



Connecticut Paid Family and Medical Leave (CTPL) Program Actuarial Results

As of June 30, 2024

Presented July 26, 2024



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Background

- The Connecticut Paid Leave Authority (the “Authority”) engaged Spring Consulting Group LLC, an Alera Group Company, (“Spring”) to perform an independent actuarial analysis of the solvency of the Paid Leave Trust Fund (the “Fund”) as of June 30, 2024
- Results presented include:
 - Financial reporting as of June 30, 2024, showing summary of plan activity (including contributions and expenses), fund balance and solvency metrics
 - Three-year projection of plan financial activity and fund balance

Preliminary Fiscal Year 2024 Results

Key Results

Actual vs. Financial Projection Results for the Period July 2023 to June 2024

<i>Figures in \$ millions</i>	Preliminary Actual Reported	Financial Projections Presented in May 2024
	Jul 2023 to Jun 2024 (12-month period)	Jul 2023 to Jun 2024 (12-month period)
Beginning Fund Balance (net of outstanding contributions and claims payments)	\$557.2	\$557.2
Contributions Earned	\$465.1	\$460.3
Investment Income	\$29.2	\$27.2
Incurred Claims	(\$380.8)	(\$370.7)
Other Expenses	(\$39.8)	(\$40.5)
Net Activity	\$73.7	\$76.3
Ending Fund Balance (net of outstanding contributions and claims payments)	\$630.9	\$633.5

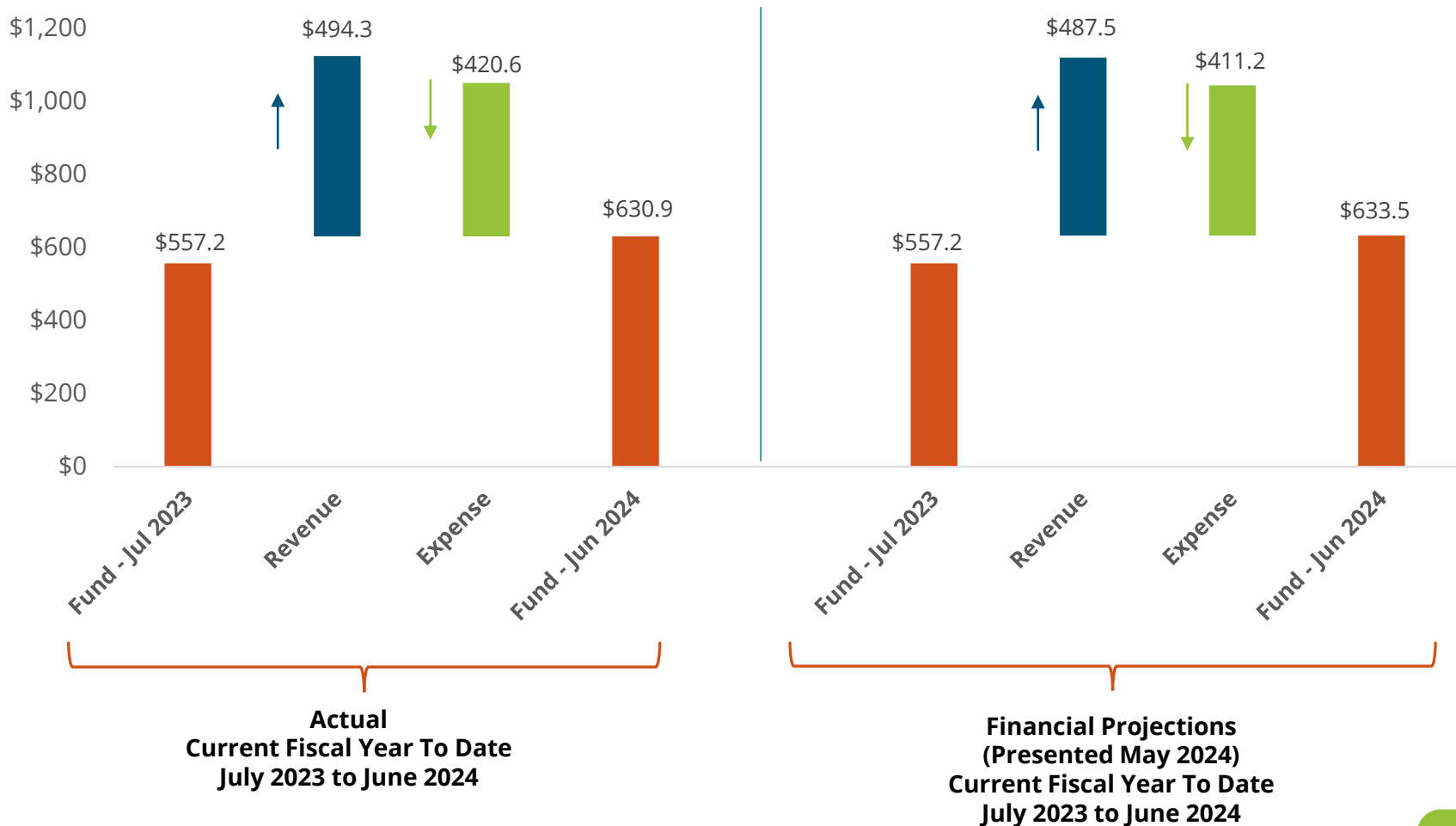
Actual fund balance is lower than estimated balance based on Q3 financial projections (-\$2.6), driven by higher incurred claims, offset in part by higher contribution and investment income previously projected.

Fund position remains strong, with funding metrics within target levels

Funding Metrics	Actual Metric as of Jun 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	0.7 : 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

Figures in \$ millions

	Preliminary Actual Jul 2023 to Jun 2024 (12-month period)	Financial Projections Jul 2023 to Jun 2024 (12-month period)
Revenue:		
a. Payroll contributions		
Payroll contributions (paid basis) - received by end of period	\$457.3	\$457.5
Reserve for contributions for current period not yet received	\$118.5	\$113.5
Reserve for contributions due from prior periods and received in current period	(\$110.7)	(\$110.7)
Total contributions	\$465.1	\$460.3
b. Investment income	\$29.2	\$27.2
Total revenue	\$494.3	\$487.5
Expenses:		
a. Claims benefit payments		
Paid claims	(\$379.1)	(\$368.7)
Reserve for incurred claims not yet paid as of end of period	(\$53.7)	(\$54.0)
Reserve for incurred claims not yet paid as of start of period	\$52.0	\$52.0
Reported incurred claims	(\$380.8)	(\$370.7)
b. Other		
CTPL administration	(\$15.0)	(\$15.0)
Claims administration (Aflac)	(\$22.7)	(\$23.4)
Bond repayment	(\$2.1)	(\$2.1)
Subtotal expenses	(\$39.8)	(\$40.5)
Total expenses	(\$420.6)	(\$411.2)
Net activity	\$73.7	\$76.3
Cumulative fund balance		
Ending fund balance (prior to offsetting for outstanding contributions and claims payments)	\$566.1	\$574.0
Contributions for current period not yet received	\$118.5	\$113.5
Reserve for incurred claims not yet paid as of end of period	(\$53.7)	(\$54.0)
Ending fund balance (net of outstanding contributions and claims payments)	\$630.9	\$633.5
Reconciliation of net fund balance (net of outstanding contributions and claims payments)		
Net fund balance at end of prior period	\$557.2	\$557.2
Net Activity	\$73.7	\$76.3
Ending net fund balance	\$630.9	\$633.5

Reserve Estimate as of June 30, 2024

- The reserve as of June 30, 2024, was estimated for the following components:
 - Case reserve: Reserve for approved open claims with outstanding payments remaining
 - Pending claims reserve: Reserve for pending claims not yet adjudicated which may be approved and result in payment
 - Incurred but not reported claims reserve (“IBNR”): Reserve for claims that have already been incurred but are not yet known by the Authority (e.g., individual has not yet submitted claim to Aflac). Workers generally have 45 days to submit claims
- The reserve estimates as of June 30, 2024, are shown below:

Item	Reserve
1. Case Reserve	\$27,921,000
2. Pending Claims Reserve	\$16,681,000
3. IBNR Reserve	\$9,100,000
Total 6/30/2024 Reserves	\$53,702,000

Projections for Fiscal Years 2025 to 2027

Summary of Three-Year Projections

- The projection for Fiscal Years 2025 to 2027 is shown below
- Projections reflect updated assumptions documented in appendix, including population changes, wage increases, claims incidence and duration assumptions, and changes in expenses

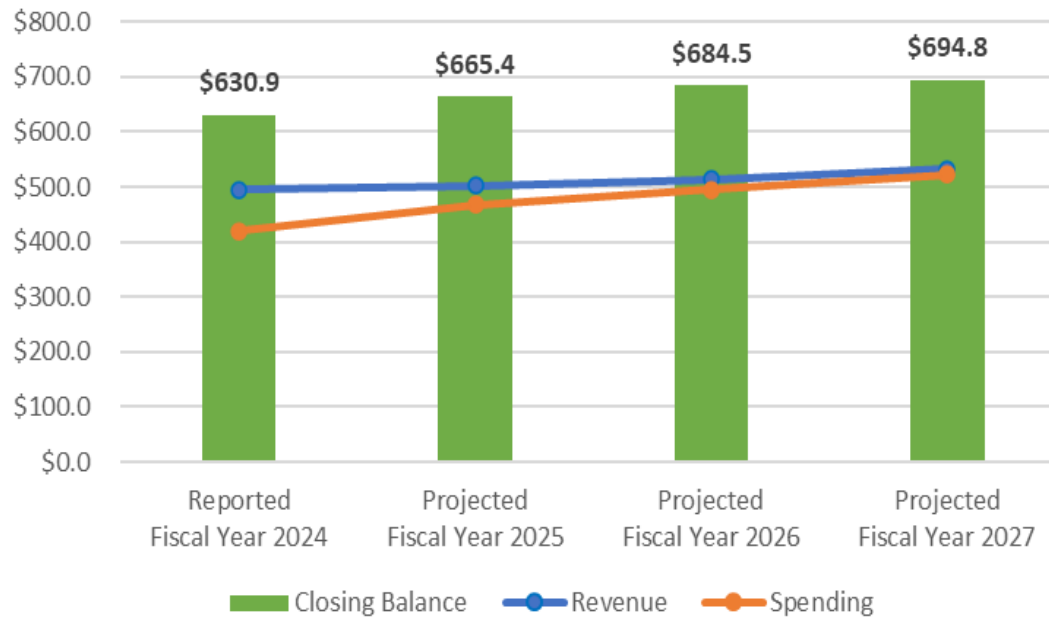
<i>Figures in \$ millions</i>	Reported	Projected	Projected	Projected
	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
	Jul 2023 to Jun 2024	Jul 2024 to Jun 2025	Jul 2025 to Jun 2026	Jul 2026 to Jun 2027
Beginning Fund Balance (net of outstanding contributions and claims payments)	\$557.2	\$630.9	\$665.4	\$684.5
Contributions Earned	\$465.1	\$479.9	\$497.7	\$516.1
Investment Income	\$29.2	\$22.8	\$15.8	\$16.1
Incurred Claims	(\$380.8)	(\$421.1)	(\$445.5)	(\$471.2)
Other Expenses	(\$39.8)	(\$47.1)	(\$48.9)	(\$50.7)
Net Activity	\$73.7	\$34.5	\$19.1	\$10.3
Ending Fund Balance (net of outstanding contributions and claims payments)	\$630.9	\$665.4	\$684.5	\$694.8

Financial Projections

	Actual	Projection	Projection	Projection
<i>Figures in \$ millions</i>	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Revenue:				
a. Payroll contributions				
Payroll contributions (paid basis) - received by end of period	\$457.3	\$476.6	\$493.2	\$511.4
Contributions for current fiscal year not yet received	\$118.5	\$121.8	\$126.3	\$131.0
Contributions due from prior fiscal year and received in current fiscal year	(\$110.7)	(\$118.5)	(\$121.8)	(\$126.3)
Total contributions	\$465.1	\$479.9	\$497.7	\$516.1
b. Investment income	\$29.2	\$22.8	\$15.8	\$16.1
Total revenue	\$494.3	\$502.7	\$513.5	\$532.2
Expenses:				
a. Claims benefit payments				
Paid claims	(\$379.1)	(\$418.8)	(\$443.5)	(\$469.2)
Reserve for incurred claims not yet paid as of end of fiscal year	(\$53.7)	(\$56.0)	(\$58.0)	(\$60.0)
Reserve for incurred claims not yet paid as of start of fiscal year	\$52.0	\$53.7	\$56.0	\$58.0
Reported incurred claims	(\$380.8)	(\$421.1)	(\$445.5)	(\$471.2)
b. Other				
CTPL administration	(\$15.0)	(\$20.0)	(\$20.9)	(\$21.8)
Claims administration (Aflac)	(\$22.7)	(\$25.0)	(\$26.0)	(\$27.0)
Bond repayment	(\$2.1)	(\$2.1)	(\$2.0)	(\$1.9)
Subtotal expenses	(\$39.8)	(\$47.1)	(\$48.9)	(\$50.7)
Total expenses	(\$420.6)	(\$468.2)	(\$494.4)	(\$521.9)
Net activity	\$73.7	\$34.5	\$19.1	\$10.3
Cumulative fund balance				
Ending fund balance (prior to offsetting for outstanding contributions and claims payments)	\$566.1	\$599.6	\$616.2	\$623.8
Contributions for current fiscal year not yet received	\$118.5	\$121.8	\$126.3	\$131.0
Reserve for incurred claims not yet paid as of end of fiscal year	(\$53.7)	(\$56.0)	(\$58.0)	(\$60.0)
Ending fund balance (net of outstanding contributions and claims payments)	\$630.9	\$665.4	\$684.5	\$694.8
Reconciliation of net fund balance (net of outstanding contributions and claims payments)				
Net fund balance at end of prior period	\$557.2	\$630.9	\$665.4	\$684.5
Net Activity	\$73.7	\$34.5	\$19.1	\$10.3
Ending net fund balance	\$630.9	\$665.4	\$684.5	\$694.8

Illustration of Financial Projections

CTPL Program Financial Results and Projections



Summary

Summary

- Net activity (revenue minus expenses) for the period July 1, 2023, to June 30, 2024, was \$73.7M
 - As a result, the Fund balance as of June 30, 2024, is \$630.9M on an accrual basis
- A review of the Fund balance as of June 30, 2024, indicates that the Fund balance meets target funding metrics
- The Fund is expected to increase by 10% over the next three years, as projected revenue is slightly higher than anticipated expenses
- Given recent claims experience, we are preparing updated 10-year projection scenarios to assess impact on Fund Balance and contribution rate recommendations

Questions

Appendix

Appendix — Key Assumptions and Methods

Item	Assumption	Comments
Fund Investment Rate of Return	4.0% per year in fiscal year 2025 2.63% per year thereafter	Initial rate of return consistent with CTPL budget assumption Rate of return thereafter based on projections provided by the State of Connecticut Office of Policy and Management ("OPM") for the Short-Term Investment Fund (STIF)
Salary Growth	Refer to table A	Based on data provided by the State of Connecticut Department of Labor
Incidence Rate	Refer to table B	Based on review of emerging CT data and other states' data. Reflect increases to move to ultimate incidence rate assumptions in future years
Duration	Refer to table C	Based on review of emerging CT data and other states' data
Initial Average Weekly Benefit Amount (AWBA)	Refer to table D	Based on review actual AWBA for period June 2022 to May 2024, with adjustments to reflect increases in CT minimum wage and salary increases
CTPL Administration Expenses	July 2024 to June 2025: \$20M 4.5% per year increase	The 2025 fiscal year budget, as approved by the CTPL Board of Directors Annual increase in administration expenses reflects projected wage growth and expense growth each year, as directed by CTPL Authority
Claims Administration Expense (Aflac)	July 2024 to June 2025: \$25M 4.0% per year increase	As contracted by the Authority, and as approved by the CTPL Board of Directors Assumes \$25M for Fiscal year 2025, with 4% increases thereafter
Bond Repayment	Refer to table E	Per letter dated June 14, 2023, from OPM
Eligible Population Covered	1,598,293 (before excluding private plan enrollment)	Based on December 2023 employment count provided by Connecticut Department of Labor Office of Research, excluding estimated count of employee with annual earnings less than \$2,325
Proportion of Eligible Population Covered Under Private Plans	3% of covered population	Assumed based on CTPL Authority historical reporting
Unemployment Rate	Refer to table F	Based on projections provided by OPM
Likelihood of pending claims approval	77%	Based on recent claims experience for the period July 2023 to June 2024

Appendix — Key Assumptions and Methods

Table A: Salary Growth

Fiscal Year	Salary Growth %
2025	3.6%
2026	4.0%
2027 and onwards	3.7%

Table B: Incidence Rate Assumption (Incidence Rate per Year)

Leave Type	July 2024 to June 2025	July 2025 to June 2026	July 2026 to June 2027
Own Health	2.3001%	2.3461%	2.3930%
Pregnancy/Bonding	0.7975%	0.8135%	0.8297%
Bonding for Newborn	0.6780%	0.6916%	0.7054%
Caregiver Leave	0.5286%	0.5392%	0.5499%
Bonding for Adoption/Foster Care	0.0119%	0.0121%	0.0124%
Bone Marrow Donation	0.0001%	0.0001%	0.0001%
Military Family Leave	0.0004%	0.0004%	0.0004%
Organ Donation	0.0011%	0.0011%	0.0011%
Personal Protected Leave	0.0043%	0.0043%	0.0044%
Total	4.3219%	4.4083%	4.4965%

Appendix — Key Assumptions and Methods

Table C: Duration Assumption

Leave Type	Proposed Assumption (# of Weeks)
Own Health	7.1
Pregnancy	11.4
Bonding for Newborn	7.3
Caregiver Leave	6.1
Bonding for Adoption/Foster Care	7.3
Bone Marrow Donation	7.9
Military Family Leave	6.5
Organ Donation	9.6
Personal Protected Leave	2.4

Table D: Average Weekly Benefit

Leave Type	Proposed Assumption (\$ Per Week)
Own Health	\$797
Pregnancy	\$797
Bonding for Newborn	\$862
Caregiver Leave	\$813
Bonding for Adoption/Foster Care	\$862
Bone Marrow Donation	\$620
Military Family Leave	\$620
Organ Donation	\$620
Personal Protected Leave	\$620

Appendix — Key Assumptions and Methods

Table E: Bond Repayment Schedule

Date	Payment Total
June 30, 2025	\$2,050,526
June 30, 2026	\$1,994,457
June 30, 2027	\$1,938,388
June 30, 2028	\$1,882,319
June 30, 2029	\$1,826,250
June 30, 2030	\$1,770,181
June 30, 2031	\$1,714,112
June 30, 2032	\$1,658,043

Table F: Unemployment Rate Assumptions

Fiscal Year	Rate (per 100)
2025	4.44
2026	4.68
2027	4.66
2028	4.47

Appendix — Key Assumptions and Methods

- **Contribution projections** – based on contributions received in prior quarters, factoring in estimated population changes and wage growth.
 - As contributions are permitted to be received up to one month after the end of the calendar quarter, the projection includes estimated contributions received during the 30-day grace period, but receive in the following fiscal year
- **Investment income** – assumed to be 4.0% per year in fiscal year 2025, 2.63% per year thereafter
 - Applied to estimate cash over the course of the year, including beginning of year fund balance, and assuming contributions are received, and expenses are incurred during the year
- **Claims projections** – based on review of CTPL emerging claims experience and claims experience for similar programs in other states
 - Reflects developed incidence rate and duration assumptions to estimate number of approved leaves each year and average length of each type of leave
 - Includes estimated reserve for claims that have already been incurred, but are not yet paid as of the end of the fiscal year
- **Expense Projections** - based on the CTPL budget for future years and anticipated increases in budget expense

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 assumes losses generated with a 50% increase in incidence for following fiscal year.
 - 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)


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, 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