Office Memorandum

Date: December 28, 2018 [Revised 2/13/2019; revision is in intense emphasis style.
Revised 1/10/2019: The reference to 2019 Long Term Care Insurance premiums has been removed. Long Term Care Insurance premiums are no longer deducted from paychecks; they are billed separately.]

To: Agency Payroll, HR, and Accounting Staff

From: Mary Muellner, Director, Statewide Payroll Services

Subject: Net Pay Changes in 2019

Employees’ net pay may be affected by changes to deductions and taxes in the new year. The changes mentioned below will be effective beginning with the January 4, 2019 paycheck. This information is also posted for employees on the Announcements page of the Self Service website.

An updated version of the Net Pay Calculator will be available the week of December 31 on the Minnesota Management & Budget website at Payroll Calculators. The Net Pay Calculator calculates an employee’s biweekly net pay in the same way SEMA4 calculates paychecks. (The program only calculates state taxes for Minnesota residents.) This program allows agency staff to do “what if” calculations that can assist in answering employee questions. The Net Pay Calculator uses Microsoft Excel. If you are unable to use the calculator, you should contact your agency application software specialist or system administrator.

Throughout 2019

In 2019, all insurance premiums and all flexible spending account deductions will continue to be taken from the first two paychecks of each month. Nearly all employees will receive a third paycheck in March and August without insurance or flexible spending account deductions.

Changes to some bargaining unit membership dues will result in either an increase or decrease in net pay.

The contribution limits for employees who participate in 403(b) and 457 plans will increase for 2019.

Plan 403(b) – Tax Sheltered Annuity

<table>
<thead>
<tr>
<th>Participant Age</th>
<th>Maximum Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Age 50</td>
<td>$19,000</td>
</tr>
<tr>
<td>Age 50 &amp; Over</td>
<td>$25,000</td>
</tr>
<tr>
<td>Catch-Up Provision *</td>
<td>The 403(b) catch-up provision is eliminated effective 1/1/2019.</td>
</tr>
</tbody>
</table>

Plan 457 – Deferred Compensation

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</tr>
<tr>
<td>Catch-Up Provision *</td>
<td>$38,000</td>
</tr>
</tbody>
</table>
* The Catch-Up Provision permits participants under certain circumstances to contribute up to the maximum limit stated for 2019. For details, contact the plan administrator. (For contact information, refer to Questions below.)

January 4, 2019 Paycheck

Federal Tax Withholding
Changes in federal tax tables will be effective on this paycheck.

- The amount of federal withholding for any employee may increase or decrease depending on the employee’s tax marital status, withholding allowances, and amount of taxable gross pay.
- The federal supplemental tax rate remains unchanged at 22%.
- FICA withholding for employees will remain unchanged at 6.2% for 2019.
- The maximum annual earnings subject to FICA will increase from $128,400 to $132,900 for 2019.
- Medicare continues at 1.45% on all earnings subject to Medicare, with an additional Employee Contribution Rate of 0.9% when the annual earnings subject to Medicare is $200,000 and above.

Charitable Contributions
Employees who entered Combined Charities Campaign pledge amounts on the Self Service website using the default dates supplied on the Voluntary Deductions page will see the deduction starting on this check. Employees are responsible for managing their own charitable contributions using the links and instructions on the Self Service website. Employees can add, stop or edit a charitable deduction at any time.

Flexible Spending Accounts (Dependent Care, Medical/Dental Expense and Transit Expense)
The 2018 deductions for Dependent Care, Medical/Dental Expense, Transit Expense Account-Parking, and Transit Expense Account-Bus Pass/Vanpool were stopped after the pay period ending December 11. New amounts authorized by employees for 2019 will be deducted starting with this paycheck. All of these accounts are exempt from federal, state, FICA, and Medicare tax withholding, so if employees added, stopped, or changed the amounts during open enrollment, their tax withholding will be affected.

Insurance
2019 insurance rates will be effective with this paycheck. For details on rates, refer to the 2019 Benefit Information.

- Medical Insurance:
  The employee-paid portion of medical insurance premiums will increase for most employees for 2019. The minimum employee contribution for single medical coverage will be $16.24 per paycheck. The minimum employee contribution for family coverage will be $110.81 per paycheck, with the single contribution added.

- Dental Insurance:
  The minimum employee contribution for single dental contribution will increase to $6.75 per paycheck while the employee contribution for family premiums will increase to $26.26 per paycheck.

Employees who made changes to medical and/or dental insurance during open enrollment will see the new premium on this paycheck. For those employees who have their premiums taken pre-tax, an increase in the deductions (e.g., employee-paid medical insurance or if an employee changed from single to family dental coverage) will decrease federal, state, FICA, and Medicare tax withholding slightly.
Other employee-paid insurance changes will also be effective on this paycheck. Employees who made changes to their long-term disability, optional employee or spouse life insurance and/or manager’s income protection plan during open enrollment will see the new premium on this paycheck. Also, employees with optional employee or spouse life insurance will notice an increase in premium if the age of the employee or spouse changed to a five-year increment in 2018; e.g., the employee changed from 39 to 40 years old in 2018. Employee-paid life and disability insurance does not have an effect on tax withholding.

**PERA Retirement Rates**

For employees covered by PERA (Public Employees Retirement Association) Police & Fire, changes to retirement contribution rates will be effective on the January 4, 2019 paycheck. The employee and employer contributions will be as follows:

<table>
<thead>
<tr>
<th>Plan</th>
<th>Employee/Employer</th>
<th>Current Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police &amp; Fire</td>
<td>Employee</td>
<td>10.8%</td>
<td>11.3%</td>
</tr>
<tr>
<td></td>
<td>Employer</td>
<td>16.2%</td>
<td>16.95%</td>
</tr>
</tbody>
</table>

**Questions?**

**Tax Withholding or Charitable Deductions:** Agency Payroll, HR, and Accounting staff should contact Jennifer Goossen at 651-201-8072 or jennifer.goossen@state.mn.us if there are questions regarding tax withholding or charitable deductions.

**Insurance:** If employees notify your office of an incorrect amount being deducted for any insurance or pre-tax expense accounts, or other insurance related questions, contact the State Employee Group Insurance Program at 651-355-0100 or segip.mmb@state.mn.us.

**Plans 403(b) and 457:**

- For Plan 403(b) – Tax Sheltered Annuity questions, contact:
  - TIAA- Minnesota State’s Retirement Center at 1-800-682-8969, Monday - Friday, 8:00 a.m. to 5:00 p.m. and ask to speak to a Minnesota State’s Retirement Center Representative.
  - Minnesota State Benefits Helpdesk at employee.benefits@minnstate.edu.

- For Plan 457 – Deferred Compensation questions, contact:
  - MSRS Employer/Payroll Support Team at 651-284-7729.

**PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF**