MANAGEMENT AND BUDGET

Memo

Date: August 25, 2026

To: Agency Payroll, Human Resources, and Accounting Staff

From: Katie Karow, Director, Statewide Payroll Services

RE: Recent Cost Projections Updates for Budget Fiscal Years 2027, 2028, and 2029

This memo provides updated cost projections for budget fiscal years (BFY) 2027, 2028, and 2029. The updated information will be available in the *Roster Staffing/Staffing Report*, report FIHR6760 (Standard Report Viewer/InfoPac ID HP6760) August 24, 2026, reflecting payroll expenditures as of the pay period ending August 11, 2026. This information will also be available in the SWIFT Data Warehouse.

The tables below indicate amounts and percentages used to calculate the BFY 2027 through 2029 projections:

BFY 2027 projections are based on the following:	
Working Hours	2088 hours
Wage and Salary Increases	• 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. • Budgets should reflect standard general wage adjustments of 1.5% for 2025 and 1.75% for 2026 across all collective bargaining agreements and compensation plans.
Insurance *	• Employer-paid insurance projections are based on each employee's current insurance rates that were effective on January 1, 2026. • Effective on January 1, 2027, a total increase of 12.98% for the employer cost of insurance ("blended rate") is projected. • The blended rate includes an increase of 13.4% for medical, 3.5% for dental, and 6.5% for life. • There will be no change in 2027 to the SEGIP admin fee and the pre-tax administration fee will remain waived. • Vacant positions currently project at a rate of $1,328.11, the 2026 rate for family coverage, for pay periods that have insurance deductions taken.
Retirement **	• 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, 2026. • Vacant positions project based on a rate of 6.25% of wages.

BFY 2027 projections are based on the following:	
Other Payroll	• Employer-paid FICA contributions are calculated using each employee's current FICA rates effective January 1, 2026, and include the employer portions of Social Security, Medicare, and Minnesota Paid Leave. ▪ January 1, 2027 – 8.09%

BFY 2028 and 2029 projections are based on the following:	
Working Hours	• BFY 2028 = 2096 hours • BFY 2029 = 2080 hours
Wage and Salary Increases	• 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.
Insurance *	• Employer-paid insurance projections are based on each employee's current insurance rates that were effective on January 1, 2026. Current projected insurance increases are: ▪ January 1, 2028 – 10.98% ▪ January 1, 2029 – 11% • This blended rate includes projected changes of 11.3% in 2028 and 2029 for medical, 4.0% in 2028 and 2029 for dental, as well as 0% in 2028 and 2029 for the SEGIP admin fee. • These 2028 and 2029 increases will also apply to vacant positions, which are currently projected at a rate of $1,328.11 (the 2026 rate of family coverage) for pay periods that have insurances deductions taken.
Retirement **	• 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. • Vacant positions project based on a rate of 6.25% of wages.
Other Payroll	• Employer-paid FICA contributions are calculated using each employee's current FICA rates effective January 1, 2026, and include current projections for the employer portions of Social Security, Medicare, and Minnesota Paid Leave. ▪ January 1, 2028 – 8.15% ▪ January 1, 2029 – 8.19%

* 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 pay periods.

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

Cost projections for budget fiscal years 2027, 2028, and 2029 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.

Questions?

- Minnesota State staff should contact Steve Ernest at 651-201-1710 with questions.
- Agency Payroll, HR, and Accounting staff should contact Courtney Salmon at 651-259-3774 or email.

PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF