Connecticut Paid Family and Medical Leave (CTPL) Program

Quarterly Experience Report - As of June 30, 2025

Rate Review and Sensitivity Analysis

September 11th, 2025

Spring Consulting Group
AN ALERA GROUP COMPANY

Agenda and Contents

Fiscal Year End 2025 Results

Key Results

Actual vs. Financial Projection Results for the Period July 2024 to June 2025

Figures in $ millions	Actual Reported	Financial Projections Presented in June 2025
	Jul 2024 to Jun 2025 (12-month period)	Jul 2024 to Jun 2025 (12-month period)
Beginning Fund Balance (net of outstanding contributions and claims payments)	**$628.7**	**$628.7**
Contributions Earned	$482.4	$479.9
Investment Income	$27.6	$26.0
Incurred Claims	($457.5)	($451.5)
Other Expenses	($40.2)	($40.3)
Net Activity	**$12.3**	**$14.1**
Ending Fund Balance (net of outstanding contributions and claims payments)	**$641.0**	**$642.8**

Funding Metrics	Actual Metric as of Jun 30, 2025	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	0.4 : 1	Less than 0.5 : 1	**Meets target**

Actual fund balance is lower than estimated balance based on Q3 financial projections (-$1.8), driven by higher incurred claims, offset in part by higher investment income and higher contributions compared to previously projected.

Fund position remains strong, with funding metrics within target levels

Quarterly results have not changed materially from the results reported in the annual report

Rate Review and Sensitivity Analysis

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]

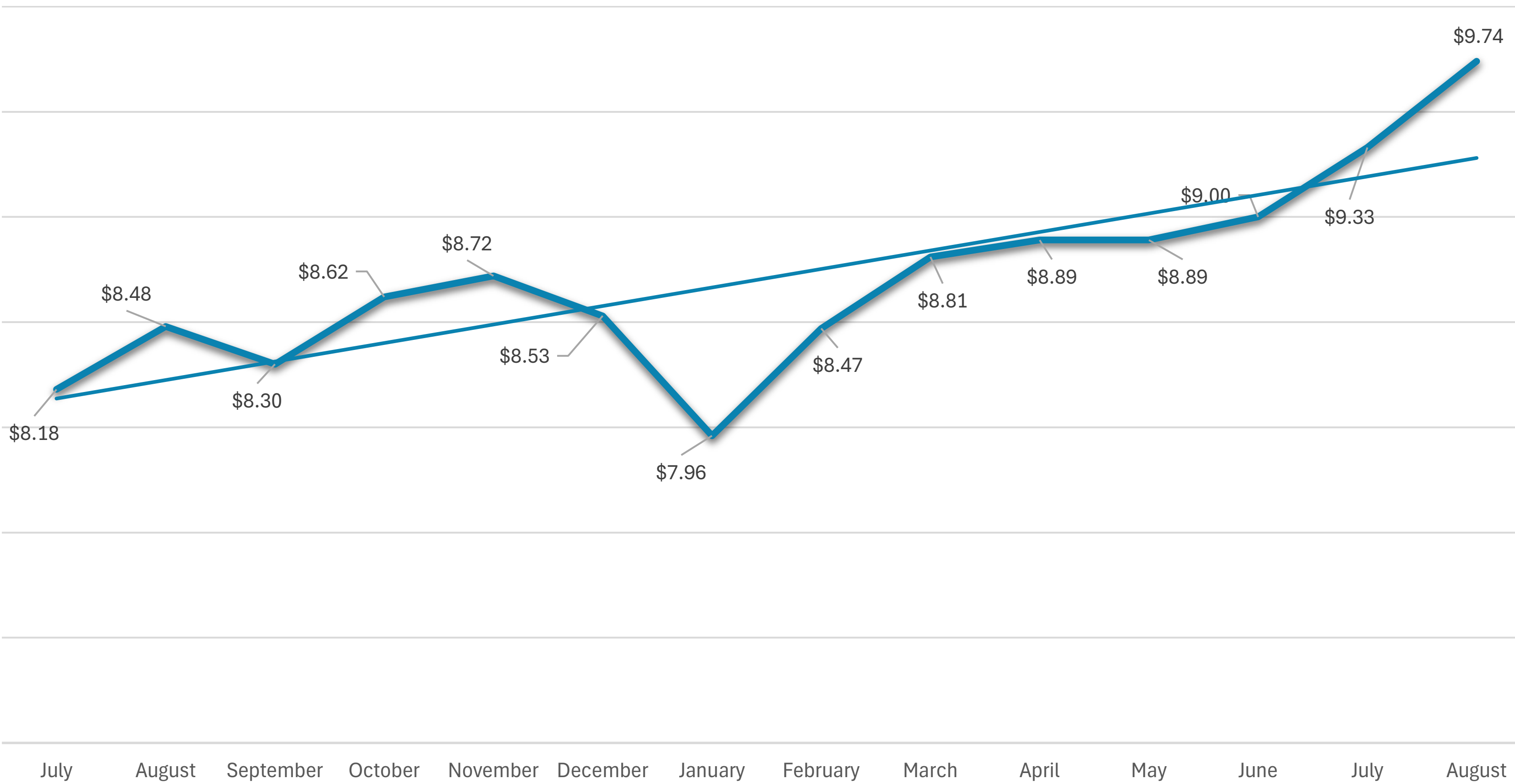
Policy: Annual Review of the Contribution Rate

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.

Average Weekly Benefit Rate (in millions)



Elements of Rate Calculation Formula

Element	Proposed Formula
Long-term view	• Use 10-year cost and benefit projection
Level of fund balance at the end of 10 years	• Determine projected fund balance (net of reserves) at the end of 10 years based on current fund balance plus projected net activity over next 10 years • Set minimum fund balance equal to contingency reserve based on: – Contingency reserve was 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	• 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

Modeling of Rate Calculation Formula for 2026

Item (financials shown in $ millions)	Result
A. Current fund balance (end of FY 2025)	**$641.0**
B. 10-year cost and benefit projection (based on current rates, 0.5%)	
a. Incurred contributions	$5,917.3
b. Investment income	$145.6
c. Incurred claims	($5,823.9)
d. Other expenses	($511.8)
e. Transfer from operating reserve	$14.2
f. Net activity	**($258.6)**
C. Projected fund balance at the end of 10 years under current 0.5% contribution rate (A + B)	**$382.4**
D. Estimated reserve at the end of 10 years necessary to support rate change	
a. 10% of FY 2035 contributions at 0.5% (contribution rate) x 3 years	$206.5
b. 25% of FY 2035 incurred claims plus other expenses x 3 years	$555.4
c. Target fund balance at the end of 10 years	**$761.9**
E. Surplus/(deficit) (projected fund balance at the end of 10 years minus target fund balance) (C – D.c.)	**($379.5)**
F. Calculated rate action (E / B.a.)	**6.4%**
G. Current rate	0.500%
H. Calculated new rate (prior to rounding) (G * (1+F))	0.532%
I. Calculated new rate (after rounding up to nearest 0.025%)	**0.550%**

Supplementary Information

Items Included in Other Expenses

- Total projected 10-year expenses are estimated to be $511.8M
- Components of this expense projection are as follows:
  - CTPL administration: $196.7M
  - Claims administration (Aflac): $302.3M
  - Bond repayment: $12.8M
  - Total: $511.8M

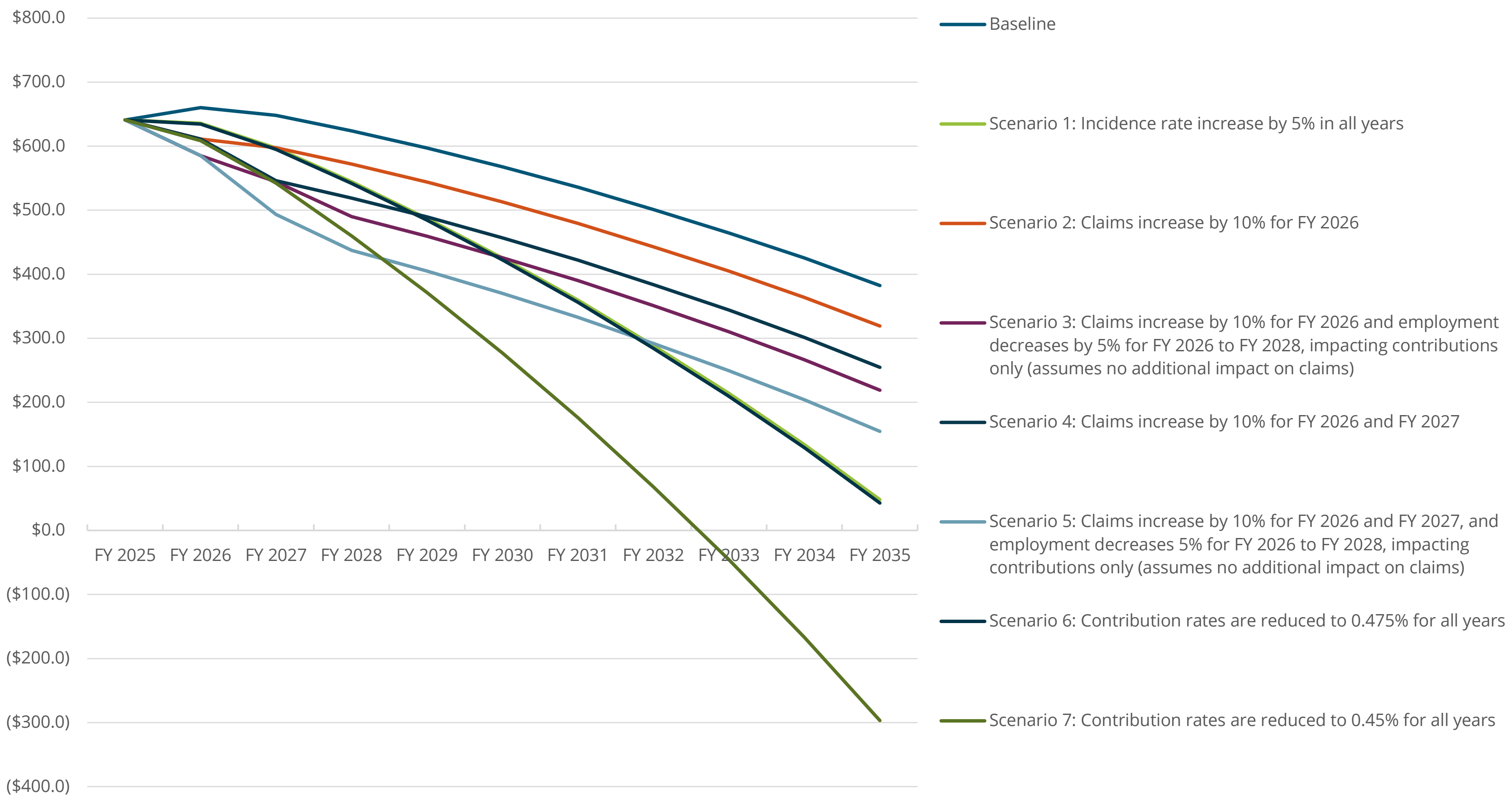
Estimated reserve at the end of 10 years necessary to support rate change

- The estimated reserve at the end of 10 years required to support rate change is based on review of adverse scenarios impacting the program funding
- Key components include:
  - Ensuring sufficient funding to cover a 10% reduction in premium over a 3-year period
  - Ensuring sufficient funding to cover a 25% increase in claims over a 3-year period

Sensitivity Analysis – Net Fund Balance Projection ($ millions)

Figures in $ millions **Ending Net Fund Balance**	**Actual FY 2025**	**Projection FY 2026**	**Projection FY 2027**	**Projection FY 2028**	**Projection FY 2029**	**Projection FY 2030**	**Projection FY 2031**	**Projection FY 2032**	**Projection FY 2033**	**Projection FY 2034**	**Projection FY 2035**
Baseline	$641.0	$660.2	$648.1	$623.8	$597.2	$567.8	$535.9	$500.9	$464.7	$425.2	$382.4
Scenario 1: Incidence rate increase by 5% in all years	$641.0	$635.6	$597.1	$544.2	$487.2	$425.6	$359.6	$288.5	$214.0	$133.9	$48.1
Scenario 2: Claims increase by 10% for FY 2026	$641.0	$611.1	$597.6	$571.9	$543.8	$512.9	$479.5	$442.9	$405.0	$363.8	$319.2
Scenario 3: Claims increase by 10% for FY 2026 and employment decreases by 5% for FY 2026 to FY 2028, impacting contributions only (assumes no additional impact on claims)	$641.0	$585.3	$544.6	$489.9	$459.4	$426.0	$390.1	$350.9	$310.3	$266.4	$219.0
Scenario 4: Claims increase by 10% for FY 2026 and FY 2027	$641.0	$611.1	$546.3	$519.1	$489.4	$456.9	$421.9	$383.7	$344.1	$301.1	$254.7
Scenario 5: Claims increase by 10% for FY 2026 and FY 2027, and employment decreases 5% for FY 2026 to FY 2028, impacting contributions only (assumes no additional impact on claims)	$641.0	$585.3	$493.3	$437.1	$405.1	$370.2	$332.7	$291.9	$249.6	$203.9	$154.7
Scenario 6: Contribution rates are reduced to 0.475% for all years	$641.0	$634.4	$595.1	$541.8	$484.4	$422.4	$356.0	$284.5	$209.6	$129.1	$42.8
Scenario 7: Contribution rates are reduced to 0.45% for all years	$641.0	$608.6	$542.1	$459.8	$371.6	$277.0	$176.1	$68.1	($45.6)	($167.1)	($296.8)

Sensitivity Analysis – Net Fund Balance Projection ($ millions)



Questions

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Why Spring?

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