Commission to Develop a Paid Family and Medical Leave Benefits Program

AGENDA
Tuesday, November 1, 2022
Noon – 3:00 pm
Remote Meeting via Zoom

The meeting will be livestreamed at the following link:
https://legislature.maine.gov/Audio/#220

1. Welcome and Introductions

2. Update to actuarial study: Revised estimated contribution rates and other information on program design and funding
   Paul Correia and Dan Skwire, Milliman, Inc.

3. Consideration of Additional Issues/Areas of Research
   - Setting caps on premium contributions in relation to the social security wage caps, including using the same rate, eliminating it, or setting cap at a different level
   - Weekly wage replacement rates, including above 100% of the average weekly wage
   - Different benchmarks for combined total benefits
   - The impact of private plans options on a PFML program
   - Small employer exemptions, including the number of employees and the potential exemption of high wage-earning employees
   - The manner of participation/enrollment of self-employed individuals or businesses that do not use payroll
   - Other items?

4. Public Comment

5. Planning for next meeting/scheduling

Commission to Develop a Paid Family and Medical Leave Benefits Program

To: Members, Commission to Develop a Paid Family and Medical Leave Benefits Program

From: Commission Staff

Date: October 28, 2022

Re: State PFML Programs that include affinity relationships in the definition of family member

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At a recent Commission meeting, information was requested about which states include affinity relationships in the definition of family member and the statutory language for those definitions. **Of the 12 states (including Washington D.C.) that have enacted paid family and medical leave laws, there are 5 states that include affinity relationships in the definition of family member: New Jersey, Washington, Connecticut, Oregon and Colorado.** The statutory language of each state's definition of "family member" is included below. See the highlighted yellow language related to affinity relationships.

NEW JERSEY (New Jersey P.L. 2019, CHAPTER 37)

> j. "Family member" means a child, parent, parent-in-law, sibling, grandparent, grandchild, spouse, domestic partner, or one partner in a civil union couple, or any other individual related by blood to the employee, and any other individual that the employee shows to have a close association with the employee which is the equivalent of a family relationship.

WASHINGTON (Revised Code of Washington 50A.05.010)

> (11) "Family member" means a child, grandchild, grandparent, parent, sibling, or spouse of an employee, and also includes any individual who regularly resides in the employee's home or where the relationship creates an expectation that the employee care for the person, and that individual depends on the employee for care. "Family member" includes any individual who regularly resides in the employee's home, except that it does not include an individual who simply resides in the same home with no expectation that the employee care for the individual.

CONNECTICUT (Connecticut General Statutes, Chapter 557, Sec. 31-51kk)

> (6) "Family member" means a spouse, sibling, son or daughter, grandparent, grandchild or parent, or an individual related to the employee by blood or affinity whose close association the employee shows to be the equivalent of those family relationships;

OREGON (H.B. 2005 § 2(18)) *[Note that benefits will become payable in Oregon in September 2023]*

> (18) "Family member" means:
>
> (a) The spouse of a covered individual;
>
> (b) A child of a covered individual or the child's spouse or domestic partner;

(c) A parent of a covered individual or the parent's spouse or domestic partner;

(d) A sibling or stepsibling of a covered individual or the sibling's or stepsibling's spouse or domestic partner;

(e) A grandparent of a covered individual or the grandparent's spouse or domestic partner;

(f) A grandchild of a covered individual or the grandchild's spouse or domestic partner;

(g) The domestic partner of a covered individual; or

(h) Any individual related by blood or affinity whose close association with a covered individual is the equivalent of a family relationship.

COLORADO (Colo. Rev. Stat. § 8-13.3- 503(11)*[Note that benefits will become payable in Colorado in January 2024]*

(11) "Family member" means:

(a) Regardless of age, a biological, adopted or foster child, stepchild or legal ward, a child of a domestic partner, a child to whom the covered individual stands in loco parentis, or a person to whom the covered individual stood in loco parentis when the person was a minor;

(b) A biological, adoptive or foster parent, stepparent or legal guardian of a covered individual or covered individual's spouse or domestic partner or a person who stood in loco parentis when the covered individual or covered individual's spouse or domestic partner was a minor child;

(c) A person to whom the covered individual is legally married under the laws of any state, or a domestic partner of a covered individual as defined in section 24-50-603 (6.5);

(d) A grandparent, grandchild or sibling (whether a biological, foster, adoptive or step relationship) of the covered individual or covered individual's spouse or domestic partner; or

(e) As shown by the covered individual, any other individual with whom the covered individual has a significant personal bond that is or is like a family relationship, regardless of biological or legal relationship.

Sources: "*Comparative Chart of Paid Family and Medical Leave Laws in the United States*", A Better Balance, https://www.abetterbalance.org/resources/paid-family-leave-laws-chart/

"*State Paid Family & Medical Leave Insurance Laws*", National Partnership for Women and Families, https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/state-paid-family-leave-laws.pdf

"*State Family and Medical Leave Laws*", National Conference of State Legislatures, https://www.ncsl.org/research/labor-and-employment/state-family-and-medical-leave-laws.aspx#:~:text=Paid%20Family%20Leave%3A%2011%20states,paid%20family%20and%20medical%20leave.

Milliman

121 Middle Street, Suite 401
Portland, ME 04101-4156
USA

Tel +1 207 772 0046
Fax +1 207 772 7512

milliman.com

October 31, 2022

Ms. Colleen McCarthy Reid, Esq.
Office of Policy and Legal Analysis
Maine Legislature

Via Email: colleen.mccarthyreid@legislature.maine.gov

Re: Actuarial Analysis of Maine Paid Family and Medical Leave Program

Dear Ms. McCarthy Reid,

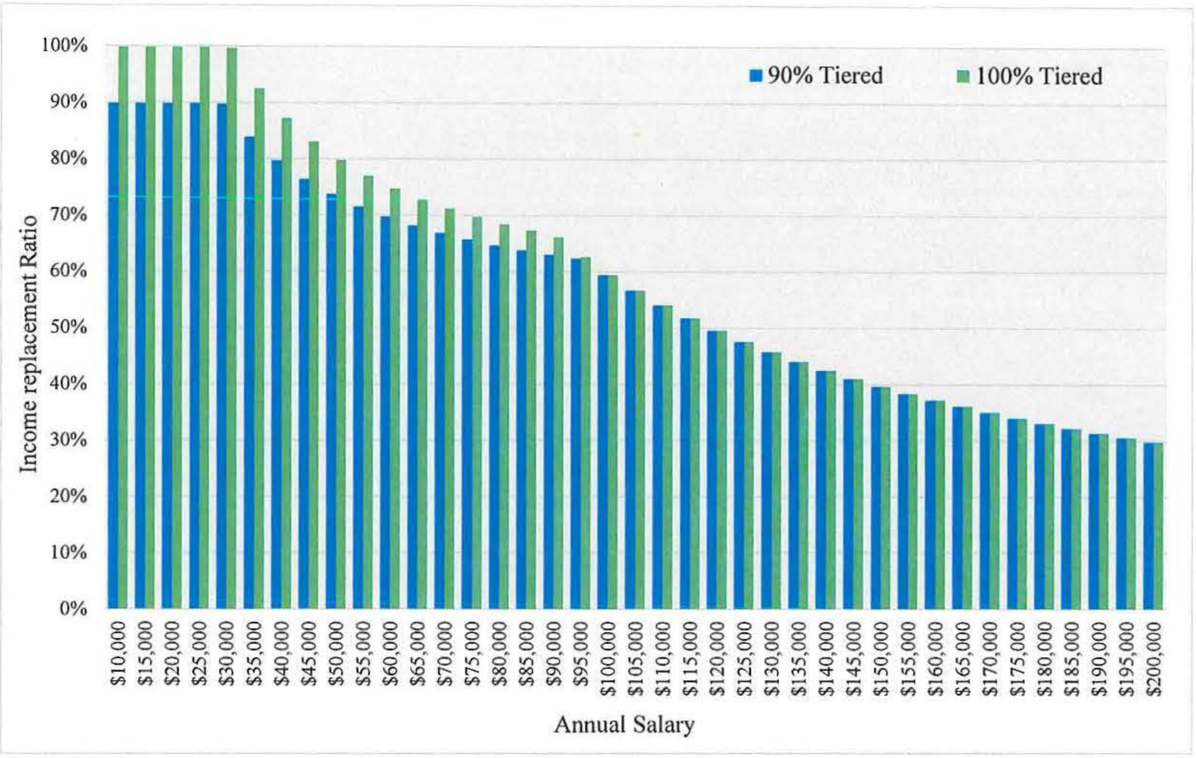
During our meeting with the Maine Commission to Develop a Paid Family and Medical Leave (PFML) Benefits Program on October 11, 2022, we discussed new design options for the Maine PFML program. These options include a tiered benefit structure and small business exemptions, as well as other provisions that differ from the Commission's original PFML Proposal. Since then, we have analyzed the expected claim costs, and we have estimated the required contribution rates for these new design options. This letter contains the results of our analysis, along with other important considerations related to the funding and design of the Maine PFML program.

New PFML Program Options

In our original analysis – which was provided to the Commission in Milliman's report dated August 15, 2022 – we assumed Maine PFML benefits would replace a flat percentage of income (i.e., 80%, 90%, or 100%) up to an amount equal to the state average weekly wage. For this analysis, we assumed the Maine PFML program will feature a tiered benefit structure that provides 90% or 100% of income replacement up to 50% of the state average weekly wage, plus 50% of wages above 50% of the state average weekly wage[1], up to an amount equal to the state average weekly wage. The graph in Figure 1 shows the total income replacement ratios at different salary levels corresponding to the 90% tiered and 100% tiered benefit structures. The two inflection points in the graph represent (1) the salary threshold of 50% of the state average weekly wage (i.e., when the replacement ratio begins to decrease from 90% or 100%), and (2) the salary threshold for qualifying for the maximum benefit amount (i.e., when the slope of the curve steepens because the benefit amount is no longer increasing with salary).

[1] This type of structure was adopted in Washington and Colorado, and is similar to the structures in Massachusetts, The District of Columbia, Oregon, and Maryland.

Figure 1: Tiered Benefits Income Replacement Ratios by Annual Salary



The tiered structure provides higher total income replacement to low wage workers than to higher paid workers. It also provides at least 60% income replacement to workers who earn up to $100,000 per year.

We also assumed the following other program features that are different than in our prior work, in part, based on guidance from the Commission:

- Safe leaves are included in the definition of permissible leaves.
- Employees can receive benefits for up to 12 weeks within a 12-month period for family, medical, and safe leaves of absence, for a combined maximum benefit period of 16 weeks.
- The definition of family member includes relations by affinity.
- Our prior analysis included a high-level estimate of start-up expenses equal to $40 million based on other state programs. Since then, we have been provided with an estimate of PFML expenses from the Paid Family Medical Leave Citizen Initiative Fiscal Estimate developed by the Maine Department of Labor. We are now assuming $65 million in start-up expenses based on this Fiscal Estimate.

As in our prior work, we considered different options for the waiting period – one option that includes a 7-day waiting period for medical claims and another that does not include a waiting period. The estimated contribution rates for these new program options are provided below in Table 1:

Table 1 Estimated Contribution Rates Basis: Taxable Wages up to Social Security Maximum Wage Limit		
Benefit Percent	**Waiting Period**	**Contribution Rate**
90% Tiered	7-days (medical)	0.75%
90% Tiered	None	0.84%
100% Tiered	7-days (medical)	0.88%
100% Tiered	None	1.00%

We also considered different options for small employer exemptions – one that exempts employers with fewer than 15 employees from paying the employer portion of contributions[2], and another that does not include small employer exemptions. The following table shows our estimated contribution rates for the different program options both with and without small employer exemptions, in which we assumed that employers would contribute 25% of total costs and employees would contribute 75% of total costs. The actual cost sharing formula has not yet been determined, and the assumed allocation is based loosely on other states where the employee contributions tend to be higher than the employer contributions[3].

Table 2 Estimated Maine PFML Contribution Rates Basis: Taxable Wages up to Social Security Maximum Wage Limit				
Benefit Percent	**Waiting Period**	**Small Employer Exemption**	**Employer Rate**	**Employee Rate**
90% Tiered	7-days (medical)	Yes	0.22%	0.56%
90% Tiered	None	Yes	0.25%	0.63%
100% Tiered	7-days (medical)	Yes	0.26%	0.66%
100% Tiered	None	Yes	0.30%	0.75%
90% Tiered	7-days (medical)	No	0.19%	0.56%
90% Tiered	None	No	0.21%	0.63%
100% Tiered	7-days (medical)	No	0.22%	0.66%
100% Tiered	None	No	0.25%	0.75%

The contribution rates for employers are higher when small employer exemptions are included because employers with 15 or more employees are expected to subsidize these exemptions, and because the employer share of costs is 25% in both cases. On the other hand, the employee contribution rates are the same in both cases because employees are assumed to contribute 75% of costs regardless of small employer exemptions. The overall contribution rate (i.e., the ratio of total contributions from employers and employees to total taxable wages) is in the range of 0.75% to 1.00% and varies by benefit design but does not depend on small employer exemptions (because the expected claim costs are the same whether small employer exemptions are included or not). Note that the overall contribution rates in Table 1 can be obtained by adding the employer and employee contribution rates that do not include provisions for small employer exemptions in the last four rows of Table 2.

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[2] Based on the definition of small employer in the Maine Family and Medical Leave law.

[3] In most states, employees contribute the full cost for family leave and split costs with the employer for medical leave.

Appendix A of this letter contains financial projections corresponding to the program options and contribution rates included in Table 1, and Appendix B contains additional detail on the assumptions and data used in our analysis.

Other Considerations

This section contains other important considerations for the Maine PFML program.

1. Target Fund Balance

The contribution rates in Table 1 were developed by targeting a fund balance in the range of 120% to 125% of the previous year's expenditure during the program's initial years. For comparison, we researched the funding policies in states with PFML legislation. In many cases, the policies include specific targets or minimum requirements for the PFML fund balance, as well as specific formulas for calculating contribution rates. We noticed that states with more tenured programs target lower fund balances than newer programs. For example, in California (effective 1946 for medical and 2004 for family) the target fund balance is in the range of 25% to 50% of the previous year's total expenditure, whereas in Massachusetts (effective 2021) the target fund balance is 140% of the previous year's total expenditure.

A higher initial target seems reasonable for new programs because there is uncertainty around utilization and claim costs when benefits first begin. In addition, we have observed claim incidence rates grade up gradually for new programs, and it may make sense to set a higher target in the initial years to mitigate the risk of underestimating the ultimate claim experience of the program. Over time, as experience emerges, it may make sense to reduce the target fund balance because there is less uncertainty as claim experience stabilizes. In doing so, we would expect the contribution rates could also be lowered.

The PFML funding policies in several other states are summarized below:

California (Medical 1946 / Family 2004)[4]

- Target fund balance in the range of 25% to 50% of previous year's disbursements.
- Contribution rate formula: (145% of Previous Year Disbursements minus Fund Balance) divided by Taxable Wages.
- Contribution rate is capped at 1.5% of taxable wages.
- Rate reductions capped at 0.2%.
- Rates can be adjusted by +/- 0.1% if deemed necessary to maintain funding objectives.

New York (Medical 1949 / Family 2018)[5]

- Minimum fund balance of $12 million.
- Disability premium rate is 0.5% of wages up to $0.60 per week.
- State sets PFL contribution rate annually based on historical experience and "sound actuarial principles".

[4] Overview of California's Paid Family Leave Program, State of California Employment Development Department, 2022
[5] New York Workers' Compensation Law, Article 9 Disability Benefits, Sections 209 and 214

New Jersey (Medical 1948 / Family 2009)[6]

- If the account designated to paying benefits is in deficit of $200,000 or more as of December 31st, the Division can assess a charge to employers for covering the deficit.

Massachusetts (2021)

- State sets PFML contribution rate annually based on historical experience and a target fund level of no less than 140% of the previous fiscal year's expenditure for benefits and administration.

Washington (2020)[7]

- Contribution rates are determined annually based on the fund balance ratio as of September 30th of the previous year.
- The rates range from 0.1% to 0.6% depending on the fund balance ratio. The 2022 rate is 0.6%.
- A solvency surcharge is assessed in years when fund ratio is too low
- A solvency surcharge of 0.2% was assessed in 2022, bringing the contribution rate up to 0.8% for 2023.

Colorado (2023)[8]

- State sets premium rate such that total contributions equal to 135% of benefits paid during the preceding year, plus 100% of expenses during the preceding year, minus the fund balance as of December 31 of the preceding year.
- Contribution rate is capped at 1.2% of taxable wages.

2. Bonding Claims for Birth or Adoption Prior to Effective Date

Another important funding consideration is whether employees will be eligible for PFML benefits to bond with children born, adopted, or fostered before the effective date of benefits. For example, if benefits begin in 2025, would employees who have new children in 2024 be eligible for benefits to bond with these children? The impact of these claims on program costs in the first year can be material, as seen in other states with similar provisions. Our estimated contribution rates in Table 1 assume that these claims would not be eligible for PFML benefits, and the rates would need to be adjusted if we were to assume otherwise.

3. Impact of Private Insurance Options

The estimated contribution rates in Table 1 are based on expected claim costs developed, in part, from PFML claim experience in other jurisdictions that have mandated benefits. Most of these jurisdictions (except for Rhode Island and District of Columbia) allow employers to provide benefits through private insurance options, although the structure of these options varies significantly. Some states allow insurers to develop their own PFML premium rates whereas other states determine (or place limits on) the premium rates for private plans. The ultimate structure of private options for Maine PFML will likely have an impact

[6] New Jersey Temporary Disability Benefits Law, Section 43 :21-46. State disability benefits fund
[7] Washington Legislation RCW 50A.10.030 Premiums-Solvency surcharge-Limitation on local regulation
[8] Massachusetts Laws c.175M Section 7, Family and Employment Security Trust Fund

on employer participation in these options, and it may impact the costs and funding requirements for benefits provided through the state fund. For example, PFML claim incidence rates tend to be higher for larger employers, and these employers may be more likely to elect private plans, as discussed in our letter from July 1, 2022. Also, if insurers are allowed to determine their own premium rates and vary these rates by employer, then there may be adverse selection risk issues if benefits provided through the state fund are based on a single community rate. We did not include an explicit adjustment for private insurance options in our analysis of the Maine PFML program, in part, because the PFML claim experience from other states largely reflects these dynamics, and because the ultimate structure and employer participation levels are unknown.

Next Steps

We look forward to discussing this information with the Commission during our next meeting on Tuesday, November 1, 2022. We understand that the ultimate design of the PFML program may be different than the options assumed herein, and we are happy to model other scenarios for the Commission to consider.

General

This letter was prepared by Milliman for the specific purpose of providing the Maine Legislative Council with information about PFML benefits, under the terms of the agreement between Milliman and the Maine Legislative Council dated May 16, 2022. Milliman recognizes that this report may be public records subject to disclosure to third parties. Milliman does not intend to benefit and assumes no duty or liability to any third-party recipients of the report. To the extent that this report is not subject to disclosure under applicable public records laws, Maine Legislative Council shall not disclose Milliman's work to any third parties without our prior written consent.

In performing the analysis, Milliman relied on information provided by the Maine Department of Labor and the Maine Commission to Develop a Paid Family and Medical Leave Benefits Program, as well as on public information from various sources. Milliman did not audit or independently verify any of the information furnished, except that we did review the data for reasonableness and consistency. To the extent that any of the data or other information supplied to us was incorrect or inaccurate, the results of our analysis could be materially affected.

The results of our analysis are based on carefully constructed assumptions and methodologies that have been described in this report. Actual experience, however, will differ from those assumptions. As such, actual results will vary from the estimates provided and the cost of the proposed PFML program may be either higher or lower than the amounts illustrated in this report. In preparing this information, we have utilized actuarial models as defined by Actuarial Standards of Practice. The intended purpose of these models is to project future claim costs for paid family and medical leave benefits.

I, Paul Correia, am a consulting actuary with Milliman and a member of the American Academy of Actuaries. I meet the qualification standards of these organizations to render the actuarial opinion contained herein.

We look forward to discussing this information with you in the near future. In the meantime, please feel free to contact me if you have any questions. I can be reached at paul.corriea@milliman.com or (207) 771-1204. Thank you.

Sincerely,

Paul Correia

Paul Correia, FSA, MAAA
Principal and Consulting Actuary

Appendix A
Financial Projections

This appendix includes financial projections corresponding to the Maine PFML program options and contribution rates that reflect small employer exemptions in Table 1. The projections are similar to those included in Milliman's report to the Commission on August 15, 2022; however, we added a projection of taxable wages for employers with fewer than 15 employees based on data provided to Milliman by the Maine Department of Labor, and we calculated the contributions from employers and employees by assuming the program will include small employer exemptions.

The following projections are included in the appendix:

- **Projection 1** – 90% Tiered / 7-day Waiting Period for Medical
- **Projection 2** – 90% Tiered / No Waiting Period
- **Projection 3** – 100% Tiered / 7-day Waiting Period for Medical
- **Projection 4** – 100% Tiered / No Waiting Period

Projection 1
90% Tiered / 7-day Waiting Period for Medical

	2024	2025	2026	2027	2028	2029
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
All Other Employers	$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**	**$43,050.7**
Claims						
Family		10,760	11,320	11,773	12,126	12,102
Medical		24,200	25,461	26,479	27,274	27,219
Total		***34,960***	***36,781***	***38,252***	***39,400***	***39,321***
Benefit Payments ($ millions)						
Family		$62.5	$68.3	$74.1	$79.6	$82.7
Medical		$150.4	$164.5	$178.5	$191.7	$199.0
Total		***$212.8***	***$232.9***	***$252.6***	***$271.4***	***$281.7***
Expenses ($ millions)						
Family		$3.3	$3.6	$3.9	$4.2	$4.4
Medical		$13.1	$14.3	$15.5	$16.7	$17.3
Total	**$65.0**	**$16.4**	**$17.9**	**$19.4**	**$20.9**	**$21.7**
Total Expenditure ($ millions)						
Family		$65.7	$71.9	$78.0	$83.8	$87.0
Medical		$163.4	$178.8	$194.0	$208.4	$216.3
Total	**$65.0**	**$229.2**	**$250.8**	**$272.0**	**$292.2**	**$303.3**
Contribution Rate						
Employer	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
Employee	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%
Overall*	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Contributions ($ millions)						
Employer	$65.7	$68.5	$71.4	$74.5	$77.3	$80.3
Employee	$197.1	$205.4	$214.2	$223.5	$231.9	$240.7
Total	***$262.8***	***$273.9***	***$285.7***	***$298.0***	***$309.3***	***$321.0***
Investment Income ($ millions)	*$2.0*	*$2.4*	*$2.8*	*$3.1*	*$3.3*	*$3.5*
EOY Fund Balance ($ millions)	$197.8	$244.5	$281.8	$310.6	$330.7	$351.7
Target Fund Balance ($ millions)			$275.0	$300.9	$326.4	$350.7
Fund Balance % of Prior Year Expenditure			123%	124%	122%	120%

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

Projection 2
90% Tiered / No Waiting Period

	2024	2025	2026	2027	2028	2029
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
All Other Employers	$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**	**$43,050.7**
Claims						
Family		10,760	11,320	11,773	12,126	12,102
Medical		29,043	30,556	31,778	32,731	32,666
Total		***39,802***	***41,876***	***43,551***	***44,858***	***44,768***
Benefit Payments ($ millions)						
Family		$62.5	$68.3	$74.1	$79.6	$82.7
Medical		$180.5	$197.5	$214.2	$230.1	$238.8
Total		***$242.9***	***$265.8***	***$288.3***	***$309.7***	***$321.5***
Expenses ($ millions)						
Family		$3.3	$3.6	$3.9	$4.2	$4.4
Medical		$15.7	$17.2	$18.6	$20.0	$20.8
Total	**$65.0**	**$19.0**	**$20.8**	**$22.5**	**$24.2**	**$25.1**
Total Expenditure ($ millions)						
Family		$65.7	$71.9	$78.0	$83.8	$87.0
Medical		$196.2	$214.6	$232.8	$250.1	$259.6
Total	**$65.0**	**$261.9**	**$286.6**	**$310.8**	**$333.9**	**$346.6**
Contribution Rate						
Employer	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Employee	0.63%	0.63%	0.63%	0.63%	0.63%	0.63%
Overall*	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Contributions ($ millions)						
Employer	$74.2	$77.4	$80.7	$84.2	$87.3	$90.7
Employee	$222.7	$232.0	$242.0	$252.4	$262.0	$271.9
Total	***$296.9***	***$309.4***	***$322.7***	***$336.6***	***$349.3***	***$362.6***
Investment Income ($ millions)	*$2.3*	*$2.8*	*$3.2*	*$3.5*	*$3.7*	*$3.9*
EOY Fund Balance ($ millions)	$231.9	$281.7	$320.7	$349.6	$368.6	$388.2
Target Fund Balance ($ millions)			$314.3	$343.9	$373.0	$400.7
Fund Balance % of Prior Year Expenditure			122%	122%	119%	116%

* 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.

Projection 3
100% Tiered / 7-day Waiting Period for Medical

	2024	2025	2026	2027	2028	2029
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
All Other Employers	$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**	**$43,050.7**
Claims						
Family		10,905	11,473	11,932	12,289	12,265
Medical		24,526	25,804	26,836	27,641	27,586
Total		***35,431***	***37,277***	***38,768***	***39,931***	***39,851***
Benefit Payments ($ millions)						
Family		$73.1	$80.0	$86.8	$93.2	$96.7
Medical		$182.5	$199.7	$216.6	$232.7	$241.6
Total		***$255.6***	***$279.7***	***$303.4***	***$325.9***	***$338.3***
Expenses ($ millions)						
Family		$3.8	$4.2	$4.6	$4.9	$5.1
Medical		$15.9	$17.4	$18.8	$20.2	$21.0
Total	**$65.0**	**$19.7**	**$21.6**	**$23.4**	**$25.1**	**$26.1**
Total Expenditure ($ millions)						
Family		$76.9	$84.2	$91.3	$98.1	$101.8
Medical		$198.4	$217.1	$235.5	$253.0	$262.6
Total	**$65.0**	**$275.3**	**$301.3**	**$326.8**	**$351.1**	**$364.4**
Contribution Rate						
Employer	0.26%	0.26%	0.26%	0.26%	0.26%	0.26%
Employee	0.66%	0.66%	0.66%	0.66%	0.66%	0.66%
Overall*	0.88%	0.88%	0.88%	0.88%	0.88%	0.88%
Contributions ($ millions)						
Employer	$77.9	$81.1	$84.6	$88.3	$91.6	$95.1
Employee	$233.6	$243.4	$253.9	$264.8	$274.8	$285.2
Total	***$311.4***	***$324.5***	***$338.5***	***$353.0***	***$366.4***	***$380.3***
Investment Income ($ millions)	*$2.5*	*$3.0*	*$3.4*	*$3.7*	*$3.9*	*$4.1*
EOY Fund Balance ($ millions)	$246.4	$298.1	$338.2	$367.9	$386.9	$406.7
Target Fund Balance ($ millions)			$330.4	$361.5	$392.2	$421.3
Fund Balance % of Prior Year Expenditure			123%	122%	118%	116%

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

Projection 4
100% Tiered / No Waiting Period

	2024	2025	2026	2027	2028	2029
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
All Other Employers	$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**	**$43,050.7**
Claims						
Family		10,905	11,473	11,932	12,289	12,265
Medical		29,434	30,967	32,206	33,172	33,106
Total		***40,338***	***42,440***	***44,138***	***45,462***	***45,371***
Benefit Payments ($ millions)						
Family		$73.1	$80.0	$86.8	$93.2	$96.7
Medical		$219.1	$239.7	$260.0	$279.3	$289.9
Total		***$292.1***	***$319.7***	***$346.7***	***$372.5***	***$386.6***
Expenses ($ millions)						
Family		$3.8	$4.2	$4.6	$4.9	$5.1
Medical		$19.0	$20.8	$22.6	$24.3	$25.2
Total	**$65.0**	**$22.9**	**$25.1**	**$27.2**	**$29.2**	**$30.3**
Total Expenditure ($ millions)						
Family		$76.9	$84.2	$91.3	$98.1	$101.8
Medical		$238.1	$260.5	$282.6	$303.6	$315.1
Total	**$65.0**	**$315.0**	**$344.7**	**$373.9**	**$401.7**	**$416.9**
Contribution Rate						
Employer	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Employee	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Overall*	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Contributions ($ millions)						
Employer	$88.6	$92.3	$96.3	$100.4	$104.2	$108.2
Employee	$265.7	$276.9	$288.8	$301.2	$312.6	$324.5
Total	***$354.3***	***$369.2***	***$385.0***	***$401.6***	***$416.8***	***$432.6***
Investment Income ($ millions)	*$2.9*	*$3.5*	*$3.9*	*$4.2*	*$4.4*	*$4.6*
EOY Fund Balance ($ millions)	$289.3	$346.3	$390.1	$421.7	$441.0	$461.2
Target Fund Balance ($ millions)			$378.1	$413.7	$448.7	$482.0
Fund Balance % of Prior Year Expenditure			124%	122%	118%	115%

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

Appendix B
Assumptions and Analytical Methods

We performed the analysis using the same methods, demographic data, and historical claim experience as described in Milliman's report to the Commission dated August 15, 2022. However, we developed new morbidity assumptions (i.e., claim incidence rates and average claim durations) based on the new program features, and we calculated new average benefit amounts based on tiered benefit formulas that provide 90% and 100% income replacement to low wage workers. We then calculated expected PFML benefit payments based on the same formula as before but using the updated assumptions, as shown below:

Expected Benefit Payments = Expected Number of Claims x Average Duration x Average Benefit Amount

In the formula above, the expected number of claims was calculated from the claim incidence rates and the expected number of covered employees.

We assumed start-up expenses equal to $65 million, based on the Paid Family Medical Leave Citizen Initiative Fiscal Estimate developed by the Maine Department of Labor. We also assumed ongoing expenses equal to 5% of family claim costs plus 8% of medical claim costs, based on average expenses reported in states with PFML programs. These assumptions are different than our prior analysis which assumed $40 million in start-up expenses and ongoing expenses equal to 5% of family costs and 10% of medical costs.

We estimated taxable wages for employers with fewer than 15 employees based on data provided to Milliman by the Maine Department of Labor, and employment forecasts from the Consensus Economic Forecasting Commission and the Center for Workforce Research and Information.