

## Presentation #5A

# California State Disability Insurance

## Disability Insurance and Paid Family Leave



# State Disability Insurance

California's State Disability Insurance (SDI) program is a short-term wage replacement program governed by the California Unemployment Insurance Code (CUIC). SDI covers California workers under two components:

- Disability Insurance (DI)
- Paid Family Leave (PFL)

## Who is Covered by the SDI Program?

- DI covers California workers who are unable to work for at least eight days due to their own non-work-related illness, injury, or pregnancy.
- PFL covers California workers who need time off work to care for a seriously ill family member, to bond with a new child, or to participate in a qualifying event as a result of a family member's military deployment to a foreign country.

# How is the program financed?

- SDI is 100% funded by the California worker through state-mandated tax withholdings, noted as CASDI on a paystub.
- Employers submit employee's SDI contributions to the EDD's Tax Branch through payroll taxes.

# What are the out-of-pocket costs?

- Contribution rates range from 0.1% to 1.5%, depending on the stability of the fund, and are updated annually by the EDD Director.

<b>Contribution Rates and Limits</b>	
<b>2021 Contribution Rate</b>	1.2%
<b>2022 Contribution Rate</b>	1.1%
<b>2021 Taxable Wage Limit</b>	\$128,298
<b>2021 Maximum Contribution</b>	\$1,539.58



# Contribution rate

- The existing statutory formula and limitation are cited in CUIIC section 984.
- The formula as stated in CUIIC section 984(a)(2) are as follows:

## 1.45 X Disbursement from the Fund – Fund Balance

### State Plan Taxable Wages

- The **1.45** variable is a key factor for ensuring the SDI fund retains a year-end reserve in the range of 25 to 50 percent of the prior year's disbursements.
- The term **disbursements** includes benefits paid to eligible workers, administrative costs to operate the program, and any other minor charges to the fund.
- **State plan taxable wages** includes all wages that were subject to SDI contributions or deductions.

For more information on the SDI program financing structure, review the *Overview of California's Paid Family Leave Program* (DE 2530).

# What are benefit limits?

- The weekly benefit amount (WBA) is adjusted annually.
  - The 2021 benefit amount ranges from \$50 to a maximum of \$1,357 per week. In 2022, the maximum WBA increases to \$1,540.
- The WBA is approximately 60 to 70% (depending on income) of wages earned in the claim base period (5-18 months before the claim start date).

Highest Quarterly Earnings (in base period)	WBA
Less than \$929	\$50
\$929 - \$5,998.57	70% of earnings
More than \$5,998.57	60% of earnings

- DI benefits are paid up to 52 weeks per claim.
- PFL benefits are paid up to 8 weeks per 12-month period.

# What services are covered?

The SDI program offers wage-replacement benefits for individuals unable to work due to a disability or family leave. The program does not offer services apart from customer assistance services, which include:

- Telephone support
- Online support
- In-person services
- Educational SDI program webinars

For more information on self-service options, visit [Self-Service Options](https://edd.ca.gov/Disability/SDI_Self_Service_Options.htm) (edd.ca.gov/Disability/SDI\_Self\_Service\_Options.htm).

# What are the SDI eligibility requirements?

- California workers must earn at least \$300 of California SDI taxable income in the claim base period (5-18 months before the claim start date).
  - Exception: Individuals who do not have wages in their base period may qualify for an alternate base period, in certain circumstances.
- Be employed or actively looking for work at the time the disability or family leave begins.

Factors that do not affect eligibility:

- Type of employment (full-time, part-time, or seasonal).
- Length of employment with current employer.
- Citizenship/Immigration status.

For more information on eligibility, visit [SDI \(edd.ca.gov/disability\)](http://edd.ca.gov/disability).

# Roles and Responsibilities

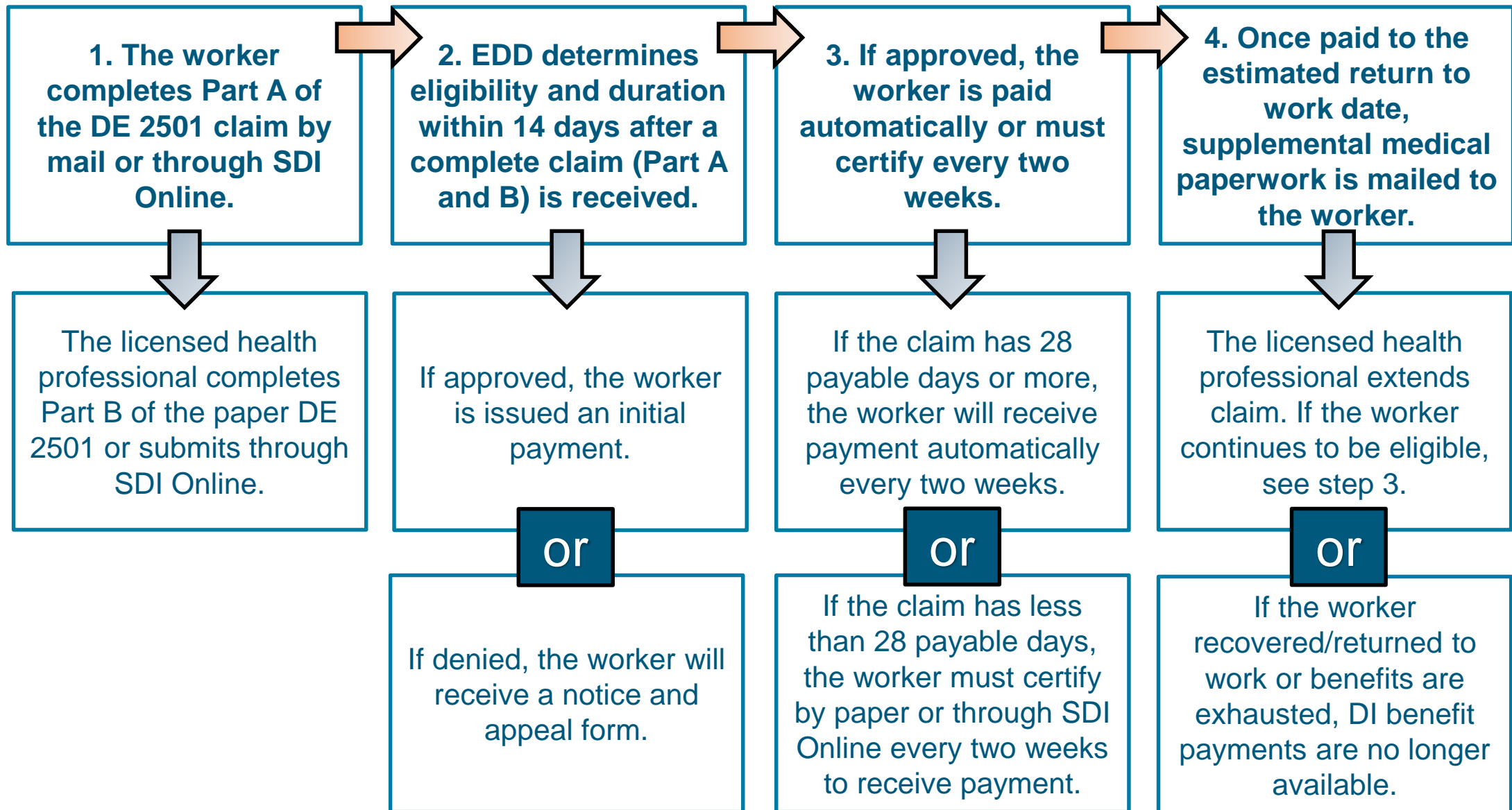
- Worker
  - File a complete and valid claim form.
  - Report personal and employment information, wage/earnings, return-to-work/recovery information, workers' compensation (WC), and disability status.
  - Certify for benefits or provide supplemental information, when requested.
- Employer
  - Verify employment status, wage/earnings, return-to-work information, and WC.
  - Provide supplemental information, when requested.
  - Report potential fraud.
- Licensed Health Professional
  - Have a valid medical license approved to certify claims under the CUIC.
    - For a list of approved medical providers, visit [Roles of Physician/Practitioners in SDI](http://edd.ca.gov/Disability/Physicians-Practitioners.htm) (edd.ca.gov/Disability/Physicians-Practitioners.htm).
  - Provide accurate treatment and diagnostic information.
  - Provide supplemental information, when requested.
  - Report potential fraud.



# DI Claim Eligibility

- Individuals must be under the care and treatment of a licensed health professional or accredited religious practitioner.
- Have the licensed health professional complete the medical certification portion of the disability claim.
- Complete and submit a *Claim for Disability Insurance (DI) Benefits* (DE 2501) no later than 49 days after the claim start date.
- Duration of payments is determined by the estimated return to work date provided by the licensed health professional, up to 52 weeks.

# DI Claim Flow



# PFL Claim Eligibility

- Must have lost wages due to the need to:
  - provide care for a seriously ill child, parent, parent-in-law, grandparent, grandchild, sibling, spouse, or registered domestic partner.
  - bond with a new child through birth, adoption, or foster care placement.
  - participate in a qualifying event resulting from a child, parent, spouse, or registered domestic partner's military deployment to a foreign country.
- Complete and submit a *Claim for Paid Family Leave (PFL) Benefits* (DE 2501F) no later than 41 days after the claim start date.

# PFL Claim Type Eligibility

- Care:
  - Provide a medical certificate with the PFL care claim for the seriously ill family member. The certificate must be completed by the care recipient's licensed health professional certifying to the serious illness and the need for care.
  - Duration of payments is determined by the care recipient's licensed health professional and the amount of time care is needed, up to eight weeks.
- Bonding:
  - Take PFL bonding benefits within the first year of the child entering the family.
  - Duration of payments is based on when the parent returns to work, up to eight weeks.
  - Provide proof of bonding (e.g., birth certificate, adoption placement, or foster care placement records.
    - New mothers transitioning from a DI pregnancy claim to bonding are not required to provide proof of bonding. Instead, they must complete the *Claim for Paid Family Leave (PFL) Benefits – New Mother* (DE 2501FP).

# PFL Claim Type Eligibility (continued)

- Military Assist:
  - Provide supporting military documentation, including:
    - Covered active duty orders.
    - Letter of impending call or order to covered duty.
    - Documentation of military leave signed by the approving authority for the military member's rest and recuperation.
  - Provide qualifying event documentation, which may include:
    - A copy of a meeting announcement for informational briefings sponsored by the military.
    - A copy of a bill for services for the handling of legal or financial affairs.
    - A letter with detailed information (reason for meeting, location, contact information) for the meeting with a third party.
  - Duration of payments is based on the amount of time the employee needs off work for the military event, up to eight weeks.

# Who may opt out of the SDI program?

- Any individual who adheres to the faith or teaching of a bona fide religious sect, denomination, or organization whose creed, tenets, or principles require dependence on prayer for healing may request exemption by completing the *Religious Exemption Certificate* (DE 5067).
- California employers or employee groups can apply to the EDD for approval to provide a private plan for short-term disability insurance and family leave, known as a Voluntary Plan (VP), instead of the mandated SDI coverage.
  - Individuals may consent or reject a VP at commencement of their employment or at the beginning of a new quarter. The employee who rejects a VP will be covered under SDI.

# Who may opt out (continued)?

## VP requirements to opt out of SDI.

The CUIC requires that a VP meet the following requirements:

- Need written approval from the majority of employees eligible for coverage.
- Cannot cost employees more than SDI and provide all the same benefits as SDI plus at least one that is better.
- Covered employees must be given a written document that outlines their benefits.
- Must be offered to all eligible California employees of the employer.
- Must be updated to match any increase in benefits that SDI implements as a result of legislation or approved regulation.

For more information on VP enrollment and eligibility, please see the *Employers' Guide to Voluntary Plan Procedures* (DE 2040).

# Are California workers covered if they live in another state?

- Yes. California workers living out of state may be eligible for SDI benefits if:
  - The job is based in California.
  - The employee paid in to the CASDI withholding in the claim base period.
  - All other eligibility requirements are met.

# Are there any administrative complexities?

- No. The employee's wage information and SDI contributions are submitted by the employer to the EDD's Tax Branch.



# What conflicts with SDI benefits?

- **Employer paid** short-term or long-term disability insurance. Note: If the employee pays any part of the premium or has private disability insurance, it is not in conflict with SDI.
- Temporary or permanent disability WC benefits.
- Other EDD programs (Unemployment Insurance, DI, or PFL).
- Earned full or part-time wages or accrued leave received during the disability or family leave period.

# What happens if there are wage conflicts?

- SDI may reduce or deny all or some of the DI/PFL benefit payments if receiving conflicting benefits or wages to ensure they do not receive more than 100% of their normal weekly salary.
- If the WC weekly rate is less than the DI/PFL weekly benefit amount, SDI pays the difference. If the WC rate is greater, benefits are denied.

Note: Social Security and Medi-Cal have **no impact** on SDI benefits although Social Security may reduce the amount they pay.

