



MMUA 2026 Summer Conference

Compensation Issues:

Pay equity, pay transparency, and additional
compensation law developments

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Agenda



Pay Equity: Basics and Recent Developments



Conducting a Pay Audit



Pay Transparency Law Developments



Overtime Rule Developments



Other Pay Compliance Developments

Disclaimers (I am an attorney, after all...)



- This presentation is for educational purposes only
- The information presented is not a substitute for legal advice.
- Information is presented as of August 19, 2026
- Laws, regulations, and guidance continuously change

Pay Equity – Basics and Developments





0 response submitted

When is the last time your utility conducted a pay audit?

Scan the QR or use
link to join



<https://forms.cloud.microsoft/v/AzM57LQHQ>

Copy link

Within the
last year.

One to three
years ago.

More than
three years
ago.

Never, as far
as I know...

Timeline

Bar



1 of 1





WOMEN EARN

83¢

FOR EVERY \$1
EARNED BY MEN



Source: U.S. Census Bureau, 2023



WOMEN EARN
19% LESS
THAN MEN
ON AVERAGE

Source: Pew Research, 2023

\$75K

\$58,750

\$50K

\$25K

\$0

WOMEN

MEN

\$23,750
GAP

THE IMPACT



Lower earnings
over a lifetime



Less savings
& investments



Wider retirement
income gap



Pay Equity Basics

- Legal Concept: Ensuring comparable compensation for employees with similar job duties regardless of the employees' protected characteristics.
- Avoiding pay differences based on gender, race, national origin, etc.
- Variables in pay are ok based on permissible factors, such as...
 - Education
 - Experience
 - Tenure
 - Responsibilities

Pay Equity Laws - Federal

- **Equal Pay Act:** Men and women should receive equal pay for equal work.
- **Title VII*:** Prohibits discrimination in pay based on sex, race, color, religion, national origin, and genetic information.
- **Age Discrimination in Employment Act:** Prohibits discrimination in pay based on age (only protects employees age 40 or older).
- **Americans with Disabilities Act:** Prohibits discrimination in pay based on actual, record of, or perceived disabilities.
- **Lilly Ledbetter Fair Pay Act:** Each paycheck = New Violation.

Pay Equity Laws - Minnesota

- **Minnesota Human Rights Act:** Prohibits discrimination in pay based on race, color, creed, religion, national origin, sex, gender identity, marital status, status with regard to public assistance, familial status, disability, sexual orientation, or age (18 or older).
- **Minnesota Equal Pay for Equal Work Law:** Does not apply to municipal utilities. Prohibits sex-based wage discrimination for **private** sector employers.
- **Equal Pay Certification Law:** State contractors with 40+ employees on contracts over \$500,000 must hold a certificate attesting to equal pay compliance (rarely would apply to municipal utilities).

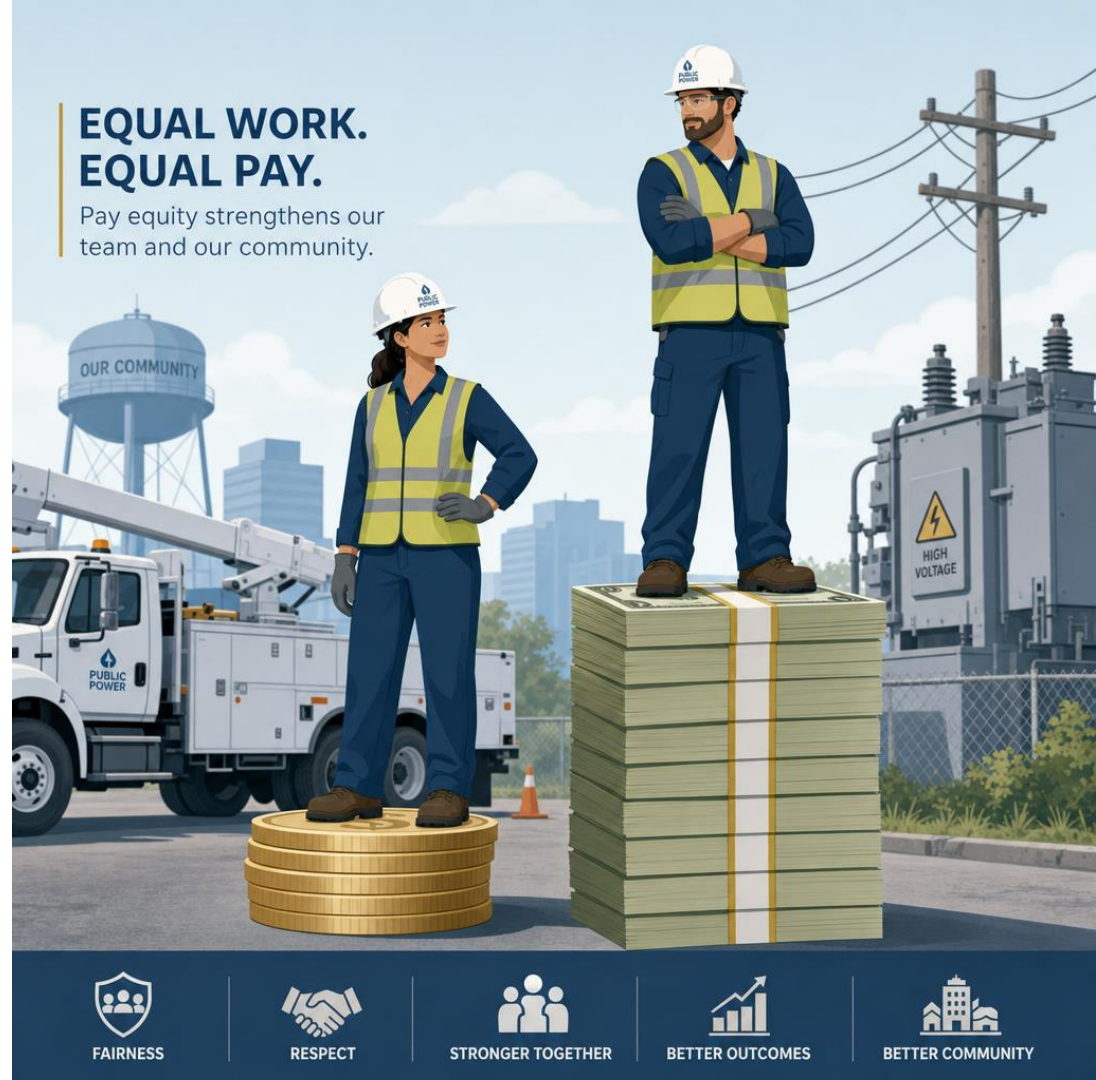
Pay Equity Laws - Minnesota

- **Local Government Pay Equity Act (Minn. Stat. § 471.911):** Every political subdivision must establish “**equitable compensation relationships**” between female-dominated (70%), male-dominated (80%), and balanced classes of employees to eliminate “**sex-based wage disparities in public employment.**”
- Not new. This law has existed since the mid-1980s.
- Compensation for female-dominated classes cannot be “**consistently below**” the compensation for male-dominated classes of “**comparable work value.**”

Local Government Pay Equity Act

“Comparable work value” is measured by...

- Skill
- Effort
- Responsibility
- Normal working conditions



Local Government Pay Equity Act

- Reporting requirements – Every 3 years for each job class:
 - Class list
 - Total male and female employee counts
 - Comparable work value assessment
 - Salary ranges
 - Time-to-maximum pay rate
 - Additional cash compensation
 - Verified by chief elected or appointed official
 - Proof employees were notified the report is public data

Local Government Pay Equity Act - Remedies

- Recourse available under the MPEA is very limited.
- Claims can only be pursued on behalf of a **class**.
- Alleged disparities must be based on gender.
- Implementation of the MPEA is primarily through collective bargaining.
- Financial penalties can be assessed for failing to comply/report.
- Very minimal litigation...

Pay Equity Laws are not new, but...

- Recent example from Pennsylvania (2025). Now on appeal. *Haring*
- Unanimous jury found a school district violated the Equal Pay Act by paying two female teachers lower pay than a male teacher performing substantially equal work.
- Plaintiffs only had to show **one** male comparator.
- No prove of discriminatory intent is required.
- Social studies teacher found comparable to English teachers; AP macroeconomics teacher was not.
- Awards of \$81,000 and \$84,000 in backpay damages (two years). Doubled for liquidated damages by the judge. Appeal pending.

Conducting a Pay Audit



Pay Inequity is Real...

In 2025, women in Minnesota made about 85 cents for every dollar men made. This means that men with full-time jobs typically make 18% more than women in full-time jobs. This ratio compares the median weekly pay of full-time workers—people who usually work 35 hours or more each week.

\$0.85

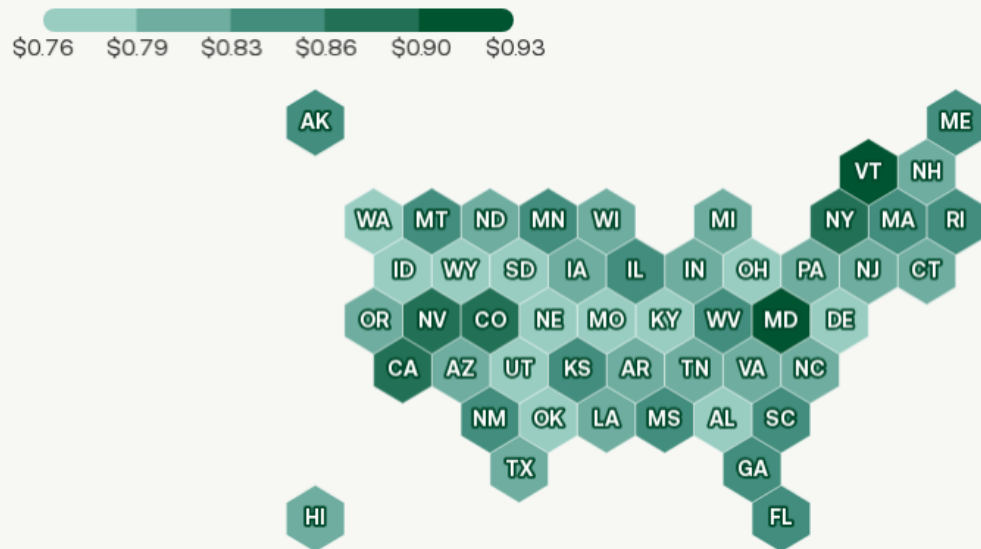
Women's earnings per \$1 earned by men, full-time

18%

Men's median earnings advantage over women (2025)

A decorative graphic in the bottom right corner consisting of a 2x2 grid of squares. The top-left square is blue, the top-right is white, the bottom-left is green, and the bottom-right is orange.

Women's median weekly earnings per \$1 earned by men, by state (2025)



Source: Bureau of Labor Statistics



Pay Audit Basics

- **Establish a job evaluation system** – a systematic way to score/rank positions by skill, effort, responsibility, and working conditions.
- **Gather the data needed to report** – job classes, points/evaluation scores, gender balance, salaries, years to max salary, etc.
- **Submit reports electronically** to the Minnesota Management & Budget office.
- **Interpret your results** – MMB applies statistical tests (e.g., underpayment ratio, salary range test) to determine compliance.
- **Download and post the official notice** so employees know the results.

