



# Connecticut Paid Family and Medical Leave (CTPL) Program

Quarterly Experience Report - July 2024 to September 2024

December 12, 2024

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# Key Results

## Actual vs. Financial Projection Results for the Period July 2024 to September 2024

<i>Figures in \$ millions</i>	Actual	Financial Projections (August 2024)
Period Covered	Jul 2024 to Sep 2024 (3-month period)	Jul 2024 to Sep 2024 (3-month period)
Beginning Fund Balance (net of outstanding contributions and claims payments)	\$628.7	\$628.7
Contributions Earned	\$109.9	\$109.9
Investment Income	\$7.8	\$5.7
Incurred Claims	(\$112.5)	(\$103.0)
Other Expenses	(\$10.7)	(\$11.3)
Net Activity	(\$5.5)	\$1.3
Ending Fund Balance (net of outstanding contributions and claims payments)	\$623.2	\$630.0

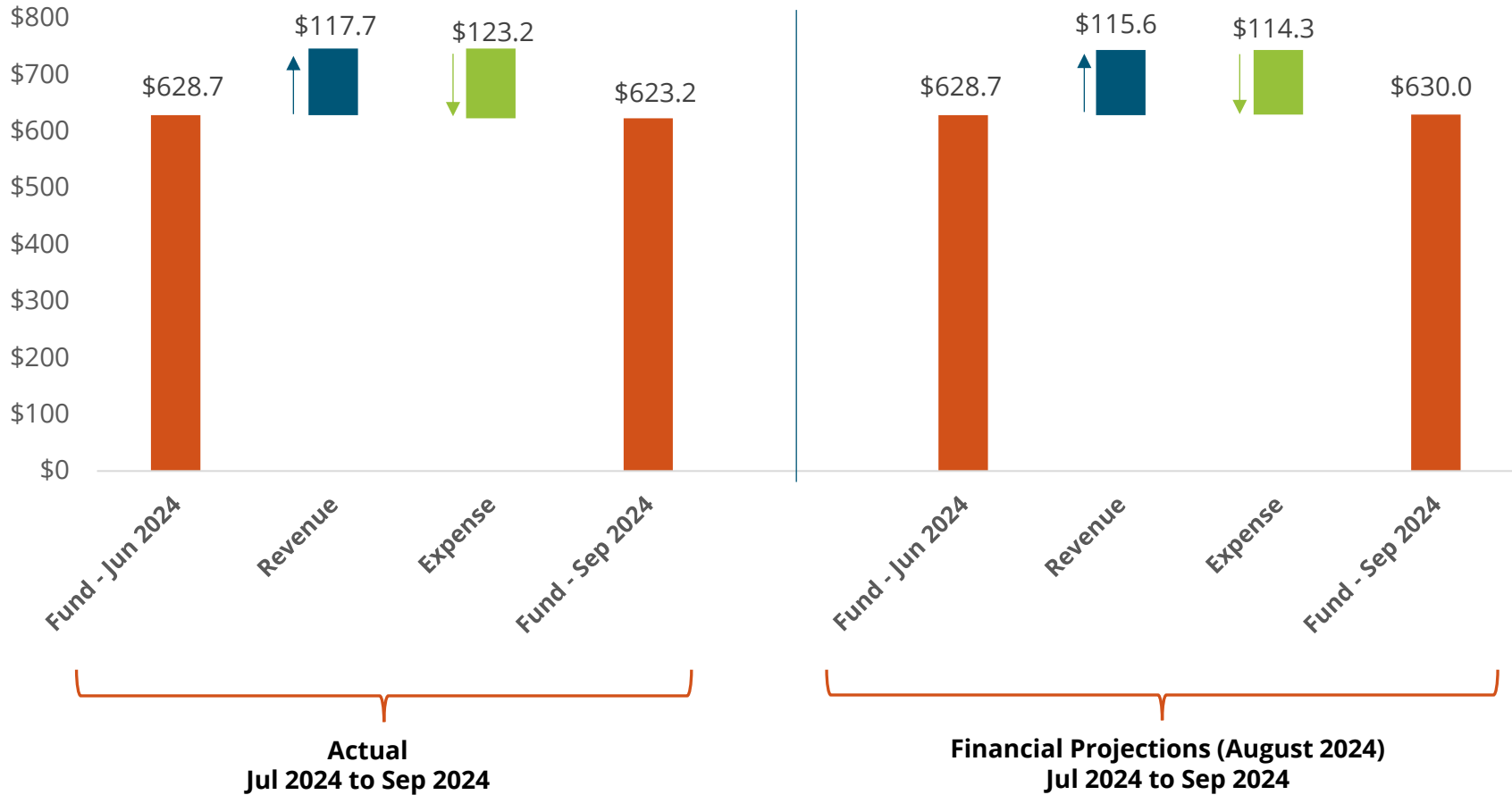
Actual fund balance is \$6.8M (1%) lower than estimated, driven by higher than expected claims experience

Fund position remains strong, with funding metrics within target levels

Funding Metrics	Actual Metric as of Sep 30, 2024	Target	Actual vs. Target
Reserve vs. Net Fund Balance	0.1 : 1	Less than 3 : 1	Meets target
Contributions vs. Net Fund Balance	0.8 : 1	Less than 3 : 1	Meets target
Adverse Losses Over One Year vs. Net Fund Balance	0.3 : 1	Less than 0.5 : 1	Meets target

# Fund Balance Results

CTPL Program Fund Balance Results (\$ millions)



# Detailed Financial Results

<i>Figures in \$ millions</i>	Actual Jul 2024 to Sep 2024 (3-month period)	Financial Projections Jul 2024 to Sep 2024 (3-month period)
<b>Revenue:</b>		
<b>a. Payroll contributions</b>		
Payroll contributions (paid basis) - received by end of period	\$117.7	\$117.3
Reserve for contributions for current period not yet received	\$108.5	\$108.9
Reserve for contributions due from prior periods and received in current period	(\$116.3)	(\$116.3)
<b>Total contributions</b>	<b>\$109.9</b>	<b>\$109.9</b>
<b>b. Investment income</b>	<b>\$7.8</b>	<b>\$5.7</b>
<b>Total revenue</b>	<b>\$117.7</b>	<b>\$115.6</b>
<b>Expenses:</b>		
<b>a. Claims benefit payments</b>		
Paid claims	(\$108.3)	(\$102.5)
Reserve for incurred claims not yet paid as of end of period	(\$57.9)	(\$54.2)
Reserve for incurred claims not yet paid as of start of period	\$53.7	\$53.7
<b>Reported incurred claims</b>	<b>(\$112.5)</b>	<b>(\$103.0)</b>
<b>b. Other</b>		
CTPL administration	(\$5.0)	(\$5.0)
Claims administration (Aflac)	(\$5.7)	(\$6.3)
Bond repayment	\$0.0	\$0.0
<b>Subtotal expenses</b>	<b>(\$10.7)</b>	<b>(\$11.3)</b>
<b>Total expenses</b>	<b>(\$123.2)</b>	<b>(\$114.3)</b>
<b>Net activity</b>	<b>(\$5.5)</b>	<b>\$1.3</b>
<b>Cumulative fund balance</b>		
Ending fund balance (prior to offsetting for outstanding contributions and claims payments)	\$572.6	\$575.3
Contributions for current period not yet received	\$108.5	\$108.9
Reserve for incurred claims not yet paid as of end of period	(\$57.9)	(\$54.2)
<b>Ending fund balance (net of outstanding contributions and claims payments)</b>	<b>\$623.2</b>	<b>\$630.0</b>
<b>Reconciliation of net fund balance (net of outstanding contributions and claims payments)</b>		
Net fund balance at end of prior period	\$628.7	\$628.7
Net Activity	(\$5.5)	\$1.3
<b>Ending net fund balance</b>	<b>\$623.2</b>	<b>\$630.0</b>

# Financial Projection for Fiscal Year 2025

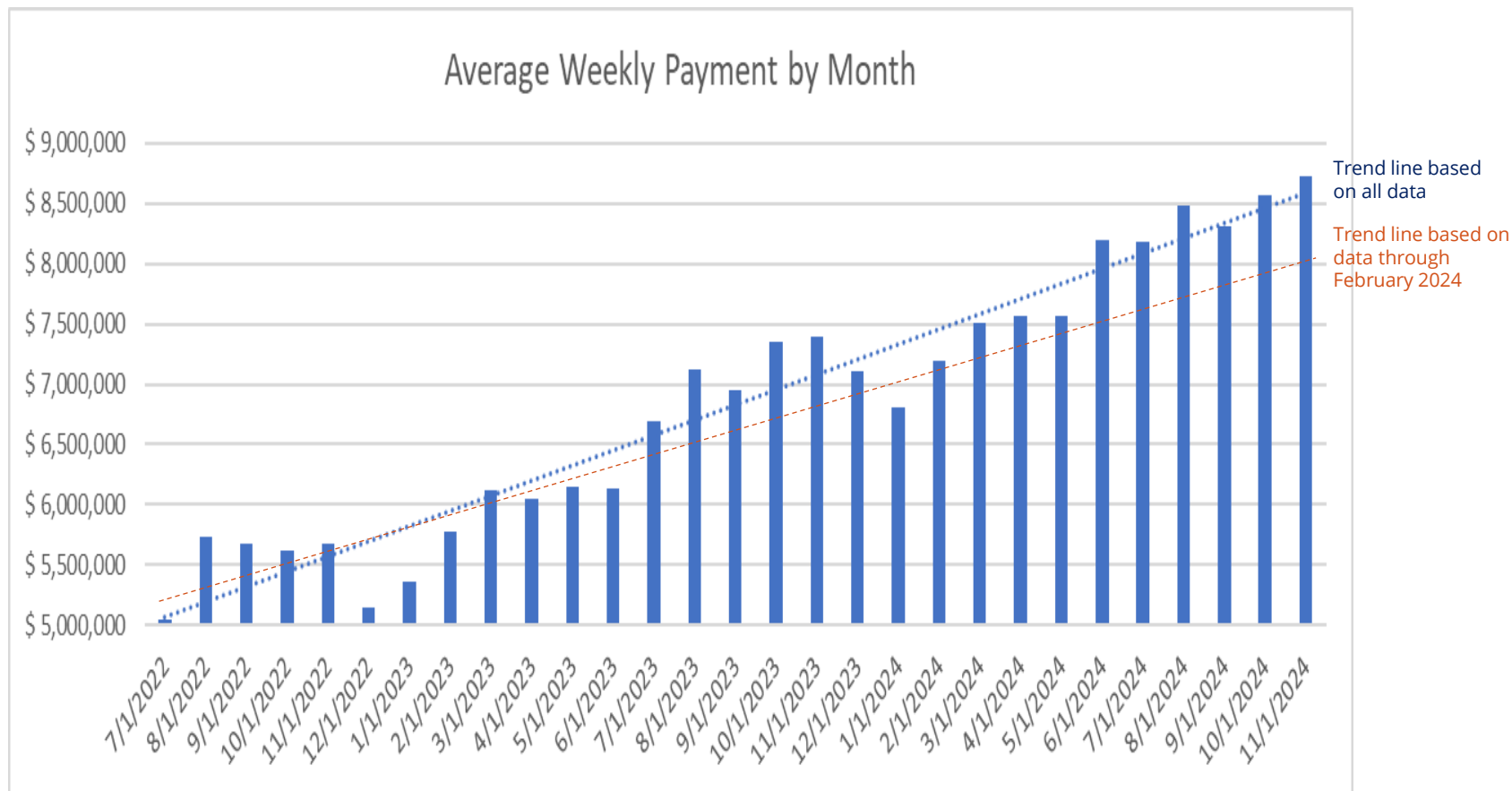
	Updated this Quarter (Based on July to Sep 2024 Actual Results)	Presented in August 2024 (Based on FY 2024 Year-End Work)
<i>Figures in \$ millions</i>	Jul 2024 to Jun 2025	Jul 2024 to Jun 2025
Beginning Fund Balance (net of outstanding contributions and claims payments)	\$628.7	\$628.7
Contributions Earned	\$479.9	\$479.9
Investment Income	\$24.9	\$22.8
Incurred Claims	(\$443.4)	(\$421.1)
Other Expenses	(\$45.1)	(\$47.1)
Net Activity	\$16.3	\$34.5
Ending Fund Balance (net of outstanding contributions and claims payments)	\$645.0	\$663.2

- Updated financial projections for fiscal year 2025 to reflect most recent financials for the period July 2024 to September 2024
- Compared to financial projections prepared in the prior quarter:
  - Updated investment income to reflect actual earnings year to date
  - Updated claims projection to reflect recent claim experience
  - Updated expense projection based on projected lower claims administration fees

# Updated 10 Year Projection

# Historical Claim Experience Overview

- Average weekly payment has increased by 13% since June 2024, compared to first six months of 2024
  - The average weekly payment increased by over 70% since 2022

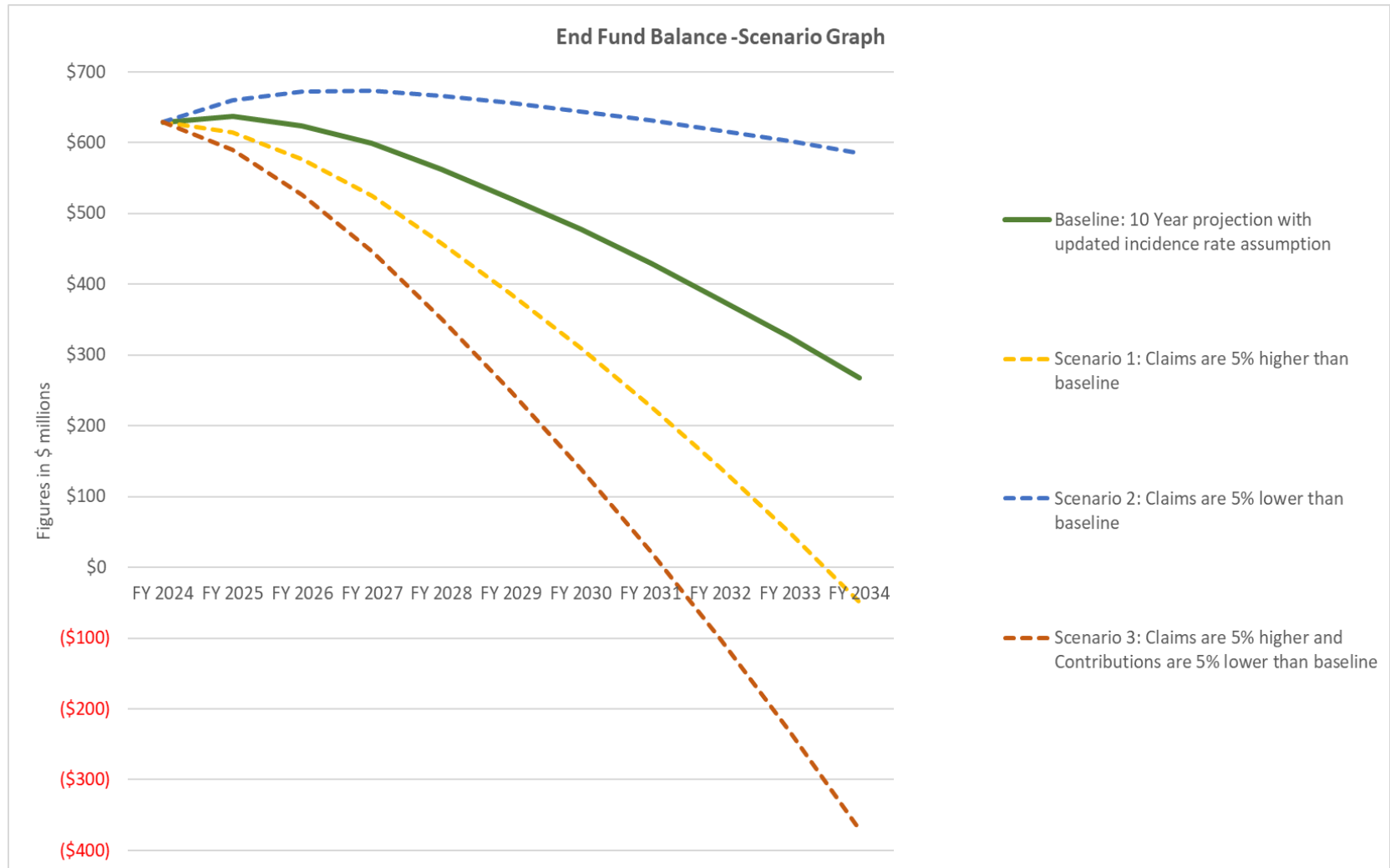




# Updated 10-Year Projection

<i>Figures in \$ millions</i>	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034
<b>Beginning Fund Balance</b> (net of outstanding contributions and claims payments)	\$628.7	\$636.9	\$623.9	\$599.3	\$561.8	\$521.1	\$477.2	\$429.8	\$378.7	\$325.5
<b>Contributions Earned</b>	\$479.9	\$497.7	\$516.1	\$536.4	\$555.3	\$574.9	\$595.1	\$616.1	\$637.8	\$660.2
<b>Investment Income</b>	\$24.9	\$14.8	\$14.2	\$13.3	\$12.2	\$11.0	\$9.7	\$8.4	\$7.0	\$5.4
<b>Incurred Claims</b>	(\$451.5)	(\$477.6)	(\$505.2)	(\$535.5)	(\$554.4)	(\$573.9)	(\$594.1)	(\$615.1)	(\$636.7)	(\$659.2)
<b>Other Expenses</b>	(\$45.1)	(\$47.9)	(\$49.7)	(\$51.7)	(\$53.8)	(\$55.9)	(\$58.1)	(\$60.5)	(\$61.3)	(\$63.9)
<b>Net Activity</b>	\$8.2	(\$13.0)	(\$24.6)	(\$37.5)	(\$40.7)	(\$43.9)	(\$47.4)	(\$51.1)	(\$53.2)	(\$57.5)
<b>Ending Fund Balance</b> (net of outstanding contributions and claims payments)	\$636.9	\$623.9	\$599.3	\$561.8	\$521.1	\$477.2	\$429.8	\$378.7	\$325.5	\$268.0

# 10 Year Projection – Scenario Analysis



# Modeling of Rate Calculation Formula for 2026

Item (financials shown in \$ millions)	Result
<b>A. Current fund balance (end of FY 2024)</b>	<b>\$628.7</b>
<b>B. 10-year cost and benefit projection (based on current rates, 0.5%)</b>	
a. Incurred contributions	\$5,669.5
b. Investment income	\$120.9
c. Incurred claims	(\$5,603.2)
d. Other expenses	(\$547.9)
<b>e. Net activity</b>	<b>(\$360.7)</b>
<b>C. Projected fund balance at the end of 10 years under current 0.5% contribution rate (A + B)</b>	<b>\$268.0</b>
<b>D. Target fund balance at the end of 10 years</b>	
a. 10% of FY 2034 contributions at 0.5% (contribution rate) x 3 years	\$198.1
b. 25% of FY 2034 incurred claims plus other expenses x 3 years	\$542.3
<b>c. Target fund balance at the end of 10 years</b>	<b>\$740.4</b>
<b>E. Surplus/(deficit) (projected fund balance at the end of 10 years minus target fund balance) (C - D)</b>	<b>(\$472.4)</b>
<b>F. Calculated rate action (E / B.a.)</b>	<b>8%</b>
G. Current rate	0.500%
H. Calculated new rate (prior to rounding) (G * (1+F))	0.542%
<b>I. Calculated new rate (after rounding up to nearest 0.025%)</b>	<b>0.550%</b>

# Questions

# Appendix

# Fund Solvency Metrics

- **Reserve vs. Net Fund Balance (net of outstanding contributions and claims payments):**
  - The reserve represents the funds required to be set aside in respect of the expected cost of claims for events that have already been incurred, but for which corresponding benefits have not yet been paid.
  - The target recommends the net fund balance should be at least one third of the reserve as a measure of the capacity of the funds to cover additional incurred claims not yet paid.
- **Contributions vs. Net Fund Balance (net of outstanding contributions and claims payments):**
  - This measure is an assessment of adequacy of net fund balance to cover inadequate contributions during the year should claims run higher than expected.
  - The target recommends the net fund balance should at least cover one third of next year's contributions.
- **Adverse Losses Over One Year vs. Net Fund Balance (net of outstanding contributions and claims payments):**
  - This measure is an assessment of adequacy of net fund balance to cover adverse losses.
  - Adverse losses were determined based on a stress-test analysis of claims against changes in duration and incidence levels. The specific adverse scenario selected reflects losses generated with a 50% increase in incidence for FY 2026.
  - The target recommends that the financial net activity in a year with adverse losses is less than half of the net fund balance (i.e., net fund balance should cover at least two years of adverse losses)

