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California Disability Insurance and Paid Family Leave 2018 INCREASES

IN CALIFORNIA, EMPLOYERS ARE REQUIRED TO PARTICIPATE IN THE STATE DISABILITY INSURANCE (SDI) PROGRAM, WHICH INCLUDES DISABILITY INSURANCE AND PAID FAMILY LEAVE BENEFITS.

PROGRAMS	FUNDING	BENEFITS
State Disability Insurance (SDI) program includes the following benefits: **Disability Insurance (DI)** Provides short-term benefits to eligible workers who suffer a loss of wages when they are unable to work due to a non-work-related illness or injury, pregnancy or childbirth. **Paid Family Leave (PFL)** Provides wage replacement benefits for eligible workers when they need to take time off from work to care for a seriously ill child, spouse, parent, parent-in-law, grandparent, grandchild, sibling or registered domestic partner, or to bond with a new minor child (including newly fostered and adopted children).	Both SDI benefits are funded through mandatory employee payroll deductions. **2017 SDI withholding rate**: The withholding rate is 0.9 percent. The taxable wage limit is $110,902 for each employee per calendar year. The maximum annual withholding for each employee is $998.12.	**2017 DI and PFL benefits**: An individual may receive up to 52 weeks of DI benefits and up to six weeks of PFL benefits during a 12-month period. For claims beginning on or after Jan. 1, 2017, weekly benefits range from $50 to a maximum of $1,173. The weekly benefit amount is approximately 55 percent of earnings, up to the maximum weekly benefit amount.
	2018 SDI withholding rate: Not yet set, but expected to remain the same as in 2017.	**2018 DI and PFL benefits:** For claims beginning on or after Jan. 1, 2018, weekly benefits range from $50 to a maximum of approximately $1,215. The weekly benefit amount is approximately 60 percent of earnings for those making more than 1/3 of the state's average quarterly wage (more than about $16,000 annually). The weekly benefit amount is 70 percent of earnings for those making less than 1/3 of the state's average quarterly wage (less than about $16,000 annually). In 2018, the 7-day waiting period for PFL benefits is eliminated.

2018 CONSIDERATIONS FOR EMPLOYERS:

- If you have a VDI plan, can it currently sustain these higher benefits? Employers will need to supplement employee contributions should there be a shortfall.
- If your organization can sustain it, consider implementing a separate short term disability benefit that equalizes the benefit level for all employees to a maximum of 70 percent of earnings.
- Consider offering an employer-sponsored disability plan that replaces some or all of an employees salary not covered by state SDI.
- Be sure to update your benefit policies and supporting documentation to address changes to the SDI benefit amounts.

INSTEAD OF PARTICIPATING IN THE SDI PROGRAM, CALIFORNIA EMPLOYERS MAY APPLY TO THE CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT FOR APPROVAL OF A VOLUNTARY PLAN THAT PAYS DISABILITY INSURANCE AND PAID FAMILY LEAVE BENEFITS. A VOLUNTARY PLAN MUST INCLUDE ALL OF THE SDI PROGRAM'S BENEFITS AND AT LEAST ONE MORE GENEROUS BENEFIT.

PROGRAMS	FUNDING	BENEFITS
Voluntary Plan (VP) California law allows employers or a majority of employees to apply to the Employment Development Department (EDD) for approval of a VP for the payment of DI and PFL insurance benefits in place of the mandatory SDI coverage. To be approved for a VP, the employer must post a security deposit with the EDD to guarantee that it meets all obligations of the VP.	Once a VP is approved, the employer is no longer required to send SDI withholdings to the EDD. When an employer requires contributions from employees under the VP, the employer must place the contributions in a separate account to pay claims and approved expenses. A VP employer cannot charge employees more than the current SDI contribution amount.	A VP must provide all the benefits of SDI coverage and at least one benefit that is better than SDI.

SELF-EMPLOYED INDIVIDUALS WHO ARE NOT REQUIRED TO CONTRIBUTE TO THE SDI PROGRAM MAY PARTICIPATE IN CALIFORNIA'S DISABILITY INSURANCE ELECTIVE COVERAGE (DIEC) PROGRAM TO RECEIVE DISABILITY INSURANCE AND PAID FAMILY LEAVE COVERAGE.

PROGRAMS	FUNDING	BENEFITS
Disability Insurance Elective Coverage (DIEC) California's DIEC program serves as a safety net for qualified self-employed individuals who are not required to pay into the SDI, but want to be covered by DI and PFL.	For calendar year 2017, DIEC premiums are based on net profit reported on 2016 IRS Form 1040 Schedule SE or Schedule C. Each quarter, one-fourth of this amount is reported as "wage credits." Premiums are calculated at a percentage of these "quarterly wages." The DIEC premium rate for 2017 is 4.55 percent of the first $110,902 in net income. The premium includes contributions for the DI and PFL programs.	Individuals who are covered by the DIEC program may be eligible for DI and PFL benefits. Eligible individuals may receive up to 39 weeks of DI benefits. Under the PFL program, eligible individuals may receive up to six weeks of benefits in a 12-month period to care for a seriously ill family member or to bond with a new child. **2017 DIEC benefits**: The weekly benefit amounts are the same for DI and PFL claims. For claims beginning on or after Jan. 1, 2017, the minimum weekly benefit is $50 and the maximum weekly benefit is $1,173. **2018 DIEC benefits**: Changes to the DIEC benefits are the same as those for the DI and PFL benefits. (See above.)

LINKS AND RESOURCES

California's Employment Development Department's website (www.edd.ca.gov) includes numerous resources for employers on the SDI Program.

- Disability Insurance and Paid Family Leave (www.edd.ca.gov/disability/Disability_Insurance.htm)
- Voluntary Plans (www.edd.ca.gov/disability/VP_Information.htm)
- Self-Employed Insurance (www.edd.ca.gov/Payroll_Taxes/Disability_Insurance_Elective_Coverage.htm)