

Advisory Committee Meeting- 04.10.2024

Attendance

Committee Members Present

- Justin DeFour, Director ESD Leave and Care
- Edsonya Charles, PFML Ombuds

Employee Representatives

- Samantha Grad, Teamsters 117
- Maggie Humphries, Moms Rising
- Joe Kendo, Washington State Labor Counsel
- Gabriela Quintana, Economic Opportunity Institute

Employer Representatives

- Rose Gundersen, Washington Retail Association
- Bob Battles, Association of WA Business
- Julia Gorton, Washington Hospitality Association

ESD Staff

- John Mattes, Leave and Care Operations Manager
- Alison Eldridge Leave and Care Transformation Manager
- Eve Sheng- Managing Actuary
- Karissa Burgess- Actuary 2
- April Amundson- Leave and Care Policy and Rules Manager
- Caitlyn Jekel- Government Relations Director
- Amanda Siemandel, MA3- running slides
- Erika Ayala, Administrative Assistant 4- taking notes

Agenda

- *Introductions & approval of February minutes*
- *Actuarial update*
- *Legislative wrap-up & future planning*
- *Financial and program updates (if time allows)*
- *Open comment*
- *Adjourn*

Introductions & approval of February minutes

DISCUSSION	Start time -3:00 p.m.
<ul style="list-style-type: none"> • Bob Battles moves to approve minutes • Rose Gundersen 2nd the motion • All in favor, Approve 	

Actuarial update

NAME	Karissa Burgess- Actuary
<ul style="list-style-type: none"> • Recap of CY2023 • Covered employees in CY23 Q4 restated higher after updates, 2.1% growth in CY23. Initial FY24 employees now 0.4% higher than projected. • Incident rates and claim duration were both 4% higher than expected in CY2023 Q4. • Overall CY23 wages were close to projected, but average initial FY24 wages are lower than projected – would affect premiums assessed. • Higher claims and lower premiums could result in earlier negative account balance than expected and a higher premium rate than expected for CY 2025 • Covered Employers • Actual YoY growth in 2023 was 2.1%. • Economic and Revenue Forecast Council a/o 1/2024 projected below growth rates <ul style="list-style-type: none"> • 2022 at 4.7% • 2023 at 2.7% • Average Wages, Actual to Projected • While CY2023 average wages are slightly less than the prior projection, most of that difference is in most recent quarters, initial FY24 data. • CY 2023 avg is slightly less than prior projection • Gross Wage: Current \$76k vs \$77k prior • Premium Wage: Current \$65k vs \$65k prior • Is there a way that we should consider tweaking the formula going forward? • Karissa-That is part of the determining the following years premium rate. • Incident Rate and Approval Rate • Larger increase in incident rate in most recent quarter. Incident rates are increased across most benefit types. • Why are you using the incident rate per 1000 employees? • Karissa- It is easier to track changers using a larger numbers vs individual employees • Weekly Benefit and Duration • Claim duration in most recent quarter shows an increase. • Small differences in weekly benefits from what was projected, however seasonality difference could be driver. 	

- The duration is a bit longer, we haven't hit the maturity stage yet, we still show as a new program based off numbers
- **Actual Projected Claims**
- There is an increase in CY2024 Q4
- some of the difference appears seasonal and/or situational, but claim submissions are still elevated so will continue to monitor
- **Account Balance 2024**
- Higher than expected claims will likely lead to earlier negative account balance than projected.
- Do we look at this and say this is because payments being made or we aren't collecting enough premiums?
- Karissa- Premium does affect when the account balance does go negative
- Current rate method is retrospective.
- A year with low claims or a high account balance could result in lower than needed premium rates for the following year.
- This also results in an overcorrecting rate increase the preceding year due to the losses being carried forward.
- A prospective rate method would largely address the above risks
- The cash infusion to fund was meant to seed the 3-month reserve as premiums are assessed. Has that been used?
- Karissa-The rate formula indicated premium rates were low this year. Those losses will carry forward and a correction rate will be used to increase rates next year.
- **CA CY23 Update**
- **CA Program Summary**
- CA PFL is a mature program added in 2004, most recent total claims trend of 10%. (WA is 20%)
- Current CA premium rate is 1.1% gross wages for CA PFL and CA Temp Disability.
 - Rate increase from 0.9% in 2023 to 1.1% in 2024 as well as removal of taxable wage cap.
- Total PFL total claims trend consistently 7-11% per year, with additional trend in years with program changes.
 - In recent years 3-6% of trend related to increase in filed claims.
- **California PFL Implemented 2004**
- Observations (CY 2013-2023)
 - 2021 surge likely related to Covid and the increased benefit duration from 6 weeks to 8 in later 2015.
 - Mature payment trends range 7-11% per year, with some situational volatility.
- **Account Balance Current Update**
- Ending CY 2023 account balance close to projected:
 - \$284M Actual
 - \$272M FY 2023 Projection
- Current cashflows won't reflect all of CY 2023 Q4 experience
 - Premiums have quarter lag
 - Claims with leave start dates in Q3 & Q4 are still developing
- **Office of Actuarial Service 2024 Timeline**
- Phase 1- Developing- Mach/April 2024
- -Update and test model for current year
- -Data

- -Prior report updates
- -Planning
- Phase 2- Testing- May/June 2024
- -Models
- -Assumptions
- -Sensitivities
- -Reasonability
- -Revise, update
- -DATA Review
- -Actuarial peer review
- -Finalize
- Phase 3- Implementing- July/August 2024
- -June 2024 data
- -Models
- -Assumptions
- -Report
- -Internal Review
- Phase 4- Legislature Review- September/October 2024
- -Public Affairs Review
- -Draft to commissioner
- - Return to GR
- -Submit to OFM
- Due to Legislature November 1, 2024

Legislative Session Wrap-up & Future Planning

NAME	April Amundson & Caitlyn Jekel
<ul style="list-style-type: none"> • Passed • HB 2102 – Requirements for the disclosure of health care information for qualifying persons to receive paid family and medical leave benefits • Funding request –Caseload staffing • Funding request –Operations • Proviso –Demographic data feasibility report • Did Not Pass • HB 2328 – Continued health benefits for firefighters of small fire districts • HB 1959 –Extending certain requirements in the state paid family and medical leave program to employers with fewer than 50 employees • What are the department’s top priorities? • Funding • Barriers to timely first payment • 8 Consecutive hours for eligibility for the week • With Employers- The access employers need to the claimant’s information to understand and effectively support around job protections, supplemental benefits, and continuing health insurance benefits • Build resources for employers • Cross match UI/PFML 	

- Sponsored Ideas vs Leg Mandates
- **Future Planning**
- April 22-26 – ESD Executive Leadership Retreat
- September 1 –Paid Leave Staffing and Program Needs Report
- September –Agency Request Legislation & Decision Packages to OFM/Gov
- November 1 –Annual Paid Leave Actuarial Report
- December 1 –Annual Report: Paid Family and Medical Leave

Program and Fiscal Updates

NAME	We did not go over these during the meeting due to time
<ul style="list-style-type: none"> • 	

Open comment

<ul style="list-style-type: none"> • Edsonya Charles- Congratulations to the operations team. Benefit Application processing times have been down below two weeks, and this has been sustained for quite a while. • Advisory Ended at 4 p.m. 	