

MILLIMAN REPORT

Actuarial Analysis for a Paid Family and Medical Leave Insurance Program in Virginia

Commissioned by Freedom Virginia

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Section 1: Introduction

Milliman was retained by Freedom Virginia to perform an actuarial analysis for a new paid family and medical leave (PFML) insurance program in Virginia. House Bill No. 1207 (HB 1207) provides details on enacting a new PFML program in Virginia. Under this program, employees in Virginia would be allowed to take up to 12 weeks of paid leave during a 12-month period for family and/or medical reasons including maternity, bonding with a new child, caring for a family member with a serious health condition, caring for one's own serious health condition, seeking safety services, and attending to family exigencies arising from a family member's military deployment.

We have analyzed the expected costs and funding requirements for a new PFML program in Virginia based on the definitions, benefits, and provisions included in HB 1207. At Freedom Virginia's request, we have also analyzed six different PFML program options that vary in terms of maximum weekly benefit amounts, small employer premium exemptions¹, or the pre-funding period (i.e., the period before benefits begin when employers would begin to remit premium contributions, which is twelve months in HB 1207). Table 1 summarizes the PFML program options we considered in our analysis:

Table 1 Virginia PFML Program Options			
PFML Program Option	Maximum Weekly Benefit Amount	Small Employer Definition	Pre-funding Period (Months)
HB 1207	100% of the SAWW*	Fewer than 10 employees	12
1	80% of the SAWW	Fewer than 10 employees	12
2	120% of the SAWW	Fewer than 10 employees	12
3	100% of the SAWW	No small employer exemption	12
4	100% of the SAWW	20 or fewer employees	12
5	100% of the SAWW	Fewer than 10 employees	9
6	100% of the SAWW	Fewer than 10 employees	6

*State Average Weekly Wage

All other assumed definitions, benefits, and provisions are the same for each program option and are consistent with those included in HB 1207. The key provisions are summarized below:

- **Benefit Begin Date:** January 1, 2029
- **Benefit Percent:** PFML benefits replace 80% of an employee's average weekly wages up to the maximum weekly benefit amount. The minimum weekly benefit amount is \$100.
- **Benefit Period:** Employees may take up to 12 weeks of paid leave within an application year. Employees may take multiple leaves of absence for different qualifying reasons within an

¹ Employers that qualify for small employer premium exemptions would contribute premiums at a rate that is 50% lower than the overall contribution rate. All other employers would contribute premiums based on the overall contribution rate.

application year, and the combined maximum benefit period across all leaves is 12 weeks. Employees may take leave continuously or on an intermittent schedule.

- **Definition of Family Member:** Family member includes a worker's spouse, domestic partner, siblings (including biological, adopted, fostered, and step siblings of the covered individual, spouse, or domestic partner), children (including biological, adopted, fostered, and stepchildren of the covered individual, spouse, or domestic partner), parents (including biological, adopted, fostered, and stepparents of the covered individual, spouse, or domestic partner), grandparents (including biological, adopted, fostered, and step grandparents of the covered individual, spouse, or domestic partner), grandchildren (including biological, adopted, fostered, and step grandchildren of the covered individual, spouse, or domestic partner), and any individual whose close association with a covered individual is the equivalent of a family relationship.

Section 60.2-806 of HB 1207 provides guidelines for establishing annual contribution rates for the Virginia PFML program. The contribution rates for 2028 and 2029 would be determined from "sound actuarial principles". In 2030 and beyond, the contribution rates would be established to ensure that the projected balance of the PFML Fund as a percentage of total program expenditure ("fund ratio") does not fall below 40%. We have estimated contribution rates for each PFML program option by targeting a fund ratio of 125% in the first benefit year (2029) and gradually reducing the target to slightly above 40% in later years. This approach includes moderate risk margin in early years due to the uncertainty of emerging claim experience as the new program phases in.

We relied on information from Freedom Virginia as well as publicly available data from various sources including PFML claim data and other information from states with paid leave laws, and employment statistics from the US Census Bureau and the US Bureau of Labor Statistics. Milliman did not audit or independently verify any of the data and other information, except that we did review the data for reasonableness and consistency. To the extent that any of the data or other information is incorrect or inaccurate, the results of our analysis could be affected and may need to be revised.

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In preparing this work product, we have used actuarial models as defined by Actuarial Standards of Practice. The intended purpose of these models is to project experience for a PFML program in Virginia. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience. It is important to

closely monitor emerging experience and to periodically update or revise the underlying assumptions as appropriate.

I certify that all estimates and factors used for this analysis have been determined on the basis of actuarial assumptions and methods that are individually reasonable and which, in combination, offer our best estimate of anticipated experience for a new PFML program in Virginia. I further certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

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.

Section 2: Executive Summary

Table 2 contains estimated contribution rates for the Virginia PFML program options, expressed as a percentage of taxable wages up to the Social Security Old Age, Survivors, and Disability Insurance (OASDI) wage limit. We estimated contribution rates for each scenario by targeting a fund ratio of 125% in 2029, and by adjusting contribution rates in future years so that the fund ratio reduces gradually over time and stabilizes above the 40% statutory floor. The projected fund ratios are shown in the chart below Table 2.

Program Option	2028 Pre-funding	2029 Benefits Begin	2030	2031	2032	2033	2034	2035	2036	2037
HB 1207	0.70%	0.70%	0.70%	0.90%	0.90%	0.90%	1.03%	1.03%	1.03%	1.03%
1	0.64%	0.64%	0.64%	0.83%	0.83%	0.83%	0.95%	0.95%	0.95%	0.95%
2	0.72%	0.72%	0.72%	0.93%	0.93%	0.93%	1.07%	1.07%	1.07%	1.07%
3	0.65%	0.65%	0.65%	0.84%	0.84%	0.84%	0.96%	0.96%	0.96%	0.96%
4	0.74%	0.74%	0.74%	0.95%	0.95%	0.95%	1.09%	1.09%	1.09%	1.09%
5	0.80%	0.80%	0.80%	0.80%	0.90%	0.90%	1.03%	1.03%	1.03%	1.03%
6	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	1.03%

* HB 1207 = PFML program defined in HB 1207

* Program Option 1 = Maximum weekly benefit amount of 80% of the SAWW

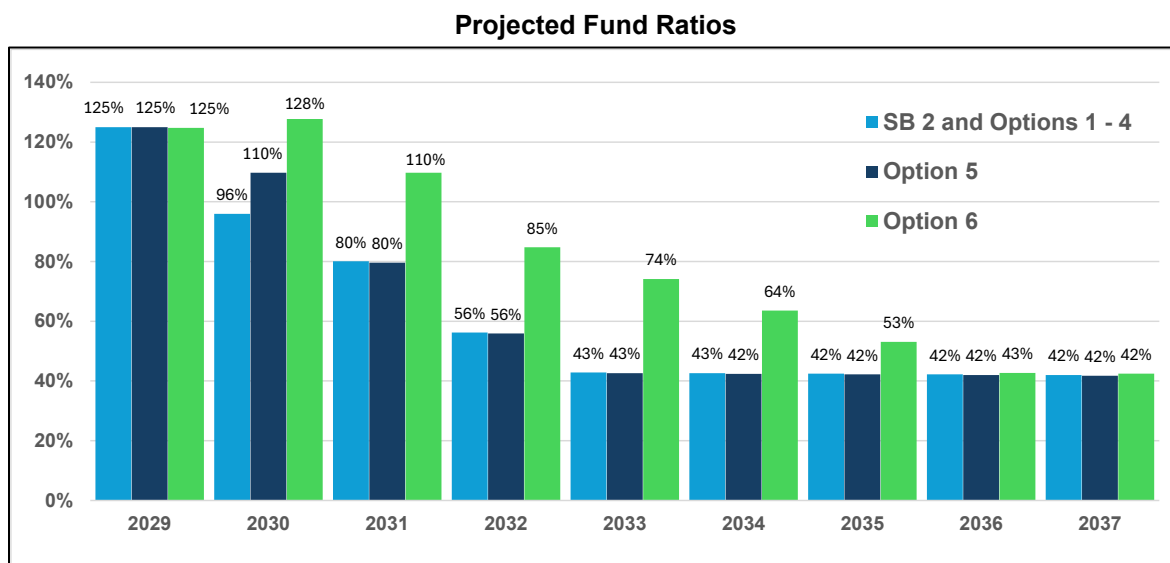
* Program Option 2 = Maximum weekly benefit amount of 120% of the SAWW

* Program Option 3 = No small employer premium exemption

* Program Option 4 = Small employer threshold of 20 or fewer employees

* Program Option 5 = Nine-month pre-funding period

* Program Option 6 = Six-month pre-funding period



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The estimated contribution rates in Table 2 are increasing then stabilize over time for each program option because we have assumed that claim incidence rates will increase in early years as the Virginia PFML program phases in, a trend observed in other states with new PFML programs. We estimated contribution rates in later years that reduce excess surplus over time as program experience matures.

The projected fund ratios for each program option decrease gradually from 125% in 2029 to 42% by 2037 because the contribution rates in early years include conservatism, in order to mitigate risk and build surplus in the Fund as the program phases in. In later years, the contribution rates target a fund ratio above the 40% statutory floor.

PFML program options 1 and 2 feature lower and higher maximum weekly benefit amounts than HB 1207, respectively. For this reason, the estimated contribution rates for program option 1 are lower than HB 1207 and the estimated contribution rates for option 2 are higher than HB 1207.

PFML program option 4 features a higher qualifying threshold for small employer premium exemptions than HB 1207, which would require more subsidies from non-exempt employers and higher contribution rates than HB 1207. On the other hand, option 3 features a PFML program that excludes small employer premium exemptions altogether, which would not require subsidies and would justify lower contribution rates than HB 1207.

PFML program options 5 and 6 feature shorter pre-funding periods than HB 1207 and therefore require higher contribution rates in initial years to hit the target fund ratio of 125% in 2029. The estimated contribution rates for option 5 (nine-month prefunding period) eventually become the same as HB 1207 in 2034 and beyond because both programs feature the same benefits, definitions, and provisions (only the pre-funding periods are different which is why the initial contribution rates are different). Similarly, the estimated contribution rates for option 6 (six-month prefunding period) are the same as HB 1207 and option 5 in 2037 and beyond. For this scenario, the initial contribution rate is held level from 2028 through 2036 resulting in a 125% fund ratio in 2029 that reduces over time to slightly above 40% by 2036.

The next section of this report contains financial projections for HB 1207 and the other PFML program options.

Section 3: Financial Projections

This section contains financial projections for the Virginia PFML program options from January 1, 2028 through December 31, 2037. A projection of estimated experience is provided for each program option. The financial projections include the following items:

- **BOY Fund Balance** – The beginning-of-year (BOY) fund balance is equal to the end-of-year (EOY) fund balance from the prior year. The BOY fund balance is assumed to be \$0 in 2028.
- **Covered Employees** – Projection of employees covered by the Virginia PFML program that assumes 0.5% annual employment growth, based on a combination of national employment forecasts from the Bureau of Labor Statistics and recent employment data from the Virginia Department of Workforce Development and Advancement. Slightly different growth assumptions would not have a material impact on the projected fund ratios or estimated contribution rates. The projection of covered employees includes both public and private sector workers, although it excludes employees of the Commonwealth based on the definition of “Employer” in Section 60.2-800 of HB 1207. Also, the projection assumes that 12% of eligible employees would be covered under private plans each year, based on private plan participation rates in other states with paid leave laws. Different private plan participation rate assumptions may result in different contribution rates due to the subsidies required for small employer premium exemptions. Private plan experience is excluded from the financial projections for the Virginia PFML program shown below.
- **Taxable Wages** – Projection of taxable wages for covered employees which assumes that wages would be capped at the OASDI wage limit for determining premium contributions each year. Taxable wages in 2028 were developed from a combination of 2023 Virginia wage data in the US Census Quarterly Workforce Indicator database and Virginia wage distributions reported by the Bureau of Labor Statistics. The projection assumes annual wage growth of 3.6% based on forecasts provided in the 2025 Trustees Report of the Social Security Administration. Slightly different wage growth assumptions would not have a material impact on the projected fund ratios or estimated contribution rates.
- **Claims** – Projection of Virginia PFML claims approved for benefits between 2029 and 2037, split between paid family leave claims (which include bonding, family caregiving, safe, and exigency leave), paid medical leave claims (which include own health claims), and in total. The projection assumes claim incidence rates will increase during the initial years as the program phases in, based on trends we have observed in other states with new PFML programs. The projection also assumes employees with children born, adopted, or fostered in 2028 would be eligible for bonding benefits in 2029.
- **Benefit Payments** – Projection of Virginia PFML benefit payments between 2029 and 2037 for paid family leave, paid medical leave, and in total.

- **Expenses** – Projection of start-up expenses and ongoing maintenance expenses based on typical expenses in other states with PFML programs. The assumed \$75 million in start-up costs is based loosely on start-up costs in other states and may need to be revised depending on the specific resources required and available for implementing a PFML program in Virginia. A slightly different assumption for start-up costs would not have a material impact on the projected fund ratios or estimated contribution rates. The projection of maintenance expenses is equal to 5% of total expenditure each year, based on average expense ratios reported in other states with similar programs.
- **Total Expenditures** – Projection of benefit payments plus expenses each year from 2028 through 2037.
- **Contribution Rate** – Projection of estimated contribution rates for the Virginia PFML program options from 2028 through 2037. The estimated contribution rates match the rates included in Table 1 of the Executive Summary. Note that the estimated contribution rates do not always equal total contributions divided by total taxable wages because we reflected the impact of small employer premium exemptions in estimating the contribution rates. These exemptions would be subsidized by non-exempt employers that pay the full contribution. For this reason, the estimated contribution rates for program option 4 are higher than HB 1207 even though the benefits are equivalent in both options, because option 4 assumes more employers would qualify for small employer exemptions (meaning higher subsidies). On the other hand, program option 3 assumes no small employer premium exemptions and the estimated contribution rates are lower than HB 1207. Also, because there would be no subsidies in option 3, the overall contribution rates are equal to total contributions divided by total taxable wages each year.
- **Contributions** – Projection of premium contributions from employers, employees, and in total. Premium contributions in HB 1207 and program options 1 through 4 are assumed to begin on January 1, 2028, twelve months before benefits begin. Program option 5 assumes contributions begin nine months before benefits begin (i.e., on April 1, 2028), and option 6 assumes contributions begin six months before benefits begin (i.e., on July 1, 2028).
- **Investment Income** – Projection of estimated income on assets held in the fund equal to 3.5% of average fund balances each year. We have assumed annual investment income of 3.5% based loosely on recent yields for assets with short term maturities. This assumption may need to be revised if different returns are expected from assets held in the fund. Slightly different assumptions for investment income would not have a material impact on the projected fund ratios or estimated contribution rates.
- **EOY Fund Balance** – Projection of the EOY fund balance equal to the BOY fund balance, plus premium contributions and investment income, minus benefit payments and expenses.
- **Fund Ratio** – Ratio of the EOY fund balance to total expenditure from the prior twelve months.

The financial projections included in this report are summarized below:

- **Projection 1** – PFML program defined in HB 1207.
- **Projection 2** – PFML program features a maximum weekly benefit amount of 80% of the SAWW. All other definitions, benefits, and provisions are the same as HB 1207.
- **Projection 3** – PFML program features a maximum weekly benefit amount of 120% of the SAWW. All other definitions, benefits, and provisions are the same as HB 1207.
- **Projection 4** – PFML program excludes small employer premium exemptions. All other definitions, benefits, and provisions are the same as HB 1207.
- **Projection 5** – PFML Program features small employer premium exemptions for employers with fewer than 20 employees. All other definitions, benefits, and provisions are the same as HB 1207.
- **Projection 6** – PFML program with premium contributions beginning nine months before benefits begin. All other definitions, benefits, and provisions are the same as HB 1207.
- **Projection 7** – PFML program with premium contributions beginning six months before benefits begin. All other definitions, benefits, and provisions are the same as HB 1207.

The financial projections shown below depend on a variety of actuarial assumptions about future experience, including but not limited to claim incidence rates, average claim durations, employment and wage growth, expenses, and investment income. We used actuarial models as defined by Actuarial Standards of Practice for developing the financial projections. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will vary from these assumptions, meaning that actual fund balances will be higher or lower than the illustrated values.

Projection 1 – PFML program defined in HB 1207.

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,602.0	\$1,863.4	\$1,803.0	\$1,878.8	\$1,578.5	\$1,252.7	\$1,297.3	\$1,343.5	\$1,391.3
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (< 10 Employees)	\$33,422	\$34,785	\$36,204	\$37,680	\$39,217	\$40,816	\$42,480	\$44,213	\$46,015	\$47,892
<u>All Other Employers</u>	<u>\$215,999</u>	<u>\$224,807</u>	<u>\$233,974</u>	<u>\$243,515</u>	<u>\$253,445</u>	<u>\$263,780</u>	<u>\$274,537</u>	<u>\$285,732</u>	<u>\$297,383</u>	<u>\$309,510</u>
Total	\$249,421	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		58,706	67,028	80,835	93,426	93,893	94,362	94,834	95,308	95,785
<u>Medical</u>		<u>116,941</u>	<u>146,908</u>	<u>177,171</u>	<u>204,765</u>	<u>205,789</u>	<u>206,818</u>	<u>207,852</u>	<u>208,891</u>	<u>209,935</u>
Total		175,648	213,935	258,006	298,190	299,681	301,180	302,686	304,199	305,720
Benefit Payments (\$ millions)										
Family		\$481.9	\$569.7	\$711.6	\$851.7	\$886.4	\$922.5	\$960.2	\$999.3	\$1,040.1
<u>Medical</u>		<u>\$934.3</u>	<u>\$1,215.5</u>	<u>\$1,518.1</u>	<u>\$1,817.0</u>	<u>\$1,891.1</u>	<u>\$1,968.2</u>	<u>\$2,048.5</u>	<u>\$2,132.0</u>	<u>\$2,219.0</u>
Total		\$1,416.2	\$1,785.3	\$2,229.7	\$2,668.7	\$2,777.5	\$2,890.8	\$3,008.7	\$3,131.3	\$3,259.0
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$25.4	\$30.0	\$37.5	\$44.8	\$46.7	\$48.6	\$50.5	\$52.6	\$54.7
<u>Medical</u>		<u>\$49.2</u>	<u>\$64.0</u>	<u>\$79.9</u>	<u>\$95.6</u>	<u>\$99.5</u>	<u>\$103.6</u>	<u>\$107.8</u>	<u>\$112.2</u>	<u>\$116.8</u>
Total	\$75.0	\$74.5	\$94.0	\$117.4	\$140.5	\$146.2	\$152.1	\$158.4	\$164.8	\$171.5
Total Expenditure (\$ millions)										
Family		\$507.2	\$599.7	\$749.0	\$896.5	\$933.1	\$971.1	\$1,010.7	\$1,051.9	\$1,094.8
<u>Medical</u>		<u>\$983.5</u>	<u>\$1,279.5</u>	<u>\$1,598.0</u>	<u>\$1,912.6</u>	<u>\$1,990.6</u>	<u>\$2,071.8</u>	<u>\$2,156.3</u>	<u>\$2,244.2</u>	<u>\$2,335.7</u>
Total		\$1,490.7	\$1,879.2	\$2,347.0	\$2,809.1	\$2,923.7	\$3,042.9	\$3,167.0	\$3,296.1	\$3,430.6
Contribution Rates										
Employer	0.35%	0.35%	0.35%	0.45%	0.45%	0.45%	0.51%	0.51%	0.51%	0.51%
<u>Employee</u>	<u>0.35%</u>	<u>0.35%</u>	<u>0.35%</u>	<u>0.45%</u>	<u>0.45%</u>	<u>0.45%</u>	<u>0.51%</u>	<u>0.51%</u>	<u>0.51%</u>	<u>0.51%</u>
Overall	0.70%	0.70%	0.70%	0.90%	0.90%	0.90%	1.03%	1.03%	1.03%	1.03%
Contributions (\$ millions)										
Employer	\$753.2	\$783.9	\$815.8	\$1,094.9	\$1,139.6	\$1,186.0	\$1,412.5	\$1,470.1	\$1,530.1	\$1,592.5
<u>Employee</u>	<u>\$869.7</u>	<u>\$905.2</u>	<u>\$942.1</u>	<u>\$1,264.3</u>	<u>\$1,315.9</u>	<u>\$1,369.5</u>	<u>\$1,631.1</u>	<u>\$1,697.6</u>	<u>\$1,766.8</u>	<u>\$1,838.9</u>
Total	\$1,622.9	\$1,689.0	\$1,757.9	\$2,359.2	\$2,455.4	\$2,555.6	\$3,043.6	\$3,167.7	\$3,296.9	\$3,431.4
Investment Income (\$ millions)	\$54.2	\$63.0	\$61.0	\$63.5	\$53.4	\$42.4	\$43.9	\$45.4	\$47.0	\$48.7
EOY Fund Balance (\$ millions)	\$1,602.0	\$1,863.4	\$1,803.0	\$1,878.8	\$1,578.5	\$1,252.7	\$1,297.3	\$1,343.5	\$1,391.3	\$1,440.8
EOY Fund Ratio		125%	96%	80%	56%	43%	43%	42%	42%	42%

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Projection 2 – PFML program features a maximum weekly benefit amount of 80% of the SAWW.

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,470.1	\$1,713.6	\$1,662.3	\$1,727.8	\$1,447.3	\$1,143.1	\$1,188.8	\$1,232.8	\$1,278.6
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (< 10 Employees)	\$33,422	\$34,785	\$36,204	\$37,680	\$39,217	\$40,816	\$42,480	\$44,213	\$46,015	\$47,892
All Other Employers	<u>\$215,999</u>	<u>\$224,807</u>	<u>\$233,974</u>	<u>\$243,515</u>	<u>\$253,445</u>	<u>\$263,780</u>	<u>\$274,537</u>	<u>\$285,732</u>	<u>\$297,383</u>	<u>\$309,510</u>
Total	\$249,421	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		57,266	65,384	78,853	91,134	91,590	92,048	92,508	92,970	93,435
Medical		<u>114,073</u>	<u>143,304</u>	<u>172,825</u>	<u>199,742</u>	<u>200,741</u>	<u>201,745</u>	<u>202,754</u>	<u>203,767</u>	<u>204,786</u>
Total		171,339	208,688	251,678	290,876	292,331	293,792	295,261	296,738	298,221
Benefit Payments (\$ millions)										
Family		\$449.3	\$531.3	\$663.6	\$794.2	\$826.6	\$860.3	\$895.4	\$931.9	\$969.9
Medical		<u>\$853.0</u>	<u>\$1,109.7</u>	<u>\$1,385.9</u>	<u>\$1,658.8</u>	<u>\$1,726.4</u>	<u>\$1,796.8</u>	<u>\$1,870.1</u>	<u>\$1,946.4</u>	<u>\$2,025.7</u>
Total		\$1,302.3	\$1,641.0	\$2,049.5	\$2,453.0	\$2,553.0	\$2,657.1	\$2,765.5	\$2,878.3	\$2,995.6
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$23.6	\$28.0	\$34.9	\$41.8	\$43.5	\$45.3	\$47.1	\$49.0	\$51.0
Medical		<u>\$44.9</u>	<u>\$58.4</u>	<u>\$72.9</u>	<u>\$87.3</u>	<u>\$90.9</u>	<u>\$94.6</u>	<u>\$98.4</u>	<u>\$102.4</u>	<u>\$106.6</u>
Total	\$75.0	\$68.5	\$86.4	\$107.9	\$129.1	\$134.4	\$139.8	\$145.6	\$151.5	\$157.7
Total Expenditure (\$ millions)										
Family		\$473.0	\$559.3	\$698.5	\$836.0	\$870.1	\$905.6	\$942.5	\$980.9	\$1,020.9
Medical		<u>\$897.9</u>	<u>\$1,168.1</u>	<u>\$1,458.9</u>	<u>\$1,746.1</u>	<u>\$1,817.3</u>	<u>\$1,891.4</u>	<u>\$1,968.5</u>	<u>\$2,048.8</u>	<u>\$2,132.4</u>
Total		\$1,370.9	\$1,727.4	\$2,157.3	\$2,582.1	\$2,687.4	\$2,797.0	\$2,911.1	\$3,029.8	\$3,153.3
Contribution Rates										
Employer	0.32%	0.32%	0.32%	0.41%	0.41%	0.41%	0.47%	0.47%	0.47%	0.47%
Employee	<u>0.32%</u>	<u>0.32%</u>	<u>0.32%</u>	<u>0.41%</u>	<u>0.41%</u>	<u>0.41%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.47%</u>
Overall	0.64%	0.64%	0.64%	0.83%	0.83%	0.83%	0.95%	0.95%	0.95%	0.95%
Contributions (\$ millions)										
Employer	\$694.0	\$722.3	\$751.8	\$1,004.5	\$1,045.5	\$1,088.1	\$1,300.6	\$1,352.1	\$1,407.3	\$1,464.6
Employee	<u>\$801.4</u>	<u>\$834.1</u>	<u>\$868.1</u>	<u>\$1,159.9</u>	<u>\$1,207.2</u>	<u>\$1,256.5</u>	<u>\$1,501.9</u>	<u>\$1,561.3</u>	<u>\$1,625.0</u>	<u>\$1,691.3</u>
Total	\$1,495.4	\$1,556.4	\$1,619.8	\$2,164.4	\$2,252.7	\$2,344.6	\$2,802.5	\$2,913.4	\$3,032.3	\$3,155.9
Investment Income (\$ millions)	\$49.7	\$57.9	\$56.2	\$58.4	\$48.9	\$38.7	\$40.2	\$41.7	\$43.2	\$44.8
Fund Balance (\$ millions)	\$1,470.1	\$1,713.6	\$1,662.3	\$1,727.8	\$1,447.3	\$1,143.1	\$1,188.8	\$1,232.8	\$1,278.6	\$1,326.0
Fund Balance % of Total Expenditure		125%	96%	80%	56%	43%	43%	42%	42%	42%

Milliman's work is prepared solely for the use and benefit of Freedom Virginia. Milliman does not intend to benefit and assumes no duty or liability to any third-party recipients of this report.

Projection 3 – PFML program features a maximum weekly benefit amount of 120% of the SAWW

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,663.2	\$1,932.9	\$1,867.7	\$1,948.7	\$1,639.6	\$1,304.3	\$1,349.7	\$1,396.6	\$1,445.1
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (< 10 Employees)	\$33,422	\$34,785	\$36,204	\$37,680	\$39,217	\$40,816	\$42,480	\$44,213	\$46,015	\$47,892
All Other Employers	<u>\$215,999</u>	<u>\$224,807</u>	<u>\$233,974</u>	<u>\$243,515</u>	<u>\$253,445</u>	<u>\$263,780</u>	<u>\$274,537</u>	<u>\$285,732</u>	<u>\$297,383</u>	<u>\$309,510</u>
Total	\$249,421	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		58,706	67,028	80,835	93,426	93,893	94,362	94,834	95,308	95,785
Medical		<u>116,941</u>	<u>146,908</u>	<u>177,171</u>	<u>204,765</u>	<u>205,789</u>	<u>206,818</u>	<u>207,852</u>	<u>208,891</u>	<u>209,935</u>
Total		175,648	213,935	258,006	298,190	299,681	301,180	302,686	304,199	305,720
Benefit Payments (\$ millions)										
Family		\$491.5	\$581.2	\$725.8	\$868.7	\$904.2	\$941.0	\$979.4	\$1,019.3	\$1,060.9
Medical		<u>\$977.5</u>	<u>\$1,271.7</u>	<u>\$1,588.2</u>	<u>\$1,901.0</u>	<u>\$1,978.5</u>	<u>\$2,059.2</u>	<u>\$2,143.1</u>	<u>\$2,230.5</u>	<u>\$2,321.5</u>
Total		\$1,469.0	\$1,852.8	\$2,314.1	\$2,769.7	\$2,882.6	\$3,000.2	\$3,122.5	\$3,249.9	\$3,382.4
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$25.9	\$30.6	\$38.2	\$45.7	\$47.6	\$49.5	\$51.5	\$53.6	\$55.8
Medical		<u>\$51.4</u>	<u>\$66.9</u>	<u>\$83.6</u>	<u>\$100.1</u>	<u>\$104.1</u>	<u>\$108.4</u>	<u>\$112.8</u>	<u>\$117.4</u>	<u>\$122.2</u>
Total	\$75.0	\$77.3	\$97.5	\$121.8	\$145.8	\$151.7	\$157.9	\$164.3	\$171.0	\$178.0
Total Expenditure (\$ millions)										
Family		\$517.4	\$611.7	\$764.0	\$914.5	\$951.7	\$990.6	\$1,030.9	\$1,073.0	\$1,116.7
Medical		<u>\$1,028.9</u>	<u>\$1,338.6</u>	<u>\$1,671.8</u>	<u>\$2,001.0</u>	<u>\$2,082.6</u>	<u>\$2,167.5</u>	<u>\$2,255.9</u>	<u>\$2,347.9</u>	<u>\$2,443.7</u>
Total		\$1,546.3	\$1,950.3	\$2,435.9	\$2,915.5	\$3,034.3	\$3,158.1	\$3,286.9	\$3,420.9	\$3,560.4
Contribution Rates										
Employer	0.36%	0.36%	0.36%	0.47%	0.47%	0.47%	0.53%	0.53%	0.53%	0.53%
Employee	<u>0.36%</u>	<u>0.36%</u>	<u>0.36%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.53%</u>	<u>0.53%</u>	<u>0.53%</u>	<u>0.53%</u>
Overall	0.72%	0.72%	0.72%	0.93%	0.93%	0.93%	1.07%	1.07%	1.07%	1.07%
Contributions (\$ millions)										
Employer	\$780.6	\$812.4	\$845.6	\$1,137.5	\$1,183.9	\$1,232.1	\$1,465.5	\$1,525.3	\$1,587.5	\$1,652.2
Employee	<u>\$901.4</u>	<u>\$938.1</u>	<u>\$976.4</u>	<u>\$1,313.5</u>	<u>\$1,367.1</u>	<u>\$1,422.8</u>	<u>\$1,692.3</u>	<u>\$1,761.3</u>	<u>\$1,833.1</u>	<u>\$1,907.9</u>
Total	\$1,682.0	\$1,750.6	\$1,822.0	\$2,451.0	\$2,550.9	\$2,655.0	\$3,157.8	\$3,286.6	\$3,420.6	\$3,560.1
Investment Income (\$ millions)	\$56.2	\$65.4	\$63.2	\$65.9	\$55.4	\$44.1	\$45.6	\$47.2	\$48.9	\$50.6
Fund Balance (\$ millions)	\$1,663.2	\$1,932.9	\$1,867.7	\$1,948.7	\$1,639.6	\$1,304.3	\$1,349.7	\$1,396.6	\$1,445.1	\$1,495.4
Fund Balance % of Total Expenditure		125%	96%	80%	56%	43%	43%	42%	42%	42%

Milliman's work is prepared solely for the use and benefit of Freedom Virginia. Milliman does not intend to benefit and assumes no duty or liability to any third-party recipients of this report.

Projection 4 – PFML program excludes small employer premium exemptions.

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,602.0	\$1,863.4	\$1,803.0	\$1,877.6	\$1,576.0	\$1,248.9	\$1,294.3	\$1,341.4	\$1,390.2
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (None)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>All Other Employers</u>	<u>\$249,421</u>	<u>\$259,592</u>	<u>\$270,178</u>	<u>\$281,195</u>	<u>\$292,662</u>	<u>\$304,596</u>	<u>\$317,017</u>	<u>\$329,944</u>	<u>\$343,399</u>	<u>\$357,402</u>
Total	\$249,421	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		58,706	67,028	80,835	93,426	93,893	94,362	94,834	95,308	95,785
<u>Medical</u>		<u>116,941</u>	<u>146,908</u>	<u>177,171</u>	<u>204,765</u>	<u>205,789</u>	<u>206,818</u>	<u>207,852</u>	<u>208,891</u>	<u>209,935</u>
Total		175,648	213,935	258,006	298,190	299,681	301,180	302,686	304,199	305,720
Benefit Payments (\$ millions)										
Family		\$481.9	\$569.7	\$711.6	\$851.7	\$886.4	\$922.5	\$960.2	\$999.3	\$1,040.1
<u>Medical</u>		<u>\$934.3</u>	<u>\$1,215.5</u>	<u>\$1,518.1</u>	<u>\$1,817.0</u>	<u>\$1,891.1</u>	<u>\$1,968.2</u>	<u>\$2,048.5</u>	<u>\$2,132.0</u>	<u>\$2,219.0</u>
Total		\$1,416.2	\$1,785.3	\$2,229.7	\$2,668.7	\$2,777.5	\$2,890.8	\$3,008.7	\$3,131.3	\$3,259.0
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$25.4	\$30.0	\$37.5	\$44.8	\$46.7	\$48.6	\$50.5	\$52.6	\$54.7
<u>Medical</u>		<u>\$49.2</u>	<u>\$64.0</u>	<u>\$79.9</u>	<u>\$95.6</u>	<u>\$99.5</u>	<u>\$103.6</u>	<u>\$107.8</u>	<u>\$112.2</u>	<u>\$116.8</u>
Total	\$75.0	\$74.5	\$94.0	\$117.4	\$140.5	\$146.2	\$152.1	\$158.4	\$164.8	\$171.5
Total Expenditure (\$ millions)										
Family		\$507.2	\$599.7	\$749.0	\$896.5	\$933.1	\$971.1	\$1,010.7	\$1,051.9	\$1,094.8
<u>Medical</u>		<u>\$983.5</u>	<u>\$1,279.5</u>	<u>\$1,598.0</u>	<u>\$1,912.6</u>	<u>\$1,990.6</u>	<u>\$2,071.8</u>	<u>\$2,156.3</u>	<u>\$2,244.2</u>	<u>\$2,335.7</u>
Total		\$1,490.7	\$1,879.2	\$2,347.0	\$2,809.1	\$2,923.7	\$3,042.9	\$3,167.0	\$3,296.1	\$3,430.6
Contribution Rates										
Employer	0.33%	0.33%	0.33%	0.42%	0.42%	0.42%	0.48%	0.48%	0.48%	0.48%
<u>Employee</u>	<u>0.33%</u>	<u>0.33%</u>	<u>0.33%</u>	<u>0.42%</u>	<u>0.42%</u>	<u>0.42%</u>	<u>0.48%</u>	<u>0.48%</u>	<u>0.48%</u>	<u>0.48%</u>
Overall	0.65%	0.65%	0.65%	0.84%	0.84%	0.84%	0.96%	0.96%	0.96%	0.96%
Contributions (\$ millions)										
Employer	\$811.4	\$844.5	\$879.0	\$1,179.1	\$1,227.1	\$1,277.2	\$1,522.3	\$1,584.4	\$1,649.0	\$1,716.2
<u>Employee</u>	<u>\$811.4</u>	<u>\$844.5</u>	<u>\$879.0</u>	<u>\$1,179.1</u>	<u>\$1,227.1</u>	<u>\$1,277.2</u>	<u>\$1,522.3</u>	<u>\$1,584.4</u>	<u>\$1,649.0</u>	<u>\$1,716.2</u>
Total	\$1,622.9	\$1,689.0	\$1,757.9	\$2,358.1	\$2,454.3	\$2,554.3	\$3,044.6	\$3,168.7	\$3,297.9	\$3,432.4
Investment Income (\$ millions)	\$54.2	\$63.0	\$61.0	\$63.5	\$53.3	\$42.2	\$43.8	\$45.4	\$47.0	\$48.7
Fund Balance (\$ millions)	\$1,602.0	\$1,863.4	\$1,803.0	\$1,877.6	\$1,576.0	\$1,248.9	\$1,294.3	\$1,341.4	\$1,390.2	\$1,440.8
Fund Balance % of Total Expenditure		125%	96%	80%	56%	43%	43%	42%	42%	42%

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Projection 5 – PFML Program features small employer premium exemptions for employers with fewer than 20 employees.

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,602.0	\$1,863.4	\$1,803.0	\$1,877.6	\$1,576.0	\$1,248.9	\$1,294.3	\$1,341.4	\$1,390.2
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (20 or Fewer Employees)	\$59,861	\$62,302	\$64,843	\$67,487	\$70,239	\$73,103	\$76,084	\$79,187	\$82,416	\$85,776
<u>All Other Employers</u>	<u>\$189,560</u>	<u>\$197,290</u>	<u>\$205,335</u>	<u>\$213,708</u>	<u>\$222,423</u>	<u>\$231,493</u>	<u>\$240,933</u>	<u>\$250,758</u>	<u>\$260,983</u>	<u>\$271,625</u>
Total	\$249,421	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		58,706	67,028	80,835	93,426	93,893	94,362	94,834	95,308	95,785
<u>Medical</u>		<u>116,941</u>	<u>146,908</u>	<u>177,171</u>	<u>204,765</u>	<u>205,789</u>	<u>206,818</u>	<u>207,852</u>	<u>208,891</u>	<u>209,935</u>
Total		175,648	213,935	258,006	298,190	299,681	301,180	302,686	304,199	305,720
Benefit Payments (\$ millions)										
Family		\$481.9	\$569.7	\$711.6	\$851.7	\$886.4	\$922.5	\$960.2	\$999.3	\$1,040.1
<u>Medical</u>		<u>\$934.3</u>	<u>\$1,215.5</u>	<u>\$1,518.1</u>	<u>\$1,817.0</u>	<u>\$1,891.1</u>	<u>\$1,968.2</u>	<u>\$2,048.5</u>	<u>\$2,132.0</u>	<u>\$2,219.0</u>
Total		\$1,416.2	\$1,785.3	\$2,229.7	\$2,668.7	\$2,777.5	\$2,890.8	\$3,008.7	\$3,131.3	\$3,259.0
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$25.4	\$30.0	\$37.5	\$44.8	\$46.7	\$48.6	\$50.5	\$52.6	\$54.7
<u>Medical</u>		<u>\$49.2</u>	<u>\$64.0</u>	<u>\$79.9</u>	<u>\$95.6</u>	<u>\$99.5</u>	<u>\$103.6</u>	<u>\$107.8</u>	<u>\$112.2</u>	<u>\$116.8</u>
Total	\$75.0	\$74.5	\$94.0	\$117.4	\$140.5	\$146.2	\$152.1	\$158.4	\$164.8	\$171.5
Total Expenditure (\$ millions)										
Family		\$507.2	\$599.7	\$749.0	\$896.5	\$933.1	\$971.1	\$1,010.7	\$1,051.9	\$1,094.8
<u>Medical</u>		<u>\$983.5</u>	<u>\$1,279.5</u>	<u>\$1,598.0</u>	<u>\$1,912.6</u>	<u>\$1,990.6</u>	<u>\$2,071.8</u>	<u>\$2,156.3</u>	<u>\$2,244.2</u>	<u>\$2,335.7</u>
Total		\$1,490.7	\$1,879.2	\$2,347.0	\$2,809.1	\$2,923.7	\$3,042.9	\$3,167.0	\$3,296.1	\$3,430.6
Contribution Rates										
Employer	0.37%	0.37%	0.37%	0.48%	0.48%	0.48%	0.55%	0.55%	0.55%	0.55%
<u>Employee</u>	<u>0.37%</u>	<u>0.37%</u>	<u>0.37%</u>	<u>0.48%</u>	<u>0.48%</u>	<u>0.48%</u>	<u>0.55%</u>	<u>0.55%</u>	<u>0.55%</u>	<u>0.55%</u>
Overall	0.74%	0.74%	0.74%	0.95%	0.95%	0.95%	1.09%	1.09%	1.09%	1.09%
Contributions (\$ millions)										
Employer	\$700.8	\$729.4	\$759.1	\$1,018.3	\$1,059.8	\$1,103.0	\$1,314.7	\$1,368.3	\$1,424.1	\$1,482.2
<u>Employee</u>	<u>\$922.1</u>	<u>\$959.7</u>	<u>\$998.8</u>	<u>\$1,339.8</u>	<u>\$1,394.5</u>	<u>\$1,451.3</u>	<u>\$1,729.9</u>	<u>\$1,800.4</u>	<u>\$1,873.8</u>	<u>\$1,950.2</u>
Total	\$1,622.9	\$1,689.0	\$1,757.9	\$2,358.1	\$2,454.3	\$2,554.3	\$3,044.6	\$3,168.7	\$3,297.9	\$3,432.4
Investment Income (\$ millions)	\$54.2	\$63.0	\$61.0	\$63.5	\$53.3	\$42.2	\$43.8	\$45.4	\$47.0	\$48.7
Fund Balance (\$ millions)	\$1,602.0	\$1,863.4	\$1,803.0	\$1,877.6	\$1,576.0	\$1,248.9	\$1,294.3	\$1,341.4	\$1,390.2	\$1,440.8
Fund Balance % of Total Expenditure		125%	96%	80%	56%	43%	43%	42%	42%	42%

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Projection 6 – PFML program with premium contributions beginning nine months before benefits begin.

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,361.5	\$1,863.4	\$2,062.1	\$1,868.4	\$1,569.9	\$1,246.0	\$1,290.4	\$1,336.3	\$1,383.9
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (< 10 Employees)	\$25,067	\$34,785	\$36,204	\$37,680	\$39,217	\$40,816	\$42,480	\$44,213	\$46,015	\$47,892
All Other Employers	<u>\$161,999</u>	<u>\$224,807</u>	<u>\$233,974</u>	<u>\$243,515</u>	<u>\$253,445</u>	<u>\$263,780</u>	<u>\$274,537</u>	<u>\$285,732</u>	<u>\$297,383</u>	<u>\$309,510</u>
Total	\$187,066	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		58,706	67,028	80,835	93,426	93,893	94,362	94,834	95,308	95,785
Medical		<u>116,941</u>	<u>146,908</u>	<u>177,171</u>	<u>204,765</u>	<u>205,789</u>	<u>206,818</u>	<u>207,852</u>	<u>208,891</u>	<u>209,935</u>
Total		175,648	213,935	258,006	298,190	299,681	301,180	302,686	304,199	305,720
Benefit Payments (\$ millions)										
Family		\$481.9	\$569.7	\$711.6	\$851.7	\$886.4	\$922.5	\$960.2	\$999.3	\$1,040.1
Medical		<u>\$934.3</u>	<u>\$1,215.5</u>	<u>\$1,518.1</u>	<u>\$1,817.0</u>	<u>\$1,891.1</u>	<u>\$1,968.2</u>	<u>\$2,048.5</u>	<u>\$2,132.0</u>	<u>\$2,219.0</u>
Total		\$1,416.2	\$1,785.3	\$2,229.7	\$2,668.7	\$2,777.5	\$2,890.8	\$3,008.7	\$3,131.3	\$3,259.0
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$25.4	\$30.0	\$37.5	\$44.8	\$46.7	\$48.6	\$50.5	\$52.6	\$54.7
Medical		<u>\$49.2</u>	<u>\$64.0</u>	<u>\$79.9</u>	<u>\$95.6</u>	<u>\$99.5</u>	<u>\$103.6</u>	<u>\$107.8</u>	<u>\$112.2</u>	<u>\$116.8</u>
Total	\$75.0	\$74.5	\$94.0	\$117.4	\$140.5	\$146.2	\$152.1	\$158.4	\$164.8	\$171.5
Total Expenditure (\$ millions)										
Family		\$507.2	\$599.7	\$749.0	\$896.5	\$933.1	\$971.1	\$1,010.7	\$1,051.9	\$1,094.8
Medical		<u>\$983.5</u>	<u>\$1,279.5</u>	<u>\$1,598.0</u>	<u>\$1,912.6</u>	<u>\$1,990.6</u>	<u>\$2,071.8</u>	<u>\$2,156.3</u>	<u>\$2,244.2</u>	<u>\$2,335.7</u>
Total		\$1,490.7	\$1,879.2	\$2,347.0	\$2,809.1	\$2,923.7	\$3,042.9	\$3,167.0	\$3,296.1	\$3,430.6
Contribution Rates										
Employer	0.40%	0.40%	0.40%	0.40%	0.45%	0.45%	0.51%	0.51%	0.51%	0.51%
Employee	<u>0.40%</u>	<u>0.40%</u>	<u>0.40%</u>	<u>0.40%</u>	<u>0.45%</u>	<u>0.45%</u>	<u>0.51%</u>	<u>0.51%</u>	<u>0.51%</u>	<u>0.51%</u>
Overall	0.80%	0.80%	0.80%	0.80%	0.90%	0.90%	1.03%	1.03%	1.03%	1.03%
Contributions (\$ millions)										
Employer	\$645.3	\$895.5	\$932.0	\$970.0	\$1,140.5	\$1,187.0	\$1,412.5	\$1,470.1	\$1,530.1	\$1,592.5
Employee	<u>\$745.2</u>	<u>\$1,034.1</u>	<u>\$1,076.2</u>	<u>\$1,120.1</u>	<u>\$1,317.0</u>	<u>\$1,370.7</u>	<u>\$1,631.1</u>	<u>\$1,697.6</u>	<u>\$1,766.8</u>	<u>\$1,838.9</u>
Total	\$1,390.5	\$1,929.6	\$2,008.2	\$2,090.1	\$2,457.5	\$2,557.7	\$3,043.6	\$3,167.7	\$3,296.9	\$3,431.4
Investment Income (\$ millions)	\$46.0	\$63.0	\$69.7	\$63.2	\$53.1	\$42.1	\$43.6	\$45.2	\$46.8	\$48.5
Fund Balance (\$ millions)	\$1,361.5	\$1,863.4	\$2,062.1	\$1,868.4	\$1,569.9	\$1,246.0	\$1,290.4	\$1,336.3	\$1,383.9	\$1,433.1
Fund Balance % of Total Expenditure		125%	110%	80%	56%	43%	42%	42%	42%	42%

