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Changes to California’s paid leave programs coming in 2022

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Aug. 16, 2021

California’s state disability insurance (SDI) and paid family leave (PFL) benefit rates for 2022 may revert to pre-2018 levels without legislative action. Amendments (2016 Ch. 5, AB 908) to the programs temporarily increased weekly benefits from 2018 through 2021. Benefits rose from 55% to 60%–70% of an employee’s highest quarterly earnings in a base period divided by 13, capped at the annually adjusted weekly maximum benefit ($1,357 for 2021). Pending legislation (AB 123) would raise the PFL weekly benefit to 90% of an employee’s weekly wage for claims beginning on or after Jan. 1, 2022. However, the bill doesn’t address the SDI program, and the SDI benefit rate will revert to 55% without legislative amendments.

Current benefit calculation

Under the current system set to expire at year-end, individuals who earn less than one-third of the state’s average weekly wage ($5,998.57 for 2021) in their highest-earning quarter during the base year will qualify for 70% of those earnings divided by 13, up to the annually adjusted maximum. The minimum weekly benefit of $50 is set by statute. Individuals who earn more than one-third of the state’s average weekly wage qualify for a 60% benefit.

Base period and contributions

The program’s base period is the first four of the last five completed calendar quarters of covered employment. For example, in June of any given year, the base period is the four quarters ending Dec. 31 of the prior year for any employee who worked in covered employment and paid into the state fund during that time. The 2021 employee contribution is 1.2% of annual wages up to $128,298. Employers do not have to contribute to the program.

Looking to 2022

For SDI benefits beginning on or after Jan. 1, 2022, employees earning more than $1,749.20 in their highest-earning quarter in the base period will receive 55% of those earnings divided by 13, up to the weekly maximum. Lower-income workers may qualify for minimum benefit amounts. However, the pending legislation would raise PFL payable benefits to 90% of a worker’s highest quarterly earnings in the base period, divided by 13 (up to the weekly maximum). The increase would apply to PFL benefits beginning on or after Jan. 1, 2022.

PFL funding and implementation

To support the higher PFL benefits, worker contributions would increase by 0.1% to 0.2% per year, depending on total reserve levels. The Employment Development Department (EDD), which administers both programs, has told lawmakers that a January 2022 start date is not operationally feasible. EDD estimates implementation will take 16 months. Without amendments to the current version of AB 123, what benefits will be available under the programs next year is unclear. The current rates will change without allowing time for implementation.

Employer impact

Employers that coordinate their own leave programs with the state plan will want to work with their leave and disability vendors to address any last-minute changes to the program. Businesses that pay primary to the state plan or whose employees rely solely on the state plan won't have to make any changes, but may want to communicate any decrease or increase in state benefits to covered employees.

Related resources

Non-Mercer resources

- AB 123 (California Legislature, July 5, 2021)
- 2021 Ch. 5, AB 908 (California Legislature, April 11, 2016)

Mercer Law & Policy resources

- 2021 state paid family and medical leave contributions and benefits (Jan. 20, 2021)

Other Mercer resources

- Life, absence & disability

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