

Maine Paid Family and Medical Leave Actuarial Analysis



New Program Options

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Assumed PFML Program Design Options

- ❑ **Income Replacement:** 80%, 90%, or 100% of wages up to the maximum weekly benefit amount.
- ❑ **Maximum Weekly Benefit Amount:** 100% or 120% of the Maine state average weekly wage.
- ❑ **Waiting Period:** 7-days for medical claims and no waiting period for family claims.
- ❑ **Wage Base:** Unlimited, or taxable wages up to the Social Security maximum wage limit.
- ❑ **Combined Maximum Benefit Period:** 16 weeks or 18 weeks.
- ❑ **Cost Sharing:** 25% employer / 75% employee or 50% employer / 50% employee
- ❑ **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

| Program Feature | | | Contribution Rates | | | | Total* |
|--------------------|------------------------|-------------------|--------------------|----------|-----------------|----------|--------------|
| Income Replacement | Maximum Benefit Amount | Taxable Wage Base | 25% ER / 75% EE | | 50% ER / 50% EE | | |
| | | | Employer | Employee | Employer | Employee | |
| 80% | 100% SAWW | Unlimited | 0.23% | 0.60% | 0.47% | 0.40% | 0.80% |
| 80% | 100% SAWW | SS Limit | 0.25% | 0.64% | 0.50% | 0.43% | 0.85% |
| 80% | 120% SAWW | Unlimited | 0.24% | 0.61% | 0.48% | 0.41% | 0.82% |
| 80% | 120% SAWW | SS Limit | 0.26% | 0.65% | 0.51% | 0.43% | 0.87% |
| 90% | 100% SAWW | Unlimited | 0.28% | 0.72% | 0.56% | 0.48% | 0.95% |
| 90% | 100% SAWW | SS Limit | 0.30% | 0.76% | 0.60% | 0.51% | 1.01% |
| 90% | 120% SAWW | Unlimited | 0.29% | 0.74% | 0.58% | 0.50% | 0.99% |
| 90% | 120% SAWW | SS Limit | 0.31% | 0.78% | 0.62% | 0.52% | 1.05% |
| 100% | 100% SAWW | Unlimited | 0.31% | 0.81% | 0.61% | 0.54% | 1.08% |
| 100% | 100% SAWW | SS Limit | 0.34% | 0.86% | 0.67% | 0.57% | 1.14% |
| 100% | 120% SAWW | Unlimited | 0.33% | 0.85% | 0.67% | 0.57% | 1.13% |
| 100% | 120% SAWW | SS Limit | 0.35% | 0.90% | 0.71% | 0.60% | 1.20% |

* The total 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.

Example of contribution rate calculation

- 50% Employer / 50% Employee
- 90% Income Replacement
- Maximum Benefit of 100% x SAWW
- Taxable Wages up to SS Wage Limit

| (A) Contributor | (B) Taxable Wages (\$millions) | (C) Contribution Rates | (D) Contributions (B x C)** |
|--------------------|--------------------------------------|---------------------------|-----------------------------------|
| Employer | \$29,893.3 | 0.60% | \$178.4 |
| Employee | \$35,251.9 | 0.51% | \$178.4 |
| Total | \$35,251.9 | 1.01% | \$356.8 |

The employer and employee **contribution amounts** are the same under the 50/50 cost sharing scenario.

**Differences are due to rounding

Estimated Contribution Rates

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

| Program Feature | | | Contribution Rates | | | | Total* |
|--------------------|------------------------|-------------------|--------------------|----------|-----------------|----------|--------------|
| Income Replacement | Maximum Benefit Amount | Taxable Wage Base | 25% ER / 75% EE | | 50% ER / 50% EE | | |
| | | | Employer | Employee | Employer | Employee | |
| 80% | 100% SAWW | Unlimited | 0.21% | 0.63% | 0.43% | 0.43% | 0.80% |
| 80% | 100% SAWW | SS Limit | 0.22% | 0.66% | 0.46% | 0.46% | 0.85% |
| 80% | 120% SAWW | Unlimited | 0.21% | 0.64% | 0.44% | 0.44% | 0.82% |
| 80% | 120% SAWW | SS Limit | 0.23% | 0.68% | 0.47% | 0.47% | 0.87% |
| 90% | 100% SAWW | Unlimited | 0.25% | 0.74% | 0.52% | 0.52% | 0.95% |
| 90% | 100% SAWW | SS Limit | 0.26% | 0.79% | 0.55% | 0.55% | 1.01% |
| 90% | 120% SAWW | Unlimited | 0.26% | 0.77% | 0.53% | 0.53% | 0.99% |
| 90% | 120% SAWW | SS Limit | 0.27% | 0.82% | 0.57% | 0.57% | 1.05% |
| 100% | 100% SAWW | Unlimited | 0.28% | 0.84% | 0.59% | 0.59% | 1.08% |
| 100% | 100% SAWW | SS Limit | 0.30% | 0.89% | 0.62% | 0.62% | 1.14% |
| 100% | 120% SAWW | Unlimited | 0.29% | 0.88% | 0.61% | 0.61% | 1.13% |
| 100% | 120% SAWW | SS Limit | 0.31% | 0.94% | 0.65% | 0.65% | 1.20% |

* The total contribution rates are the same as the total contribution rates in Table 1 on slide 4; however, the employer and employee rates are different than the rates in Table 1.

Example of contribution rate calculation

- 50% Employer / 50% Employee
- 90% Income Replacement
- Maximum Benefit of 100% x SAWW
- Taxable Wages up to SS Wage Limit

| (A) Contributor | (B) Taxable Wages (\$millions) | (C) Contribution Rates | (D) Contributions (B x C) |
|--------------------|--------------------------------------|------------------------------|---------------------------------|
| Employer | \$29,893.3 | 0.55% | \$163.7 |
| Employee | \$35,251.9 | 0.55% | \$193.1 |
| Total | \$35,251.9 | 1.01% | \$356.8 |

The employer and employee **contribution rates** are the same under the 50/50 cost sharing scenario.

Estimated Contribution Rates

Contribution rates for PFML programs that feature an 18-week combined maximum benefit period

| Table 2 Estimated PFML Contribution Rates 18-week Combined Maximum Benefit Period | | | | | | | |
|---|------------------------|-------------------|--------------------|----------|-----------------|----------|--------------|
| Program Feature | | | Contribution Rates | | | | Total |
| Income Replacement | Maximum Benefit Amount | Taxable Wage Base | 25% ER / 75% EE | | 50% ER / 50% EE | | |
| | | | Employer | Employee | Employer | Employee | |
| 80% | 100% SAWW | Unlimited | 0.25% | 0.63% | 0.49% | 0.42% | 0.84% |
| 80% | 100% SAWW | SS Limit | 0.26% | 0.67% | 0.53% | 0.45% | 0.89% |
| 80% | 120% SAWW | Unlimited | 0.25% | 0.64% | 0.50% | 0.43% | 0.86% |
| 80% | 120% SAWW | SS Limit | 0.27% | 0.68% | 0.54% | 0.46% | 0.91% |
| 90% | 100% SAWW | Unlimited | 0.29% | 0.76% | 0.58% | 0.50% | 1.00% |
| 90% | 100% SAWW | SS Limit | 0.32% | 0.80% | 0.63% | 0.53% | 1.06% |
| 90% | 120% SAWW | Unlimited | 0.30% | 0.78% | 0.61% | 0.52% | 1.04% |
| 90% | 120% SAWW | SS Limit | 0.33% | 0.82% | 0.65% | 0.55% | 1.10% |
| 100% | 100% SAWW | Unlimited | 0.33% | 0.85% | 0.65% | 0.57% | 1.14% |
| 100% | 100% SAWW | SS Limit | 0.36% | 0.90% | 0.71% | 0.60% | 1.20% |
| 100% | 120% SAWW | Unlimited | 0.35% | 0.89% | 0.70% | 0.60% | 1.19% |
| 100% | 120% SAWW | SS Limit | 0.37% | 0.95% | 0.74% | 0.63% | 1.26% |

The contribution rates shown above are 5% higher than the contribution rates from Table 1 due to the longer combined maximum benefit period (i.e., 18 weeks versus 16 weeks)

Estimated Contribution Rates

Alternative Set of Contribution rates for PFML programs that feature an 18-week combined maximum benefit period

| Table 2A Estimated PFML Contribution Rates 18-week Combined Maximum Benefit Period | | | | | | | |
|--|------------------------|-------------------|--------------------|----------|-----------------|----------|--------------|
| Program Feature | | | Contribution Rates | | | | Total |
| Income Replacement | Maximum Benefit Amount | Taxable Wage Base | 25% ER / 75% EE | | 50% ER / 50% EE | | |
| | | | Employer | Employee | Employer | Employee | |
| 80% | 100% SAWW | Unlimited | 0.22% | 0.66% | 0.46% | 0.46% | 0.84% |
| 80% | 100% SAWW | SS Limit | 0.23% | 0.70% | 0.48% | 0.48% | 0.89% |
| 80% | 120% SAWW | Unlimited | 0.22% | 0.67% | 0.46% | 0.46% | 0.86% |
| 80% | 120% SAWW | SS Limit | 0.24% | 0.71% | 0.49% | 0.49% | 0.91% |
| 90% | 100% SAWW | Unlimited | 0.26% | 0.78% | 0.54% | 0.54% | 1.00% |
| 90% | 100% SAWW | SS Limit | 0.28% | 0.83% | 0.58% | 0.58% | 1.06% |
| 90% | 120% SAWW | Unlimited | 0.27% | 0.81% | 0.56% | 0.56% | 1.04% |
| 90% | 120% SAWW | SS Limit | 0.29% | 0.86% | 0.59% | 0.59% | 1.10% |
| 100% | 100% SAWW | Unlimited | 0.30% | 0.89% | 0.62% | 0.62% | 1.14% |
| 100% | 100% SAWW | SS Limit | 0.31% | 0.94% | 0.65% | 0.65% | 1.20% |
| 100% | 120% SAWW | Unlimited | 0.31% | 0.93% | 0.64% | 0.64% | 1.19% |
| 100% | 120% SAWW | SS Limit | 0.33% | 0.98% | 0.68% | 0.68% | 1.26% |

The contribution rates shown above are 5% higher than the contribution rates from Table 1A due to the longer combined maximum benefit period (i.e., 18 weeks versus 16 weeks)

First-Year Bonding Claims

- ❑ The PFML program may allow bonding claims for children born or adopted within 12 months of the effective date of benefits.
- ❑ We have estimated that PFML claim costs in the first year would be approximately 10% higher under this provision.
- ❑ We recommend increasing the contribution rates in all years by 2% (i.e., multiplying the rates by a factor of 1.02) to fund these additional costs.
- ❑ Alternatively, the additional costs could be covered by extending the initial contribution period from 12 months to 14 months without modifying the contribution rates shown above.

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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