A LITTLER PRESENTATION

Countdown to Compliance:

Preparing Your Business for Minnesota’s PFML Launch

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Presented for the Faribault Chamber of Commerce & Tourism

Littler®

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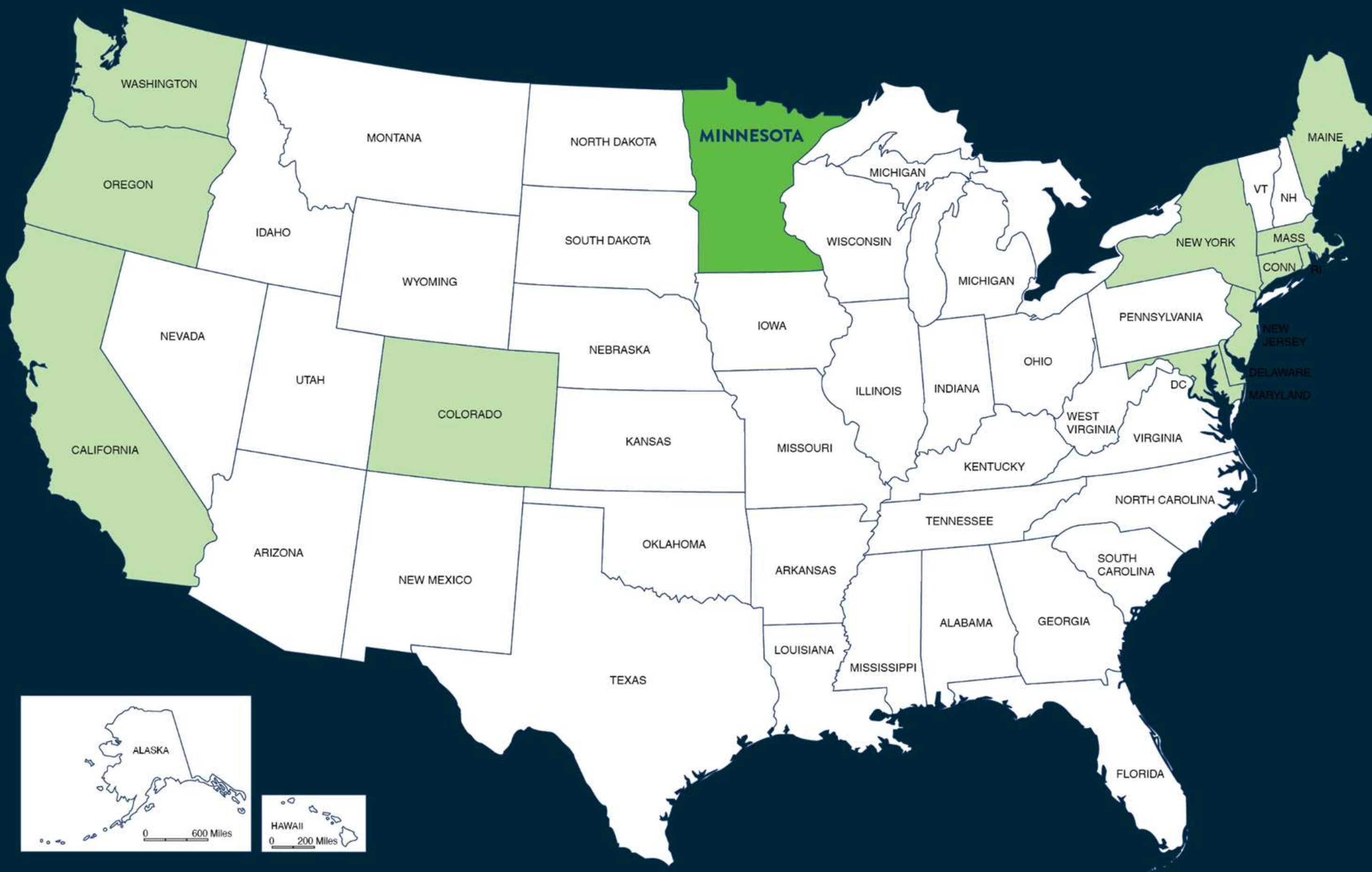
Agenda

- **Overview of PFML**
  - What it covers
  - Who qualifies
  - How it works
- **Policy Integration**
- **Private Plan Options**
- **Tax Consequences**
- **Key Deadlines**
- **Employee Communication**

Minnesota Will Be the 14th State to Implement Paid Leave



Question #1

How would you describe how you are feeling about PFML in Minnesota?

1. Not great
2. Okay
3. Good

Question #2

What are your biggest areas of concern about PFML?

Question #3

- What size is your business?
  - 0-50 employees
  - 50-250 employees
  - over 250 employees

Question #4

- Do you plan to use a state or private plan?
  - State Plan
  - Private Plan?

What Leave is Protected?

PFML Job Protected Leave

	Leave Type	Duration
Paid Family Leave	Bonding	12 weeks
	Active Duty	
	Caring Leave	
	Safety Leave	
Paid Medical Leave	Own Serious Medical Condition	12 weeks
Total leave	Maximum Leave Combined	20 weeks

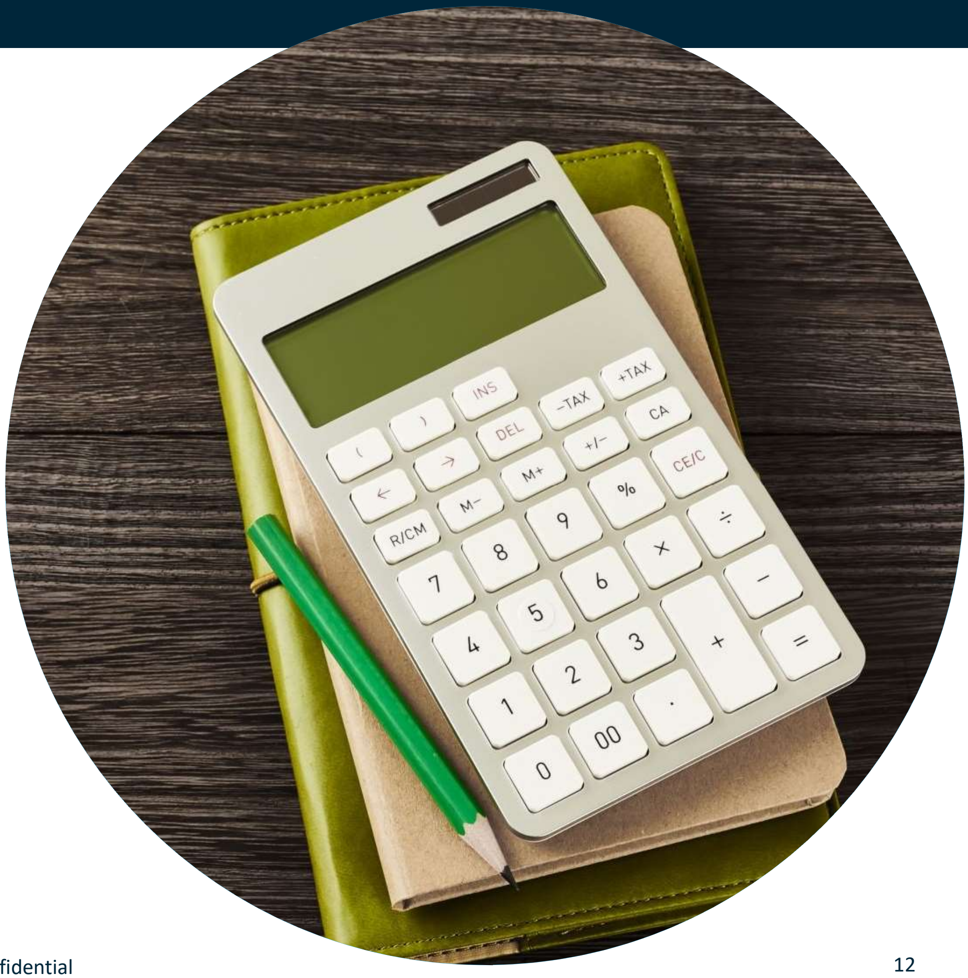
*Qualifying conditions must last more than seven days and be certified by a health care provider or designated professional.

Definition of Family

- **The Paid Leave law defines family member as the following:**
  - a spouse or domestic partner
  - a child, including a biological, adopted, or foster child, a stepchild, or a child to whom the applicant stands in loco parentis, is a legal guardian, or is a de facto parent
  - a parent or legal guardian of the applicant
  - a sibling
  - a grandchild (a child of the applicant's child)
  - a grandparent or spouse's grandparent (a parent of the applicant's parent)
  - a son-in-law or daughter-in-law
  - **an individual who has a relationship with the applicant that creates an expectation and reliance that the applicant cares for the individual, whether or not the applicant and the individual reside together.**

Paid Leave Benefits

- DEED is administering the program.
- Under the program, benefits will be paid by the state to individuals.
- Benefits will be considered taxable income under state law.
  - Link to IRS Guidance on paid leave programs.
  - Littler ASAP on new IRS guidance.
- The benefit year for employees starts to accrue the first day they use the leave. For private plans, employers can select the benefit year.



What About Intermittent Leave?

- Intermittent leave must be taken in increments consistent with the established policy of the employer to account for use of other forms of leave, so long as such employer's policy permits a minimum increment of at most one calendar day of intermittent leave.
- However, an employer may limit intermittent use of leave to 480 hours in any 12-month period. The employee would be able to take any remaining leave continuously.

Who Doesn't Have to Participate?

Most Employers are Covered

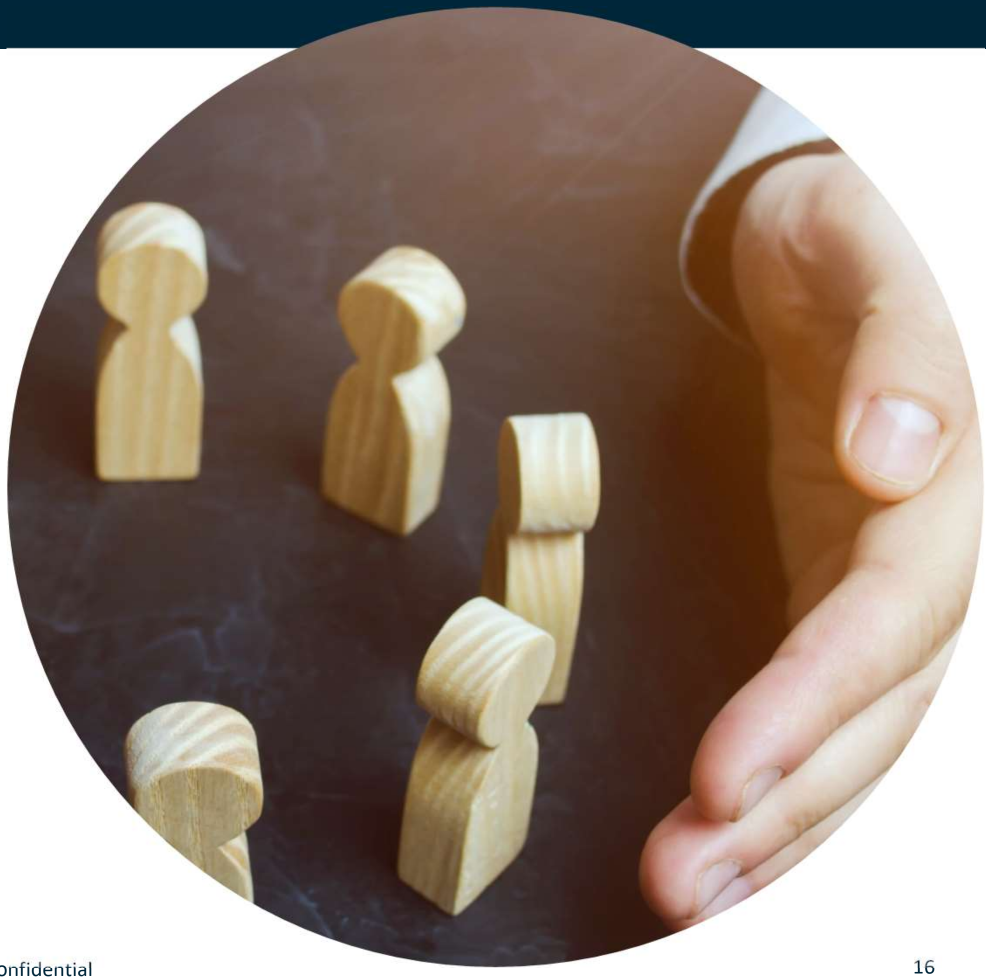
Local government and municipality employees are required to participate

Small Employers have assistance (discuss more later)

Which Employees are Covered?

Covered Employees

- Full-time, 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



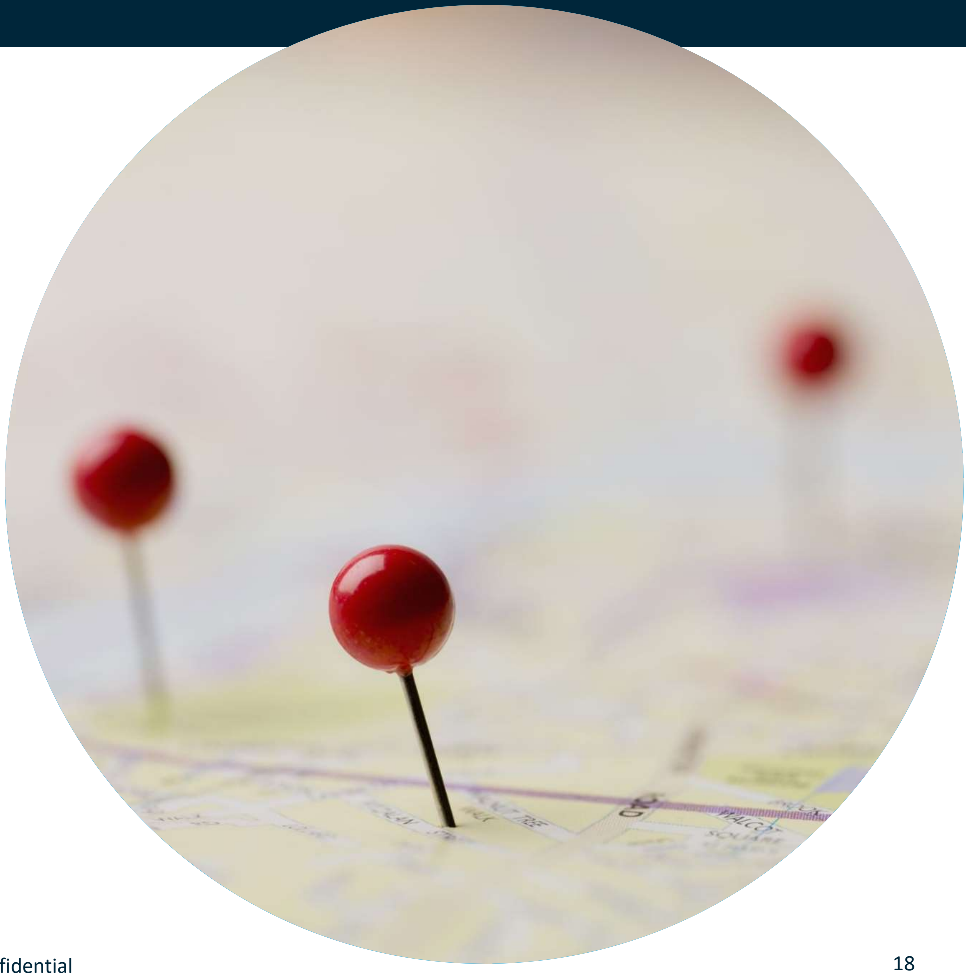
Which Employees Can Opt In?

- **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

Calculating Your Covered Workforce: Multi-State Employers

- PFML provides a test to determine whether an employee is subject to the law
- Paid Leave covers Minnesota employees. The Paid Leave law defines Minnesota employees as:
  - Employees who worked 50% or more of the prior year in Minnesota, or
  - For employees who did not work 50% or more of the year in any one state, those who live in Minnesota.



Paid Leave Payments

- Up to 90% of regular wages, up to a maximum of $1,423 per week (based on 2025 numbers).
    - Must have earned at least 5.3% of the statewide average annual wage in past year to be eligible ($3,900) (based upon 2025 numbers)
    - Not eligible if receiving unemployment, workers compensation or social security disability insurance during an absence.

Job Protection

- An employee must be restored to the same position or equivalent position with the same pay, status benefits, length of service and seniority as prior to the leave.
- Job protection begins after 90 days from date of hire.

What is Required as an Employer?

What is Required as an Employer?

1. Reporting & Premiums

- Payroll deduction & premium payment
- Wage Reporting
- Designate Paid Leave Coordinator

2. Inform

- Workforce Posters
- Individual Notifications

3. Leave Administration

- Coordinate other leaves and payments to employees on leave
- Support return to work

Reporting Wages

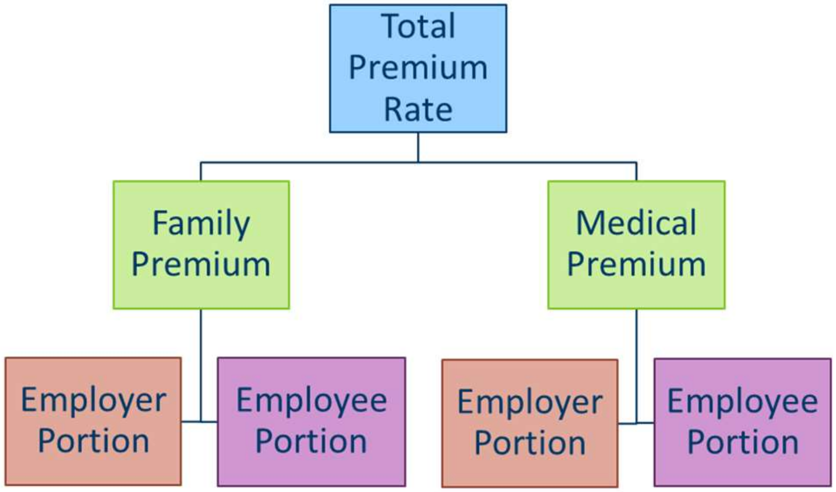
- **Where?**
  - The Paid Leave program is using the same online reporting system as Unemployment Insurance (UI) to reduce the administrative burden for employers.
- **When?**
  - Wages will be reported once per quarter.
- As of **February 1**, employers have reported wages for more than 3.4 million employee records through the UI online portal.

Funding Starting in January 2026

- Employers can deduct up to 50% of premiums from employee paychecks, starting January 1, 2026.
- Employers with 30 or fewer employees with an average employee wage of less than 150% of the statewide average annual wage are entitled to a reduced premium ($107,016 in 2025).

The Starting Premium Rate will be 0.88% of the Employee's Salary

2026 Contribution Rates for Minnesota Paid Leave	
Total Premium Rate	0.88%
Max. Employee Contribution Rate	0.44%
Max. Employee Weekly Contribution	$14.90
Max. Weekly Benefit	$1,423
Min. Employer Contribution Rate	0.44%
Min. Small Employer Contribution Rate	0.22%



Premium Rate Calculator by DEED

Small Employer Status

To qualify as a small employer:

- 30 or fewer employees
- Average employee wage of under 150% of Statewide Average Annual Wage

Additional funding up to $3,000 to:

- Hire temporary workers or
- Increase an existing employee's wages to cover for the employee on leave

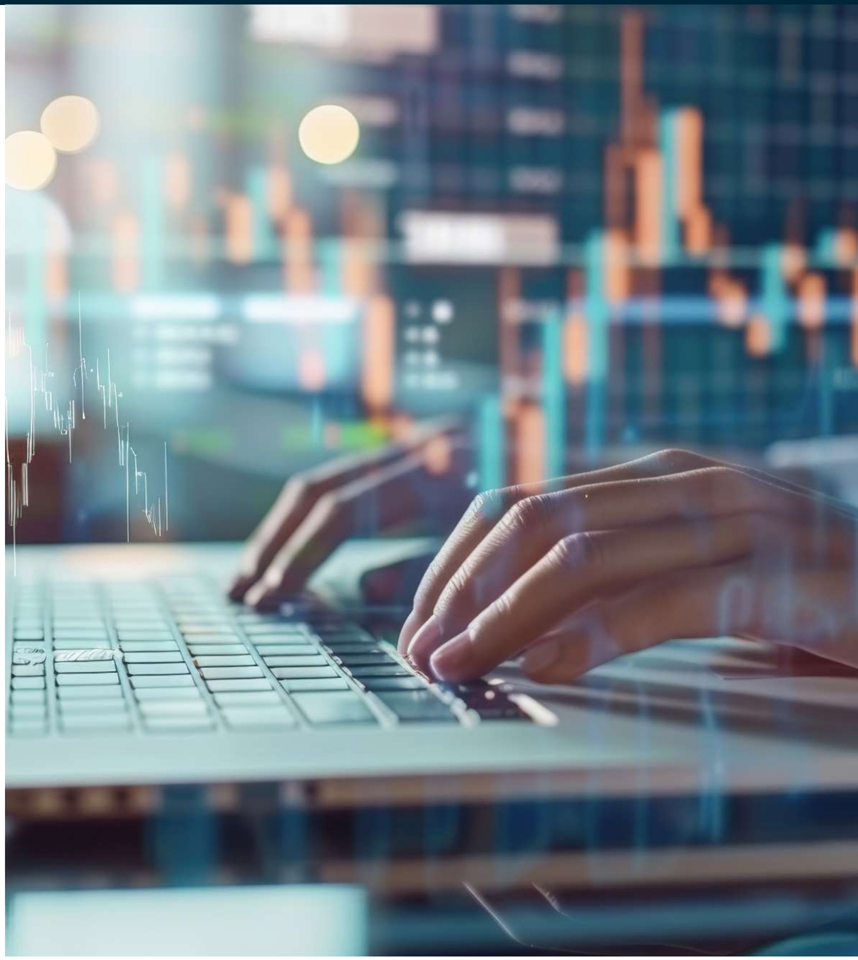
Setting Up Your Employer Account

Question #5

- Do you have an Employer Account set up?
  - Yes
  - No

Paid Leave Employer Account

- **Paid Leave Employer Account**
  - Need to create paid leave employer account
  - Able to review leave applications
  - Find leave determinations
- **Designate Paid Leave Administrator**
  - Manage account with paid leave
  - Review employee applications
  - Coordinate paid leave with other benefits
  - Request an equivalent plan exemption
  - Apply for small employer assistance funding



Paid Leave Application Process

- **Employee notifies employer about intentions to take leave**
- **Employee starts an application**
  - Paid leave administrator is notified an application has started
- **Employee submits application for paid leave**
  - Paid leave administrator receives request for information
- **Paid Leave Division determines claim**
- **Employee and Paid Leave Administrator are notified of decision**

Coordination of Benefits

Supplemental Benefits:

An employer can permit employees to “top off” paid leave with:

- Sick time
- Vacation
- Paid Time off
- Short-term Disability

Pay in Lieu of PFML:

An employee may choose to take paid time off and EEST in lieu of PFML

- Time will still count towards total PFML allowed.

Informing Your Employees

1. Hang a workforce poster

Deadline: December 2025

2. Notify individual employees
(in December to all employees and at hire)

PFML Poster

MINNESOTA PAID LEAVE

Effective January 1, 2026

Minnesota Paid Leave provides payments and job protections when you need time off to care for yourself or your family.

What can I use Paid Leave for?

Medical Leave:

- To care for your own serious health condition, including care related to pregnancy, childbirth, and recovery

Family Leave:

- **Bonding Leave** – to care for and bond with a new child welcomed through birth, adoption, or foster placement
- **Caring Leave** – to care for a family member with a serious health condition
- **Military Family Leave** – to support a family member called to active duty
- **Safety Leave** – to respond to issues related to domestic violence, sexual assault, or stalking for yourself or a family member

Generally, conditions must last more than seven days and be certified by a healthcare provider or other professional.

Am I covered by Paid Leave?

Most workers in Minnesota are covered by Paid Leave. You are covered no matter the size of your employer, or the hours or days you work. Independent contractors and self-employed individuals are not automatically covered but may opt in. You may qualify for payments if you've been paid a minimum amount for work in Minnesota in the last year ($3,900 for the start of Paid Leave in 2026).

How long can I take leave?

You may qualify to take up to 12 weeks of family or medical leave per benefit year. If you need both family and medical leave in the same benefit year, you may qualify for up to 20 weeks in total.

How much will I get paid?

When you use Paid Leave, the state makes payments to you. Paid Leave will pay up to 90% of your wages, based on your income level, with a maximum weekly amount set at the state's average weekly wage. This amount changes each year, and is $1,423 for the start of Paid Leave in 2026.

Who pays for Paid Leave?

Paid Leave is funded by premiums paid by employees and employers. The initial premium rate is 0.88% of covered wages. Your employer may deduct up to 0.44% of your wages to fund your portion of the premium.

What are my employment protections?

- **Job protections:** Generally, you must be restored to your job or an equivalent position when returning from leave. Job protections take effect 90 days after your date of hire.
- **Health insurance continuation:** Generally, employers must continue to fund their portion of healthcare insurance premiums while you are on leave.
- **No retaliation or interference:** Employers must not interfere with or retaliate against you if you apply for or use Paid Leave. Employers cannot take your Paid Leave payments.

For inquiries related to Paid Leave, please contact Minnesota Paid Leave at 651-556-7777 or visit our website.

If you think your employer is violating employment protections, contact the Labor Standards Division at the Minnesota Department of Labor and Industry.

Link to PFML Poster

Individual Notice

MINNESOTA
PAID LEAVE

Sample notice to employees

This template is provided by Minnesota Paid Leave for employer use. Please note:

- These documents are templates provided by Minnesota Paid Leave for employer use. They are provided in Word format for your convenience – for easier completion of fillable fields, minor formatting changes (such as the addition of a company logo), or additions about company-specific policies.
- Employers must notify each employee directly within 30 days of hire or 30 days before premium collection begins. **For Paid Leave program launch on January 1, 2026, this means you must notify employees by December 1, 2025.**
- This notice must be provided to employees in their primary language, in writing. Sample notices in languages other than English will be available on the Paid Leave website.
- For notice provided in electronic format, the employer must provide employee access to an employer-owned computer during an employee's regular working hours to review and print.
- Employees should provide written or electronic acknowledgement of receipt of this notice. This can be done with a signature on a form, or by other means, such as an electronic payroll system. If an employee refuses to acknowledge that they received the notice, employers will need to be able to demonstrate how they were notified.
- If you offer Medical Leave, Family Leave, or both through an approved equivalent plan, you must also provide a separate equivalent plan notice to your workforce.

Link to online template.

Notify Individual Employees

Notify individual employees directly in their native language within 30 day of hire of their PFML rights (or by December 1st)

Paid Leave will develop a model notification letter and make it available in multiple languages

Employers will need employees to affirmatively acknowledge receipt or demonstrate how workforce was notified.

What’s a Leave Administrator to Do?

- FMLA?
  - FMLA is a federal program that entitles eligible employees to take **unpaid,** job-protected leave for specified family and medical reasons
- Minnesota Parental Leave Act?
  - PFML does not replace the PLA

FMLA v. PFML v. ESST

The leaves can be taken concurrently, if it is taken for the same purpose.

Employers may require FMLA and PFML be taken concurrently.

Employers may not force employees to take ESST.

Comparison of ESST and PFML

	ESST	PFML
Purpose	Allow for accrual and use of **PTO** 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 7 days.**
Program Start Date	January 1, 2024 (in effect).	January 1, 2026
Covered Employers	Nearly all Minnesota Employers	Nearly all Minnesota Employers
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 $3,900 in 2025) in the past year.
Amount of leave each year	1 hour for every 30 hours worked Up to 48 hours each year	12 weeks of Family leave 12 weeks of medical leave, or a combination of the two not exceeding 20 weeks
Payment during a leave	Paid by employer at base rate of employee.	Funded by employer and employee but paid by the state. Application for benefits required.

	ESST	PFML
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

What About Union Employees?

Question #6

- Does your company have union employees?
  - Yes
  - No

What About Union Employees?

Reopener Clause

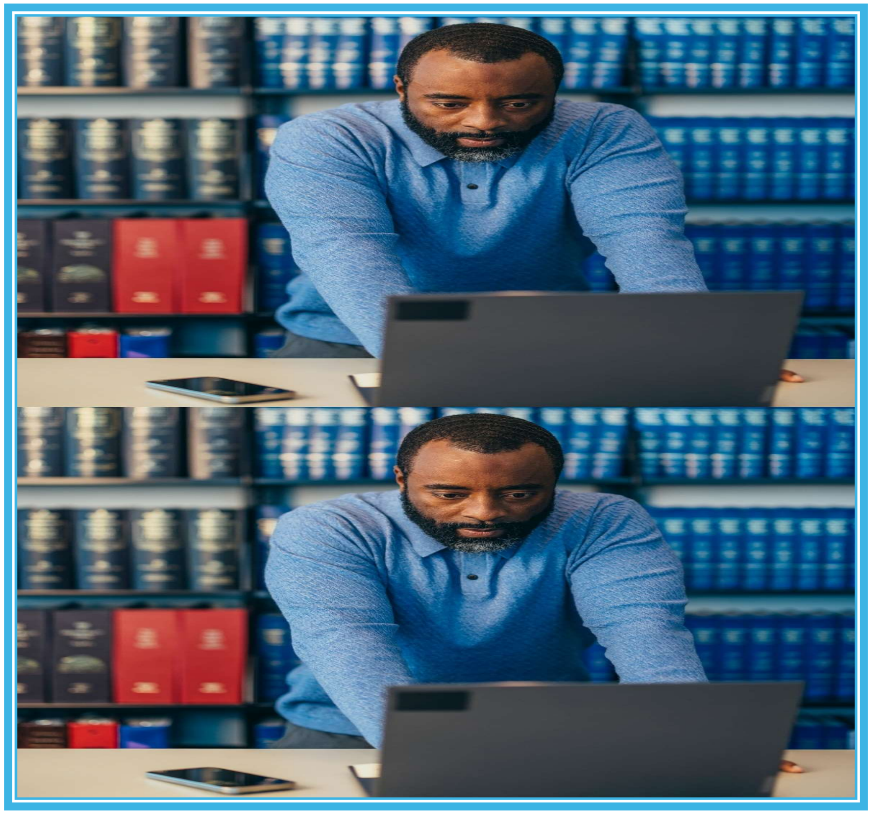
↓

Duty to Bargain

Premium Sharing	State plan, insured plan, private plan	Impact on other benefits (STD, PTO, Vacation)

Equivalent "Private" Plans?

- Employers can choose to meet their responsibilities under PFML by providing employees an equivalent plan that meets or exceeds the coverage offered by the state.
- **Approved equivalent plans must meet or exceed coverage under MN PFML with respect to:**
  - Leave time available to current and recently separated employees
  - Payment rates to employees on leave
  - Job protections



Question #7

- Have you submitted a request for an equivalent plan, if so, what was the result?
  - Approved
  - Rejected
  - Pending

Tax Consequences for Employers

How will paid leave premiums be taxed?

What are the consequences for employees?

Employers can view how much they owe in taxes on their Paid Leave Administrator Account.

Deadlines

2025

- **November 10, 2025 –** application due for private plan
- Employers need to notify their employees about Paid Leave benefits by Dec. 1, 2025

2026

- **Payroll Deductions** start Jan. 1, 2026
- **Benefits and leave available to Minnesotans** Jan. 1, 2026
- **Small Business Assistance** funding available Jan. 1, 2026
- First **quarterly premium** due by April 30, 2026

Practical Points

- Determine who will be a paid leave administrator.
- Determine minimum increment of time will allow for intermittent leave
- Determine if employees can take additional intermittent leave beyond 480 hours
- Review existing Leave Policies (including Paid Parental Leave) & notification requirements
  - Employers can require employees to comply with usual and customary notice requirements
  - Employees should provide employer with notice at least 30 days before leave begins.
  - If 30 days' notice is not possible, notice must be given as soon as possible
- Determine whether to apply for a private plan approval.

Practical Points

- Determine whether to allow employees to “top off” their PFML
- Determine whether employer will pay more than the required 50% of the paid leave premium.
- Work with payroll to put appropriate infrastructure in place to support PFML and amend employee earning statements.
- Review handbooks and policies and identify changes to be made. This includes considering how current FMLA policies will be affected.

Questions?

This information provided by Littler is not a substitute for experienced legal counsel and does not provide legal advice or attempt to address the numerous factual issues that inevitably arise in any employment-related dispute. Although this information attempts to cover some major recent developments, it is not all-inclusive, and the current status of any decision or principle of law should be verified by counsel.

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