Minnesota Paid Family and Medical Leave

PRO Resources.

Liz Stone

HR Business Partner

Minnesota Paid Family and Medical Leave (PFML)

- MN Paid Leave will continue to evolve
- Your organization may be subject to other paid or unpaid time off/leave requirements that are not addressed today
- Consult with your employment law counsel as needed.
- I am not an attorney
- PRO Resources is not your attorney
- MN DEED is a great resource

Our Team:

- PRO Resources, Inc has provided HR outsourcing services to Midwest businesses since 1991, serving over 500 clients.

- We help clients focus on business goals by managing HR, workers' comp, risk, benefits, safety, wellness, and payroll.

Think of us as an extension of you. Our team is made up of people who specialize in their roles and have decades of experience. Together, we can offer you the expertise of a Fortune 500 HR department in a way that fits your business.

Agenda

- Paid Family and Medical Leave Fundamentals
- Private Plan vs. Public Plan
- Interaction with Supplemental Benefits
- Interaction with Other Leave
- Prepare Your Workforce
- Administer Leave
- Inhouse vs. Outsource

Fundamentals

Who, What, When, Were, Why, Cost

Who:

Covered employees include:

- Full-time and part-time workers
- Most seasonal employees
- Owner-officers who draw a salary
- Agricultural workers
- Employees of religious organizations
- Temporary workers
- Student workers
- Employed family members
- First responders
- Elected and appointed officials

Not covered, can opt in:

- Independent contractors
- Self-employed individuals
- Tribal Nations

Not covered, can't opt in:

- Federal government employees
- Exempt seasonal employees
- Railroad employees

info.paidleave.mn.gov

What:

Medical Leave	Family Leave
1-12 Weeks	1-12 Weeks

Medical
Leave to care for an individual's own serious medical condition

Bonding
Leave to bond with an individual's child during the first 12 months after the child's birth or after the placement of the child through adoption or foster care.

Active Duty
Leave because a family member is on active duty or has been notified of an impending call or order to active duty in the Armed Forces.

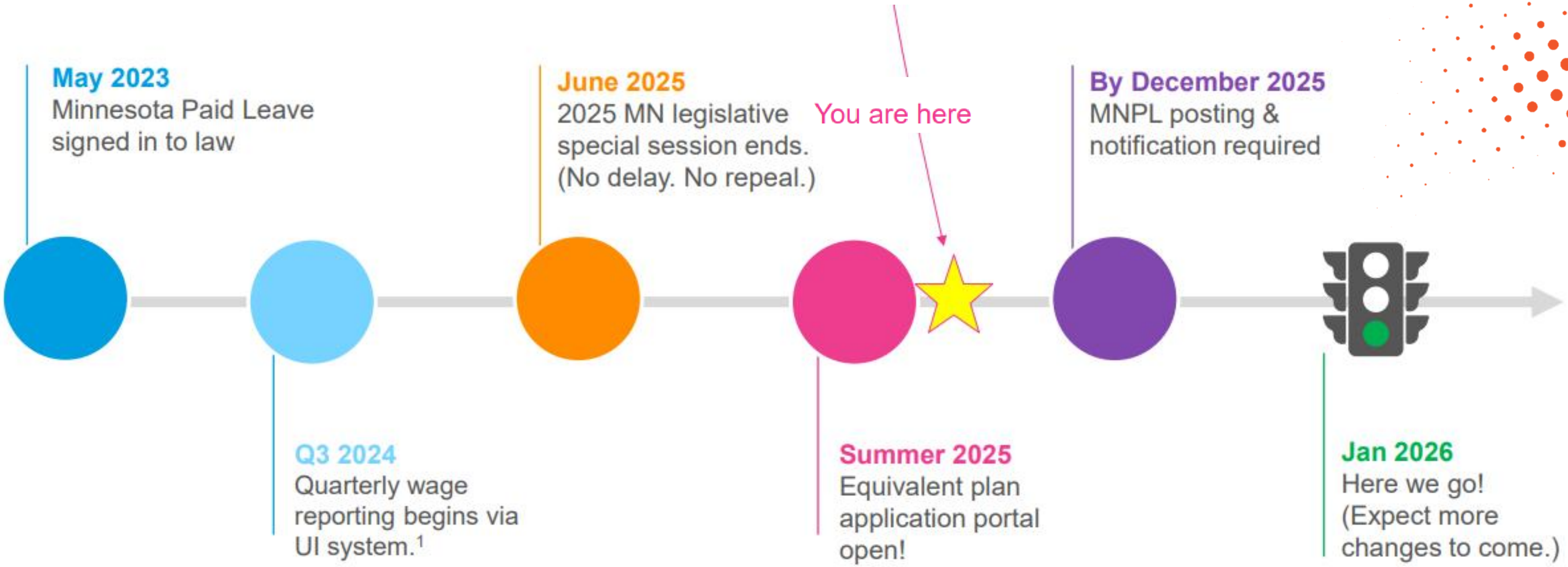
Caring
Leave to care for a family member with a serious health condition.

Safety
Leave because of domestic abuse, sexual assault, or stalking of the individual or individual's family member.

Maximum of 20 weeks combined in one year if someone qualifies for both medical and family leave.

Qualifying conditions must last more than seven days and be certified by a health care provider or designated professional.

When:



[1] For more information on wage reporting: https://www.uimn.org/employers/paid-leave/index.jsp

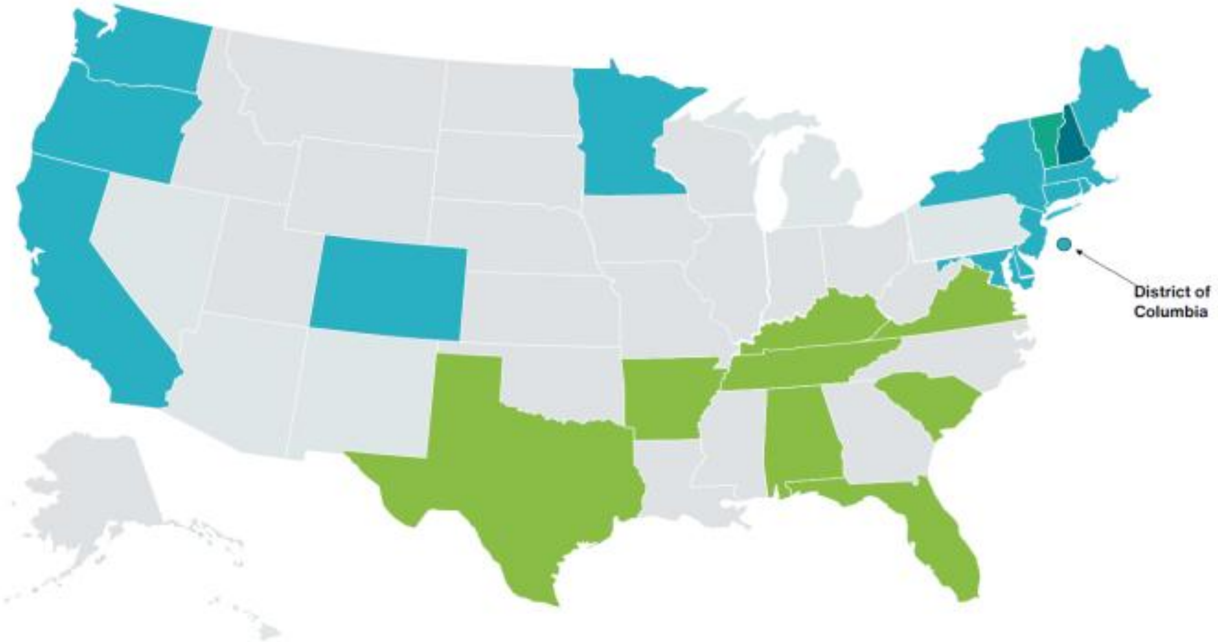
When does MN Paid Leave begin?

- January 1, 2026 for contributions and benefit entitlement

Where:

Paid Family & Medical Leave Laws

As of December 2024



24 States / 24 Laws

Mandatory Laws Only (13)
Hybrid Laws
Voluntary Laws
Voluntary "Class of Insurance" Laws

Where: (Continued)

Covers all employers regardless of size, except for Federal government employees and Exempt seasonal employees

- "Covered employment" for a covered employer includes any employee (regardless of FT/PT status) who either:
  - Performs 50% or more of their work in MN, or 1) is a MN resident for 50% or more of the year, 2) performs "some" employment in MN during the year, and 3) has no single state in which 50% or more of their work is performed through the year
  - "Some" is not defined

Who is Covered?

- Employer is based in Minnesota; employee lives in Bismarck and works from home. Are they covered?
- Employer is based in Wisconsin; employee lives in MN and travels between the two states. Are they covered?
- Employer is based in Minnesota, but employees travel between states. Are they covered?

Why:

- **Paid Leave helps Minnesotans focus on what matters**, whether that's caring for a child, recovering from an illness, or supporting a loved one.
- **Minnesotans can get up to 90% of usual wages,** up to a maximum of $1,423 per week (based on 2025 numbers).
- **Lower-wage workers get more support. If you earn less**, you'll get a higher percentage of your paycheck covered while on leave.
- You must have earned at least 5.3% of the statewide average annual wage in the past year to be eligible ($3,900 in 2025).

If you receive payments from Unemployment Insurance, Workers' Compensation, or Social Security Disability Insurance during an absence, you are not eligible for Paid Leave payments.

info.paidleave.mn.gov

PRO Resources.

Cost:

- Paid Leave will be financed by premium collected from employee payroll deduction and employer contributions.
- When Paid Leave begins for Minnesota's in 2026, the premium rate will be .88%
- The premium rate is applied on wages up to the Social Security cap $ 176,100.00)
- The total premium rate covers both family leave and medical leave
- Premiums are collected on post-tax wages

Cost: (Continued)

How much benefits will employees get?

- 90% of wages that are 50% or less of SAWW; plus
- 66% of wages that are 51-100% of SAWW; plus
- 55% of wages that exceed 100% of SAWW
- Not more than the current SAWW ($1,423 as of 10/1/25)

SAWW =
- State Average Weekly Wage
- Updated every October

Annual wage	$50,000	$100,000	$150,000
Weekly wage	$962	$1,923	$2,885
MN Paid Leave award	$805	$1,384	$1,423
MN PL as % of EE's WW	84%	72%	49%

Cost: (Continued)

Smaller Employers —

Small employers pay a reduced premium.

- For small employers, their standard contribution is reduced (.66%)
- To qualify, an employer must have 30 or fewer employees, and an average employee wage of 150% or less of the statewide average ($107,016 in 2025).
- This reduced employer premium does not change the amount owed by employees.
- Small employer definition is defined by employees working in Minnesota.

Private Plan vs. Public Plan

Paid Family and Medical Leave

Public Plan vs. Private Plan

<table>
<tr><th></th><th>State</th><th>Private Plan – Insured</th><th>Private Plan – Self-Insured</th></tr>
<tr><td>PROCESS</td><td>Employer remits employee and employer contributions to the state</td><td>• Employer gets private plan approved
• Employer remits employee contributions to the carrier and pays any additional premium</td><td>• Employer obtains private plan approval, and obtains surety bond
• Employer pays leave administrator to process claims
• Employer retains employee contributions to pay SI benefits</td></tr>
<tr><td rowspan="7">PROS</td><td rowspan="3">Until experience emerges, state plan might be less expensive (underrated)</td><td colspan="2">Improved employee experience where individual applies to single source/vendor for benefits</td></tr>
<tr><td colspan="2">Single point of contact for employees and employer — PFML benefit, STD benefit, and concurrent FMLA</td></tr>
<tr><td colspan="2">Coordinate return to work across all leave benefits — may improve participation in RTW</td></tr>
<tr><td rowspan="4">Puts MN Paid Leave administrative burden on the state</td><td colspan="2">Consolidated plan year with other employer plans</td></tr>
<tr><td colspan="2">Reporting for employers</td></tr>
<tr><td colspan="2">Timely claim payments</td></tr>
<tr><td>Transfers some of the new program cost risk to the insurer</td><td>Transfers administrative burden to leave administrator</td></tr>
<tr><td rowspan="3">CONS</td><td>Disjointed employee experience where individual applies for benefits to state <u>and</u> to their employer</td><td></td><td>Risk for plan costs remains with employer</td></tr>
<tr><td>Disjointed plan years between this and the employer leave plans</td><td colspan="2">Wage replacement rate for lower-paid individuals may be richer than employer's current STD design</td></tr>
<tr><td>Will the state be ready to administer? Timely benefit payments for employees? No reporting for employers to check EE status.</td><td colspan="2"></td></tr>
</table>

Paid Family and Medical Leave

Public Plan vs. Private Plan

- Cost control and flexibility
- Better customer service
- Integration with existing benefits
- Stability and predictability
- Enhanced employee experience

Paid Family and Medical Leave

Private Plan Advantages

- Predictable and standardized rates
- Guaranteed compliance
- Equitable and inclusive coverage
- Lower financial risk
- No need for private carrier vetting

Interaction with Supplemental Insurance – Benefit Integration

Benefit Integration

MN Paid Leave is generally the first payer —

1. Short-term disability
2. Paid parental leave
3. Vacation/PTO/Sick banks
4. Exceptions:
   - Work Comp

Employers can not require employees to use PTO while on PFML.

Traditional group STD will offset for MNPL benefits the employee receives or is eligible to receive

Determine if corporate paid parental leaves should run concurrently or consecutively to MNPL; make the policy clear.

Accrued benefits cannot be required to be used. May be used as "supplemental" benefits.

Exception: ***Work comp pays first***. MNPL pays only if MNPL award would be higher than work comp award, and only pays the difference.

Exception: Worksite STD products likely do **not** integrate or offset with MNPL.

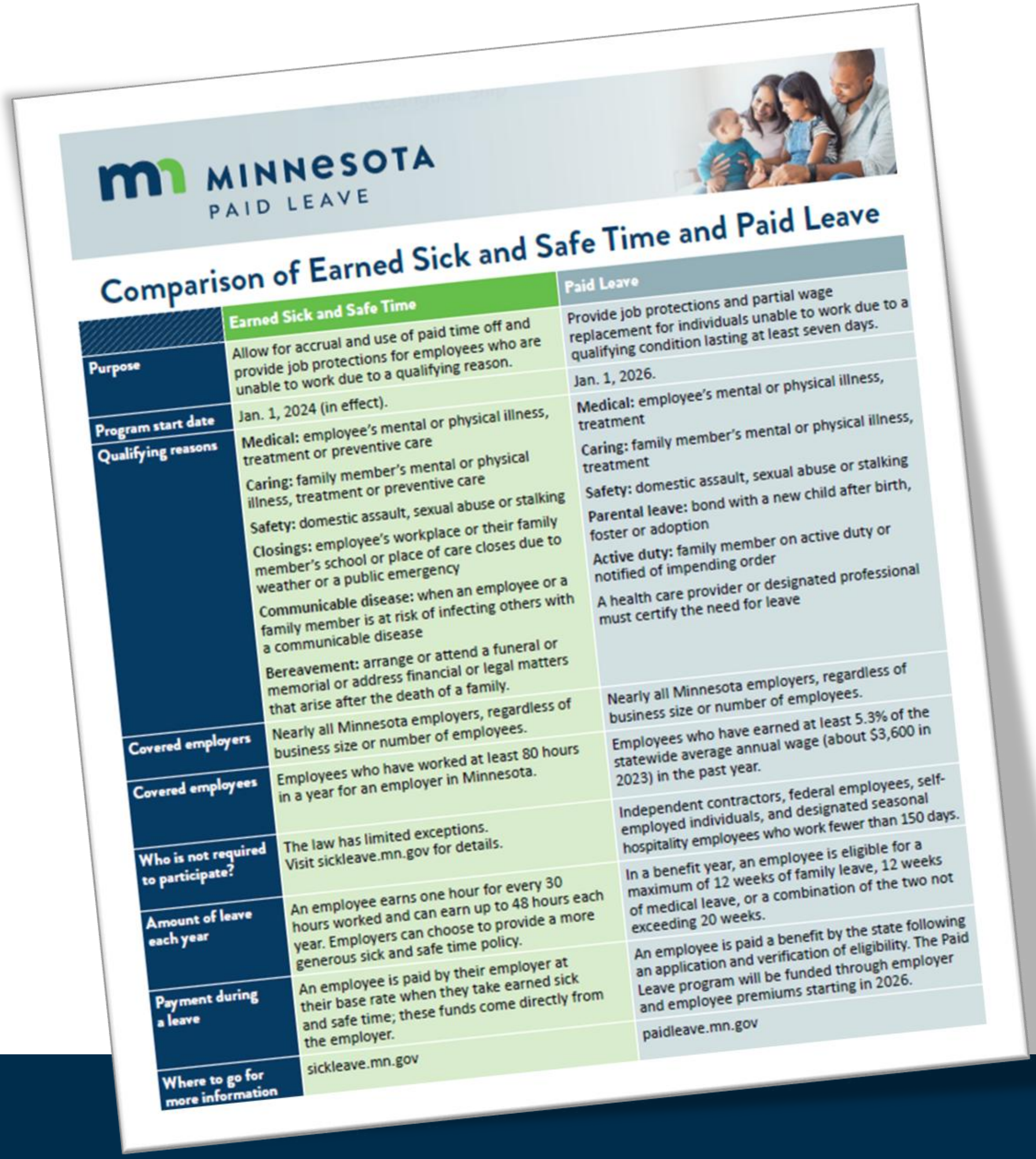
MNPL + worksite may be >100% of pay.

Benefit Integration

Questions to consider—

1. Do we still need our STD plan?
2. How will you protect higher wage earners?
3. What is the STD duration?
4. What is the LTD benefit waiting period?
5. Are you a multi state employer?
    - How many employees work outside of MN? (Benefit parity)

Interactions with Other Leave



MINNESOTA PAID LEAVE

Comparison of Earned Sick and Safe Time and Paid Leave

	Earned Sick and Safe Time	Paid Leave
Purpose	Allow for accrual and use of paid time off and provide job protections for employees who are unable to work due to a qualifying reason.	Provide job protections and partial wage replacement for individuals unable to work due to a qualifying condition lasting at least seven days.
Program start date	Jan. 1, 2024 (in effect).	Jan. 1, 2026.
Qualifying reasons	**Medical:** employee's mental or physical illness, treatment or preventive care **Caring:** family member's mental or physical illness, treatment or preventive care **Safety:** domestic assault, sexual abuse or stalking **Closings:** employee's workplace or their family member's school or place of care closes due to weather or a public emergency **Communicable disease:** when an employee or a family member is at risk of infecting others with a communicable disease **Bereavement:** arrange or attend a funeral or memorial or address financial or legal matters that arise after the death of a family.	**Medical:** employee's mental or physical illness, treatment **Caring:** family member's mental or physical illness, treatment **Safety:** domestic assault, sexual abuse or stalking **Parental leave:** bond with a new child after birth, foster or adoption **Active duty:** family member on active duty or notified of impending order A health care provider or designated professional must certify the need for leave
Covered employers	Nearly all Minnesota employers, regardless of business size or number of employees.	Nearly all Minnesota employers, regardless of business size or number of employees.
Covered employees	Employees who have worked at least 80 hours in a year for an employer in Minnesota.	Employees who have earned at least 5.3% of the statewide average annual wage (about $3,600 in 2023) in the past year.
Who is not required to participate?	The law has limited exceptions. Visit sickleave.mn.gov for details.	Independent contractors, federal employees, self-employed individuals, and designated seasonal hospitality employees who work fewer than 150 days.
Amount of leave each year	An employee earns one hour for every 30 hours worked and can earn up to 48 hours each year. Employers can choose to provide a more generous sick and safe time policy.	In a benefit year, an employee is eligible for a maximum of 12 weeks of family leave, 12 weeks of medical leave, or a combination of the two not exceeding 20 weeks.
Payment during a leave	An employee is paid by their employer at their base rate when they take earned sick and safe time; these funds come directly from the employer.	An employee is paid a benefit by the state following an application and verification of eligibility. The Paid Leave program will be funded through employer and employee premiums starting in 2026.
Where to go for more information	sickleave.mn.gov	paidleave.mn.gov

Minnesota Paid Family and Medical Leave

Comparison of Earned Sick and Safe Time and Paid Leave

MN Paid Family and Medical Leave

Scenarios —

- Emily adopted a child in August 2025 and took 12 weeks of leave under the FMLA and her company's leave policy. On January 1, 2026, she applies for 12 weeks of bonding leave under PFML.

- Is she entitled to PFML leave even though she took FMLA leave for the same reason within the past 12 months?

MN Paid Family and Medical Leave

Scenarios —

- Emily started employment with her current employer seven months ago, working 16 hours per week. Emily applies for benefits six weeks prior to undergoing surgery and what her provider certifies is expected to be a 12-week recovery period.

- Is Emily entitled to PFML?

MN Paid Family and Medical Leave

Scenarios —

- Employee, Emily, develops a serious health condition, has provided a doctor's note, and expects to be out for the next 14 days. She requests PFML leave, but Employer Inc. requires her to first exhaust her PTO.

- Is this allowed?

Prepare Your Workplace

Prepare Your Workplace

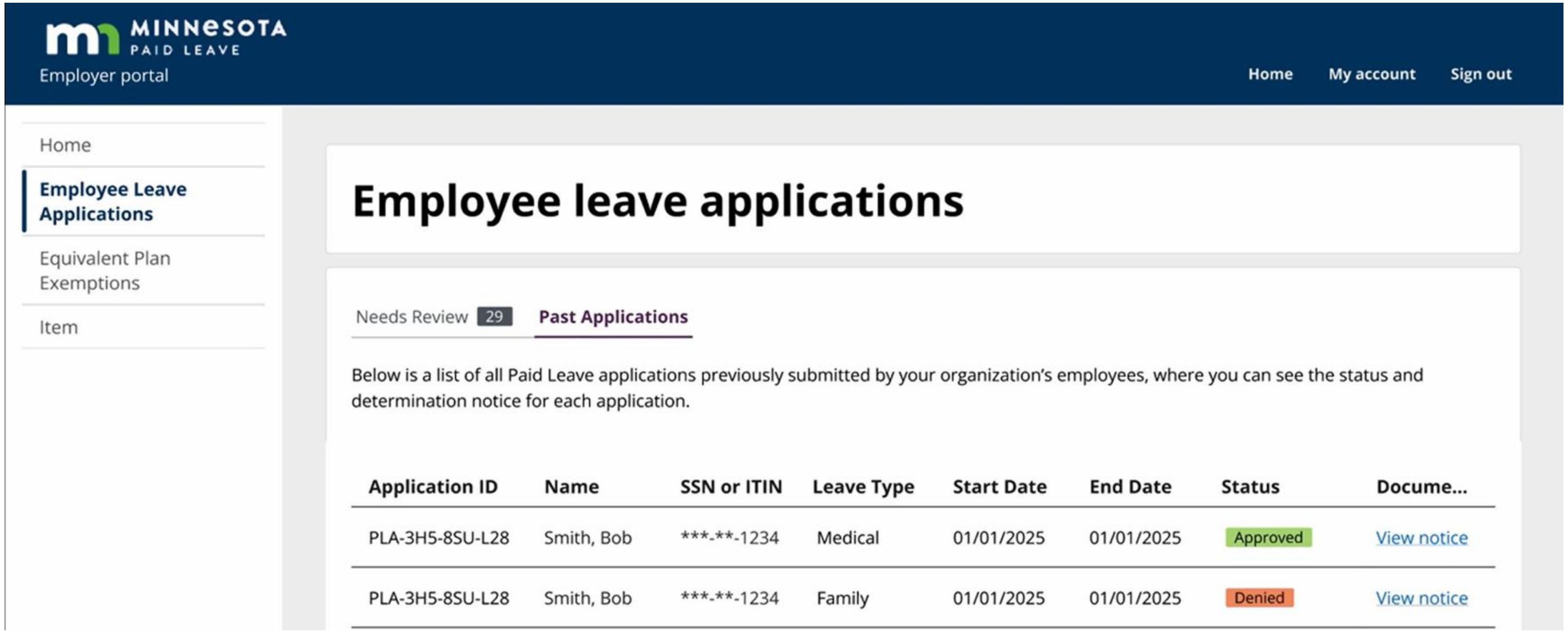
There are important actions for employers to take

Action 1:	• Prepare for quarter wage reporting via UI system (Began Q3 of 2024)
Action 2:	• Decide to go Public or Private plan
Action 3:	• Update your workplace policies, notifications, etc.
Action 4:	• Decide how to split premiums.

Administer Leave

Administer Leave

Your Paid Leave Administrator Account will keep your organization in the loop


MINNESOTA PAID LEAVE
Employer portal

Home My account Sign out

- Home
- Employee Leave Applications
- Equivalent Plan Exemptions
- Item

Employee leave applications

Needs Review 29 | Past Applications

Below is a list of all Paid Leave applications previously submitted by your organization's employees, where you can see the status and determination notice for each application.

Application ID	Name	SSN or ITIN	Leave Type	Start Date	End Date	Status	Docume...
PLA-3H5-8SU-L28	Smith, Bob	***-**-1234	Medical	01/01/2025	01/01/2025	Approved	View notice
PLA-3H5-8SU-L28	Smith, Bob	***-**-1234	Family	01/01/2025	01/01/2025	Denied	View notice

Administer Leave

Who is Your Leave Administrator?

The Paid Leave Administrator is the point of contact within your organization for Paid Leave. As a Paid Leave Administrator, that person is responsible for:

- Managing your account with Paid Leave
- Coordinating Paid Leave with other benefits
- Requesting an equivalent plan exemption
- Reviewing applications submitted by employees
- Fielding employee Questions and Concerns

Administer Leave

Roles in Paid Leave

The employee, employer, and Paid Leave (MNDEED) all play a role in the application process.

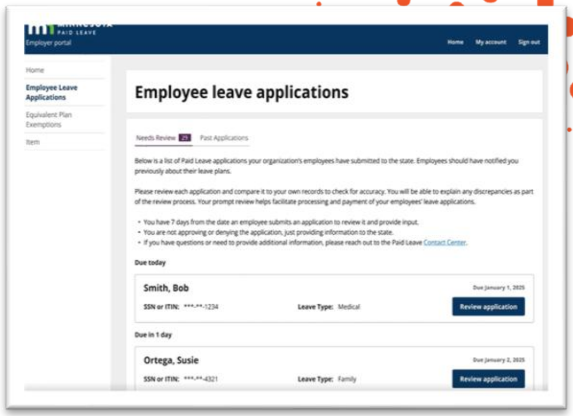
The Paid Leave application process

- **Employee** notifies **Employer** about intention to take leave.
- **Employee** starts and submits an application for Paid Leave.

Paid Leave Administrator is asked to review the application.

Paid Leave division (MN DEED) adjudicates the application.

- **Employee** and **Paid Leave Administrator** are notified of determination.



***** Employers will be able to review leave applications submitted by employees, and confirm the information submitted by employees is correct.**

Inhouse vs. Outsource

MN Paid Family and Medical Leave

Partnership with PRO Resources

Feature	In-House Management	PRO Resources Private Plan Administration
Setup & Compliance	You handle it (UI, notices, reporting)	Managed by PRO/insurer
Administrative Burden	High, especially for small teams	Low, outsourced. Our team is your team
Cost Structure	State premiums only	State premiums + PRO/insurance fees
Control & Flexibility	Maximum control	Less direct control, depends on provider
Employee Experience	Own claims system	Single, streamlined technology
Risk of Non-Compliant	Higher if under-resourced	Low, with expert management
Predictability	Premium may fluctuate	Possible rate guarantees

Summary

Summary:

Who

All MN employers (public & private)

Employees who earned at least $3,900 in the past year (2025 threshold)

What

Job-protected paid leave for medical, family, bonding, safety, and caregiving needs

Provides partial wage replacement (up to 90%, capped at $1,423/week in 2025)

When

Benefits available starting **January 1, 2026**

Employees can take up to **12 weeks** medical + **12 weeks** family leave (max 20 weeks combined)

Why

Helps Minnesotans care for family, recover from illness, and support loved ones without sacrificing income

Cost

Funded by employer + employee payroll contributions

Standard split: **0.88% of wages** (half employer, half employee)

Small employers (≤30 employees, avg wage ≤150% state average) pay reduced premiums

MN Paid Family and Medical Leave

Resources

MN Deed Hub

PRO Resources Employer Toolkit Handout

- Your Roles and Responsibilities
- Frequently Asked Questions
- Premium and Payroll Deductions
- Eligibility and Coverage
- Equivalent Plan Substitutions
- Paid Leave Benefits
- Paid Leave and Other Programs
- Employers: Prepare for Paid Leave Today
- Taxes and Paid Leave
- Employer Accounts

Disclaimer

- *The information provided in this presentation is for general guidance only, and does not constitute the provision of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind.*
- *The information provided herein should not be used as a substitute for consultation with professional tax, accounting, legal, or other competent advisers.*
- *Before making any decision or taking any action, you should consult a professional adviser who has been provided with all pertinent facts relevant to your particular situation.*
- *The information is provided "as is," with no assurance or guarantee of completeness, accuracy, or timeliness of the information, and without warranty of any kind, express or implied, including but not limited to warranties of performance, merchantability, and fitness for a particular purpose.*

Thank You!