

Contribution Rate Discussion

September 12, 2024

CT Paid Leave Authority Board Meeting

CT Paid Leave Responsibilities

- Provide income-replacement benefits to covered workers [31-49g(a)]
- Collect contributions such that:
 - **the CT Paid Leave Trust Fund balance is sufficient to ensure the ongoing ability of the fund to pay the income-replacement benefits, and**
 - **limit the need for contribution rate increases or benefit reductions due to changing economic conditions**[31-49g(b)(2)]
- Conduct a public education campaign to inform individuals and employers about the CT Paid Leave program [31-49n]

Average Weekly Benefit Rate (in millions)



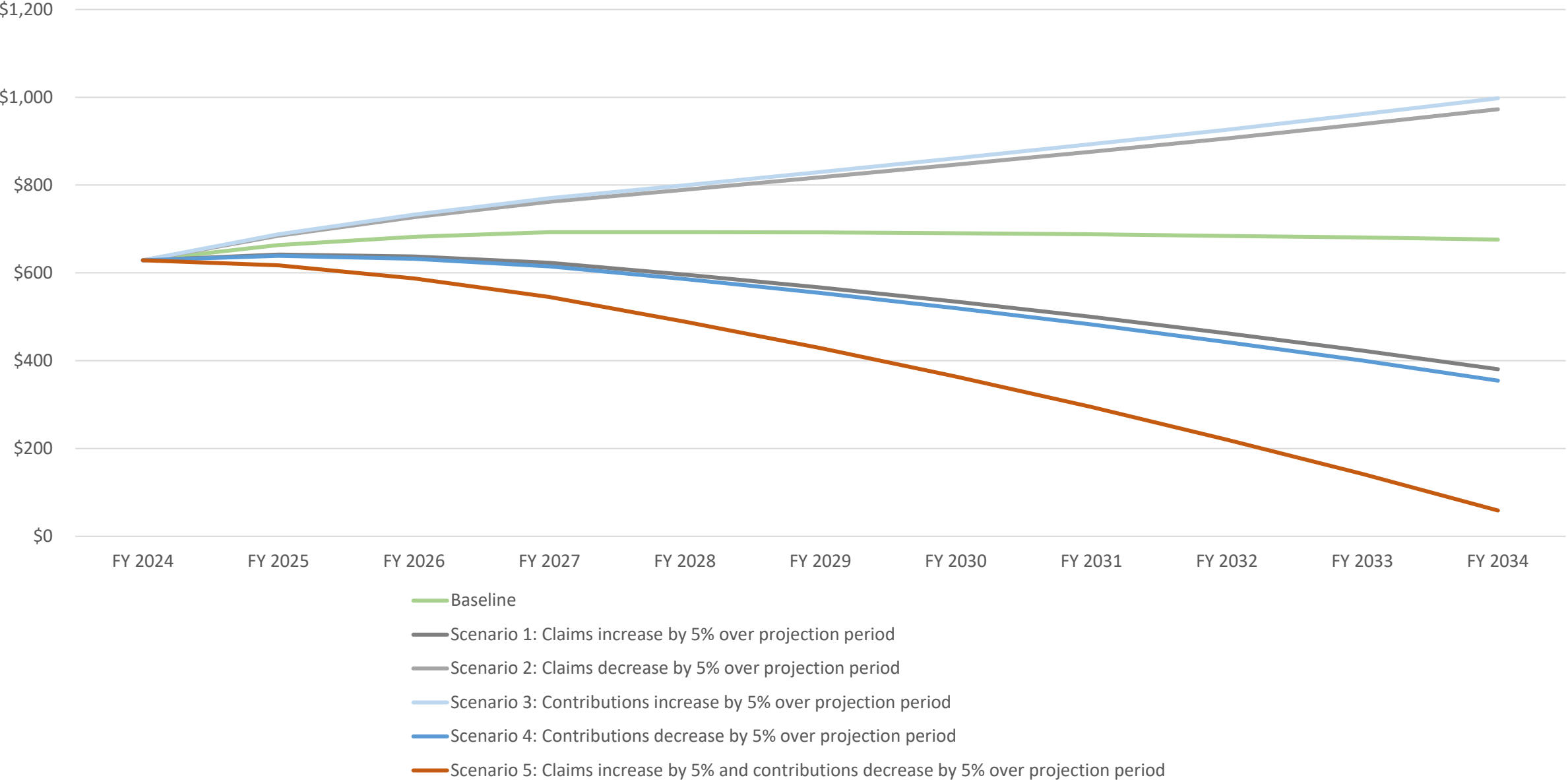
Sensitivity Analysis

End Fund Balance by Alternate Scenarios

Figures in \$ millions

	Actual	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
Ending Fund Balance	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Baseline	\$628.7	\$663.2	\$682.3	\$692.6	\$692.8	\$692.1	\$690.5	\$687.8	\$684.0	\$680.7	\$676.0
Scenario 1: Claims increase by 5% over projection period	\$628.7	\$641.7	\$637.6	\$622.9	\$596.0	\$566.6	\$534.6	\$499.9	\$462.1	\$422.9	\$380.3
