1,000
- 5th plan year | 25% of contribution, up to \$1,000

For employers with 51-100 employees, the tax credit available for each participant is:

- 1st plan year | 100% minus 2% for each employee exceeding 50 limit
- 2nd plan year | 100% minus 2% for each employee exceeding 50 limit
- 3rd plan year | 75% minus 2% for each employee exceeding 50 limit
- 4th plan year | 50% minus 2% for each employee exceeding 50 limit
- 5th plan year | 25% minus 2% for each employee exceeding 50 limit

Auto Enrollment Tax Credit

An eligible employer that adds an auto-enrollment feature to their plan can claim a **tax credit of \$500 per year for a 3-year taxable period** beginning with the first taxable year the employer includes the auto-enrollment feature.

This tax credit is available for **new or existing plans** that adopt an eligible auto-enrollment plan.

Key Features & Requirements

Key Features of Minnesota Secure Choice

Automatic Enrollment Employees auto-enrolled but can opt out	IRA Accounts Default is Roth IRA; traditional IRA option available	Payroll Deductions Employers deduct and remit contributions
Employee Control Employees set contribution rates or opt out annually	Investment Options Diversified funds (e.g., target date, balanced, capital preservation)	Portability Accounts tied to individuals, not employers

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Employer Requirements

Who Must Participate

Private employers with 5+ employees, no existing retirement plan

Exemptions: Employers with 401(k), 403(b), SIMPLE, and SEPs

Duties

1. Enroll employees
2. Deduct & remit contributions
3. Provide program info 30 days before first deduction

Timeline & Penalties

Timeline

Program Launch: Q1 2026

Not January 2025, despite misinformation

Phased rollout over 2 years

Penalties

Written warnings for first year of noncompliance

Fines TBD

SECURE 2.0 Act

Enhancing Retirement Savings

Enacted December 2022 – effective with phased changes through 2027

Aims to increase retirement plan access & savings

Key Provisions relevant to MN employers/employees:

- Catch-up Contributions
- Auto-Enrollment
- Part-Time Worker Access
- Saver's Match
- Student Loans
- Required Minimum Distributions (RMD)

SECURE 2.0 Key Changes

92 Changes Overall

SECURE 2.0 Key Changes

Catch-Up Contributions (2025)

Ages 60–63

Greater of \$10,000 or 150% of standard catch-up (\$11,250 in 2025)

Ages 50+

\$7,500 standard catch-up

High earners (>\$145,000)

Roth IRA for catch-ups (2026)

Auto-Enrollment (2025)

Employers must auto-enroll employees in 401(k)/403(b) plans if they have 10+ employees or have been in business for 3+ years - *already established organizations excluded*

3% min to 10% max with 1% yearly increases required

Employees are allowed to opt-out at any time

Part-Time Worker Access

Reduced eligibility to 2 years of 500+ hours (vs. 3 years)

No employer match required

SECURE 2.0 Key Changes

Saver's Match (2027)

50% match on contributions up to \$2,000 for low/ middle-income workers

Deposited directly into retirement accounts

Student Loans

Employers are allowed to treat qualified student loan payments as elective deferrals for the purpose of receiving a 401(k) match

This means employees can make student loan payments and still receive employer contributions to their retirement accounts, even if they can't contribute directly to the 401(k) themselves

Required Minimum Distributions (RMD)

For participants born on or before July 1, 1949, the RMD start date is based on when they reach age 70.5

Taxpayers with birthdays after July 1, 1949, are subject to the new rules and have an RMD start date based on when they reach age 72

Secure Choice vs. SECURE 2.0

Minnesota Secure Choice

- State-specific, mandatory for certain employers
- Focus - Workers without employer plans
- Simple IRA-based solution

SECURE 2.0

- Federal, applies to all qualified plans
- Enhances existing plans (401(k), 403(b))
- Broadens access and incentives

Synergy | Both promote auto-enrollment and savings access

Implications for Employees & Employers

What Employers Need to Know

Secure Choice

- Compliance | Register by Q1 2026 or certify exemption
- Minimal cost | No employer contributions required
- Administrative tasks | Payroll setup, employee notifications

SECURE 2.0

- Update existing plans for auto-enrollment (2025)
- Consider tax credits for small business plan startup
- Educate employees on new catch-up and Saver's Match options

Options | Offer private 401(k)/403(b) or join Secure Choice

Benefits for Employees

Secure Choice

- Easy savings via payroll deductions
- Portable IRAs, employee-directed investments
- Opt-out flexibility

SECURE 2.0

- Higher catch-up contributions for ages 60 - 63
- Saver's Match for low/middle-income workers (2027)
- Better access for part-time workers

Impact | Increased retirement security, especially for underserved groups

Preparing for 2026 & Beyond

Employers

- Monitor Secure Choice board updates (mn.gov/scrb)
- Evaluate private plan options vs. Secure Choice
- Prepare payroll systems for deductions

Employees

- Learn about Secure Choice enrollment (Q1 2026)
- Explore SECURE 2.0 benefits (e.g., catch-up contributions)
- Stay Informed | Check mn.gov/scrb and [IRS.gov](https://irs.gov) for updates

Resources and Q&A

Plan Design

PROPOSED 12/31/2024 CONTRIBUTION OPPORTUNITY REPORT FOR THE Sample FARMS 401(K) PROFIT SHARING PLAN WITH SUPPLEMENTAL CASH BALANCE PLAN

DIV	LAST NAME	FIRST NAME	AGE @ BOY	K-1 / W-2 COMPENSATION	PLAN COMPENSATION	401(K) DEFERRALS	CATCH UP CONTRIBUTIONS	SAFE HARBOR NONELECTIVE CONTRIBUTIONS	MATCH	PROFIT SHARING CONTRIBUTIONS	HYPOTHETICAL CASH BALANCE ALLOCATIONS	TOTAL ALLOCATIONS	OWNER ALLOCATIONS	PERCENTAGE OF ALLOCATIONS
HCE'S														
1	1	Farmer	Brother 2	58	1,000,000.00	345,000.00	23,000.00	7,500.00	0.00	0.00	46,000.00	240,296.20	316,796.20	26.86%
2	2	Farmer	Brother 3	56	1,000,000.00	345,000.00	23,000.00	7,500.00	0.00	0.00	46,000.00	215,642.88	292,142.88	24.77%
3	3	Farmer	Brother 1	61	1,000,000.00	345,000.00	23,000.00	7,500.00	0.00	0.00	46,000.00	280,596.93	357,096.93	30.28%
4	4	Farmer	Wife 1	57	32,000.00	32,000.00	23,000.00	7,500.00	0.00	0.00	6,912.00	3,200.00	40,612.00	3.44%
5	4	Farmer	Wife 3	51	32,000.00	32,000.00	23,000.00	7,500.00	0.00	0.00	6,912.00	3,200.00	40,612.00	3.44%
6	4	Farmer	Wife 2	54	32,000.00	32,000.00	23,000.00	7,500.00	0.00	0.00	6,912.00	3,200.00	40,612.00	3.44%
7	5	Farmer	Son	25	42,307.76	42,307.76	23,000.00	0.00	0.00	0.00	2,686.54	634.62	26,321.16	2.23%
8	6	Farmer	Son	20	25,652.94	25,652.94	23,000.00	0.00	0.00	0.00	1,372.43	384.79	24,757.22	2.10%
9	7	Farmer	Son	28	520.00	520.00	0.00	0.00	0.00	0.00	36.66	0.00	36.66	0.00%
NHCE'S														
1	8	Matthew	23	49,632.47	49,632.47	0.00	0.00	1,488.97	0.00	1,960.49	744.49	4,193.95	4,193.95	0.36%
2	8	Darin	41	63,630.82	63,630.82	0.00	0.00	1,908.92	0.00	2,513.42	954.46	5,376.80	5,376.80	0.46%
3	8	Christopher	31	59,230.82	59,230.82	0.00	0.00	1,776.92	0.00	2,339.62	888.46	5,005.00	5,005.00	0.42%
4	8	Darrel	74	37,697.00	37,697.00	0.00	0.00	1,130.91	0.00	1,489.03	565.46	3,185.40	3,185.40	0.27%
5	8	Joseph	32	54,488.61	54,488.61	0.00	0.00	1,634.66	0.00	2,152.30	817.33	4,604.29	4,604.29	0.39%
6	8	Daryl	65	22,673.80	22,673.80	0.00	0.00	680.21	0.00	895.62	340.11	1,915.94	1,915.94	0.16%
7	8	Bryce	43	63,461.64	63,461.64	0.00	0.00	1,903.85	0.00	2,506.73	951.92	5,362.50	5,362.50	0.45%
8	9	Jacob	24	46,239.28	46,239.28	0.00	0.00	1,367.18	0.00	2,080.77	0.00	3,467.95	3,467.95	0.29%
9	10	Thomas	66	19,675.00	19,675.00	0.00	0.00	590.25	0.00	885.38	0.00	1,475.63	1,475.63	0.13%
10	10	Mark	64	14,450.00	14,450.00	0.00	0.00	433.50	0.00	650.25	0.00	1,083.75	1,083.75	0.09%
11	10	Wesley	67	2,514.65	2,514.65	0.00	0.00	75.44	0.00	113.16	0.00	188.60	188.60	0.02%
12	10	Melvyn	77	15,928.00	15,928.00	0.00	0.00	477.84	0.00	716.76	0.00	1,194.60	1,194.60	0.10%
13	10	David	18	13,039.07	13,039.07	0.00	0.00	391.17	0.00	586.76	0.00	977.93	977.93	0.08%
14	10	Luke	21	9,831.44	9,831.44	0.00	0.00	294.94	0.00	442.42	0.00	737.36	737.36	0.06%
15	10	Daniel	35	5,256.25	5,256.25	0.00	0.00	157.69	0.00	236.53	0.00	394.22	394.22	0.03%
16	10	Anthony	79	16,731.00	16,731.00	0.00	0.00	501.93	0.00	752.90	0.00	1,254.83	1,254.83	0.11%
				OWNER HCE'S:	\$ 1,199,480.70	\$ 184,000.00	\$ 45,000.00	\$ 0.00	\$ 0.00	\$ 162,831.63	\$ 747,155.40	\$ 1,138,987.03	\$ 1,138,987.03	96.57%
				NON-OWNER HCE'S:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00%
				OWNER NHCE'S:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.00%
				NON-OWNER NHCE'S:	\$ 494,479.85	\$ 0.00	\$ 0.00	\$ 14,834.38	\$ 0.00	\$ 20,322.14	\$ 5,262.23	\$ 40,418.75	\$ 40,418.75	3.43%
				TOTAL:	\$ 1,693,960.55	\$ 184,000.00	\$ 45,000.00	\$ 14,834.38	\$ 0.00	\$ 183,153.77	\$ 752,417.63	\$ 1,179,405.78	\$ 1,179,405.78	100.00%

Plan Design

PROPOSED 12/31/2024 CONTRIBUTION OPPORTUNITY REPORT FOR THE Sample FARMS 401(K) PROFIT SHARING PLAN WITH SUPPLEMENTAL CASH BALANCE PLAN

DIV	LAST NAME	FIRST NAME	AGE @ BOY	K-1 / W-2 COMPENSATION	PLAN COMPENSATION	401(K) DEFERRALS	CATCH UP CONTRIBUTIONS	SAFE HARBOR NONELECTIVE CONTRIBUTIONS	MATCH	PROFIT SHARING CONTRIBUTIONS	HYPOTHETICAL CASH BALANCE ALLOCATIONS	TOTAL ALLOCATIONS	OWNER ALLOCATIONS	PERCENTAGE OF ALLOCATIONS
HCE'S														
1	1	Farmer	Brother 2	58	1,000,000.00	345,000.00	23,000.00	7,500.00	0.00	46,000.00	240,296.20	316,796.20	316,796.20	26.86%
2	2	Farmer	Brother 3	56	1,000,000.00	345,000.00	23,000.00	7,500.00	0.00	46,000.00	215,642.88	292,142.88	292,142.88	24.77%
3	3	Farmer	Brother 1	61	1,000,000.00	345,000.00	23,000.00	7,500.00	0.00	46,000.00	280,596.93	357,096.93	357,096.93	30.28%
4	4	Farmer	Wife 1	57	22,612.00	0.00	0.00	0.00	0.00	0.00	0.00	40,612.00	40,612.00	3.44%
5	4	Farmer	Wife 3	51	22,612.00	0.00	0.00	0.00	0.00	0.00	0.00	40,612.00	40,612.00	3.44%
6	4	Farmer	Wife 2	51	22,612.00	0.00	0.00	0.00	0.00	0.00	0.00	40,612.00	40,612.00	3.44%
7	5													2.23%
8	6													2.10%
9	7													0.00%
NHCE'S														
1	8													0.36%
2	8	Dann	41	63,630.82	63,630.82	0.00	0.00	1,908.92	0.00	2,513.42	864.46	5,376.80	5,376.80	0.46%
3	8	Christopher	31	59,230.82	59,230.82	0.00	0.00	1,776.92	0.00	2,339.82	888.46	5,005.00	5,005.00	0.42%
4	8	Darrel	74	37,697.00	37,697.00	0.00	0.00	1,130.91	0.00	1,489.03	585.46	3,185.40	3,185.40	0.27%
5	8	Joseph	32	54,488.61	54,488.61	0.00	0.00	1,634.66	0.00	2,152.30	817.33	4,604.29	4,604.29	0.39%
6	8	Daryl	65	22,673.80	22,673.80	0.00	0.00	680.21	0.00	895.62	340.11	1,915.94	1,915.94	0.16%
7	8	Bryce	43	63,461.64	63,461.64	0.00	0.00	1,903.85	0.00	2,506.73	951.92	5,362.50	5,362.50	0.45%
8	9	Jacob	24	46,239.28	46,239.28	0.00	0.00	1,387.18	0.00	2,080.77	0.00	3,467.95	3,467.95	0.29%
9	10	Thomas	66	19,675.00	19,675.00	0.00	0.00	590.25	0.00	885.38	0.00	1,475.63	1,475.63	0.13%
10	10	Mark	64	14,450.00	14,450.00	0.00	0.00	433.50	0.00	650.25	0.00	1,083.75	1,083.75	0.09%
11	10	Wesley	67	2,514.65	2,514.65	0.00	0.00	75.44	0.00	113.16	0.00	188.60	188.60	0.02%
12	10	Melvyn	77	15,928.00	15,928.00	0.00	0.00	477.84	0.00	716.76	0.00	1,194.60	1,194.60	0.10%
13	10	David	18	13,039.07	13,039.07	0.00	0.00	391.17	0.00	586.76	0.00	977.93	977.93	0.08%
14	10	Luke	21	9,831.44	9,831.44	0.00	0.00	294.94	0.00	442.42	0.00	737.36	737.36	0.06%
15	10	Daniel	35	5,256.25	5,256.25	0.00	0.00	157.69	0.00	236.53	0.00	394.22	394.22	0.03%
16	10	Anthony	79	16,731.00	16,731.00	0.00	0.00	501.93	0.00	752.90	0.00	1,254.83	1,254.83	0.11%
OWNER HCE'S: \$ 1,199,480.70 \$ 184,000.00 \$ 45,000.00 \$ 0.00 \$ 0.00 \$ 162,831.63 \$ 747,155.40 \$ 1,138,987.03 \$ 1,138,987.03 96.57%														
NON-OWNER HCE'S: \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 \$ 0.00 0.00%														
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TOTAL: \$ 1,693,960.55 \$ 184,000.00 \$ 45,000.00 \$ 14,834.38 \$ 0.00 \$ 183,153.77 \$ 752,417.63 \$ 1,179,405.78 \$ 1,179,405.78 100.00%														

Seleskie Financial Services & Fees

Services

- Benchmarking
 - Retirement Plans should be benchmarked every 2-3 years to measure plan design, employer contributions, eligibility, etc.
- Employee meetings
 - Group & 1x1s
 - Multiple locations
- Plan reviews
- Illustrations

Fees

- Plan
- Investment
- Advisor
- Third Party Administrator

Resources



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Minnesota Secure Choice

mn.gov/scrb

SECURE 2.0 Info

[IRS.gov](https://irs.gov)

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NORTHWESTERN MUTUAL PRIVATE CLIENT GROUP



Strategic Financial Management

Funding, Forecasting & Analysis

Presented by:

Jennifer Laplante & Cathie Asmus



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Focus Areas

- Funding strategies for planned vs. emergency coverage decisions
- Budget frameworks for different coverage scenarios
- Break-even analysis: internal coverage vs. outsourcing vs. temp staffing
- Financial forecasting for internal absorption vs. external hiring



Funding Coverage: Expected



Planned Leave Coverage Strategy

Credit Card Applications:

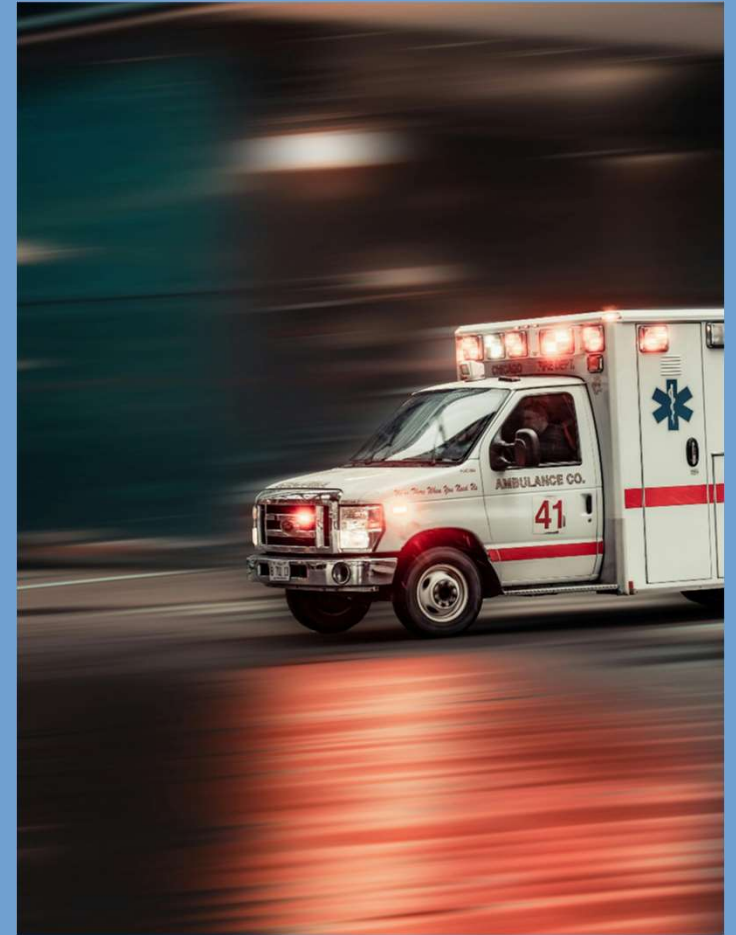
- Immediate deposits for temp agency placement fees
- Upfront costs for external firm contracts while awaiting invoicing cycles
- Training expenses for internal staff taking on additional responsibilities
- Technology/equipment setup costs for temporary workers

Line of Credit Strategic Use:

- Bridge funding for overlapping wages (paying leave benefits + replacement costs)
- Extended coverage for firms requiring 90-day minimum contracts
- Internal overtime costs when redistributing tasks among existing staff
- PFLA compliance system setup and administrative costs



Funding Coverage: Unexpected



Emergency Medical Leave Activation

Emergency Funding Needs:

- Same-day temp placement through premium staffing services
- Rush contractor agreements with specialized firms
- Immediate overtime authorization for remaining staff
- Emergency cross-training costs for rapid skill transfer

PFLA Compliance Funding Requirements:

- Ensure credit access covers both state-mandated benefits AND replacement costs
- Maintain separate funding streams to avoid cash flow conflicts
- Plan for situations where you're paying full salary continuation plus replacement wages
- Budget for administrative costs of emergency PFLA claims processing



Coverage Decision Matrix

Under \$60K salary roles:

Typically favor temp agencies for speed and flexibility

\$60K-100K specialized roles:

Consider outsourcing to firms with expertise

Over \$100K leadership roles:

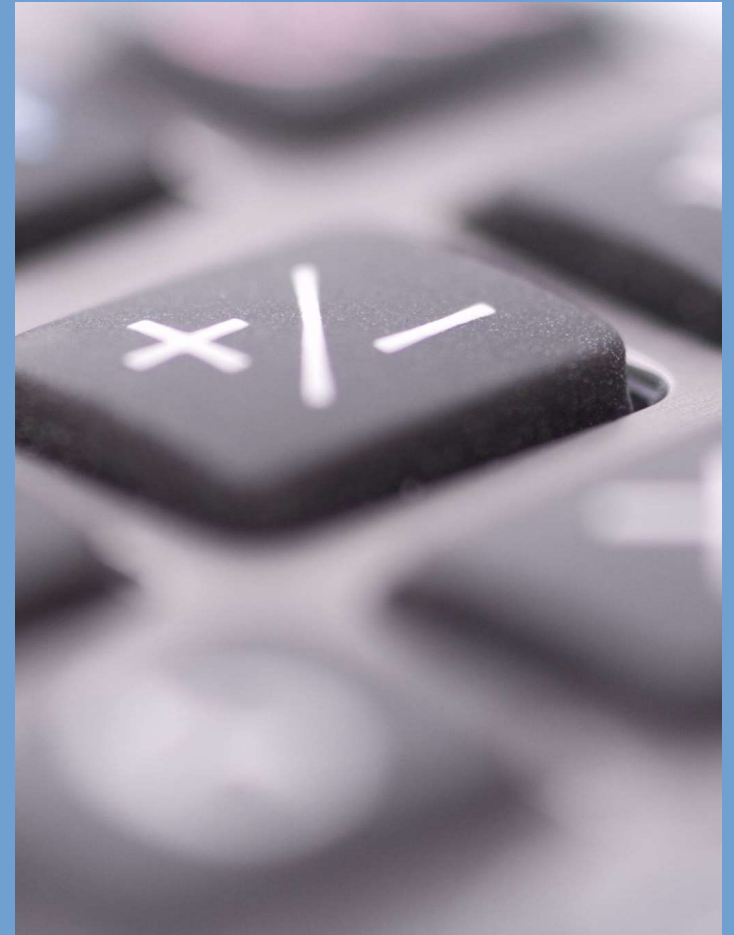
Often require internal absorption with external consultant support

Client-facing roles:

May need combination approach to maintain relationships



Budgeting: Expected



Planned Leave Budget Categories

Annual PFLA Coverage Budget Structure:

Internal Absorption Costs (when redistributing work internally):

- Overtime budget: 15-25% increase in affected department payroll
- Cross-training investment: \$2,000-5,000 per employee trained
- Temporary productivity loss: Budget 20% efficiency drop for 4-6 weeks
- Management time: Additional 10-15 hours/week for coverage coordination

External Coverage Costs (when hiring temps or firms):

- Temp staffing: Budget 180-200% of base salary for equivalent coverage
- Professional services firms: \$8,000-20,000/month depending on role level
- Placement and setup fees: \$1,500-5,000 per arrangement
- Integration and handoff costs: \$2,000-4,000 per transition



Break-Even Analysis



Planned Coverage Break-Even

Known Overhead from Budget and Known Gross Margin will allow for the calculation of break-even

Example: Senior Accountant Maternity Leave (12 weeks)

- Internal absorption: \$8,000 overtime + \$3,000 training = \$11,000 total
- Temp CPA: \$450/day × 60 days = \$27,000 total
- Accounting firm: \$12,000/month × 3 months = \$36,000 total
- **Decision:** Internal absorption saves \$16,000-25,000 for standard 12-week leave

Break-Even Analysis for Extension:

- If leave extends to 20 weeks: Internal overtime stress may require external help
- Break-even point for switching strategies: ~16-18 weeks for most professional roles



Forecasting



Planned Coverage Analysis

Internal Absorption Forecasting:

- Existing team overtime costs
- Productivity loss during transition
- Training time investment
- Delayed project costs and potential revenue impact

External Coverage Forecasting:

- Temp agency costs: 1.5-2.0x base hourly rate plus placement fees
- Onboarding and integration time
- Contract minimums: Many firms require 3-6 month commitments

Decision Factors to Forecast:

- Role complexity and required expertise level
- Client relationship sensitivity and continuity needs
- Existing team capacity and skill overlap
- Budget availability and cash flow timing preferences



Emergency Coverage Projections

Rapid Response Cost Modeling:

- Emergency temp rates: 2.5-3.0x normal rates for immediate placement
- Consultant daily rates: \$800-2,000/day for specialized operations expertise
- Internal crisis overtime: 50-80% salary increases for key staff covering gaps
- Revenue risk: Potential client loss if service levels drop significantly

Extended Leave Uncertainty Planning:

- Model various return timelines: 4 weeks, 8 weeks, 6+ months
- Plan for gradual return scenarios with modified duties
- Calculate break-even points for different coverage strategies over time
- Account for potential permanent replacement if return becomes unlikely

PFLA Compliance Forecasting:

- Track state benefit payments vs. your salary continuation policies
- Model coordination between PFLA benefits and your existing leave policies
- Forecast administrative burden costs for complex claims
- Plan for potential disputes or appeals processes



Immediate PFLA Coverage Readiness Actions:

- Establish coverage decision criteria based on role level and advance notice
- Pre-negotiate rates with 2-3 temp agencies and professional service firms
- Create internal cross-training matrix identifying coverage capabilities
- Set up dedicated funding sources for both planned and emergency coverage scenarios

PFLA Compliance & Cost Management:

- Understand Minnesota's benefit structure and how it coordinates with your existing policies
- Ensure your coverage strategies maintain compliance while controlling costs
- Build decision frameworks that can be activated quickly for emergency situations
- Remember: PFLA covers the employee benefits, but ALL coverage costs are your responsibility

Critical Success Factors:

- Speed of decision-making often matters more than perfect cost optimization
- Having pre-established relationships with coverage providers reduces emergency premiums
- Internal cross-training investments pay off most when you need emergency flexibility
- Document your coverage strategies to ensure consistent application across all PFLA situations

Questions for Your PFLA Readiness Assessment:

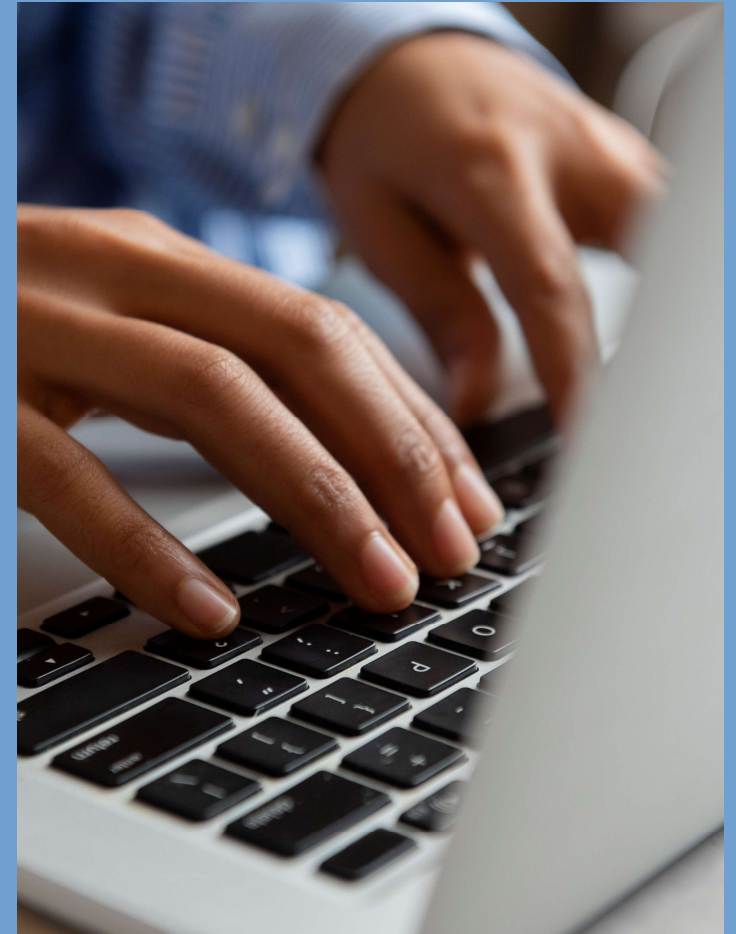
- Do you have written coverage strategies for each role level in your organization?
- Can you activate emergency coverage within 24-48 hours while maintaining PFLA compliance?
- Have you stress-tested your budget for multiple simultaneous leaves?





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Financial Demo





Thank you



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