

Memo

Date: June 18, 2025

To: Agency Payroll, HR, and Accounting Staff

From: Mary Muellner, Director, Statewide Payroll Services

RE: Upcoming Changes in Employees' Net Pay

Some employees may notice one or more of the following changes that may affect their net pay beginning on the pay periods noted below.

Pay Period Ending 6/17/2025 (Payday 6/27/2025)

- For employees in bargaining units whose contracts allow them to **choose the option of converting vacation leave to deferred compensation or receiving a deferred compensation employer-matching amount**, this was the last pay period in which a vacation conversion or an optional match could be processed for FY 2025. Federal and State taxes are deferred on the conversion or an optional match. However, Social Security and Medicare taxes are collected on the conversion or an optional match, which could result in a slight change in net pay.
- The last date to enter a conversion or optional match is June 17.
- Compensatory time conversions with effective dates of June 18-30 will apply to FY 2025 and those with effective dates of July 1 will apply to FY 2026. In Self Service, the effective date is the date of entry. Federal and state taxes are deferred on the conversion. However, Social Security and Medicare taxes are collected on the conversion, which could result in a slight change in net pay.

Pay Period Ending 7/1/2025 (Payday 7/11/2025)

For employees in the following retirement plans, this is the first check reflecting the increase in the employee/employer retirement contribution amounts.

| Retirement Plan | Retirement Plan Description | Contributor | Previous % Rate | % Rate effective on 7/11/2025 Paycheck |
|----------------------------|---|-------------|-----------------|--|
| AD | Teachers Retirement Association (TRA) | Employee | 7.75 | 8.00 |
| | | Employer | 8.75 | 9.50 |
| BB, BF, BG, CB, CF, BQ, CQ | Individual Retirement Account Plans (IRAP) | Employee | 7.75 | 8.00 |
| | | Employer | 8.75 | 8.75 (no change) |
| BI | St. Paul Teachers Retirement Fund Association - Coord | Employee | 7.75 | 8.75 |
| | | Employer | 12.84 | 13.59 |

- Employees in bargaining units whose contracts entitle them to an **“automatic” deferred compensation employer-matching amount** for state fiscal year (FY) 2026 will see the first employer contributions on this check. Federal and state taxes are deferred on the employer match. However, Social Security and Medicare taxes are collected on the match, which could result in a slight change in net pay.
- For employees in bargaining units whose contracts allow them to **choose the option of receiving a deferred compensation employer-matching amount** for FY 2026, this will be the first pay period in which an optional match transaction can be processed. Federal and state taxes are deferred on the employer match. However, Social Security and Medicare taxes are collected on the match, which could result in a slight change in net pay.

Pay Period Ending 7/15/2025 (Payday 7/25/2025)

For employees in the following MSRS retirement plans, this is the first check reflecting the increase in employee and/or employer retirement contribution amounts.

| Retirement Plan | Retirement Plan Description | Contributor | Previous % Rate | % Rate effective on 7/25/2025 Paycheck |
|-----------------|---|-------------|-----------------|--|
| AA | MSRS General Employee Retirement Plan | Employee | 5.50 | 6.00 |
| | | Employer | 6.25 | 6.25 (no change) |
| AP | MSRS Military Affairs and Transportation Pilots Retirement Plan | Employee | 7.10 | 7.60 |
| | | Employer | 7.85 | 7.85 (no change) |
| AQ/AR/AS | MSRS Unclassified Employees Retirement Plan | Employee | 5.50 | 6.00 |
| | | Employer | 6.25 | 6.25 (no change) |
| BR | MSRS State Fire Marshall Plan | Employee | 8.28 | 8.78 |
| | | Employer | 10.45 | 10.45 (no change) |

- For employees in bargaining units whose contracts allow them to **choose the option of converting vacation leave to deferred compensation or receiving an optional deferred compensation employer-matching amount**, this is the first pay period in which a **vacation conversion** could be processed for FY 2026. Federal and state taxes are deferred on the conversion. However, Social Security and Medicare taxes are collected on the conversion, which results in a slight change in net pay.

Questions?

If agency Payroll and Human Resources staff has questions regarding:

- **Deferred Compensation** - Contact Jody Dahl in Statewide Payroll Services at 651-201-8206 or jody.dahl@state.mn.us.
- **Retirement Rates** - Contact Courtney Salmon in Statewide Payroll Services at 651-259-3774 or courtney.salmon@state.mn.us.

This information will also be posted on the State of Minnesota Self Service Announcements page.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF