

Memo

Date: May 19, 2026

To: Agency Payroll and Human Resources Staff

From: Katie Karow, Director, Statewide Payroll Services

RE: Deferred Compensation Conversion and Match

According to the State of Minnesota's collective bargaining agreements and compensation plans, state employees may be eligible for benefits related to their deferred compensation plans. The following information describes the various deferred compensation options and the agency's responsibilities in communicating and processing these options.

Deferred Compensation Options

Many of the state's collective bargaining agreements and compensation plans provide for an automatic employer-paid deferred compensation match. As a substitute for the automatic match, some agreements and plans provide an option of either a vacation conversion to deferred compensation or an optional employer-paid deferred compensation state match.

Automatic Deferred Compensation Match

For employees in salary authorities that are only eligible for an automatic deferred compensation match (and not vacation conversion), the match occurs automatically provided the employee has a deferred compensation deduction in place. The agency does not enter a transaction nor is an employee required to complete a form to receive the match.

Optional Deferred Compensation Match or Vacation Conversion

Employees covered by the **Middle Management Association (MMA), Nonrepresented Employees Compensation Plan, Managerial Plan, Medical Specialists' Addendum to the Nonrepresented Employees Compensation Plan, or Office of Higher Education Plan** may select either, or both, the optional employer-paid deferred compensation state match or convert vacation to deferred compensation once each fiscal year. Employees in these plans are automatically enrolled in the deferred compensation match, effective 7/1/2026, provided they are contributing to deferred compensation. To convert vacation to deferred compensation, employees must select their option each fiscal year.

- **June 5** is the plan-specified deadline for **employees** to enter the transaction in Self Service or to submit a Selection of Deferred Compensation Option form to their agency payroll office.
- **June 7** is the specified deadline for MMA **employees** to enter the transaction in Self Service or to submit a Selection of Deferred Compensation Option form to their agency payroll office.
- **Agencies** have until 6/16/2026 to process the optional match and 6/30/2026 to process the vacation conversions for these employees for Fiscal Year (FY) 2026.

Note: Employees covered by **Middle Management Association (MMA), Nonrepresented Employees Compensation Plan, Managerial Plan, and Medical Specialists' Addendum to the Nonrepresented**

Employees Compensation Plan that take part in deferred compensation and vacation conversion in FY 2027 will receive automatic employer matches beginning 7/1/2026.

Refer to the bargaining agreements or compensation plans to find the dollar amount of the employer-paid state match or the number of hours allowable for vacation conversion to deferred compensation.

Compensatory Time Conversion

Employees covered by AFSCME, MAPE, MMA, MNA, MGEC, and the Nonrepresented Employees Compensation Plan may choose to convert compensatory time to deferred compensation **once** each fiscal year. Refer to the appropriate bargaining agreement or plan for the number of hours eligible for conversion and the timing of the conversion of hours.

Processing Vacation Conversion/Deferred Compensation State Match/Compensatory Time Conversion

Agency Guidelines

Refer to SEMA4 Help, bargaining agreements and compensation plans to determine employee eligibility, deadlines, and limitations on amounts.

Review Standard Report Viewer/InfoPac Report HP6512, *FIHR6512 – Employees Who Have Not Chosen a Deferred Comp Option*. This report identifies employees who are eligible to select a deferred compensation option but have not selected an option as of the report date.

Deferred Compensation Plan/Deduction Requirements

- To receive an employer-paid **deferred compensation match**, either automatic or optional, employees are required to have a deferred compensation deduction set up before the match can occur.
- To receive a **vacation or compensatory time conversion**, employees are not required to have a deferred compensation deduction set up. Their conversion will be processed and invested in the Target Retirement Income Fund based on their date of birth and retirement year at age 65 unless they have directed otherwise by accessing [MNDCP \(Minnesota Deferred Compensation Plan\)](#) on the MSRS website, establishing an account, and choosing investment options.

Selecting a Match or Conversion Option

Employees who are eligible for a deferred compensation match, vacation conversion, or compensatory time conversion must make their selection in Self Service on the Deferred Comp Conv/Mtch Option page or by submitting the Selection of Deferred Compensation Option form to their agency payroll office.

This will be processed in the pay period determined by the pay period end date. The optional match will occur as soon as possible, provided the employee has a deferred compensation deduction in place.

Note: An automatic employer match will be implemented on 7/1/2026 for those participating in the optional deferred compensation match, vacation conversion, or compensatory time conversion.

For additional information, please refer to Minnesota Management & Budget Operating Policy and Procedure PAY0042, [Deferred Compensation Conversion/Match Options](#). For assistance in entering a conversion or optional match, see SEMA4 Help. In the Index, type and select *deferred compensation*. Then select and review *Add a Deferred Compensation Conversion/Match Option - Steps*.

Forms

The Selection of Deferred Compensation Option form is available on the:

- Minnesota Management & Budget webpage at [Forms - Payroll](#) under Other Forms.
- Payroll Forms page in [Self Service](#) (Benefits > Deferred Compensation > Deferred Comp Option (PDF)).

Employees who need to enroll in the Minnesota State Deferred Compensation Plan can find plan information and an enrollment form in [MNDCP \(Minnesota Deferred Compensation Plan\)](#) on the MSRS website.

Taxes

Most employees are subject to Social Security, Medicare, and retirement on a leave conversion and Social Security and Medicare on an employer match.

- A leave conversion generally increases the amount subject to Social Security, Medicare, and retirement. (Retirement deductions are only taken on the first 40 hours of vacation and/or comp time converted in a fiscal year.)
- An employer match generally increases the amount subject to Social Security and Medicare.

If employees have questions about how a conversion or match will affect their paycheck, the Net Pay Calculator allows “what if” calculations and can assist in answering employee questions. The Net Pay Calculator is available on the Minnesota Management & Budget website at Payroll [Calculators](#).

Deferred Compensation Deadlines

Vacation conversions or optional deferred compensation matches **must be entered** in Self Service or SEMA4 **no later** than the dates listed below.

| PPE DATE | DEADLINE |
|-----------|---|
| 6/16/2026 | Last pay period to process a deferred compensation match for FY 2026. |
| 6/30/2026 | Last pay period to process a vacation conversion for FY 2026. |
| 6/17/2026 | First day to select a deferred compensation match for FY 2027. |
| 7/1/2026 | First day to select a vacation conversion for FY 2027. |
| 6/15/2027 | Last pay period to process a deferred compensation match for FY 2027. |
| 6/29/2027 | Last pay period to process a vacation conversion for FY 2027. |
| 7/13/2027 | This is a split pay period. <ul style="list-style-type: none">• Vacation leave conversion cannot be processed on the split pay period of any year.• Compensatory time conversions may be processed on the split pay period. Compensatory time conversions with effective dates of 6/30/2026 will apply to FY 2027, and those with effective dates of 7/1/2026 and later will apply to FY 2028 (In Self Service, the effective date is the date of entry). |

Questions?

For Payroll and Human Resources Staff ONLY

- Processing deferred compensation options, contact Jody Dahl, MMB, Statewide Payroll Services, 651-201-8206 or [email](#).
- Deferred compensation plans, contact the MSRS Employer/Payroll Support Team at 651-284-7729.
- Deferred compensation eligibility, contact your agency Human Resources staff.

For Employees

- Refer to employee Self Service announcement, [2026 May 19 – An Easy Way to Increase Your Retirement Savings](#).
- Employees may also reference the [MMB Labor Relations](#) page to review their bargaining agreement.
- Employees should contact their HR/Payroll office. Contact information in Self Service is found under “Need Assistance?” select “Employee Contacts.”