



SF xxxx; HF xxxx, Revisor #25-04680: Minnesota Secure Choice Retirement Program; Administrative Bill

Prepared by: Susan Lenczewski, Executive Director

Date: March 24, 2025

Introduction

- Affected Program:** Minnesota Secure Choice Retirement Program (Program)
- Laws Amended:** Minnesota Statutes, [section 116J.401](#), and sections in [chapter 187](#)
- Brief Description:** The bill makes administrative and technical changes to the chapter governing Secure Choice and requires the Commissioner of the Department of Employment and Economic Development (DEED) to share contact information about employers with the executive director upon request.
- Attachment:** [Amendment 25-04680-1A](#)

Background

The Minnesota Secure Choice Retirement Program is a state-sponsored retirement program for private sector employees. The Program was established by legislation enacted in 2023 and funded by an appropriation of \$5 million.

The Program is intended to benefit employees in the private sector who have no opportunity to save for retirement through an employer-sponsored retirement plan such as a 401(k) plan. Employers that do not sponsor a retirement plan for their employees are required to transmit a percentage of pay deducted from each employee's paycheck to a state-administered individual retirement account (IRA). Employees have the option to change the contribution percentage or opt out of the Program entirely. Employees direct the investment of their accounts into a diversified array of investment funds offered with the oversight of the State Board of Investment (SBI).

Since passage of the legislation in 2023, the Governor and the Commission have appointed members to the Board of Directors to serve two-year terms along with ex officio members, the executive directors of the Minnesota State Retirement System and the State Board of Investment. The Board has met several times through 2024 and 2025. Actions taken by the Board include:

- the appointment of an interim executive director;
- authorization to begin a search for an executive director;
- approval of a lease for office space, an interagency agreement, and a budget for FY 2025;

- development of a timeline for opening the Program;
- publication of an annual report; and
- approval of a compliance (penalties) policy, which was submitted to the Commission as required by the 2023 session that established the Program.

The 2023 session law also prohibits the Program from beginning operation earlier than January 1, 2025, and once open, the Program must be phased in over a two-year period.

General Summary

[Revisor document #25-04680](#) makes administrative and technical changes to sections in Chapter 187, including the following:

- modifies the definition of “covered employee” to exclude temporary or seasonal employees;
- adds provisions that will allow employers to certify to the Program that the employer is not a “covered employer;”
- establishes the employee contribution rates, which begin at 5% and automatically increase each year to 8% (noting that a covered employee may elect a different contribution rate or opt out of the Program);
- requires covered employers to remit payroll contributions to the Program within 30 days after deduction from a paycheck;
- requires the Board to impose statutory civil penalties for noncompliance and requires the Board to provide notice to a covered employer regarding any noncompliance for the first two years of noncompliance before assessing penalties; and
- extending the term of two directors by one year so the terms of the directors do not all expire in early 2026 and thereafter at the same time every two years.

The bill also requires the Commissioner of DEED to comply with requests for information on employers from the executive director or interim executive director.

Section- by- Section Summary

Section 1 adds a new subdivision to Minnesota Statutes, section 116J.401, “Designation; Duties; Data”, to require the Commissioner of DEED to disclose information to the executive director or interim executive director of Secure Choice within 30 days of receiving the request. Requested information may include the business’ name, address, and telephone, and email address for contacts for for-profit and non-profit employers engaged in business in the state. The executive director or interim executive director must maintain the privacy of the information.

Section 2 amends section 187.03, subdivision 5, the definition of “covered employee,” to add temporary or seasonal employees to the list of persons who are NOT covered employees. These persons are described as “employed on a temporary or seasonal basis for a limited duration, which the employer determines at the time the person is hired will not extend beyond 120 days.”

A new paragraph (c) gives these employees the opportunity to participate in the Program through payroll deductions but only if the employee's employer would otherwise be considered a covered employer.

Section 3 amends section 187.03 to add, as new subdivision 6a, a definition for "enrollment window." Enrollment window is the period during which covered employers are first required to provide information to their covered employees and enroll their covered employees in the Program.

Section 4 amends section 187.03, subdivision 7, the definition of "executive director," to add that, if an executive director has not yet been appointed, executive director means interim executive director.

Section 5 amends section 187.05 by adding new subdivision 1a, "Certification by employers that are not covered employers," to provide a process by which employers who are not "covered employers" may submit a certification to the executive director, certifying that the employer is not a covered employer and providing a reason, such as the entity does not employ five or more employees or the entity sponsors a retirement savings plan for its employees.

Section 6 amends section 187.04, subdivision 4, "Contribution rate," to refer to the contribution rates in Section 187.07, subdivision 1, and states that the Board may change the rates and the escalation schedule. A new sentence states that the Board must give covered employers at least six months advance notice before the effective date of any change in contribution rates.

Section 7 amends section 187.05, subdivision 6, "Withdrawals and distributions," to add a date, July 1, 2028, by which the Board must include lifetime income options as an alternative from which covered employees could elect distribution of their IRA account.

Section 8 amends section 187.07, subdivision 1, "Requirement to enroll employees," to require covered employers to enroll a covered employee no later than 30 days after the employee's first day of employment.

New paragraph (b) adds the contribution rates, which apply unless the covered employee has elected a different contribution rate or not to contribute. The contribution rates are:

- (1) 5% for the first year of participation;
- (2) 6% for the second year;
- (3) 7% for the third year;
- (4) 8% for the fourth year and each year thereafter.

New paragraph (c) states that the requirement to enroll covered employees by the 30th day after the first day of employment does not apply to a covered employer until the covered employer's enrollment window has opened. When the window opens, the covered employer must enroll all covered employees no later than 30 days after the end of the enrollment window.

Section 9 amends section 187.07, subdivision 2, "Remitting contributions," to require covered employers to remit payroll deduction contributions to the Program as soon as practicable and no later than 30 days after the date of each paycheck.

Section 10 amends section 187.07, subdivision 3, "Distribution of information," to require covered employers to distribute information to each covered employee no later than 14 days after the covered employee's first day of employment.

New paragraph (b) states that the requirement to distribute information by the 14th day after the first day of employment does not apply to a covered employer until the covered employer's enrollment window has opened. The covered employer must provide the information no later than 14 days before the date of the first paycheck from which employee contributions could be deducted for transmittal to the Program.

Section 11 amends section 187.07, subdivision 6, "Enforcement," to require the Board, rather than give the Board the discretion as in current law, to impose statutory civil penalties against any covered employer that fails to comply with the enrollment, distribution of information, and remittal of contributions requirements.

Paragraph (c) is amended to require the Board to give covered employers who fail to comply with the enrollment or distribution of information requirements written warnings for 2 years before assessing penalties. Notably, remittal of contributions withheld from paychecks is not included in the requirement to give written warnings for 2 years before assessing penalties.

Section 12 amends section 187.08, subdivision 3, "Membership terms," to add a new clause (2) that states that the initial term of two of the Board members is three years, rather than the current two years. The Board members specified are the Commission-appointed retirement plan investments professional and the Governor-appointed human resources executive. This will allow for staggered terms.

Section 13 amends section 187.08, subdivision 7, "Executive director; staff," to add requirements imposed on the executive director. New paragraph (b) permits the executive director to participate but not vote on any matter before the Board and prohibits participation by the executive director in any matter before the Board that is likely to result in direct measurable economic gain to the executive director or family.

New paragraph (c) requires the executive director to file an economic interest statement with the Campaign Finance and Public Disclosure Board.

Section 14 amends section 187.11, "Other State Agencies to Provide Assistance," to add the Commissioner of DEED to the specifically noted state agencies with which the Board may enter into an intergovernmental agreement.

Section 15, Effective date. All sections are effective the day following final enactment.

Amendment

Amendment 25-04680-1A amends the definition of temporary or seasonal employee, at line 2.20 of the bill to replace the reference to "120" with "180." This will mean that a covered employer need not enroll a temporary or seasonal employee who is expected to be employed for as long as 180 days, rather than the 120 days in the bill.