

MEMO

TO: Finance Committee

FROM: Jamie Errickson, Town Administrator

CC: Members of the Select Board
Kat Monahan, Sponsor

RE: 2023 Fall Annual Town Meeting Warrant Article 32

DATE: September 6, 2023

Town Administration provides this memo with regards to Article 32 for informational purposes.

In brief, Article 32 is requesting the adoption of Paid Family and Medical Leave (PFML), a state program that offers up to 26 weeks of paid leave per year for family or medical reasons to eligible employees in Massachusetts. PFML is funded through employee and employer contributions, and is separate from both the federally mandated benefits offered by the Family and Medical Leave Act (FMLA) and other family and medical leave benefits offered by employers.

Employers who have 25 or more covered individuals are required to send a contribution to the Department of Family and Medical Leave (DFML) through MassTaxConnect of **0.63% of eligible wages**.

Note: local government institutions are exempt and must opt-in to the program - to date no municipalities in Massachusetts have chosen to opt-in).

This contribution can be split between covered individuals' payroll or wage withholdings and an employer contribution. The minimum breakdown of the contribution is as follows:

Family leave (new born or adopted child, care for family member with serious medical condition) - Employers can withhold up to **100%** of their family leave contribution from a covered individual's wages (0.11% of eligible wages).

Medical leave (medical leave to care for an employee's serious health condition) - Employers can withhold up to **40%** of their medical leave contribution from a covered individual's wages (0.208% of eligible wages). Employers are responsible for contributing the remaining **60%** (0.312% of eligible wages).

These are the minimum contributions by the employer, however, the employer may opt to contribute more. Employee contributions are capped at 40% of the medical leave benefit (0.0208% of wages) and 100% (0.11% of wages) for the family leave benefit.

Benefits for the employee are based upon a calculation using the employee's average weekly wage for the highest 2 quarters of the last 4 quarters and the State's average weekly wage. Benefits are capped at 80% of the State average weekly wage which for FY 2023 provided a maximum weekly benefit of \$1,129.82.

There is also an administrative responsibility on employers. In addition to making the employee deductions and employer contributions via MassTaxConnect, the Town will be required to file a monthly report of all payments to DFML and claims activity. Claims are made directly to DFML and reviewed by the Town who has to designate a registered leave administrator to handle all claims, submit the documentation to the DFML and make recommendations on the claim within 10 days. DFML makes the determination of the claim and then pays the employee directly. Leave can be taken as a continuous leave for a single time period of consecutive days, reduced leave of a reduced schedule or intermittent leave of multiple episodes of time off. This process may require additional staff resources to implement, depending on the utilization of the program.

Costs for FY23

For FY 2023 the **minimum** employer contribution would have been **\$342,868** and the maximum possible employer contribution would have been **\$692,330**. For the employees, the maximum contribution would have been **\$349,462** and the minimum **\$0**. Under the maximum employee contribution, there would have been a bi-weekly withholding of **\$10.80** from an average employee's paycheck for a total annual contribution of **\$280.79**.

Town Administration is working to understand the PFML program in greater detail to understand how this will need to be incorporated into the Town's existing benefits programs and offerings. The following items are identified as initial considerations and question regarding PFML as it relates to Natick, and should not be considered an exhaustive list nor as an opinion either positive or negative regarding PFML. Due to the limited time from the closing of the warrant when this article was submitted to the date of this memo, town staff has not had sufficient time to complete more complete research regarding PFML, the issue(s) or item(s) the adoption of PFML is seeking to solve for Natick town employees (assuming one exists), and/or alternatives to PFML, if any exist.

- **Contract/Union Negotiations & Financial Impact:** Town and School Administrations will need to negotiate this program with all Unions and other employees under contract with the Town. For context, there are 15 unions in Town - 10 negotiated through the Select Board and 5 negotiated through the School Committee, covering the vast majority of employees in Town. Given contract negotiations are negotiations, the actual cost of this program is not possible to understand/estimate at this time. The above noted maximum cost will likely be used for budgeting purposes should this program be adopted.
- **Administrative Considerations:** At this time, Town Administration is unable to fully understand the impact of this program on municipal staffing and/or operations. It is expected, based on experience in the private sector, that the administration impact will be minimal following the setup of the program. However, since no other municipality has adopted PFML, the exact administrative impact is unknown. Further, with existing staff resources already limited, once implemented, this program

may lead to the need for additional staffing resources which will need to be accommodated in future fiscal years.

- **Expected use:** To date, Town Administration has received little to no inquiries from the union groups, individual/existing employees, board/committees (i.e. Personnel Board, School Committee, or Select Board), school department, or others inquiring about PFML nor the identification of any issue(s) regarding family or medical leave for which employees could benefit from the adoption of PFML. Based on existing programs offered by the Town, including sick leave benefits, sick bank benefits negotiated through most union contracts, short-term care insurance, and other benefits, Town and School Administrations anticipate limited use of the PFML program.

Most town employees are provided with paid sick leave benefits that accrue monthly, typically at a rate of 1 day per month or 12 days per year, depending on the union contracts, for full-time employees. Further, most unions have a sick bank program, whereby members can pay into the program in order to have access to additional sick time should a member deplete their sick time accruals due to an medical or family leave incident. Sick time is a full-pay benefit, meaning employees are provided with full pay when utilizing sick time. In addition, the Town offers short and long term disability insurance to all employees. These benefits are group rate, opt-in benefits paid for by the individual employee. When combined with the sick leave accrual/bank benefits noted above, the short-term disability insurance has provided great benefits to town employees similar to, if not exceeding, the PFML program.

- **Policy Question:** It is unclear to Town Administration what issue or item is seeking to be addressed with the adoption of PFML, whether PFML addresses the issue or item, and/or whether the Town's existing (or potential future) programs and/or offerings can provide similar or better benefits to Town employees. Understanding the issue will help to clarify if PFML is the appropriate program to offer, or if another program is more beneficial for the Town to invest in for its employees.

As noted, this memo is provided for informational purposes only. Given the questions noted above and the unknown impacts (positive and/or negative) of the program on town finances, operations, staff, etc, Town Administration is unable to provide more complete answers or further guidance at this time regarding this article.