

Memo

Date: August 26, 2025

To: Agency Payroll, Human Resources, and Accounting Staff

From: Mary Muellner, Co-Director, Statewide Payroll Services
Katie Karow, Co-Director, Statewide Payroll Services

RE: Recent Cost Projections Updates for Budget Fiscal Years 2026, 2027, and 2028

This memo provides updated cost projections information for budget fiscal years (BFY) 2026, 2027, and 2028. The updated information is available in the *Roster Staffing/Staffing Report*, report FIHR6760 (Standard Report Viewer/InfoPac ID HP6760) effective August 25, 2025, reflecting payroll expenditures as of the pay period ending August 12, 2025. This information is also available in the SWIFT Data Warehouse.

The tables below indicate amounts and percentages used to calculate the BFY 2026 through 2028 projections:

BFY 2026 projections are based on the following:	
Working Hours	2088 hours
Wage and Salary Increases	<ul style="list-style-type: none"> Non-discretionary salary step increases are projected for those employees who are scheduled for a step increase during the budget fiscal year. Discretionary performance-based increases offered in the applicable compensation plan are projected. General wage adjustments of 1.5% are projected for all collective bargaining agreements and compensation plans effective July 1, 2025.
Insurance	<ul style="list-style-type: none"> Employer-paid insurance projections are based on each employee's current insurance rates that were effective on January 1, 2025. Effective on January 1, 2026, a total increase of 16.34% for the employer cost of insurance ("blended rate") is projected. The blended rate includes an increase of 17% for medical, 5% for dental, 15.6% for life, and 14% for the administration fee. Vacant positions currently project at a rate of \$1,142.48, the 2025 rate for family coverage, for pay periods that have insurance deductions taken. *
Retirement	<ul style="list-style-type: none"> Employer-paid retirement projections are based on the current retirement plan code indicated on each employee's job record. Projections reflect the rate that was effective on July 1, 2025. Vacant positions project based on a rate of 6.25% of wages. **

BFY 2027 and 2028 projections are based on the following:	
Working Hours	<ul style="list-style-type: none"> BFY 2027 = 2088 hours BFY 2028 = 2096 hours

BFY 2027 and 2028 projections are based on the following:	
Wage and Salary Increases	<ul style="list-style-type: none"> • Non-discretionary salary step increases are projected for those employees who are scheduled for a step increase during the budget fiscal year. • Discretionary performance-based increases offered in the applicable compensation plan are projected. • General wage adjustments of 1.75% are projected for all collective bargaining agreements effective July 1, 2026. No general wage adjustment is projected effective July 1, 2027.
Insurance	<ul style="list-style-type: none"> • Employer-paid insurance projections are based on each employee's current insurance rates that were effective on January 1, 2025. Current projected insurance increases are: <ul style="list-style-type: none"> ▪ January 1, 2027: 11.13% ▪ January 1, 2028: 9.31% • This blended rate includes projected changes of 11.5% in 2027 and 9.6% in 2028 for medical, 5.0% 2027 and 4.0% in 2028 for dental, as well as 0% in 2027 and 0% in 2028 for the administration fee. • These 2027 and 2028 increases will also apply to vacant positions, which currently project at a rate of \$1,142.48 (the 2025 rate of family coverage) for pay periods that have insurances deductions taken. *
Retirement	<p>Employer-paid retirement projections are based on the current retirement plan code indicated on each employee's job record. Projections reflect the rate that is expected to be in effect at that time.</p> <p>Vacant positions project based on a rate of 6.25% of wages. **</p>

* Insurance is projected on vacant positions only if the agency selects the *Vacant Position Insurance Indc* check box on the Add/Update Position Info – Barg Unit/Cost Projection page. Insurance deductions are taken on 24 out of 26 pay periods.

** Retirement is projected on vacant positions only if the agency selects the *Vacant Position Retirement Indc* check box on the Add/Update Position Info – Barg Unit/Cost Projection page.

Cost projections for budget fiscal years 2026, 2027, and 2028 will run each pay period and will be available following payroll posting. More detailed information about cost projections is available at [Cost Projection Overview](#).

Notes:

- Cost projections do **not** include Minnesota State Colleges and Universities.
- Cost projections do **not** currently contain any assumed employer-paid premiums for the state paid leave program set to go into effect on January 1, 2026. Assumed employer-paid premium costs will be added to SEMA4 cost projections closer to the program implementation date. For FY 2026-28 budget planning purposes, employer-paid premium assumptions are projected in the Compensation Analysis Reporting Tool in the Data Warehouse. Please refer to an upcoming memo from MMB detailing these projections in the Data Warehouse.

Questions?

- Minnesota State staff should contact Steve Ernest at 651-201-1710.
- Agency Payroll, Human Resources, and Accounting staff should contact Courtney Salmon at 651-259-3774 or spsaccounting.mmb@state.mn.us.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF