

Maine Paid Family and Medical Leave Actuarial Analysis



New Program Options

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New PFML Program Design Options

- ❑ **Income Replacement:** 90% or 100% of wages up to the maximum weekly benefit amount.
- ❑ **Maximum Weekly Benefit Amount:** 80%, 100%, or 120% of the Maine state average weekly wage.
- ❑ **Waiting Period:** None, or 7-days for medical claims.
- ❑ **Wage Base:** Unlimited, or taxable wages up to the Social Security maximum wage limit.
- ❑ **Benefit Period:** 12 weeks within a 12-month period for family, medical, and safe leaves of absence, for a combined maximum benefit period of 16 weeks or 18 weeks.
- ❑ **Cost Sharing:** Employers contribute 25% of total costs and employees contribute 75% of total costs.
- ❑ **Small Employer Exemption:** Employers with fewer than 15 employees are exempt from paying the employer contribution.

Estimated Contribution Rates

Contribution rates for PFML programs that feature a 16-week combined maximum benefit period

Estimated PFML Contribution Rates 16-week Combined Maximum Benefit Period						
Program Feature				Contribution Rate		
Benefit Percent	Waiting Period	Maximum Benefit	Wage Base	Employer	Employee	Overall*
90%	7-Days Medical	80% SAWW	Unlimited	0.26%	0.67%	0.89%
90%	7-Days Medical	80% SAWW	SS Limit	0.28%	0.71%	0.94%
90%	7-Days Medical	100% SAWW	Unlimited	0.28%	0.72%	0.95%
90%	7-Days Medical	100% SAWW	SS Limit	0.30%	0.76%	1.01%
90%	7-Days Medical	120% SAWW	Unlimited	0.29%	0.74%	0.99%
90%	7-Days Medical	120% SAWW	SS Limit	0.31%	0.78%	1.05%
90%	None	80% SAWW	Unlimited	0.29%	0.76%	1.01%
90%	None	80% SAWW	SS Limit	0.32%	0.80%	1.07%
90%	None	100% SAWW	Unlimited	0.32%	0.81%	1.09%
90%	None	100% SAWW	SS Limit	0.34%	0.86%	1.15%
90%	None	120% SAWW	Unlimited	0.33%	0.84%	1.12%
90%	None	120% SAWW	SS Limit	0.35%	0.89%	1.19%
100%	7-Days Medical	80% SAWW	Unlimited	0.28%	0.73%	0.97%
100%	7-Days Medical	80% SAWW	SS Limit	0.30%	0.77%	1.03%
100%	7-Days Medical	100% SAWW	Unlimited	0.31%	0.81%	1.08%
100%	7-Days Medical	100% SAWW	SS Limit	0.34%	0.86%	1.14%
100%	7-Days Medical	120% SAWW	Unlimited	0.33%	0.85%	1.13%
100%	7-Days Medical	120% SAWW	SS Limit	0.35%	0.90%	1.20%
100%	None	80% SAWW	Unlimited	0.32%	0.82%	1.10%
100%	None	80% SAWW	SS Limit	0.34%	0.87%	1.17%
100%	None	100% SAWW	Unlimited	0.36%	0.92%	1.22%
100%	None	100% SAWW	SS Limit	0.38%	0.97%	1.30%
100%	None	120% SAWW	Unlimited	0.38%	0.97%	1.29%
100%	None	120% SAWW	SS Limit	0.40%	1.03%	1.37%



* The overall contribution rates equal total contributions divided by total taxable wages in every year, and do not equal the sum of employer and employee contribution rates due to the small employer exemptions.

Estimated Contribution Rates

Contribution rates for PFML programs that feature an 18-week combined maximum benefit period, with all else equal

Estimated PFML Contribution Rates 18-week Combined Maximum Benefit Period						
Program Feature				Contribution Rate		
Benefit Percent	Waiting Period	Maximum Benefit	Wage Base	Employer	Employee	Overall*
90%	7-Days Medical	80% SAWW	Unlimited	0.27%	0.70%	0.93%
90%	7-Days Medical	80% SAWW	SS Limit	0.29%	0.75%	0.99%
90%	7-Days Medical	100% SAWW	Unlimited	0.29%	0.76%	1.00%
90%	7-Days Medical	100% SAWW	SS Limit	0.32%	0.80%	1.06%
90%	7-Days Medical	120% SAWW	Unlimited	0.30%	0.78%	1.04%
90%	7-Days Medical	120% SAWW	SS Limit	0.33%	0.82%	1.10%
90%	None	80% SAWW	Unlimited	0.30%	0.80%	1.06%
90%	None	80% SAWW	SS Limit	0.34%	0.84%	1.12%
90%	None	100% SAWW	Unlimited	0.34%	0.85%	1.14%
90%	None	100% SAWW	SS Limit	0.36%	0.90%	1.21%
90%	None	120% SAWW	Unlimited	0.35%	0.88%	1.18%
90%	None	120% SAWW	SS Limit	0.37%	0.93%	1.25%
100%	7-Days Medical	80% SAWW	Unlimited	0.29%	0.77%	1.02%
100%	7-Days Medical	80% SAWW	SS Limit	0.32%	0.81%	1.08%
100%	7-Days Medical	100% SAWW	Unlimited	0.33%	0.85%	1.13%
100%	7-Days Medical	100% SAWW	SS Limit	0.36%	0.90%	1.20%
100%	7-Days Medical	120% SAWW	Unlimited	0.35%	0.89%	1.19%
100%	7-Days Medical	120% SAWW	SS Limit	0.37%	0.95%	1.26%
100%	None	80% SAWW	Unlimited	0.34%	0.86%	1.16%
100%	None	80% SAWW	SS Limit	0.36%	0.91%	1.23%
100%	None	100% SAWW	Unlimited	0.38%	0.97%	1.28%
100%	None	100% SAWW	SS Limit	0.40%	1.02%	1.37%
100%	None	120% SAWW	Unlimited	0.40%	1.02%	1.35%
100%	None	120% SAWW	SS Limit	0.42%	1.08%	1.44%



* The overall contribution rates equal total contributions divided by total taxable wages in every year, and do not equal the sum of employer and employee contribution rates due to the small employer exemptions.

Financial Projection

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Eligible Employees		606,383	607,595	607,595	607,595	606,380
Taxable Wages (\$ millions)						
Small Employers (< 15 Employees)	\$5,358.5	\$5,584.0	\$5,824.1	\$6,074.6	\$6,304.9	\$6,544.0
<u>All Other Employers</u>	\$29,893.3	\$31,151.2	\$32,490.7	\$33,887.9	\$35,172.9	\$36,506.6
Total	\$35,251.9	\$36,735.3	\$38,314.9	\$39,962.4	\$41,477.8	\$43,050.7
Claims						
Family		11,342	11,932	12,410	12,782	12,757
<u>Medical</u>		30,614	32,209	33,497	34,502	34,433
Total		41,955	44,141	45,907	47,284	47,189
Benefit Payments (\$ millions)						
Family		\$81.3	\$88.9	\$96.4	\$103.6	\$107.5
<u>Medical</u>		\$255.8	\$279.9	\$303.6	\$326.2	\$338.6
Total		\$337.1	\$368.8	\$400.1	\$429.8	\$446.1
Expenses (\$ millions)						
Family		\$4.3	\$4.7	\$5.1	\$5.5	\$5.7
<u>Medical</u>		\$22.2	\$24.3	\$26.4	\$28.4	\$29.4
Total	\$65.0	\$26.5	\$29.0	\$31.5	\$33.8	\$35.1
Total Expenditure (\$ millions)						
Family		\$85.5	\$93.6	\$101.5	\$109.1	\$113.2
<u>Medical</u>		\$278.1	\$304.3	\$330.0	\$354.5	\$368.0
Total	\$65.0	\$363.6	\$397.8	\$431.6	\$463.6	\$481.2
Contribution Rate						
Employer	0.34%	0.34%	0.34%	0.34%	0.34%	0.34%
Employee	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%
Overall*	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
Contributions (\$ millions)						
Employer	\$101.5	\$105.7	\$110.3	\$115.0	\$119.4	\$123.9
<u>Employee</u>	\$304.4	\$317.2	\$330.8	\$345.0	\$358.1	\$371.7
Total	\$405.8	\$422.9	\$441.1	\$460.1	\$477.5	\$495.6
Investment Income (\$ millions)	\$3.4	\$4.0	\$4.5	\$4.8	\$5.0	\$5.2
EOY Fund Balance (\$ millions)	\$340.8	\$403.6	\$450.9	\$483.9	\$502.6	\$522.1
Fund Balance % of Prior Year Expenditure			124%	122%	116%	113%

* The overall contribution rate is equal to total contributions divided by total taxable wages every year, and does not equal the sum of employer and employee contribution rates due to small employer exemptions.

PFML Program Design:

- Benefit Percent: 90%
- Waiting Period: None
- Maximum Benefit: 100% SAWW
- Wage Base: SS Limit

The assumed claim incidence rates are increasing in initial years.

The contributions are higher than the total expenditure in every year.

The fund ratio levels off beyond 2029 because the incidence rate assumptions stabilize in future years.

Maximum Contribution Rates in Other States

CA 1.50% of taxable wages for Disability Insurance and Paid Family Leave. Taxable wages are capped at \$145,600 per employee per year.

NY The maximum employee contribution for Disability Benefits Law (DBL) is \$0.60 per week. There is no explicit maximum for the employer contribution for DBL, and there are no explicit maximums for employer and employee contributions for Paid Family Leave.

WA The maximum contribution rate is 0.60% of taxable wages up to the Social Security wage limit; however, a solvency surcharge up to 0.60% is assessed in years when the fund ratio is below a minimum threshold, implying that contribution rates in any given year would be capped at 1.20%.

CO 1.20% of taxable wages up to the Social Security wage limit.

DE 1.00% of taxable wages up to the Social Security wage limit. If the state determines that the contribution rate for the next calendar year should exceed 1.00%, then benefits are adjusted by reducing the benefit percent from 80% to the lowest percentage that results in a contribution rate that does not exceed 1.00%.

CT The legislation is ambiguous because it establishes a maximum contribution rate of 0.50% (the current rate) as well as establishing a mechanism for the rate to be increased in order to meet funding objectives.

OR The maximum contribution rate is 1.00% of taxable wages, which is the initial rate (benefits begin on January 1, 2023). Taxable wages in 2022 are capped at \$132,900, and the taxable wage base will be adjusted annually based on changes in the Consumer Price Index.

Other Considerations

❑ Program Design

- Including coverage for bonding claims for newborn or newly adopted children prior to the effective date of benefits would add cost in the first year of the program.

❑ Contributions

- Employers and employees with existing short-term disability (STD) and/or family leave plans may not see significant changes in costs.

❑ Funding Objectives

- The contribution rates shown above are based on an initial fund target in the range of 120% to 125% of the prior year's expenditure for benefits and administration.
- This target is consistent with the targets included in new PFML programs in other states.
- More tenured programs tend to have lower targets.

❑ Tracking Experience

- We strongly recommend tracking PFML experience as it emerges, and developing employer-level and claim-level databases for monitoring the experience on a regular basis.

Limitations of Analysis

We relied on information from several sources including the Maine Department of Labor and publicly available data on PFML programs in other states. If any of this information is inaccurate or incomplete, our results may be affected.

The analysis uses actuarial assumptions that are individually reasonable and that, in combination, offer our best estimate of anticipated experience.

To the extent that actual experience varies from the assumptions, the emerging costs of the program will vary from the projections we have prepared.

Milliman's work product was prepared for the Maine Commission to Develop a Paid Family and Medical Leave Benefits Program for a specific and limited purpose. It is not for the use or benefit of any third party for any purpose.

We, Paul Correia and Dan Skwire, are Consulting Actuaries with Milliman. We are members of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.



Thank you

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