Actuarial Analysis of Washington Paid Family and Medical Leave Benefits

Revised October 18, 2022

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Introduction

This report is a revised version of the Milliman report that was sent to the State of Washington Office of Financial Management (OFM) on September 30, 2022. The revisions include updates to the employment and wage growth forecasts based on more recent reporting from the Washington Economic and Revenue Forecast Council. They also include an adjustment to the way we project PFML contributions in our model. This adjustment reflects the current policy of assessing PFML contributions one quarter in arrears. Additional details on these adjustments are included in this report.

Milliman, Inc. ("Milliman") was engaged by OFM to perform an actuarial study of the Washington Paid Family and Medical Leave (PFML) program, per Section 8 of the Second Substitute Senate Bill 5649 (Chapter 233, Laws of 2022). The study included an analysis on historical experience, emerging costs, and future funding requirements. The Washington PFML program is funded by contributions from employers and employees and is based on a contribution rate of 0.60% of covered payroll[1] in 2022, which represents employee contributions of 0.44% and employer contributions of 0.16%. Historically, the overall contribution rate was 0.40% from January 1, 2019 (when PFML contributions began) through December 31, 2021. The contribution rate was increased to 0.60% on January 1, 2022.

We have analyzed Washington PFML claim experience including claim incidence rates, average claim durations, and average benefit amounts, using claim data from January 1, 2020 (when benefits became effective) through June 30, 2022, provided to Milliman by the State of Washington Employment Security Department (ESD). We have also analyzed the financial exhibits provided to Milliman by ESD that show historical premium contributions, benefit payments, program expenses, and fund balances from January 1, 2019 through June 30, 2022. Based on the results from our analysis, we developed assumptions for projecting future PFML experience in Washington, and we estimated the contribution rates that are expected to cover future benefit payments and expenses, as well as to maintain a target level of surplus in the PFML fund equal to three months of expected annual benefit payments.

This report provides the results of our analysis along with detailed documentation of the data, assumptions, and analytical methods. Appendix A contains an overview of the contribution rates and benefit designs of PFML programs in other US jurisdictions.

DATA RELIANCE

In performing the analysis, Milliman relied on data and other information provided by ESD, as well as on public information from various sources. Milliman did not audit or independently verify any of the information furnished, except that we did review the data for reasonableness and consistency. To the extent that any of the data or other information provided to Milliman was incorrect or inaccurate, the results of our analysis could be materially affected, and the results may need to be revised.

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[1] Covered payroll includes wages up to the Social Security maximum contribution and benefit base.

DISTRIBUTION

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VARIABILITY OF RESULTS

The projections included in this report are estimates based on carefully constructed assumptions and methodologies that have been described in this report. Actual experience, however, is nearly certain to differ from those assumptions. As such, actual results will vary from our estimates, and the actual PFML costs may be either higher or lower than the amounts included in this report. In preparing this information, we have utilized actuarial models as defined by Actuarial Standards of Practice. The intended purpose of these models is to project future claim costs for PFML benefits.

QUALIFICATIONS

I, Paul Correia, am a consulting actuary for Milliman, Inc. and a member of the American Academy of Actuaries. I meet the qualification standards of these organizations for rendering the actuarial opinions contained herein.

Executive Summary

We analyzed historical claim costs and funding levels for the Washington PFML program using data provided to Milliman by ESD. Our key observations are provided below:

- PFML benefit payments generally increased between Q1 2020 and Q2 2022, whereas the premiums collected during this period remained relatively level, resulting in a significant reduction in the PFML fund balance from $467 million in Q1 2020 to $32 million in Q2 2022, as shown below:
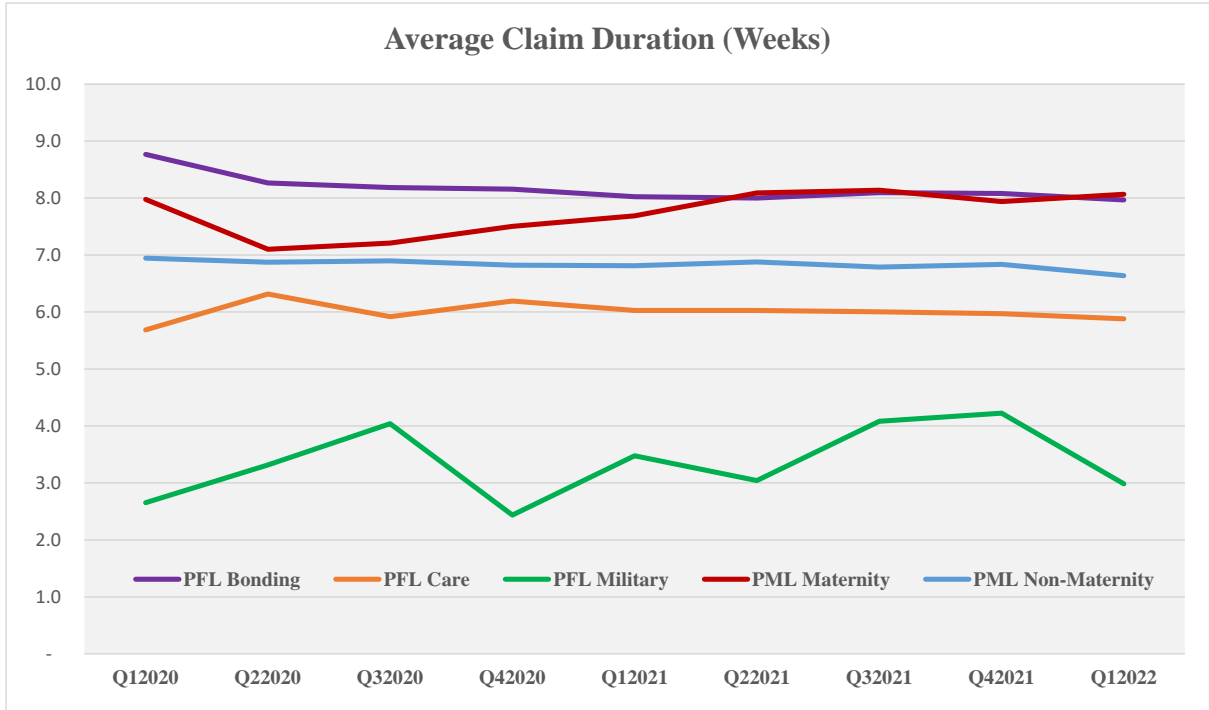
Table 1
Washington PFML Financial Experience

Quarter	Premium Collected[2]	Benefit Payments	Program Expenses	Fund Balance (EOQ)
Q1 2020	$173,322,449	$58,097,965	$17,000,521	$467,175,755
Q2 2020	$181,439,330	$178,704,222	$16,131,515	$454,155,478
Q3 2020	$166,188,885	$176,968,010	$10,828,664	$426,789,030
Q4 2020	$157,214,106	$196,941,857	$10,576,426	$376,395,510
Q1 2021	$149,183,776	$188,722,503	$10,838,875	$326,614,034
Q2 2021	$188,265,127	$217,229,287	$11,269,084	$286,518,805
Q3 2021	$191,177,440	$247,615,148	$9,058,262	$221,549,805
Q4 2021	$172,121,396	$263,977,965	$11,154,230	$122,981,194
Q1 2022	$170,429,193	$268,707,990	$13,874,313	$19,057,567
Q2 2022	$317,165,156	$288,963,048	$14,252,695	$31,634,119

- We analyzed PFML claim incidence rates for approved family (PFL) and medical (PML) claims between Q1 2020 and Q2 2022. These rates represent the number of claims approved for benefits divided by the exposure of eligible employees per 1,000 covered employees in a given quarter. The incidence rates are generally increasing during the experience period for both PFL and PML claims, as shown in the graph below. This trend is relatively common for new PFML programs—we have observed increasing incidence rates during the phase-in period of other state programs.

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[2] PFML premium contributions are assessed every quarter and collected in the following quarter. For this reason, the premium collected in Q1 2022 are still based on the 2021 contribution rate of 0.40%.

Washington PFML Incidence Rates per 1,000
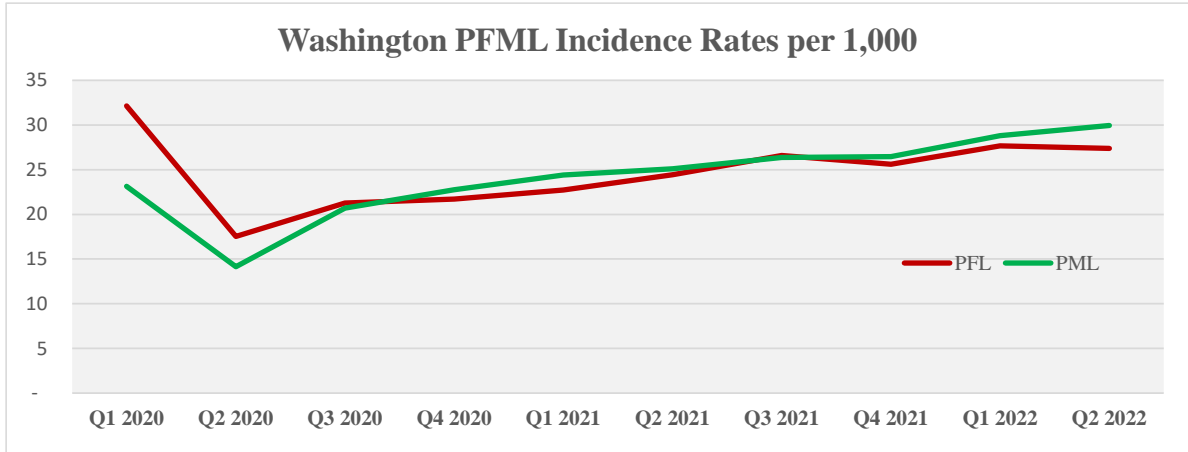
- The incidence rates were high in Q1 2020 and decreased sharply in Q2 2020. This may have been due to claims incurred in 2019 that were eligible for benefits in 2020 (when benefits became effective). In subsequent quarters, PFL incidence rates are generally increasing but appear to be leveling off in recent quarters, whereas PML incidence rates have increased consistently each quarter from Q2 2020 through Q2 2022.

- We analyzed average PFML claim durations by leave type and calendar quarter. The results are shown in the chart below. In general, the average durations were relatively stable during the most recent four quarters from Q2 2021 through Q1 2022 (we excluded experience from Q2 2022 because the experience is not considered complete as of June 30, 2022). The PML Maternity category shown below represents pregnancy and birth recovery medical claims that had complications, and does not include medical claims related to healthy pregnancies and childbirth recovery which are included in the PFL Bonding category. The average duration for PFL Military claims exhibits volatility during the experience period because the number of PFL Military claims incurred during the experience period is relatively low (and significantly lower than the other leave types), which exacerbates volatility.

Average Claim Duration (Weeks)

- We analyzed average benefit amounts by leave type and calendar quarter. The results are summarized in Table 2 below. The average weekly benefit amounts increase in Q1 of every year, in part, due to annual wage growth (because PFML benefits replace a percentage of income), and because the maximum PFML benefit amount increased on January 1, 2021, and January 1, 2022.

Table 2
Average PFML Weekly Benefit Amounts

Quarter	PFL	PML
Q1 2020	$792	$761
Q2 2020	$809	$776
Q3 2020	$813	$777
Q4 2020	$804	$776
Q1 2021	$868	$834
Q2 2021	$898	$853
Q3 2021	$890	$850
Q4 2021	$884	$855
Q1 2022	$926	$891
Q2 2022	$950	$901

We projected Washington PFML experience for the remainder of 2022 by estimating future claim costs, premium contributions, and administrative expenses in the third and fourth quarters of 2022. Based on these estimates, and on the estimated investment income for the PFML fund in 2022 provided to Milliman by OFM, we estimated the PFML fund will be in deficit of approximately $8.7 million by December 31, 2022, as shown below:

Table 3
Estimated PFML Experience in 2022

A. Fund Balance January 1, 2022	$122,981,194
B. Expected Contributions	$1,079,032,754
C. Expected Benefits	$1,155,214,357
D. Expected Expenses	$56,254,016
E. Expected Investment Income	$768,139
F. Expected Fund Balance December 31, 2022 (A + B – C – D + F)	($8,686,285)

We developed a financial model that projects Washington PFML experience from 2023 through 2027. This model was used to evaluate program funding levels based on different contribution rate scenarios. For example, the model suggests that the current rate of 0.600% would be inadequate to cover PFML benefit payments and expenses in 2023 and beyond. We analyzed other scenarios involving different contribution rates effective in 2023. Based on the results of this analysis, we recommend increasing the PFML contribution rate to 0.82% on January 1, 2023. Under the assumptions described in this report, this rate is expected to cover benefit payments and expenses, and return the fund to a surplus position by December 31, 2023. We also recommend establishing a target for the PFML fund equal to three months of expected benefit payments, and closely monitoring the experience to ensure that the fund remains within these target levels. Although there is no explicit target or minimum balance for the Washington PFML fund, we believe a reasonable target is an amount equal to three months of expected benefit payments. This level mitigates the risk of unexpected losses and funding deficits, and was developed, in part, by considering methods used by insurance companies for determining target surplus for short-term disability benefits. It also reflects our experience working with similar employee benefit programs.

In our model, we solved for the contribution rates that sustain this target level in future years. For example, a contribution rate of 0.82% in 2023 and 2024 followed by a rate reduction to 0.72% in 2025 through 2027 is expected to return the program to a surplus position and maintain fund balances close to target levels in future years. We have developed other scenarios that assume different contribution rates, which are discussed in the next section of this report. In each of the projections, the contribution rates are higher in initial years to restore surplus, and then they are reduced in future years to maintain a desired target. Due to the expected deficit as of December 31, 2022, it is necessary for the initial contribution rate to be higher than the long-term target rate.

