

Meeting:	Paid Leave Oregon Advisory Committee				
Date/time:	February 1, 2023				
Location:	Microsoft Teams				
Attendees:	P (Present) A (Absent) S (sent sub)				
	Facilitator: Karen Madden Humelbaugh Scribe: Mackenzie Jones				
Members		Staff		Guest	
P	Karen Madden Humelbaugh	P	Mackenzie Jones		
P	David Gerstenfeld	P	Shannon Ball		
P	Jeannine Beatrice	P	Juan Serratos		
A	Amanda Dalton (employers)	P	Danielle Willey		
P	Jenny Dresler (employers)	P	Michele Roland-Schwartz		
P	Eric Hunter (employers)	P	Angela Yeager		
P	JaJetta Dumdi (employers)	A	Kelley Ofoni		
P	Andrea Paluso (employees)	P	Ayesha Khalid		
A	Eva Rippeteau (employees)				
A	Linda Herrera (employees)				
P	Catie Theisen (employees)				

Agenda

Docket #	Topic	Purpose	Presenter
1.0	Welcome	Inform	Karen Madden Humelbaugh &
1.1	Member Roundtable		David Gerstenfeld
1.2	Agency Updates		
1.3	Approval of January Notes		
<p>Karen Madden Humelbaugh welcomes two new members to the Advisory Committee:</p> <p style="padding-left: 40px;">JaJetta Dumdi, A-dec Dental Manufacturing</p> <p style="padding-left: 40px;">Catie Theisen, Oregon AFL-CIO</p> <p>David Gerstenfeld shared agency updates. The agency is preparing to provide a budget presentation for the 2023 Legislative Session, likely in late February. They also anticipate that the legislative concepts this committee assisted with should move forward soon. The Governor's recommended budget was released yesterday and the agency is pleased to find that it includes the budget they requested. The only minor change is related to a requested package for additional funding using the General Funds. Instead, it's been recommended to use a slightly increased diversion from the Unemployment Insurance taxes. The agency is also working on seeking formal legislative approval through the budget process to have dedicated funding for formalizing an Equity and Inclusion office.</p>			
2.0	Operations, Benefits & Policy Updates	Inform	Danielle Willey & Shannon Ball
2.1	Legislative Concepts		

Danielle Willey shared updates on operations and benefits. The Paid Leave team has partnered with Department of Consumer and Business Services (DCBS) to review and approve applications from insurance companies who wish to offer insurance plans for employers. DCBS has now approved 4 plans, and is working on three additional. As of yesterday, the team has approved 213 of the 460 total Equivalent Plan applications they have received. The Equivalent Plan team is proactively contacting employers who have submitted a Declaration of Intent but not yet submitted their equivalent plan application to ensure that they have all the information they need and are aware of next steps.

JaJetta Dumdi asked if there will be a posted list of providers who have an approved equivalent plan for employers to reference? DCBS does not proactively post this information online. Generally speaking, when a business is interested in utilizing an insurance product they would contact DCBS to inquire about the insurer. The Paid Leave team is trying to determine how to have this information more readily available. Andrea Paluso commented in the chat, "I would oppose using public funds and a public program to advertise private, for-profit insurance products, so I hope we have more discussion before making decisions on that."

The Paid Leave team continues to meeting with the Modernization Team and the technology vendor, FAST, to define how the system will function for benefits. Self-employed individuals are now able to elect into coverage for the Paid Leave program. Applications are available on both the Paid Leave website and on Frances Online. The team has received about 100 applications so far.

Shannon Ball shared legislative session updates and reviewed a summary with the committee of the 6 bills directly related to Paid Leave.

Catie Theisen asked if the Paid Leave team felt that HB2290 is critical to having the program up and running on time? The agency does not currently have a formal position on the bill, but it is critical in that if changes aren't made now they will need to be made later as they are important in regards to both technology and cost savings.

3.0	Customer Care, Outreach & Communication Updates	Inform	Michele Schwartz & Angela Yeager
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Michele Schwartz provided updates on customer care, outreach and engagement. The Outreach and Engagement team has been continuing to host public virtual sessions about Paid Leave. Starting in late February, the team will host sessions called "Contributions Explained" to support employers in filing their first Oregon quarterly report. They will also begin a "Benefits Explained" series in July to help Oregon workers understand how to apply for benefits. Meanwhile, staff are also ramping up outreach to labor unions and worker advocacy groups including connecting with Women, Infants and Children (WIC) offices and Community Partner Outreach Programs (CPOPs). In April, Paid Leave will be hosting sessions with two statewide non-profits: Prevent Child Abuse Oregon and Sexual Assault Task Force. The team has also secured two non-competitive contracts with culturally specific organizations and are hoping to share more details at the next Advisory Committee meeting.

Angela Yeager shared updates from the Communications team. The new Paid Leave Oregon website launched yesterday, January 31. The new site is transcreated in 6 languages, features a "safe exit" button to quickly close the browser and clear cookies, has extended pages for different types of leave, a forms page, as well as a contributions calculator. They hope that with future iterations they will also be able to provide a benefits calculator. The team hired a full time website administrator to ensure that the site stays up to date and are planning to publicize heavily in the next few weeks. If members notice any quirks with the website, please send feedback to Mackenzie Jones.

4.0	Actuary Updates	Inform	Ayesha Khalid
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Ayesha Khalid reviewed the provided Paid Leave Oregon Trust Fund update (attached). No questions from committee members.

4.0	Additional Program Updates	Inform	Karen Madden Humelbaugh
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Contributions began coming out of paychecks on January 1, 2023.

While businesses are only required to report quarterly, some businesses choose to report and pay more frequently. Some have begun submitting their contributions on Frances Online and sending payments to the Department of Revenue.

The Paid Leave team is continuing to see an increase in phone calls and other inquiries about the program. They are continuing to hire rapidly and plan to double in size by Spring 2023 in preparation for Benefits Go-Live in September.

Andrea Paluso asked where the Customer Care staff will be based? The team is trying to diversify the workforce in many ways, including geographically. The Customer Care staff will be fully remote and therefore can be located anywhere in Oregon. They hope to hire from all corners of the state.

JaJetta Dumdi asked how she can sign up to receive Paid Leave bulletins? Anyone can register to receive bulletins on the Paid Leave website at the bottom of the page.

Action Items

Action	Assigned	Due Date	Completed



Paid Leave Oregon Trust Fund Forecast

Ayesha Khalid
Paid Leave Economist

PFMLI Contribution Rate

- ORS 657B.150 requires:
 - OED Director to set the contribution rate annually.
 - The rate cannot be more than one percent of employee wages up to a maximum of \$132,900 (with 60 percent of the rate being paid by employees and 40 percent by employers).
 - The maximum amount of employee wages adjusted annually by changes in the Consumer Price Index (CPI)-Urban Consumers, West Region.
 - Contribution rate is set so that at the end of the period for which the rate is effective, the balance in the PFMLI trust fund is not less than six months' projected expenditures (ORS 657B.150) and to minimize the volatility of contribution rates.



PFMLI Contribution Rate

- **Uncertainty in projections:**
 - PFMLI is a new program in Oregon so some key considerations for the initial contribution rate have larger uncertainty than usual projections.
 - Unlike Unemployment Insurance program, which has eight decades of data to analyze for trends, there is no program data for PFMLI yet.
- **General Fund Loan repayment:**
 - The initial contributions in Oregon must not only fund the payment of benefits and ongoing operational expenses but also repay the General Fund Loan for standing up the PFMLI program.



