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HUMAN RESOURCES EXPERTS

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Client Newsletter | Q4 2026

ISSUE 8



Pictured L-R: Justin Terch, Faith Wickenhauser

Included:

ESST Rules: Clarifying Deductions for Exempt and Indeterminate Shifts

I-9 Paperwork: Beware of Closer Scrutiny

Minnesota Voting Leave: Reminders for Employers

Open Enrollment: High Impact Communication

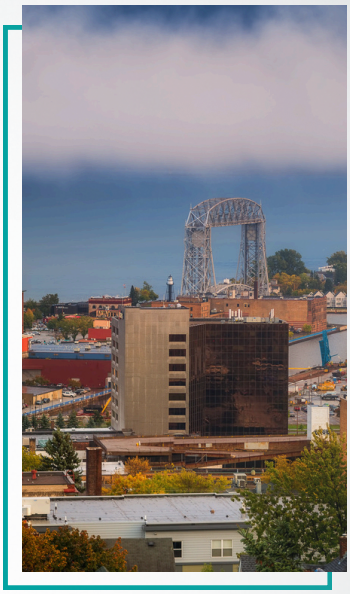
On the Radar: 2027 Labor Policy Priorities

An Interesting Statistic: Feedback to Help Early Career Employees

Dear Valued Clients,

As we enter the final quarter of 2026, Minnesota employers are balancing evolving compliance responsibilities with planning for the year ahead. In this issue, we look at topics including recent Minnesota Earned Sick and Safe Time guidance, reminders to employers, labor policy priorities being discussed for 2027, and the importance of accurate Form I-9 practices.

We hope this newsletter provides practical guidance and useful context as you continue supporting your employees and preparing for the months ahead. Thank you for the trust you place in Terch & Associates and for the opportunity to work alongside your organizations.



ESST Rules

Clarifying Deductions for Exempt Employees and Indeterminate Shifts

Minnesota Department of Labor's most recent Wage and Hour Bulletin clarified ESST administrative rules on how employers should calculate deductions when exempt employees take a full workday off and when employees miss all or part of an indeterminate shift. These details may affect how employers configure payroll and timekeeping systems.

Exempt Employees: For ESST accrual, employers generally credit employees who are exempt from federal overtime requirements with 40 hours per week, unless their normal workweek is shorter. When an exempt employee uses ESST for a full workday, the employer may not deduct more time than the hours credited for that workday. For example, an employee credited with 40 hours over a five-day workweek may have no more than eight hours deducted for a full-day absence.



Indeterminate Shifts: These are shifts whose length is based on business needs rather than a fixed number of hours. If an employee misses the entire shift, the employer must estimate its length using one of three measures: the hours worked by a replacement, the employee's most recent similar shift, or the greatest number of hours worked by a similarly situated employee.

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If an employee leaves partway through the shift, the employer uses one of those measures to estimate the shift's total length, subtracts the hours already worked, and deducts only the remaining hours from the employee's ESST balance.

What employers should do: Review payroll and timekeeping practices for these situations. Confirm how the organization determines a full workday's ESST hours for exempt employees, and identify which permitted method it will use to estimate indeterminate shift lengths. Share the approach with managers and payroll staff so deductions are handled consistently.

I-9 Paperwork
Closer Scrutiny

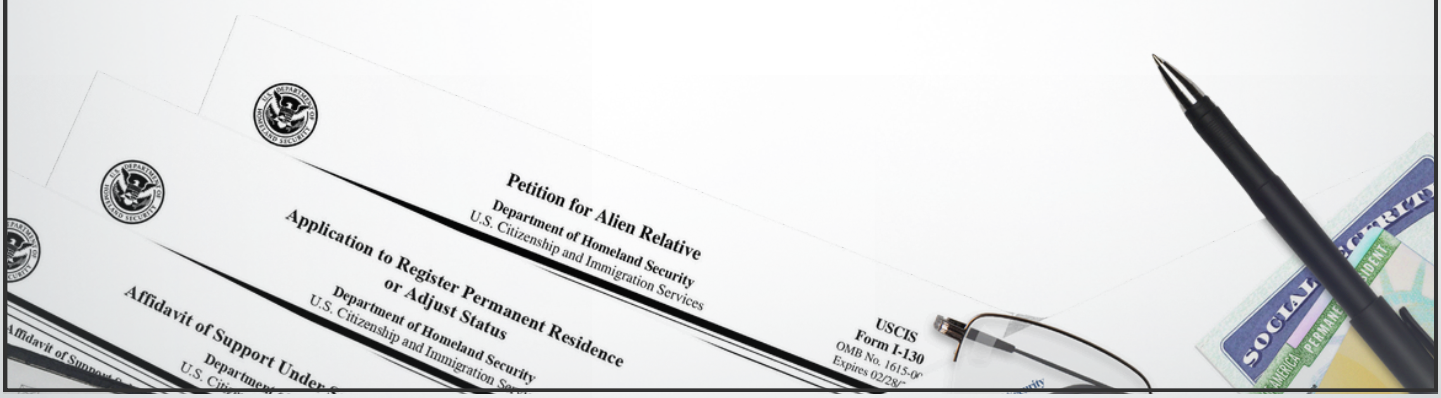
A Fall 2026 SHRM HR Quarterly article reports that ICE's March 2026 update to its Form I-9 inspection guidance treats more common paperwork errors as substantive violations.

That may leave employers exposed to penalties for omissions, such as missing information or dates, that were previously treated as technical and generally correctable during an inspection. This is a federal enforcement development, not a new Minnesota law.

What employers can do now:

- Review current and retained Forms I-9 for missing information, signatures and dates, and check that hiring steps were completed on time. ICE generally gives employers at least three business days to produce requested forms after an inspection notice, so organized, accessible records matter.
- Check that any remote document examination follows USCIS requirements. The alternative procedure is available to employers participating in E-Verify in good standing, and has specific steps and recordkeeping requirements.
- Train staff to follow current correction procedures and apply audits consistently. Employees must be allowed to choose from acceptable documents; employers should not request specific or additional documents based on citizenship status or national origin.

Employers considering an internal audit may wish to consult employment counsel, especially if they find errors or have questions about corrections.



Minnesota Voting Leave

Reminders for Employers

As Election Day approaches, Minnesota employers should remember that eligible employees have the right to take time away from work to vote. The right applies on Election Day and during the period when in-person early voting is allowed by law. Employees may be absent for the time necessary to travel to their polling place, cast a ballot, and return to work.

Employer Reminders:

- Pay employees for voting time that falls within their scheduled work hours. Do not deduct the time from wages or salary, or require employees to use vacation or personal leave.
- Do not refuse, limit, or interfere with an employee's right to vote, including by dictating when they may go.
- You may ask employees to tell you when they expect to be away and coordinate absences to minimize workplace disruption.

Minnesota law makes it a misdemeanor to violate these voting rights. For details, see the Minnesota Secretary of State's voting-leave guidance.

Open Enrollment

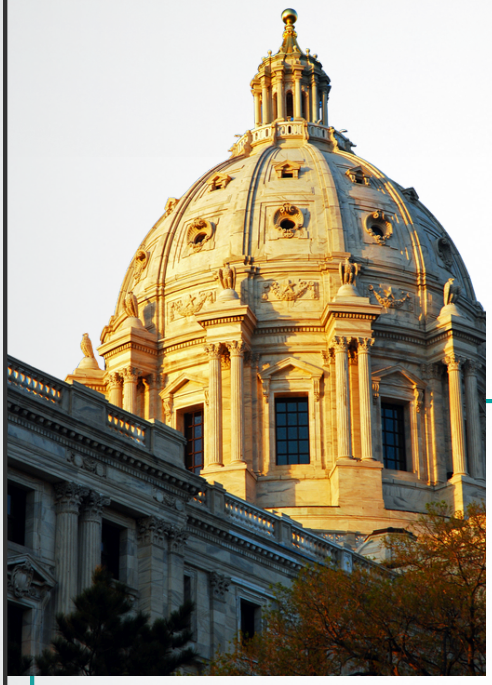
High Impact Communication

Open enrollment gives employees a chance to review benefits that affect their health care, finances, and families for the year ahead. Clear, timely communication gives them room to understand their options, compare costs, ask questions, and choose coverage that fits their needs. It can also help prevent last-minute confusion and missed deadlines.

A few steps can make the process easier for employees:

- **Start early.** Give employees enough time to review materials and ask questions before elections are due.
- **Explain what's changing.** Highlight differences in coverage, premiums, employer contributions, and plan options.
- **Make the information easy to use.** Provide current plan documents and a plain-language comparison of key costs and features.
- **Spell out the next steps.** Share who is eligible, how to enroll or waive coverage, the deadline, and where employees can get help.
- **Send reminders.** Follow up as the deadline approaches, especially if employees need to take action to keep or change coverage.

Before enrollment opens, coordinate with your plan administrator to confirm that details are accurate and required materials are ready. Our ultimate goal is to help employees make informed decisions and feel supported throughout the process.



On the Radar

2027 Labor Policy Priorities

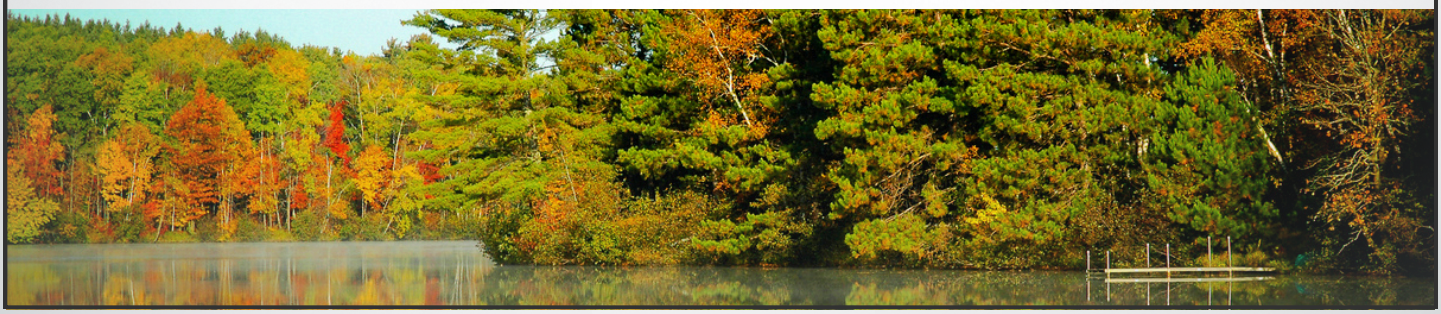
As Minnesota's election approaches, the major parties' published agendas point toward different approaches to employment policy. The DFL's 2027 agenda identifies priorities that include worker protections related to AI, stronger action against worker misclassification, and maintaining Minnesota's paid family and medical leave and earned safe and sick time programs.

The Republican Party of Minnesota's 2026 Action Agenda emphasizes reducing government mandates, including support for abolishing government-mandated employee benefits and repealing mandated wage rates on government and school-district projects. These are policy priorities and any changes would require legislation.

Where employers could feel an impact:

- Leave and required benefits: Future legislation could change which employers or employees are covered, or alter related payroll costs and administration. For example, a 2026 proposal to exempt businesses with 15 or fewer employees from Minnesota Paid Leave failed to advance. Current PFML and ESST requirements remain in effect.
- AI and worker classification: The DFL agenda points toward continued discussion of safeguards for workers affected by AI and stronger misclassification enforcement. If similar proposals return, employers could face new notice, review, recordkeeping, or enforcement requirements. Minnesota's existing worker classification rules remain in effect.
- Public-project wage requirements: A change to mandated wage rates could affect contractors and subcontractors bidding on government or school-district work, including wage calculations, payroll practices, and project cost estimates. The party agenda does not specify what laws or wage requirements a future bill would change.

Employers should continue following current law and watch for specific bills after the election. Organizations that use workplace AI, rely on independent contractors, administer leave, or bid on public projects may want to review those practices as proposals develop.



An Interesting Statistic

Feedback That Helps Early Career Employees Improve

According to Gallup data cited by *The Wall Street Journal*,

"42% of Gen Z and younger millennial workers strongly agreed that they knew what was expected of them at work in 2025—down nine percentage points from 2020."

What employers can take away: Don't assume employees know what success looks like. Managers can clarify priorities, deadlines, and how success will be measured, then use regular check-ins to confirm understanding and give timely, actionable feedback. Asking employees what questions they have or what support they need can help surface confusion early and keep expectations aligned.

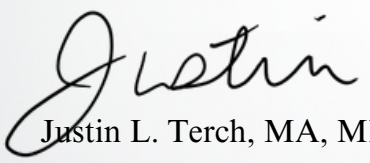
Thank you for taking the time to read our newsletter as we stay engaged with the issues shaping Minnesota workplaces. From changes in employment guidance to policy priorities for the coming year, employers have many considerations as they manage compliance and plan for their workforce needs.

We hope the information shared here offers clarity on current requirements and perspective on developments that may affect employers in 2027.

At Terch & Associates, we remain committed to helping employers navigate these changes with practical, thoughtful HR support. If you have questions about the topics in this issue or would like to discuss how they may affect your organization, please contact us at info@terchandassociates.com or (218) 213-7162.

We appreciate your continued trust and look forward to supporting your organization in the year ahead.

With appreciation,



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