Scenario 2: Claims decrease by 5% over projection period	\$628.7	\$684.6	\$726.8	\$762.2	\$789.6	\$817.7	\$846.6	\$876.2	\$906.5	\$939.2	\$972.5
Scenario 3: Contributions increase by 5% over projection period	\$628.7	\$687.7	\$732.6	\$770.3	\$799.7	\$830.0	\$861.2	\$893.3	\$926.2	\$961.7	\$997.9
Scenario 4: Contributions decrease by 5% over projection period (equivalent to reducing contribution rate to .475%)	\$628.7	\$638.7	\$631.9	\$614.7	\$585.7	\$554.1	\$519.7	\$482.4	\$442.0	\$400.1	\$354.7
Scenario 5: Claims increase by 5% and contributions decrease by 5% over projection period	\$628.7	\$617.2	\$587.2	\$545.0	\$488.9	\$428.5	\$363.7	\$294.3	\$219.9	\$142.1	\$58.7

End Fund Balance -Scenario Graph





Each year, the Authority shall review the current contribution rate established in accordance with Conn. Gen. Stat. §31-49g(b). If the Authority decides to change the contribution rate for the following calendar year, the Authority must announce such change no later than November first of the preceding calendar year. The Authority anticipates beginning consideration of the need for a change in the contribution rate no later than June of each year.

In determining the appropriate contribution rate for the upcoming year, the Authority shall review the following considerations:

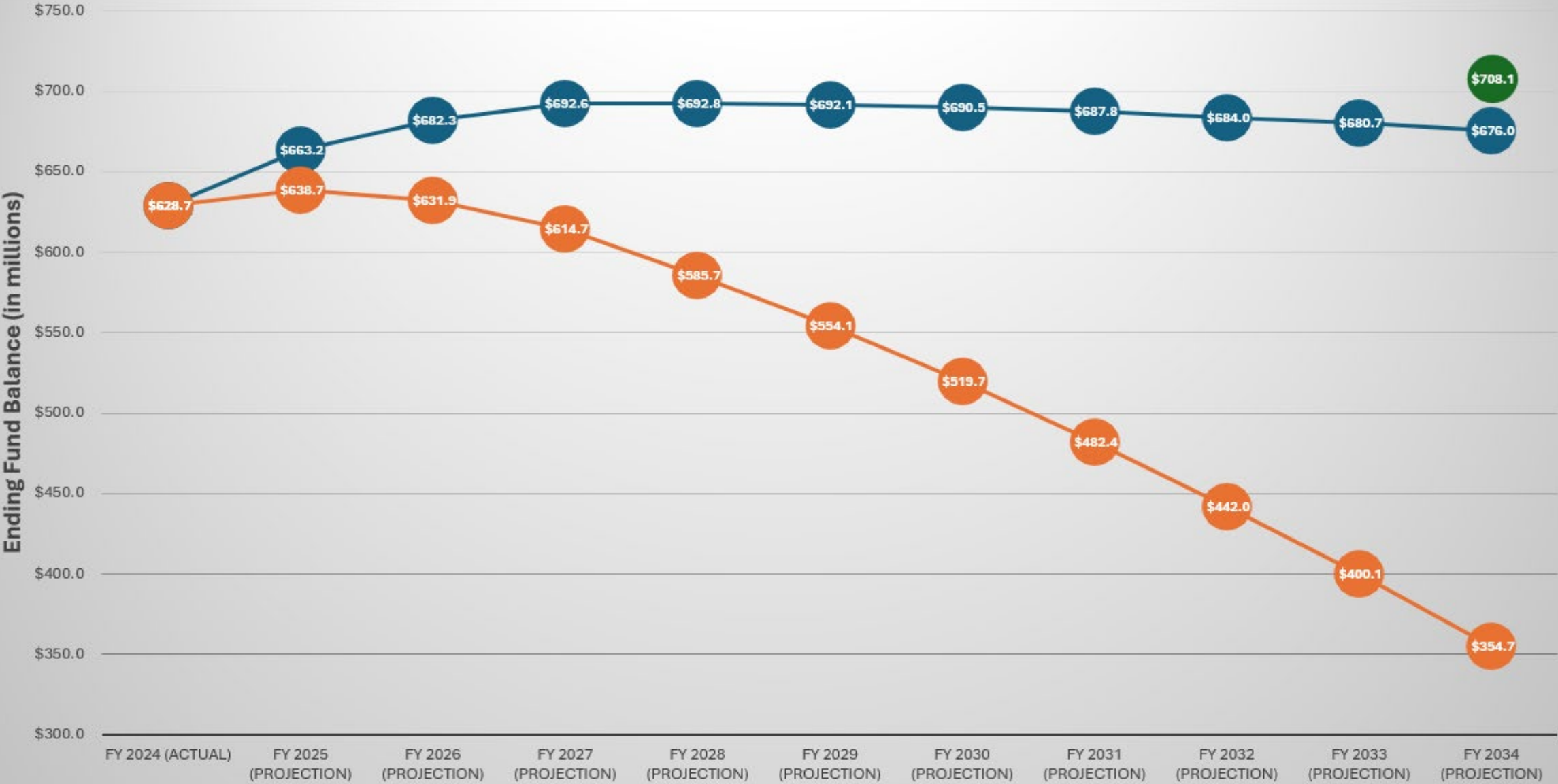
- The ability of the Authority to continue to provide income-replacement benefits to Connecticut workers in both the short term and the long term;
- The sufficiency of funds to provide income-replacement benefits in a variety of economic conditions;
- The statutory obligation to limit contribution rate increases and reductions to the income replacement benefit calculation due to changing economic conditions;
- An evaluation of trends in the receipt of contributions over the course of the year; and
- Any other factors the Authority determines are relevant to the solvency of the paid leave trust fund and the ongoing operation of the paid leave program.

Elements of Rate Calculation Formula

Element	Proposed Formula
Long-term view	<ul style="list-style-type: none">• Use 10-year cost and benefit projection
Fund balance at the end of 10 years	<ul style="list-style-type: none">• Determine projected fund balance (net of reserves) at the end of 10 years based on current fund balance plus net activity over 10 years• Set minimum fund balance equal to contingency reserve required:• 2024 modeling suggests contingency reserve may be set to cover for a 10% reduction in contributions over three years plus 25% increase in claims and expenses over three years
Determine minimum contribution level over 10-year period	<ul style="list-style-type: none">• Determine total contributions required to cover program costs and maintain sufficient fund balance at the end of 10 years• Develop contribution rate based on minimum contribution level required



CT Paid Leave Contribution 10 Year Projection



Recommendations

- Maintain the 0.5% contribution rate in 2025
- Continue to monitor claim and contribution data