PFMLI Contribution Rate

- While Oregon projections are based in part on other states' PFMLI programs, Oregon's PFMLI program is different:
 - For example, compared to Washington State, Oregon has
 - benefit payments for Safe Leave.
 - 100 percent wage replacement for eligible employees earning less than 65 percent of State Average Weekly Wage.
 - a much lower threshold for benefits eligibility. In Oregon, to be eligible for benefits, employees only need to have earned \$1000 in a base year; in Washington, employees need to work 820 hours or more in base year to be eligible for benefits.
 - Data from other states with recent implementation of PFMLI programs is instructive, but much of it reflects the pandemic time period, which may not be typical of what will be seen in 2023.



PFMLI Contribution Rate

- Growing awareness of PFMLI programs:
 - There is more awareness of the need for PFMLI programs amongst the public now, which suggests there could be higher program uptake in Oregon than earlier anticipated.
- Change in program implementation timeline:
 - The original statutory implementation timeframe provided a year of collecting contributions before any benefits were paid, but with the legislatively adjusted timeframe, the benefits are paid only after eight months.

PFMLI Contribution Rate

- Consequences of low initial contribution rate:
 - If the initial contribution rate is set too low, the PFMLI Trust Fund could run out of money, which means no further benefits would be paid until additional contributions are received.
 - If the initial rate is set such that there are excess reserves in the Trust Fund, the minimum solvency requirement may be achieved with a reduction in the following years' contribution rate.

PFMLI Contribution Rate

- Closely observing the Economic variables:
 - The PFMLI Trust Fund Forecast is updated quarterly based on Office of Economic Analysis (OEA) Economic and Revenue Forecast.
 - The upcoming Economic and Revenue Forecast is in February.
 - If the February Economic and Revenue Forecast changes the PFMLI Trust Fund Forecast such that the statutory solvency requirement is met at a contribution rate lower than one percent, this contribution rate proposal will be updated to reflect that.



Trust Fund Quarterly Forecast (2022 Q3)

as of 09/19/2022	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
(A) Beginning Fund Balance			235,746,844	433,433,782	497,849,306	522,863,042
Revenue						
(B) General Fund Loan to PFML Insurance fund						
(C) Contributions (begin 1/1/23)		290,848,038	279,214,117	278,755,796	268,683,992	322,301,940
(D) Fees (Employer Equivalent Plans)		22,500			35,000	
(E) Interest and Penalties (Employer)			717,580	716,402	1,381,036	1,656,632
(F) Interest on Fund			1,768,101	3,250,753	3,733,870	3,921,473
(G) Subtotal (B+C+D+E+F)		290,870,538	281,699,798	282,722,951	273,833,898	327,880,045
Expenditures						
(H) General Fund Loan Repayment		45,172,855				
(I) Benefit Payments (begin 9/3/2023)			67,029,623	201,088,869	231,580,919	231,580,919
(J) Grant Payments				235,321	256,006	256,006
(K) Administrative Costs		9,950,839	16,983,237	16,983,237	16,983,237	16,983,237
(L) Subtotal (H+I+J+K)		55,123,694	84,012,860	218,307,428	248,820,162	248,820,162
(M) Ending Fund Balance (A+G-L)		235,746,844	433,433,782	497,849,306	522,863,042	601,922,925



Changes from Previous Forecast

- DAS Office of Economic Analysis Economic and Revenue forecast 2022 Q3
- Equivalent Plans from Frances Data
- New computation method for small employer determination
- Updated General Fund Loan Repayment
- Updated administrative costs for 2023-2025

Oregon Equivalent Plan Data (through 12/29/2022)

- Applications: 211, Declaration of Intent: 2686
 - Large Employers: 2081
 - Small Employers: 816
- Anticipated Employees to be covered: 394,579
 - Small Employer Employees: 7,550
 - Large Employer Employees: 387,029



Trust Fund Quarterly Forecast (2022 Q4)

as of 12/29/2022	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
(A) Beginning Fund Balance		52,750	169,144,299	322,150,717	358,487,967	369,211,456
Revenue						
(B) General Fund Loan to Paid Leave Oregon fund						
(C) Contributions (begin 1/1/23)		228,055,454	218,933,236	218,573,864	211,029,317	247,476,497
(D) Fees (Employer Equivalent Plans)	52,750	671,500			434,550	
(E) Interest and Penalties (Employer)		586,103	562,658	561,735	1,084,691	1,272,029
(F) Interest on Fund		1,503	4,820,613	9,181,295	10,216,907	10,522,526
(G) Subtotal (B+C+D+E+F)	52,750	229,314,560	224,316,507	228,316,894	222,765,465	259,271,053
Expenditures						
(H) General Fund Loan Repayment		50,272,172				
(I) Benefit Payments (begin 9/3/2023)			60,218,075	180,654,226	200,698,942	200,698,942
(J) Grant Payments				233,404	251,021	251,021
(K) Administrative Costs		9,950,839	11,092,013	11,092,013	11,092,013	11,092,013
(L) Subtotal (H+I+J+K)		60,223,011	71,310,089	191,979,644	212,041,976	212,041,976
(M) Ending Fund Balance (A+G-L)	52,750	169,144,299	322,150,717	358,487,967	369,211,456	416,440,532



Summary of Trust Fund Forecast

Quarter	Contributions Collected (\$)	Benefit Payments (\$)	Program Expenses (\$)	Trust Fund Balance (\$)
Q1 2023				52,750
Q2 2023	228,055,454		9,950,839	169,144,299
Q3 2023	218,933,236	60,218,075	11,092,013	322,150,717
Q4 2023	218,573,864	180,654,226	11,092,013	358,487,967
Q1 2024	211,029,317	200,698,942	11,092,013	369,211,456
Q2 2024	247,476,497	200,698,942	11,092,013	416,440,532
Q3 2024	237,577,437	200,698,942	11,092,013	455,065,696
Q4 2024	228,074,340	200,698,942	11,092,013	485,239,734
Q1 2025	218,811,086	212,844,026	11,092,013	495,247,857
Q2 2025	267,589,340	212,844,026	11,092,013	554,135,636



- *Solvency Requirement:*

*Trust Fund End Balance*_{CRP} \geq *6 months' Projected Expenditures*
(where CRP is contribution rate period)

Contribution Rate Period	2023
6 months of Projected Expenditures	424,083,953
Balance of Projected Trust Fund	358,487,967
Difference	(65,595,986)
Number of months Reserve	5.1

Biennium	2021-23	2023-25
(A) Beginning Fund Balance		169,144,298
Revenue		
(B) General Fund Loan to Paid Leave Oregon fund		
(C) Contributions (begin 1/1/23)	228,055,454	1,848,065,117
(D) Fees (Employer Equivalent Plans)	724,250	869,100
(E) Interest and Penalties	586,103	8,374,661
(F) Interest on Fund	1,503	87,523,165
(G) Subtotal (B+C+D+E+F)	229,367,309	1,944,832,043
Expenditures		
(H) General Fund Loan Repayment	50,272,172	
(I) Benefit Payments (begin 9/3/2023)		1,469,356,121
(J) Grant Payments		1,748,481
(K) Administrative Costs*	9,950,839	88,736,105
(L) Subtotal (H+I+J+K)	60,223,011	1,559,840,707
(M) Ending Fund Balance (A+G-L)	169,144,298	554,135,634



Thank you



Forecast Data

- UI Tax wage files
 - Annual data for 2005 – 2021; Information on wages, work-hours, employer type
- PFMLI claims data from other states
 - California, New Jersey, Rhode Island, Washington state, Washington D.C, Massachusetts
- Family and Medical Leave Act 2012 & 2018 Survey
- American Community Survey (ACS) 2015-2019 microdata
- OEA employment and wage & salary forecast (as of 2021 Q4)
- Quarterly Workforce Indicators
 - Annual data for 2005 – 2020; Employment and wage by gender and age
- Consumer Price Index-Urban Consumers (West Region)
- OHA Center for Health Statistics for Oregon residents birth rates by age of mother, 2010-2019



Forecast Assumptions

- Trust fund balance estimate is based on repaying GF loan by June 30, 2023
- Contribution rate = 1%
- Quarterly contributions are collected with a one month lag into the following quarter (similar to UI)
- 3.7% of quarterly contributions unpaid each quarter (based on UI average from 2011 to 2020). However, to err on the conservative side, for the first two quarters of 2023, the percentage was doubled to 7.4% to account for employers currently not subject to UI but will be subject to PFMLI



Forecast Assumptions

- Contributions are evenly distributed across the quarters (unlike UI) due to a much higher PFMLI maximum taxable wage of \$132,900 (UI maximum taxable wage is \$43,800) i.e. the PFMLI contributions will begin with first quarter 2023 payroll, but the contributions won't decrease significantly in each of the following quarters like in the UI program
 - Based on the UI wage file data (2019), only four percent of employees earned more than the PFMLI maximum wage amount of \$132,900, whereas about 35 percent of employees earned more than the UI maximum wage amount of \$43,800
- Self-employed elect = 0.46% (based on Washington State's experience); self-employed will only pay the employee portion of 60% of the contribution rate



Forecast Assumptions

- Percentage of eligible employees claiming benefits = 6.5% (based on Washington State's experience)
- Small employer opt-in = 5% beginning September 2023 (when benefits begin) and in 2024 and 2025
 - Small employers that opt-in to pay the employer portion of PFMLI contributions will also be eligible to receive grants to hire temporary workers or to pay for other costs of covering work when employees take PFMLI leave.
- Interest earned on the PFMLI Trust Fund = 2.85% (as PFMLI will most likely be invested in the Oregon Short Term Fund)
- The two additional weeks for pregnancy disability is claimed by all pregnant.



Forecast Assumptions

- Per statute
 - For late reports, there is a 0.02% penalty rounded to the nearest \$100. For late payments, there is a 10% penalty, which increases to 50% if there was fraud.
 - For delinquent accounts, there is an annual penalty of 1% of wages for the year. With no current program data, the estimates are based on 1/4th of the UI interest and penalties as a percentage of UI collections for the first two quarters of 2023 and half of the UI interest and penalties after that (given the UI program has a similar penalty and interest structure but a more established and older program)
- Compared to UI, PFMLI is a new program so employers may not receive as many penalties the first year or two of the program as there is a strong focus on employer education about reporting and contribution payment requirements. However, policy still needs to be determined to figure out how soon program wants to begin imposing penalties and interest



Impact of 1 percent Contribution Rate

	Annual earnings (Weekly earnings)	Annual employee PFMLI contributions	Annual employer PFMLI contributions	One week's PFMLI benefits[1]
Minimum wage employee[2]	\$28,080 (\$540)	\$168.48	\$112.32	\$540
Median income employee	\$67,058 (\$1,289.58)	\$402.35	\$268.23	\$1,042.86
High income employee	\$132,900 or more (\$2,555.78 or more)	\$797.40	\$531.60	\$1,469.78

[1] Based on projected State Average Weekly Wage of \$1,224.82 in 2023.

[2] Using \$13.50 per hour for 40 hours per week.



Other states data: Employer Equivalent Plans

Washington State

- 2020: 176 employer plans
- As of Jan 2022: 274 employers with equivalent plan
- 65% of employers with equivalent plans are small employers (with less than 50 employees)
- 116,916 employees are covered by voluntary plans (3% of statewide employment)

Massachusetts

- About 4500 employers have own plan (out of ~225,000 employers)
- 75% of employers with own plan are large employers (more than 25 employees)
- Employees covered by equivalent plans are about 1/3rd of total employment