# What gaps exist in program coverage?

- SDI provides wage replacement benefits only; SDI does not provide job protection while the individual is out of work on a disability or family leave.
  - Job protection may be available under state and federal laws, such as the Family Medical Leave Act and the California Family Rights Act.

For more information on job protections, visit the [Department of Fair Employment and Housing \(dfeh.ca.gov\)](http://dfeh.ca.gov) and the [US Department of Labor \(dol.gov\)](http://dol.gov).

# What kind of data does the EDD collect?

The DI Branch collects the following types of data about individuals filing claims:

- Program data by claim type
  - Average weekly awards
  - Total benefits paid
  - Average claim duration
- Claim data by claim type
  - Diagnosis codes used
  - Disqualifications on claim
  - Number of claims filed
- Worker data
  - Gender
  - Age
  - Language
  - County
  - Wage Bracket

Note: This is not an exhaustive list. Additional data is published on [EDD's Quick Statistics](http://edd.ca.gov/about_edd/Quick_Statistics.htm) ([edd.ca.gov/about\\_edd/Quick\\_Statistics.htm](http://edd.ca.gov/about_edd/Quick_Statistics.htm)).

# What kind of data does the EDD collect (continued)?

- What source(s) does the EDD use to collect data?
  - SDI data is captured through SDI Online or the EDD's Single Client Data Base.
  - Data is also captured through Verizon; EDD's Unemployment Insurance Branch, Tax Branch, Fiscal Programs Division, and Labor Market Information Division; and the DI Branch's Voluntary Plan and Nonindustrial Disability Insurance programs.
- Does the EDD collect information on individuals who are not enrolled in the program today but may be enrolled in SDI in the future?
  - No. The DIB does not collect any data on individuals not enrolled in the SDI program. The EDD Tax Branch may have wage data through the employer's quarterly reports filings.

# Program Integrity

- To protect the DI Fund solvency, the EDD uses a number of tools to prevent and detect fraud.
  - The DI Branch’s claim filing system runs through a number of claim processing rules. Various processing rules alert staff of potential fraud which may initiate an internal investigation to collect additional information from the worker, employer, or licensed health professional.
  - The EDD uses fraud reports submitted by staff, California workers, employers, licensed health professionals, and anonymous reporters. The EDD established a [Help Fight Fraud](http://edd.ca.gov/about_edd/fraud.htm) (edd.ca.gov/about\_edd/fraud.htm) website for fraud reporting.
  - The EDD uses data mining, analysis of demographic data, and quality control reviews to detect fraud.

# Program Integrity (continued)

The DI Branch's Program Integrity Unit works closely with the EDD's Investigation Division. They conduct both internal and external criminal investigations to determine if fraud or embezzlement against the EDD benefit programs has been committed.

For more information, visit [Annual Fraud Reports](http://edd.ca.gov/Payroll_Taxes/annual_fraud_reports.htm) (edd.ca.gov/Payroll\_Taxes/annual\_fraud\_reports.htm).

# Resources

- [edd.ca.gov/disability](https://edd.ca.gov/disability)
- [edd.ca.gov/Disability/SDI\\_Self\\_Service\\_Options](https://edd.ca.gov/Disability/SDI_Self_Service_Options)
- [edd.ca.gov/Payroll\\_Taxes/annual\\_fraud\\_reports](https://edd.ca.gov/Payroll_Taxes/annual_fraud_reports)
- [edd.ca.gov/about\\_edd/fraud](https://edd.ca.gov/about_edd/fraud)
- [edd.ca.gov/Disability/Physicians-Practitioners](https://edd.ca.gov/Disability/Physicians-Practitioners)
- [edd.ca.gov/about\\_edd/Quick\\_Statistics](https://edd.ca.gov/about_edd/Quick_Statistics)
- [dfeh.ca.gov](https://dfeh.ca.gov)
- [dol.gov](https://dol.gov)



# Resources (continued)

- [\*Claim for Disability Insurance \(DI\) Benefits \(DE 2501\) \(PDF\)\*](#)
- [\*Claim for Paid Family Leave \(PFL\) Benefits \(DE 2501F\) \(PDF\)\*](#)
- [\*Claim for Paid Family Leave \(PFL\) Benefits – New Mother \(DE 2501FP\) \(PDF\)\*](#)
- [\*Overview of California’s Paid Family Leave Program \(DE 2530\) \(PDF\)\*](#)
- [\*Employers’ Guide to Voluntary Plan Procedures \(DE 2040\) \(PDF\)\*](#)