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Projection 7 – PFML program with premium contributions beginning six months before benefits begin.

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>
BOY Fund Balance (\$ millions)	\$0.0	\$1,039.9	\$1,859.7	\$2,401.0	\$2,575.7	\$2,381.0	\$2,167.9	\$1,935.2	\$1,681.8	\$1,406.5
Covered Employees		3,456,042	3,473,322	3,490,689	3,508,142	3,525,683	3,543,311	3,561,028	3,578,833	3,596,727
Taxable Wages (\$ millions)										
Exempt Employers (< 10 Employees)	\$16,711	\$34,785	\$36,204	\$37,680	\$39,217	\$40,816	\$42,480	\$44,213	\$46,015	\$47,892
<u>All Other Employers</u>	<u>\$107,999</u>	<u>\$224,807</u>	<u>\$233,974</u>	<u>\$243,515</u>	<u>\$253,445</u>	<u>\$263,780</u>	<u>\$274,537</u>	<u>\$285,732</u>	<u>\$297,383</u>	<u>\$309,510</u>
Total	\$124,711	\$259,592	\$270,178	\$281,195	\$292,662	\$304,596	\$317,017	\$329,944	\$343,399	\$357,402
Claims										
Family		58,706	67,028	80,835	93,426	93,893	94,362	94,834	95,308	95,785
<u>Medical</u>		<u>116,941</u>	<u>146,908</u>	<u>177,171</u>	<u>204,765</u>	<u>205,789</u>	<u>206,818</u>	<u>207,852</u>	<u>208,891</u>	<u>209,935</u>
Total		175,648	213,935	258,006	298,190	299,681	301,180	302,686	304,199	305,720
Benefit Payments (\$ millions)										
Family		\$481.9	\$569.7	\$711.6	\$851.7	\$886.4	\$922.5	\$960.2	\$999.3	\$1,040.1
<u>Medical</u>		<u>\$934.3</u>	<u>\$1,215.5</u>	<u>\$1,518.1</u>	<u>\$1,817.0</u>	<u>\$1,891.1</u>	<u>\$1,968.2</u>	<u>\$2,048.5</u>	<u>\$2,132.0</u>	<u>\$2,219.0</u>
Total		\$1,416.2	\$1,785.3	\$2,229.7	\$2,668.7	\$2,777.5	\$2,890.8	\$3,008.7	\$3,131.3	\$3,259.0
Expenses (\$ millions)										
Start-up	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$25.4	\$30.0	\$37.5	\$44.8	\$46.7	\$48.6	\$50.5	\$52.6	\$54.7
<u>Medical</u>		<u>\$49.2</u>	<u>\$64.0</u>	<u>\$79.9</u>	<u>\$95.6</u>	<u>\$99.5</u>	<u>\$103.6</u>	<u>\$107.8</u>	<u>\$112.2</u>	<u>\$116.8</u>
Total	\$75.0	\$74.5	\$94.0	\$117.4	\$140.5	\$146.2	\$152.1	\$158.4	\$164.8	\$171.5
Total Expenditure (\$ millions)										
Family		\$507.2	\$599.7	\$749.0	\$896.5	\$933.1	\$971.1	\$1,010.7	\$1,051.9	\$1,094.8
<u>Medical</u>		<u>\$983.5</u>	<u>\$1,279.5</u>	<u>\$1,598.0</u>	<u>\$1,912.6</u>	<u>\$1,990.6</u>	<u>\$2,071.8</u>	<u>\$2,156.3</u>	<u>\$2,244.2</u>	<u>\$2,335.7</u>
Total		\$1,490.7	\$1,879.2	\$2,347.0	\$2,809.1	\$2,923.7	\$3,042.9	\$3,167.0	\$3,296.1	\$3,430.6
Contribution Rates										
Employer	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.46%	0.51%
<u>Employee</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.46%</u>	<u>0.51%</u>
Overall	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	0.93%	1.03%
Contributions (\$ millions)										
Employer	\$501.1	\$1,043.1	\$1,085.6	\$1,129.9	\$1,176.0	\$1,223.9	\$1,273.9	\$1,325.8	\$1,379.9	\$1,592.5
<u>Employee</u>	<u>\$578.7</u>	<u>\$1,204.5</u>	<u>\$1,253.6</u>	<u>\$1,304.7</u>	<u>\$1,358.0</u>	<u>\$1,413.3</u>	<u>\$1,471.0</u>	<u>\$1,530.9</u>	<u>\$1,593.4</u>	<u>\$1,838.9</u>
Total	\$1,079.8	\$2,247.6	\$2,339.3	\$2,434.7	\$2,533.9	\$2,637.3	\$2,744.8	\$2,856.7	\$2,973.2	\$3,431.4
Investment Income (\$ millions)	\$35.2	\$62.9	\$81.2	\$87.1	\$80.5	\$73.3	\$65.4	\$56.9	\$47.6	\$49.3
Fund Balance (\$ millions)	\$1,039.9	\$1,859.7	\$2,401.0	\$2,575.7	\$2,381.0	\$2,167.9	\$1,935.2	\$1,681.8	\$1,406.5	\$1,456.6
Fund Balance % of Total Expenditure		125%	128%	110%	85%	74%	64%	53%	43%	42%

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Section 4: Data, Assumptions, and Analytical Methods

This section contains documentation of the data, assumptions, and methods used in our analysis. Appendix A contains a bibliography of the primary sources used for developing the assumptions.

We researched Virginia employment statistics from the US Census Bureau and the US Bureau of Labor Statistics, from which we developed a distribution of Virginia employees and wages split by age and gender. We projected the number of eligible employees based on national forecasts from the Bureau of Labor Statistics as well as Virginia employment data from the Virginia Department of Workforce Development and Advancement. We excluded employees of the Commonwealth and assumed that 12% of eligible employees would be covered under private plans, based on private plan participation rates in other states with PFML benefits. We also assumed that all employers that qualify for small employer premium exemptions would participate in the Virginia PFML program, rather than providing benefits through a private plan, due to the savings from these exemptions. Table 3 shows the number of employees and average weekly wages assumed for employees participating in the Virginia PFML program in 2029, when PFML benefits begin.

