

Washington
Paid Family & Medical Leave




Employment Security Department
WASHINGTON STATE

Advisory Committee Meeting

January 26, 2022



Agenda

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- 1 Introductions
 - 2 Trust fund projections
 - 3 Advisory Committee engagement
 - 4 Open comment and adjourn

Meeting structure

- Advisory Committee and the presenters will be unmuted during the meeting, until open comment.
- We will accept comments from the public only during the open comment period.
- Comments and questions in the chat will not be reviewed as part of the meeting structure, rather:
 - Open comments will be taken at the end of the meeting.
 - Please frame your questions as a comment.
 - “Raise your hand” if you have a comment.
 - The meeting host will unmute individual line to allow for the open comment.

Introductions

- Advisory Committee

(Note: We will use the Zoom feature to identify who is on the phone rather than announcing during meeting)

Commissioner comments

Cami Feek

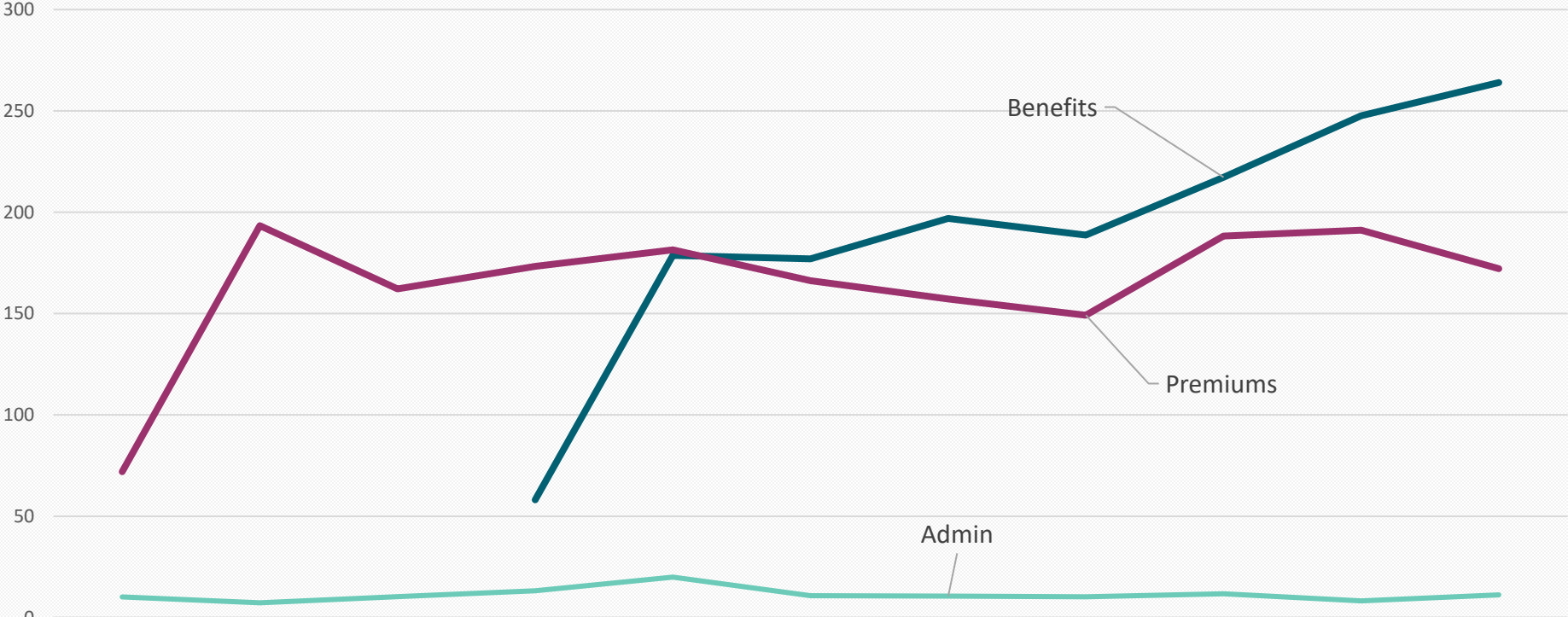
Budget update

- Started closer monitoring of fund balance last August / September due to increases in benefit claims and apparent trends in fund balance.
- Moved from quarterly to weekly projections to fully understand potential impact on cash.
- Requested additional funds to establish a reserve (from one to three months of expenditures).
- Current projections are limited in that there are only two years of benefit and revenue data and the trends in usage may have been affected by the Covid pandemic.
- Developed staffing model and requested FTE authority to deal with increased claims and improve customer response time (128.5 FTE).

Current state of the trust fund

- Balance (as of Jan. 22, 2022) is \$78.7 million, which equals about the last four weeks of payments.
- Governor's proposed 2022 budget included General Fund-State funding to be used in the event the fund balance is in a deficit.
- Governor's budget also included funding to contract with an actuary.
- 0.6% premium rate taken from paychecks in January, but collections will not begin until April 2022.
- Current rate structure is problematic in that it is set on cash available at a particular date with no provision for a reserve.
- Average monthly benefits have been growing consistently.
- A cash deficit is currently projected in early spring.
- Little historical data, and what we have is during the pandemic.

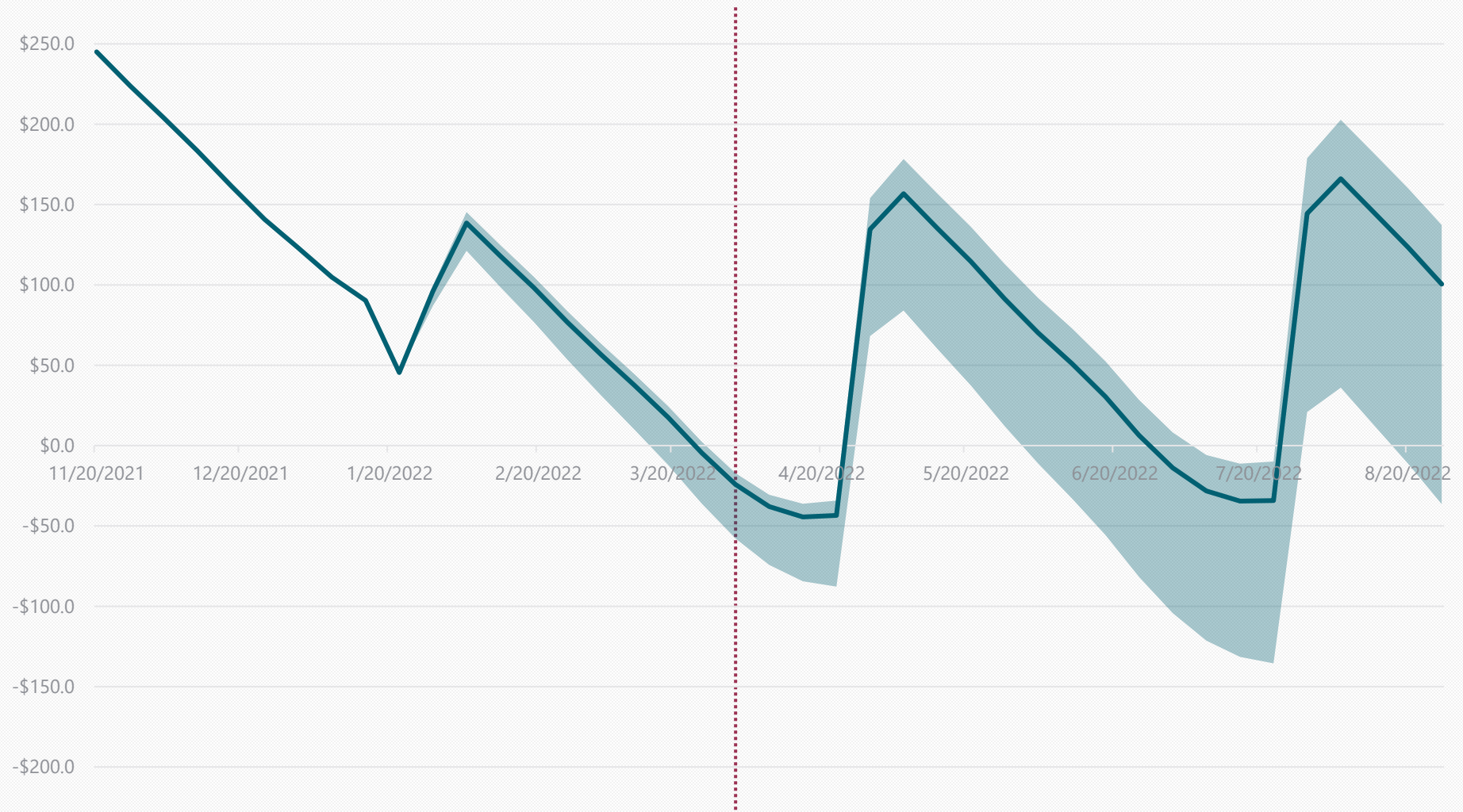
Premiums, benefits, admin, and fund balance by quarter



	2019-2	2019-3	2019-4	2020-1	2020-2	2020-3	2020-4	2021-1	2021-2	2021-3	2021-4
Benefits				\$58.1	\$178.7	\$177.0	\$196.9	\$188.7	\$217.2	\$247.6	\$264.0
Premiums	\$72.0	\$193.4	\$162.2	\$173.3	\$181.4	\$166.2	\$157.2	\$149.2	\$188.3	\$191.2	\$172.1
Admin	\$10.2	\$7.3	\$10.3	\$13.2	\$19.9	\$10.8	\$10.6	\$10.3	\$11.8	\$8.3	\$11.2
Fund Balance	\$26.8	\$209.8	\$372.1	\$467.2	\$454.2	\$426.8	\$376.4	\$326.6	\$286.5	\$221.5	\$123.6

Fund balance weekly cash flow projections

- Components
 - Admin Costs
 - Benefits
 - Premiums
- High-Low Estimates
 - High: 5% higher premiums, benefits constant
 - Low: 10% lower premiums and 10% higher benefits
- Range of Accuracy
- Updated as of 1/24/2022



Trust fund structure considerations

1. Time duration between rate setting and premium collection

- Appears as a cash deficit in the first quarter
- More problematic in times of benefits growth
- Funding included in the Governor's budget to address

2. No requirement for a minimum reserve

- The rate is set against the entire trust fund balance
- Without a reserve, changing conditions throughout the year put the program and trust fund at risk
- Funding included in the Governor's budget to address the gap

3. Maximum premium rate

- Statute allows a maximum of 1.2% (with solvency surcharge)
- Based on current projections (with no additional funds), solvency surcharges are expected
- Projections through 2028 indicate that the rate stays within the 1.2% maximum
- That projection is based on assumptions we agreed upon last summer for 2022 benefits
 - Claim volume increase 10% from 2021
 - Average length of leave from recent historical average
 - Average benefit amount increasing in line with historical median

Rate Year	Premium Rate	Solvency Surcharge
2019	0.4%	
2020	0.4%	
2021	0.4%	
2022	0.6%	
2023	0.6%	0.2%
2024	0.6%	0.1%
2025	0.6%	
2026	0.6%	0.1%
2027	0.6%	0.1%
2028	0.6%	0.2%

Last year's benefit changes

- Added qualifying periods for those with reduced work hours because of Covid-19 (1073).
 - Not paid out of Paid Leave trust fund.
- Expanded definition of family member (5097).
 - Up to 500 per calendar year paid out of Paid Leave trust fund.

	Total claims	5097 claims	5097 % of claims
Approved claims 2021	157,993	176	0.1%
Benefits paid in 2021	\$918,504,256	\$658,172	0.1%

Advisory Committee engagement

- Increase transparency
 - Regular review of volumes, premiums, and trust fund.
 - Budget requests and status briefings.
- Refresh Advisory Committee engagement
 - Conduct individual and group listening sessions.
 - Charter review.
 - Develop more robust recommendations on the future of Advisory for your feedback.
- Invest in Advisory Committee engagement
 - Hire Deputy Director – include Advisory Committee in selection process.
 - Appropriately staff Advisory Committee.

February meeting

Details

- 1 – 3 p.m., Friday, Feb. 11, 2022

Agenda

- Topics?

Open comment

Continue the conversation

Lisa Kissler

Director, Paid Family & Medical Leave
Employment Security Department

lisa.kissler@esd.wa.gov



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