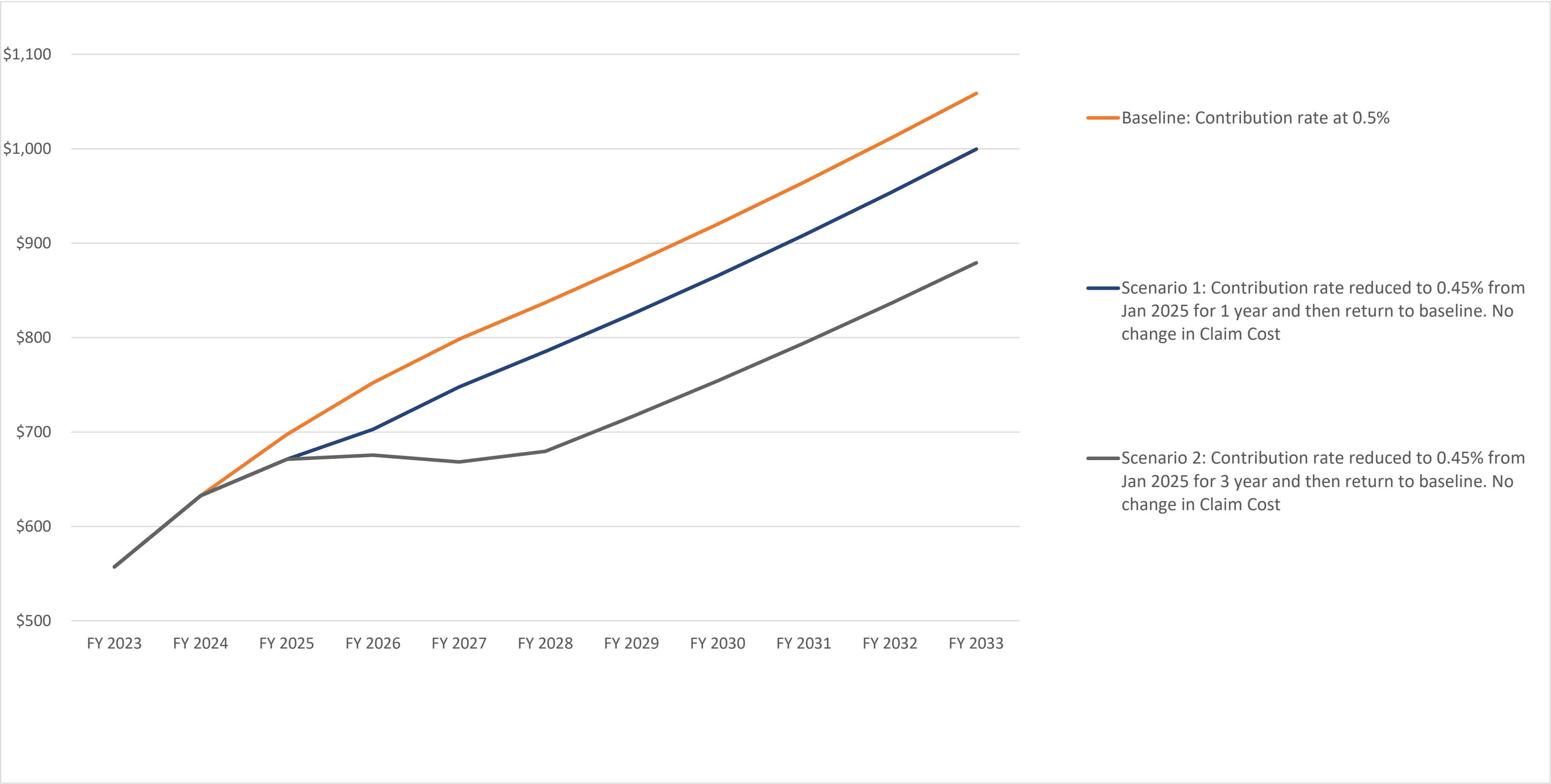
Illustrative Fund Balance Projection



Notes:
1. The projected fund balances are based on baseline projections prepared in February 2024
2. Alternate scenarios reflect illustrations of hypothetical situations

Contribution Rate Calculations

States will set rates, typically annually, within the requirements set by the law

	Maximum Contribution Rate	Calculation to Determine Rate
CA	• Not stated	• Not stated
CO	• **1.20%**	• Set premium at a rate necessary to obtain a total amount of premium contributions equal to 135% of benefits paid during the immediately preceding calendar year plus an amount equal to 100% of the cost of administration of the payment of those benefits during the immediately preceding calendar year, less the amount of net assets remaining in the fund as of December 31 of the immediately preceding calendar year
D.C.	• **0.62%**	• Contribution rate necessary to maintain the benefit durations and continued solvency of the Universal Paid Leave Fund and will not cause the projected fund balance of the Universal Paid Leave Fund to fall below the equivalent of 9 months of benefits
DE	• **1.00%**	• The Department may not set the contribution rate higher than the rate necessary to obtain a total amount of contributions equal to 125% of the benefits paid during the immediately preceding calendar year plus an amount equal to 125% of the cost of administration of the payment of those benefits during the immediately preceding calendar year, less the amount of net assets remaining in the Fund as of December 31 of the immediately preceding calendar year
MA	• Not stated	• Trust fund shall maintain an annualized amount of not less than 140% of the previous fiscal year's expenditure for benefits paid and for the administration of the department
MD	• **1.2%**	• On or before November 15 each year, beginning in 2025, the Secretary shall conduct a cost analysis of the Program that is focused on the cost of maintaining solvency and paying benefits to covered individuals that will be used to determine the appropriate total rate of contribution to the fund
MN	• **1.20%**	• Beginning January 1, 2027, and by July 31 of each year thereafter, the commissioner must adjust the annual premium rates using the formula. In no year shall the annual premium rate exceed 1.2 percent of taxable wages paid to each employee. • To calculate the employer rates for a calendar year, the commissioner must: (1) multiply 1.45 times the amount disbursed from the family and medical benefit 53.5 insurance account for the 52-week period ending September 30 of the prior year; (2) subtract the amount in the family and medical benefit insurance account on that September 30 from the resulting figure; (3) divide the resulting figure by the total wages in covered employment of employees of employers without approved private plans for either the family or medical benefit program. For employers with an approved private plan for either the medical benefit program or the family benefit program, but not both, count only the proportion of wages in covered employment associated with the program for which the employer does not have an approved private plan; and (4) round the resulting figure down to the nearest one-hundredth of one percent. The commissioner must apportion the premium rate between the family and medical benefit programs based on the relative proportion of expenditures for each program during the preceding year.

Contribution Rate Calculations

States will set rates, typically annually, within the requirements set by the law.

	Maximum Contribution Rate	Calculation to Determine Rate
ME	• **1.00%**	• Annually, for the 2028 calendar year and each calendar year thereafter, not later than October 1st, the department shall set the premium for the coming calendar year based on a percentage of employee wages and at the rate necessary to obtain a total amount of premium contributions in order to maintain the solvency of the fund at a level of at least the annualized amount described in section 850-E, subsection 3, plus an amount equal to 100% of the cost of administration of the payment of those benefits 31 during the previous fiscal year, less the amount of net assets remaining in the fund as of June 30th of the current calendar year. If, for the 2028 calendar year or any calendar year thereafter, the premium rate adjustment pursuant to this subsection is an increase and results in the difference between the rate of the upcoming calendar year and the current calendar year equaling more than 0.1% of wages paid, the department shall submit a report regarding fund solvency and factors contributing to rate setting to the joint standing committee of the Legislature having jurisdiction over labor matters. Section 850-E, subsection 3 states: The fund must maintain an annualized amount as determined by an annual study by a qualified actuary that examines the program's recent and expected future claims experience, administrative expenses and target fund requirements.
NH	• N/A for employers	• N/A – premium varies by employer
NJ	• Not stated	• Not stated
NY	• Not stated	• Set the maximum employee contribution, using sound actuarial principles and the reports provided
OR	• Not stated	• Collect payroll contributions consistent in a manner such that (a) at the end of the period for which the rates are effective, the balance of moneys in the fund is an amount not less than six months' worth of projected expenditures from the fund for performance of the functions and duties of the director under; and (b) The volatility of the contribution rates is minimized
RI	• Not stated	• An amount equal to the fund cost rate times the wages paid by the employer to the employee up to the taxable wage base as defined and computed
WA	• **1.20%**	• Calculate an amount that equals 140 percent of the prior fiscal year's expenses, including the total amount of benefits paid and the department's administrative costs. Subtract the balance of the family and medical leave insurance account created in RCW 50A.05.070 as of September 30th. Calculate the account balance ratio by dividing the balance of the family and medical leave insurance account by total covered wages paid by employers and those electing coverage. The division shall be carried to the fourth decimal place with the remaining fraction disregarded unless it amounts to five hundred thousandths or more, in which case the fourth decimal place shall be rounded to the next higher digit.

Comments on Rate Calculations

- Based on review of other state contribution rate setting calculations, seven states out of 15 (incl. CT) have explicit formulae set out for rate setting purposes

- Key components should consider:
  1. Rate cap of 0.5% in current legislation resulting in limits on rate increases
     - Lower rate cap compared to 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 an 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