# Updated Incidence Rate Assumption

- Spring conducted an updated incidence rate assumption review based on data up to October 31, 2024
  - Prior analysis was prepared for the June 30, 2024, annual report, based on data up to June 30, 2024
- Compared to assumptions set as part of the June 30, 2024, annual report, the updated assumptions represent a 7.7% increase in incidence level

Leave Type	Current Assumption (% Per Year)			
	FY 2025	FY 2026	FY 2027	FY 2028 +
Own Health	2.3001%	2.3461%	2.3930%	2.4409%
Pregnancy/Bonding	0.7975%	0.8135%	0.8297%	0.8463%
Bonding	0.6780%	0.6916%	0.7054%	0.7195%
Care	0.5286%	0.5392%	0.5499%	0.5609%
Adoption/Foster Care	0.0119%	0.0121%	0.0124%	0.0126%
Bone Marrow Donation	0.0001%	0.0001%	0.0001%	0.0002%
Military	0.0004%	0.0004%	0.0004%	0.0004%
Organ Donation	0.0011%	0.0011%	0.0011%	0.0011%
Personal Protected Leave	0.0043%	0.0043%	0.0044%	0.0045%
Total	<b>4.3219%</b>	<b>4.4083%</b>	<b>4.4965%</b>	<b>4.5864%</b>

Leave Type	Updated Assumption (% Per Year)			
	FY 2025	FY 2026	FY 2027	FY 2028 +
Own Health	2.4759%	2.5255%	2.5760%	2.6275%
Pregnancy/Bonding	0.8207%	0.8371%	0.8538%	0.8709%
Bonding	0.7419%	0.7567%	0.7718%	0.7873%
Care	0.5986%	0.6106%	0.6228%	0.6353%
Adoption/Foster Care	0.0133%	0.0136%	0.0138%	0.0141%
Bone Marrow Donation	0.0001%	0.0001%	0.0001%	0.0001%
Military	0.0008%	0.0008%	0.0008%	0.0008%
Organ Donation	0.0009%	0.0009%	0.0009%	0.0009%
Personal Protected Leave	0.0046%	0.0047%	0.0047%	0.0048%
Total	<b>4.6567%</b>	<b>4.7498%</b>	<b>4.8448%</b>	<b>4.9417%</b>

# Rate Calculation Considerations

- Key components should consider:
  1. Rate cap of 0.5% in current legislation resulting in limits on rate increases
    - Lowest rate cap compared to all other states
  2. Current and future fund balance
    - Account for timing of contributions (e.g., one month grace period) and reserve for outstanding claims
  3. Long-term impact
    - Consider 10-year time horizon (consistent with recent analyses)
    - Account for impact of anticipated changes (e.g., increasing incidence levels)
  4. Risk of lower contributions or higher expenses
    - Account for impact of unanticipated changes (including shock events such as and economic downturn and health pandemic)
    - Level of coverage depends on conservatism/risk tolerance
  5. Minimize volatility of rates
    - Limit frequent rate changes by setting thresholds for rate changes



# Reliances and Limitations

- Spring's analysis and projections are based on a number of assumptions and information from the Connecticut Paid Leave Authority (the "Authority") and Aflac. Other than a general review for reasonableness, Spring has not independently verified any of the information received from the Authority or its service providers. Where data was unavailable or incomplete for certain plans, Spring used industry experience to estimate missing values
- The accuracy of these projections depends on how well future experience conforms to assumptions. Actual experience may be more or less favorable than the assumptions underlying the projections. To the extent that actual experience differs from the assumptions underlying these projections, so will the actual results differ from the results in these projections
- Spring is not a tax, legal or accounting firm – the Authority's advisors should review these areas in light of the Authority's unique facts and circumstances
- Please refer to the Annual Actuarial Report as of June 30, 2024, dated August 12<sup>th</sup>, 2024, for additional information on data, assumptions and methods. This document is incomplete without the accompanying discussion
- Exhibit numbers may not add due to rounding



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## **Why Spring?**

- Deep industry expertise
- End-to-end experience from strategy development through implementation
- Thought leadership
- Alternate funding
- Health and wealth convergence
- Benefit integration
- Flexibility to partner with clients and other preferred advisors
- Objectivity and independence — ownership structure removes potential conflicts of interest
- Award-winning project team
- Complete confidentiality
- Innovation — 8 patents
- Dedication to honesty, transparency and independence
- Strong project and multidisciplinary team management and communication