Financial Projections

This section contains financial projections for the Washington PFML program from 2023 through 2027 based on different contribution rate scenarios. The following items are included in the projections:

- **Covered Employees** – Projection of eligible employees from 2023 through 2027 based on historical participation in the PFML program and employment growth forecasts from the Washington Economic and Revenue Forecast Council as of September, 2022. We also assumed the demographic mix of covered employees will not change materially over the projection period, and we did not assume any aging of the population.

- **Taxable Wages** – Projection of taxable wages from 2023 through 2027 based on taxable wages in 2022, and wage and employment growth forecasts from the Washington Economic and Revenue Forecast Council as of September, 2022.

- **Claims** – Projection of the number of PFML claims approved for benefits between 2023 and 2027. The projection assumes claim incidence rates will increase in 2023 and 2024, then stabilize in 2025 and beyond. We have assumed incidence rates will increase, in part, based on historical trends, and due to the changes to the waiting period that we assumed will result in more maternity claims.

- **Benefit Payments ($ millions)** – Projection of benefit payments between 2023 and 2027 for PFL, PML, and in total. The projection assumes benefit payments will continue to increase due to wage growth, employment growth, increasing claim incidence rates (through 2024), and slightly longer claim durations resulting from the legislative change that no longer subtracts the waiting week from an employee's available leave bank. We did not assume any changes in PFML benefits during the experience period, except that we assumed the maximum weekly benefit amount, which is based on the state average weekly wage, will increase in proportion to the assumed growth in wages.

- **Expenses ($ millions)** – Projection of administrative expenses from 2023 through 2027 based on the 2023 PFML appropriation level provided to Milliman by ESD. Assumed expenses in 2023 are equal to $74 million. In 2024 and beyond, we assumed the number of FTE staff will increase in proportion to PFML claim volumes, and that their salaries will increase based on the wage growth assumptions described above. We also assumed that non-salary related expenses (e.g., IT, communications, etc.) will increase based on inflation forecasts from the State of Washington Economic and Revenue Forecast Council.

- **Total Expenditure ($ millions)** – Projection of total PFML costs from 2023 through 2027 equal to the sum of benefit payments and expenses in every year.

- **Contribution Rate** – Projection of illustrative contribution rates for the PFML program from 2023 through 2027, for employers, employees, and in total. The split between employer and employee contributions (i.e., 72.8% for employees and 27.2% for employers) was provided to Milliman by ESD. We tested different contribution rate scenarios and developed financial projections for each of the scenarios. The first scenario (Projection 1) assumes a contribution rate of 0.82% for 2023 and 2024, followed by a rate reduction to 0.72% for 2025 through 2027. In this scenario, the fund balance is expected to reach a target level of three months of expected benefit payments by 2024, and the expected fund balances in 2025 and beyond remain relatively stable when the rate is reduced to 0.72%. The second scenario (Projection 2) assumes a contribution rate of 0.82% for 2023 followed by a rate reduction to 0.75% for 2024 through 2027. In this scenario, the fund balance

increases gradually and reaches a target level of three months of expected benefit payments by 2027. The third scenario (Projection 3) provides a projection in which the fund is expected to hit the target by December 31, 2023, based on a contribution rate of 0.92% for 2023. Rates are reduced to 0.72% in 2024 through 2027 to maintain fund balances within target levels in those years.

- **Contributions ($ millions)** – Projection of PFML contributions based on the illustrative contribution rates and the assumed taxable wages from 2023 through 2027, for employers, employees, and in total. The projections assume premiums are assessed one quarter in arrears, consistent with the current Washington PFML policy. For example, the assumed contributions collected in 1Q 2023 are based on the current rate of 0.60% of taxable wages and the assumed contributions in 2Q through 4Q of 2023 are based on the new rate for 2023 in each scenario. The projections also assume small business exemptions will continue in 2023 and beyond.

- **Investment Income ($ millions)** – Investment income assumptions for 2023 through 2025 were provided to Milliman by OFM, based on forecasts from the Washington State Treasurer's Office. For 2026 and 2027, we assumed an annual return on investments of 1.0%, based on historical returns.

- **Fund Balance ($ millions)** – Projection of the beginning-of-year and end-of-year PFML fund balance from 2023 through 2027. The end-of-year fund balance is equal to the fund balance at the beginning of the year plus the premium contributions in that year, minus the total expenditure in that year, plus the assumed investment income in that year. A target fund balance equal to three months of expected benefit payments is included in the projections.

In all three scenarios—i.e., Projections 1, 2, and 3 on pages 11 through 13—we assumed the initial contribution rate for 2023 could be reduced at some point in the future. This is because we expect the PFML fund to be in deficit on January 1, 2023, and a higher rate is necessary in 2023 to address the deficit.

We did not include payments for small employer grants in the projections because the cost of these grants represents a small proportion of total expenditure and does not have a material impact on the results of our analysis. In addition, employers who receive these grants are required to pay the employer portion of future contributions, which we assume would offset some or all the cost.

The financial projections shown below depend on a variety of actuarial assumptions about future experience, including but not limited to employment and wage growth, PFML claim experience, expenses, and investment income. It is nearly certain that actual experience will vary from these assumptions, meaning that the program's actual fund balance will be higher or lower than the illustrated values.

PROJECTION 1

PFML contribution rate of 0.82% of covered payroll in 2023 and 2024, reduced to 0.72% of covered payroll in 2025 through 2027

	2023	2024	2025	2026	2027
Eligible Employees	3,320,948	3,336,411	3,364,357	3,395,283	3,427,979
Taxable Wages ($ millions)	$224,347.4	$233,761.9	$243,641.8	$255,467.8	$268,470.1
Claims					
Family	94,831	98,778	100,931	101,858	102,839
Medical	111,500	122,757	127,846	129,021	130,263
Total	**206,331**	**221,535**	**228,776**	**230,879**	**233,103**
Benefit Payments ($ millions)					
Family	$672.0	$726.0	$766.7	$803.9	$844.9
Medical	$666.5	$761.1	$819.2	$859.0	$902.7
Total	**$1,338.5**	**$1,487.0**	**$1,586.0**	**$1,663.0**	**$1,747.6**
Expenses ($ millions)	$74.0	$77.7	$80.0	$81.5	$83.1
Total Expenditure ($ millions)	**$1,412.6**	**$1,564.7**	**$1,666.0**	**$1,744.5**	**$1,830.7**
Contribution Rate					
Employer	0.22%	0.22%	0.20%	0.20%	0.20%
Employee	0.60%	0.60%	0.52%	0.52%	0.52%
Total	**0.82%**	**0.82%**	**0.72%**	**0.72%**	**0.72%**
Contributions ($ millions)					
Employer	$353.9	$398.3	$378.0	$382.2	$401.7
Employee	$1,245.4	$1,396.3	$1,325.4	$1,339.8	$1,408.0
Total	**$1,599.3**	**$1,794.6**	**$1,703.4**	**$1,722.0**	**$1,809.7**
Investment Income ($ millions)	$2.1	$3.4	$4.4	$4.6	$4.4
Fund Balance					
Beginning of Year	($8.7)	$180.2	$413.5	$455.3	$437.4
End of Year	$180.2	$413.5	$455.3	$437.4	$420.8
Target	$334.6	$371.8	$396.5	$415.7	$436.9

PROJECTION 2

PFML contribution rate of 0.82% of covered payroll in 2023, reduced to 0.75% of covered payroll in 2024 through 2027

	2023	2024	2025	2026	2027
Eligible Employees	3,320,948	3,336,411	3,364,357	3,395,283	3,427,979
Taxable Wages ($ millions)	$224,347.4	$233,761.9	$243,641.8	$255,467.8	$268,470.1
Claims					
Family	94,831	98,778	100,931	101,858	102,839
Medical	111,500	122,757	127,846	129,021	130,263
Total	**206,331**	**221,535**	**228,776**	**230,879**	**233,103**
Benefit Payments ($ millions)					
Family	$672.0	$726.0	$766.7	$803.9	$844.9
Medical	$666.5	$761.1	$819.2	$859.0	$902.7
Total	**$1,338.5**	**$1,487.0**	**$1,586.0**	**$1,663.0**	**$1,747.6**
Expenses ($ millions)	$74.0	$77.7	$80.0	$81.5	$83.1
Total Expenditure ($ millions)	**$1,412.6**	**$1,564.7**	**$1,666.0**	**$1,744.5**	**$1,830.7**
Contribution Rate					
Employer	0.22%	0.20%	0.20%	0.20%	0.20%
Employee	0.60%	0.55%	0.55%	0.55%	0.55%
Total	**0.82%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**
Contributions ($ millions)					
Employer	$353.9	$373.4	$379.7	$398.2	$418.4
Employee	$1,245.4	$1,309.0	$1,331.0	$1,395.6	$1,466.7
Total	**$1,599.3**	**$1,682.4**	**$1,710.8**	**$1,793.8**	**$1,885.1**
Investment Income ($ millions)	$2.1	$3.4	$4.4	$3.5	$4.0
Fund Balance					
Beginning of Year	($8.7)	$180.2	$301.3	$350.5	$403.3
End of Year	$180.2	$301.3	$350.5	$403.3	$461.8
Target	$334.6	$371.8	$396.5	$415.7	$436.9

PROJECTION 3

PFML contribution rate of 0.92% of covered payroll in 2023, reduced to 0.72% of covered payroll in 2024 through 2027

	2023	2024	2025	2026	2027
Eligible Employees	3,320,948	3,336,411	3,364,357	3,395,283	3,427,979
Taxable Wages ($ millions)	$224,347.4	$233,761.9	$243,641.8	$255,467.8	$268,470.1
Claims					
Family	94,831	98,778	100,931	101,858	102,839
Medical	111,500	122,757	127,846	129,021	130,263
Total	**206,331**	**221,535**	**228,776**	**230,879**	**233,103**
Benefit Payments ($ millions)					
Family	$672.0	$726.0	$766.7	$803.9	$844.9
Medical	$666.5	$761.1	$819.2	$859.0	$902.7
Total	**$1,338.5**	**$1,487.0**	**$1,586.0**	**$1,663.0**	**$1,747.6**
Expenses ($ millions)	$74.0	$77.7	$80.0	$81.5	$83.1
Total Expenditure ($ millions)	**$1,412.6**	**$1,564.7**	**$1,666.0**	**$1,744.5**	**$1,830.7**
Contribution Rate					
Employer	0.25%	0.20%	0.20%	0.20%	0.20%
Employee	0.67%	0.52%	0.52%	0.52%	0.52%
Total	**0.92%**	**0.72%**	**0.72%**	**0.72%**	**0.72%**
Contributions ($ millions)					
Employer	$388.1	$375.7	$364.5	$382.2	$401.7
Employee	$1,365.0	$1,317.3	$1,277.8	$1,339.8	$1,408.0
Total	**$1,753.1**	**$1,692.9**	**$1,642.3**	**$1,722.0**	**$1,809.7**
Investment Income ($ millions)	$2.1	$3.4	$4.4	$4.5	$4.3
Fund Balance					
Beginning of Year	($8.7)	$334.0	$465.6	$446.4	$428.4
End of Year	$334.0	$465.6	$446.4	$428.4	$411.7
Target	$334.6	$371.8	$396.5	$415.7	$436.9

Data, Assumptions, and Analytical Methods

ESD provided Milliman with Washington PFML demographic data from January 1, 2020 through June 30, 2022. The data is summarized in Table 4 below.

Table 4
Washington PFML Demographic Data

Calendar Quarter	Covered Employees	Quarterly Taxable Wages
Q1 2020	3,290,706	$49,970,731,258
Q2 2020	3,197,053	$45,155,381,032
Q3 2020	3,237,559	$42,876,245,908
Q4 2020	3,216,985	$41,953,037,272
Q1 2021	3,168,222	$51,043,862,094
Q2 2021	3,307,328	$51,031,422,514
Q3 2021	3,415,437	$47,447,758,998
Q4 2021	3,369,288	$45,853,844,975
Q1 2022	3,304,013	$56,320,727,018
Q2 2022	3,324,360	$54,610,164,689

The data for covered employees in Table 4 includes employees working at employers with voluntary plans, who represent approximately 3% of the reported covered employees. On the other hand, the data for quarterly taxable wages in Table 4 corresponds only to taxable wages subject to premium contributions to the Washington PFML fund (i.e., it excludes wages for voluntary plans). We have estimated 3,320,948 covered employees (excluding voluntary plan participants) and $224.3 billion in annual taxable wages for 2023.

We assumed that the number of covered employees and annual taxable wages will increase between 2023 and 2027 based on the following employment and wage growth forecasts from the Washington Economic and Revenue Forecast Council as of September, 2022.

Table 5
Employment and Wage Growth Rates

Year	Employment Growth	Wage Growth
2023	3.0%	3.4%
2024	0.5%	3.7%
2025	0.8%	3.4%
2026	0.9%	3.9%
2027	1.0%	4.1%

We analyzed historical PFML claim experience from January 1, 2020 through June 30, 2022 provided to Milliman by ESD. We calculated claim incidence rates, average claim durations, and average benefit amounts during the experience period. The following table shows the claim incidence rates per 1,000 covered employees for PFML claims approved between January 1, 2020 and June 30, 2022, by leave type and calendar quarter.

Table 6
Historical Washington PFML Incidence Rates per 1,000 Covered Employees
Experience Period: Q1 2020 through Q2 2022

Quarter	Bonding	Care	Military	Total PFL	Maternity	Non-maternity	Total PML
Q1 2020	26.07	6.00	0.05	**32.12**	4.79	18.34	**23.13**
Q2 2020	14.61	2.91	0.02	**17.54**	3.16	10.99	**14.15**
Q3 2020	17.19	4.04	0.02	**21.26**	3.72	16.98	**20.70**
Q4 2020	17.36	4.33	0.02	**21.72**	3.63	19.13	**22.76**
Q1 2021	17.51	5.18	0.04	**22.72**	3.78	20.61	**24.39**
Q2 2021	18.90	5.52	0.03	**24.45**	3.81	21.28	**25.09**
Q3 2021	20.40	6.15	0.04	**26.59**	3.80	22.56	**26.36**
Q4 2021	19.48	6.10	0.02	**25.60**	3.76	22.69	**26.46**
Q1 2022	20.69	6.93	0.03	**27.65**	4.42	24.39	**28.81**
Q2 2022	20.19	7.16	0.03	**27.37**	6.26	23.70	**29.95**

The Total PFL incidence rates in the fifth column of Table 6 increase from Q2 2020 through Q3 2021 then stabilize through Q2 2022. In addition, we notice an increasing trend in PFL care claims over the experience period. Total PML incidence rates (column 8) increase monotonically from Q2 2020 through Q2 2022. In our projections, we assumed PFML incidence rates will continue to increase through 2024, then remain level in 2025 through 2027, as shown in Table 7 below. For PFL, we assumed that incidence rates for care claims will increase more than bonding and military claims. For PML, we assumed that incidence rates for maternity claims will increase more than non-maternity claims, in part, due to new PFML legislation in 2022 that removed the waiting period requirement for maternity claims. We assumed ultimate incidence rates of 30 per 1,000 for PFL and 38 per 1,000 for PML in 2025 and beyond.

Table 7
Projected Washington PFML Incidence Rates per 1,000 Covered Employees
Projection Period: Q3 2022 through Q4 2024

Quarter	Bonding	Care	Military	Total PFL	Maternity	Non-maternity	Total PML
Q3 2022	20.27	7.34	0.03	**27.64**	6.93	23.83	**30.76**
Q4 2022	20.35	7.52	0.03	**27.90**	7.61	23.96	**31.56**
Q1 2023	20.43	7.70	0.03	**28.16**	8.28	24.09	**32.37**
Q2 2023	20.51	7.88	0.03	**28.42**	8.95	24.22	**33.17**
Q3 2023	20.59	8.06	0.03	**28.69**	9.63	24.35	**33.98**
Q4 2023	20.68	8.25	0.03	**28.95**	10.30	24.48	**34.78**
Q1 2024	20.76	8.43	0.03	**29.21**	10.98	24.61	**35.59**
Q2 2024	20.84	8.61	0.03	**29.47**	11.65	24.74	**36.39**
Q3 2024	20.92	8.79	0.03	**29.74**	12.33	24.87	**37.20**
Q4 2024	21.00	8.97	0.03	**30.00**	13.00	25.00	**38.00**

We calculated average PFML claim durations from the data provided to Milliman by ESD. We used experience for claims that were approved and closed between January 1, 2020 and March 31, 2022 as of June 30, 2022. The results are shown in Table 8 below:

Table 8
Washington PFML Average Weekly Claim Duration
Experience Period: Q1 2020 through Q1 2022

Quarter	Bonding	Care	Military	Maternity	Non-maternity
Q1 2020	8.8	5.7	2.7	8.0	6.9
Q2 2020	8.3	6.3	3.3	7.1	6.9
Q3 2020	8.2	5.9	4.0	7.2	6.9
Q4 2020	8.2	6.2	2.4	7.5	6.8
Q1 2021	8.0	6.0	3.5	7.7	6.8
Q2 2021	8.0	6.0	3.0	8.1	6.9
Q3 2021	8.1	6.0	4.1	8.1	6.8
Q4 2021	8.1	6.0	4.2	7.9	6.8
Q1 2022	8.0	5.9	3.0	8.1	6.6

Average PFML claim durations are relatively stable during the experience period, especially in the most recent four quarters. In our projections, we assumed that average claim durations will increase by 0.7% beginning in Q3 2022, due to the change in PFML legislation that specifies the waiting period is no longer subtracted from an employee's available leave bank. This assumption was developed from an analysis of Washington PFML claim durations from January 1, 2020 through March 31, 2022, in which we restated durations for claims that reached the maximum benefit period, by assuming the corresponding leaves would have been one week longer if the waiting period was included in the available leave bank. We believe the assumption is conservative, although the impact (0.7%) is relatively small.

We assumed $74 million in PFML expenses for 2023 based on the ESD appropriation level for 2023. We projected expenses for 2024 and beyond based on the following assumptions:

- Program expenses in 2023 related to paying salaries represent approximately 53% of total PFML expenses based on expense forecasts from ESD.

- The proportion of expenses related to paying salaries in 2024 and beyond increases in proportion to the change in PFML claim volumes, as well as the expected wage growth assumptions provided in Table 5.

- The non-salary related expenses (e.g., IT, communications, etc.) in 2024 and beyond increase based on inflation forecasts from the State of Washington Economic and Revenue Forecast Council.

We assumed the PFML fund will earn investment income in 2022 through 2025 based on investment income forecasts from the Washington State Treasure's Office, as shown below:

Table 9

Assumed PFML Investment Income

Year	PFML Investment Income
2022	$768,139
2023	$2,114,360
2024	$3,412,652
2025	$4,392,457

The values for investment income shown above represent approximately 1.0% of average PFML fund balances in Projection 1, and approximately 1.2% of average fund balances in Projection 2. We have assumed the PFML fund will earn 1.0% in annual investment income in 2026 and 2027 in both scenarios.

Appendix A – Overview of PFML Premium Provisions in Other US Jurisdictions

The following table provides details on PFML premium provisions in other US jurisdictions[3]. Additional detail on premium provisions in other states, including target fund levels and premium formulas, are included on page 21.

Jurisdiction	2022 Contribution Rate	Employee Portion of Contributions	Employer Portion of Contributions	Annual Taxable Wages	Small Employer Exemptions
Rhode Island	1.10%	100%	0%	Up to $81,500	None
California	1.10%	100%	0%	Up to $145,600	None
New Jersey	Eligible employees contribute 0.14% of wages and employers contribute between 0.1% and 0.75% of an employee's wages for Temporary Disability Insurance (Medical Leave). Eligible employees contribute 0.14% of wages for Family Leave Insurance.	Varies for Temporary Disability Insurance (Medical Leave). 100% for Family Leave Insurance.	Varies for Temporary Disability Insurance (Medical Leave). 0% for Family Leave Insurance.	$151,900 for employees and $39,800 for employers.	None
New York	Withholdings up to 0.5% of an employee's wages for Temporary Disability Insurance (Medical Leave). The remaining contributions are	Varies for Temporary Disability Insurance (Medical Leave). 100% for Paid Family Leave.	Varies for Temporary Disability Insurance (Medical Leave). 0% for Paid Family Leave.	$82,918	None

[3] Source: Overview of Paid Family and Medical Leave Laws in the United States, abetterbalance.org, July 2022

	covered by the employer. 0.511% for Family Leave.				
District of Columbia	0.26%	0%	100%	No limit on taxable wages	None
Massachusetts	0.68%	Medical Leave: Withholdings from an employee's wages up to 40% of total premium contributions. The remaining contributions are covered by the employer. Family Leave: 100%	Varies depending on employee contributions.	Social Security Wage Base	Employers with fewer than 25 employees are exempt from paying premium contributions.
Connecticut	0.5%	100%	0%	Social Security Wage Base	None
Oregon	1.0%	Withholdings from an employee's wages up to 60% of premium contributions. The remaining contributions are covered by the employer.	Varies depending on employee contributions.	$132,900	Employers with fewer than 25 employees are exempt from paying premium contributions.
Colorado	0.90%	Withholdings from an employee's wages up to 50% of premium contributions. The remaining	Varies depending on employee contributions.	Social Security Wage Base	Employers with fewer than 10 employees are exempt from paying premium contributions.

		contributions are covered by the employer.			
Maryland	TBD	TBD	TBD	Social Security Wage Base	Employers with fewer than 15 employees are exempt from paying premium contributions.
Delaware	0.80%	Withholdings from an employee's wages up to 50% of premium contributions. The remaining contributions are covered by the employer.	Varies depending on employee contributions.	No limit on taxable wages	None

The target fund balances and premium rating formulas established in California, New York, New Jersey, Massachusetts, and Colorado are provided below.

California (Medical 1946 / Family 2004)

- Target fund balance in the range of 25% to 50% of previous year's disbursements.
- Premium rate formula: (145% of Previous Year Disbursements – Fund Balance) / Taxable Wages
- Contribution rate is capped at 1.5% of taxable wages.
- Rate reductions capped at 0.2%.
- Rates can be adjusted by +/- 0.1% if deemed necessary to maintain funding objectives.

New York (Medical 1949 / Family 2018)

- Minimum fund balance of $12 million.
- Disability premium rate is 0.5% of wages up to $0.60 per week.
- State sets PFL contribution rate annually based on historical experience and "sound actuarial principles".

New Jersey (Medical 1948 / Family 2009)

- If the account designated to paying benefits is in deficit of $200,000 or more as of December 31st, the Division can assess a charge to employers for covering the deficit.

Massachusetts (2021)

- State sets PFML contribution rate annually based on historical experience and a target fund level of no less than 140% of the previous fiscal year's expenditure for benefits and administration.

Colorado (2023)

- State sets premium rate such that total contributions equal to 135% of benefits paid during the preceding year, plus 100% of expenses during the preceding year, minus the fund balance as of December 31 of the preceding year.
- Premium contribution rate is capped at 1.2% of taxable wages.

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