Pay Audit Best Practices

1. **Establish a compensation philosophy** – Define your market positioning (e.g., 50th percentile), internal equity principles, and transparency commitments before analyzing pay.
2. **Collect and govern clean data** – Compile compensation data for every employee: title, classification, department, hire date/tenure, salary, education, performance rating, FTE status, and protected-class data (gender, race/ethnicity) handled under strict privacy/confidentiality controls, ideally with **legal counsel** briefed early.
3. **Define comparable work / cohorts** – Group employees by job classification, job family/level, or point-factor job evaluation so you're comparing genuinely similar roles

Pay Audit Best Practices

4. **Benchmark externally** – Compare internal pay to market data (BLS, state municipal association surveys, peer-city comparisons, or consulting firms) to see whether pay reflects market position, not just internal consistency.
5. **Run the equity analysis** – For larger organizations, a multivariate regression analysis is the gold standard, isolating the effect of gender/race after controlling for legitimate factors (experience, education, performance, tenure). Smaller municipalities can use a simpler stratified/cohort comparison by job classification. Gaps exceeding roughly 3–5% are typically flagged for investigation.

Pay Audit Best Practices

6. **Investigate flagged gaps** – For each flagged gap, determine whether a legitimate, job-related factor explains it (certification, shift differential, tenure). If not, document it as a gap requiring remediation — ideally under attorney-client privilege guidance from counsel.
7. **Remediate — never by cutting pay** – Fix gaps by raising underpaid employees' pay, prioritizing the largest/most significant gaps first. A common phased approach: quick fixes in Year 1 (same role/experience discrepancies), structural adjustments (job evaluation/step-grid realignment) in Years 2–3, and broader market-positioning increases phased in over time to manage budget impact.

Pay Audit Best Practices

8. **Fix the system, not just individuals** – Build durable structural fixes: clear step-grid advancement rules, defined pay ranges, removal of prior-pay anchoring in offers, and consistent promotion/merit processes tied to job grades.
9. **Document everything** – Maintain a pay equity register recording every above-grid adjustment, its justification, approving authority, and supporting data (market study, job evaluation). This is your legal defense record.
10. **Communicate thoughtfully** – Decide in advance, with legal counsel, what and how to communicate to affected employees and managers.

Pay Transparency Law Developments



Pay Transparency Laws - Federal

- No federal pay transparency laws apply to municipal utilities.
- The NLRB's restrictions do not cover political subdivisions.
- In 2025, the Trump Administration revoked a pay transparency provision that previously applied to federal contractors.

Pay Transparency Laws - Minnesota

- **Salary Disclosures in Job Postings:** NEW as of Jan. 1, 2025.
 - Minn. Stat. § 181.173
 - Expressly covers municipalities and subdivisions with 30+ employees.
 - Requires a disclosure of a starting salary range plus description of benefits.
 - Fixed rate disclosures are permitted.
 - Open-ended ranges are not permitted.
 - No express private right of action for violations?

Pay Transparency Laws - Minnesota

- **Wage Disclosure Protection**

- Minn. Stat. § 181.172 – Enacted in 2014, amended in 2023.
- Prohibits an employer from requiring an employee to keep that employee's own wages confidential.
- Employees are free to discuss their own wages with one another and third-parties.
- Does not allow employees to disclose an employer's confidential information regarding *other employees'* wages.
- Prohibits retaliation
- *Does* provide for a private right of action
- **Handbook requirement!**

Pay Transparency Laws – Recent Cases

- Penalties under state pay transparency laws can be significant!
- Washington: \$5,000 in statutory damages per class member.
- Who is a class member? Someone who reviewed a job posting with interest in applying? Someone who applied?
- Washington amended its statute in 2025 to give employers a cure period.

Overtime Rule Developments



Overtime Rule Developments

- In rules published in 2024, the DOL under the Biden Administration tried to increase the minimum salary threshold to \$1,128/week effective Jan. 1, 2025, with automatic triennial adjustments.
- The DOL's rulemaking authority was immediately challenged.
- The current DOL formally rescinded the 2024 rule in May 2026, officially restoring the 2019 thresholds (\$684/week for standard exemption).
- No recent MN law developments.

Other Pay Compliance Developments



Other Pay Compliance Developments

- Changes to MN's earning statement requirements (Jan. 1, 2026)
- Must now include any amounts deducted for Minnesota paid leave law premiums.
- Don't forget about ESST leave availability and usage.

Questions?



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