



PORTLAND PUBLIC SCHOOLS HUMAN RESOURCES

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Date: April 18, 2023

To: Board of Directors
cc: Superintendent Guadalupe Guerrero

From: Sharon Reese

Subject: Standard Insurance contract for Paid Leave Oregon(PLO)

The Board will be considering an expenditure contract with Standard Insurance Company at the April 25th board meeting for implementation of the statutorily required Paid Leave Oregon Act. To implement our obligations as an employer under the new law, we are engaging Standard Insurance as a third party to administer benefits for qualifying employees and provide FICA reporting and W2 preparation services.

BACKGROUND

Paid Leave Oregon (PLO), enacted by the Oregon state legislature in 2019, is a new paid leave program that starts in 2023. Employees can request paid leave starting September 3, 2023. This program provides access to paid leave for Oregon workers experiencing qualifying family, medical, or safety events such as a birth/adoption of a child, serious illness, or certain kinds of assault or domestic violence. PLO benefits are paid for through a payroll deduction of 1%, which in turn is divided between the employer portion (0.4% of payroll) and the employee portion (0.6% of payroll).

Effective September 3, 2023, Oregon employees will be eligible to take 12 weeks of paid leave per year, plus an additional two weeks for limitations related to pregnancy. Generally, PLO will run concurrently with the Family Medical Leave Act (FMLA) and/or the Oregon Family Leave Act (OFLA).

Portland Public Schools has elected to provide this benefit through the insured plan option, administered by Standard Insurance. Compared with the alternatives, PPS anticipates that employees will receive better service from Standard and that PPS will benefit from Standard's expertise in administration of similar plans.

By electing an insured plan through Standard Insurance, PPS does not have to remit or deduct any employee or employer contributions until September 2023. Employers electing to go through the state's administrator, the Oregon Employment Department (OED), began payroll deductions January 1, and their employees will have to apply for PLO benefits through the state agency starting in September.

PPS employees will apply for PLO benefits directly with Standard, an insurer with significant experience and services related to leave compliance and income protection. Standard Insurance already provides services to PPS employees as it currently administers our life and long-term disability benefits, and it administers short-term disability plans similar to Oregon's

PLO. Standard Insurance anticipates processing employee claims in 3-5 days. When Washington state first launched a similar program in 2020, the state agency was initially overwhelmed by unanticipatedly high numbers of claims and struggled to process claims in a timely manner.

CONTRIBUTION STRUCTURE AND FISCAL IMPACT

PLO is funded by contributions from employees and employers calculated on 1% of wages up to a maximum of \$132,900 (adjusted annually). The law states that employees pay 0.6% of wages, while employers pay 0.4% of wages. PPS is obligated to collect and pay these contributions regardless of whether we contract with Standard Insurance to administer PLO or participate in the state plan.

Based on PPS's annual payroll, including estimated FTE changes and annual raises, we estimate payroll deductions will be \$6.25 million.

The cost to PPS of using Standard Insurance's FICA and W2 reporting services is an additional 0.05% of payroll, estimated to be \$250,000.

By implementing an equivalent plan through Standard Insurance and delaying both the employee- and employer-mandated deductions from January 1, 2023, to September 3, 2023, we estimate that we will save approximately \$3,000,000.