Table 3 Assumed Covered Employees and Average Weekly Wages 2029				
Age	Covered Employees		Average Weekly Wages	
	Female	Male	Female	Male
Less than 25	225,386	206,490	\$579	\$749
25 - 34	367,499	360,762	\$1,296	\$1,643
35 - 44	379,466	366,929	\$1,590	\$2,226
45 - 54	352,494	337,480	\$1,665	\$2,583
55 - 64	301,816	294,512	\$1,493	\$2,456
65 and above	126,836	136,372	\$1,063	\$1,823
Total	1,753,497	1,702,545	\$1,359	\$2,001

We assumed that total taxable wages (i.e., capped at the OASDI wage limit) would represent 86% of total uncapped wages in Virginia based on wage data from the 2023 American Community Survey. We also assumed 13.4% of total taxable wages would correspond to employers with fewer than 10 employees, and 24.0% of total taxable wages would correspond to employers with 20 or fewer employees, based on Virginia wage data reported by the Bureau of Labor Statistics. These assumptions for projecting taxable wages are high-level estimates due to the nature of the publicly available data from multiple sources.

We developed morbidity assumptions (i.e., claim incidence rates and average claim durations) for projecting approved claims and benefit payments, based on recent PFML claim experience in states with PFML programs. We adjusted this experience for differences between the Virginia PFML program options and the other state programs – i.e., we adjusted the experience for differences in waiting period, benefit formula, benefit period, definition of family member, etc. We also adjusted the experience for differences in industry mix and geographic risk between Virginia and the other states. The maternity and bonding incidence rates were adjusted for differences in fertility rates between Virginia and the other states. The resulting morbidity assumptions include claim incidence rates and average claim durations that vary by age, gender, and qualifying reason.

Table 4 shows the estimated number of claims in 2029 by age, gender, and qualifying reason, based on our morbidity and demographic assumptions. We have included an estimate of backlog bonding claims for employees with children born, adopted, or placed in foster care in 2028, who would be eligible for bonding benefits in 2029.

Table 4 Expected Number of Claims Approved for Virginia PFML Benefits 2029				
Age	Paid Family Leave		Paid Medical Leave	
	Female	Male	Female	Male
Less than 25	2,026	934	4,547	1,378
25 - 34	20,449	9,611	27,645	5,273
35 - 44	11,217	7,028	19,404	6,366
45 - 54	2,350	1,451	13,275	7,336
55 - 64	2,119	887	13,749	10,250
65 and above	469	165	4,084	3,635
Total	38,630	20,076	82,703	34,238

The estimated number of claims is higher for females than males due, in part, to maternity claims, and because the claim incidence rates are higher for females than males for bonding, family care, and own-health qualifying reasons.

We considered the impact of private plans in developing morbidity assumptions, by taking into consideration the following dynamics:

- There could be adverse selection into the state plan if insurers set premium rates based on risk characteristics such as industry and demographics, whereas the state rate is a single community rate that applies equally to all employers.
- We used experience from states with existing paid leave laws to develop morbidity assumptions. Many of these states allow employers to provide benefits through private plans, so any adverse selection risk would be embedded in the experience.
- Employers may choose to provide benefits through private plans in lieu of the state plan for other reasons besides cost. Large employers are more likely to use private plans than small employers, and large employers typically have higher claim rates than small employers. Factors that can influence an employer's decision to use private plans include ease of administration, compliance, plan design, and existing benefits.
- Administrative expenses tend to be lower for PFML benefits provided through the state fund versus private plans, which translates to lower premium rates for the state plan versus private plans, with all else equal. Similarly, premium rates for private plans are typically loaded for broker commissions whereas the state rate is not loaded for commissions.
- The state plan is prefunded by premium payments before benefits begin, whereas there is no pre-funding for private plans.
- In our experience performing industry surveys and working with insurance companies on PFML pricing, we have noticed average premium rates for private plans are often higher than state rates.

For these reasons, we did not make an explicit adjustment to our morbidity assumptions for allowing employers to provide benefits through private plans.

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We analyzed claim incidence rates during the initial years for new PFML programs, and we noticed an increasing trend in each state. Based on this analysis, we developed the following trend assumptions for projecting Virginia PFML approved claims in our financial projections:

Table 5 Virginia PFML Trend Assumptions Applied to Claim Incidence Rates	
Year	Trend Factor
2029	1.00
2030	1.25
2031	1.20
2032	1.15
2033+	1.00

We assumed maintenance expenses equal to 5% of total expenditure each year, based on PFML expense ratios reported in states with PFML programs. This proportional relationship between maintenance costs and claim costs assumes any increase/decrease in claim volumes would translate to an increase/decrease in maintenance costs.

We assumed annual investment income of 3.5% for assets held in the PFML Fund, based on recent yields for short maturity and cash equivalent assets. Slightly different investment income assumptions would not have a material impact on the results of our analysis.

Appendix A: Reliance Items

In performing the analysis, we relied, without audit, on data and information that is publicly available. The principal items that we relied on for developing assumptions are listed below.

- California Disability Insurance Monthly Data, <https://data.ca.gov/dataset/disability-insurance-di-monthly-data>
- California Paid Family Leave Monthly Data, <https://data.ca.gov/dataset/paid-family-leave-pfl-monthly-data>
- May 2025 Disability Insurance (DI) Fund Forecast, et al, *State of California Employment Development Department*, <https://edd.ca.gov/siteassets/files/unemployment/pdf/edddforecastmay25.pdf>
- Connecticut Paid Leave 2024 Annual Report, et al, *Connecticut Paid Leave Authority*, <https://www.ctpaidleave.org/-/media/ctpl/english-pdfs-and-docs/2024-ctpl-annual-report.pdf>
- FY2024 Annual Report for the Massachusetts Paid Family and Medical Leave Program, et al, *Massachusetts Department of Family and Medical Leave*, <https://www.mass.gov/info-details/fy2024-annual-report-for-the-massachusetts-paid-family-and-medical-leave-pfml>
- New Jersey Family Leave Insurance and Temporary Disability Insurance Combined 2023 Annual Activity Report, et al, *New Jersey Department of Labor and Workforce Development, Office of Research and Information*, <https://www.nj.gov/labor/myleavebenefits/about/stats/>
- Paid Leave Oregon 2024 Legislative Report, *Oregon Employment Department*, <https://d1o0i0v5q5lp8h.cloudfront.net/paidleave/live/assets/resources/Paid-Leave-Legislative-Report-July-2024.pdf>
- Rhode Island Temporary Disability and Caregiving Insurance 2024 Program Statistics, et al, *Rhode Island Department of Labor and Training, Labor Market Information Division*, <https://dlt.ri.gov/labor-market-information/data-center/unemployment-insurance-ui-temporary-disability-insurance-tdi>
- 2024 Annual Report, *Rhode Island Department of Labor and Training*, <https://dlt.ri.gov/about-us/annual-reports>
- Washington Paid Family and Medical Leave Claims Data, <https://esd.wa.gov/jobs-and-training/labor-market-information/paid-family-medical-leave-data/paid-family-and-medical-leave-claims-data>
- Washington Paid Family and Medical Leave 2024 Legislative Report, *Washington Employment Security Department*, <https://esd.wa.gov/media/pdf/2886/2024-annual-pfml-reportpdf/download?inline>

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- Experience exhibits from PowerPoint presentations to the Washington PFML Advisory Committee, <https://paidleave.wa.gov/advisory-committee/>
- The 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, <https://www.ssa.gov/oact/tr/2024/>
- Employment and wage statistics from the US Census QWI database, <https://qwiexplorer.ces.census.gov/>
- Distributions from the American Community Survey, <https://www.census.gov/programs-surveys/acs.html>
- Statewide Economic Analysis, State Fiscal Year 2024 – 2025, Virginia Works, Economic Information and Analytics, Virginia Department of Workforce Development and Advancement
- Proprietary information on PFML experience