Colorado Department of Labor and Employment

Family and Medical Leave Insurance Program

Actuarial Study of Short- and Long-term Solvency

December 2, 2022

Segal

Segal

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December 2, 2022

Tracy Marshall
Division Director – Family and Medical Leave Insurance
Colorado Department of Labor and Employment
633 17th Street #201
Denver, CO 80202

Dear Director Marshall:

As requested, Segal has completed an actuarial analysis of the Family and Medical Leave Insurance Program (FAMLI) administered by the Colorado Department of Labor and Employment (CDLE).

Our analysis projects income and expenses for State Fiscal Years 2023-2032 and relies on a number of actuarial assumptions. Our Baseline Projection indicates the Plan will be solvent over this 10-year period, but actual results are dependent on how experience may deviate from these assumptions. We have included some sensitivity testing to illustrate the impact of changing key assumptions. These assumptions should be reviewed against plan experience, once the plan has generated sufficient credible experience, and adjusted as necessary.

To guard against solvency risk and claims cost volatility, we have provided a recommended Target Funding Range. Maintaining funding at this level should provide sufficient solvency protection in the early years of the program, without accumulating unnecessary levels of assets. Once the Plan has multiple years of experience it would be prudent to review the Plan's funding and reserving policy.

We have also provided some considerations for sharing experience gains with employees, should the program's funding reach levels where that could be considered without threatening the Plan's solvency, as well as for data collection and reporting.

By signing below, I certify that I am a qualified actuary by education and experience to evaluate health reserves and funding practices. I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and certify that all analysis was conducted in accordance with all applicable Actuarial Standards of Practice. All sections of this report are considered an integral part of the actuarial opinion.

Please let us know if it would be helpful to discuss any aspect of this report or our analysis.

Sincerely,

Richard Ward, FSA, FCA, MAAA
West Region Market Director, Public Sector

cc: Tracy Palotta, CDLE FAMLI Employer Services & Program Integrity Branch Manager
Evan Grimes - CDLE FAMLI Policy Unit Manager
Neil Smith CDLE FAMLI Project Manager
Amy Cohen, Segal Actuary

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Executive Summary

Introduction

Colorado voters approved Proposition 118 in November of 2020, paving the way for a state-run Paid Family and Medical Leave Insurance (FAMLI) program. The FAMLI program will ensure all Colorado workers have access to paid leave for a range of needs and situations, such as:

- Care for a new child, including adopted and fostered children
- Care for themselves, if they have a serious health condition
- Care for a family member's serious health condition
- Making arrangements for a family member's military deployment
- Address the immediate safety needs and impact of domestic violence and/or sexual assault

Initial premiums are 0.90% of pay up to a maximum salary established by the federal social security administration for the purposes of the Federal Old-Age, Survivors and Disability Insurance (OASDI) program limits, with the premiums split into equal 0.45% shares for the employer and the employee. Employers have the option of paying the employee portion on the employee's behalf. Beginning calendar 2025, the director will set the premium based on the percentage of employee wages necessary to generate premium equal to the sum of 135% of paid benefits and 100% of administration fees less the amount of net assets remaining in the plan as of December 31 of the immediately preceding calendar year.

Benefits are based on the employee's weekly eligible income, with benefits generally 90% of the State Average Weekly Wage (SAWW), however for calendar year 2024, the maximum weekly benefit has been set to $1,100. FAMLI generally pays benefits first, with other programs paying secondary.

The Federal government, as an employer, is exempt, but other Colorado employers are required to participate, including the State, subject to the following:

- Local governments may vote to opt-out, with their employees having the option to participate by paying the employee share of the premium (0.45%). For those employees, the local government employer is responsible for withholding the employee premium.
- Private employers with less than ten (10) employees in Colorado may opt-out, but are responsible for withholding the premiums for employees that opt-in.
- Private employers with ten (10) or more employees can opt-out if they offer an equivalent or better private plan, subject to review and approval by FAMLI. Private plans can be insured or self-insured.
- Self-employed individuals may choose to opt-in, or opt-out, of the program.

Premiums will first be paid in January 2023, with benefits eligibility beginning in January 2024. Employers that pay premiums in 2023 but ultimately opt-out, maybe be eligible for a premium refund, less administrative expenses.

Segal has been engaged to provide an actuarial analysis of the FAMLI program. An initial actuarial study was performed in 2019 by AMI Risk Consultants, Inc. This report is an update of that analysis and reflects provisions adopted after the 2019 study.

Our analysis projects expenses and income for the program, based on the program's provisions and using reasonable actuarial assumptions, developed from reviewing experience in similar programs in other states as well as industry data and practices.

Data

Program data is not yet available. Premiums will not be collected until 2023; benefits will not be paid until 2024 and employers have not yet had the opportunity to officially opt-out.

The Federal Bureau of Labor and Statistics (BLS) has information for the Colorado market (as well as the other 49 states), which includes number of employees and pay range distribution. This data is provided by industry and employment type (hourly versus salaried). Importantly, it includes data for local government employers, as well as private employers, in Colorado. This analysis uses the most recent BLS data from 2021.

FAMLI provided the initial fund balance as of July 1, 2022, as well as projected operational, administrative and personnel related expenses.

Segal reviewed the data for reasonableness, but has not audited the data, and has concluded that it is reasonable for this analysis.

Subsequent actuarial studies should utilize FAMLI program specific data if available.

Results

Utilizing the data, assumptions and methodology outlined in this report we conclude that the current premium and administrative fee scheduled should be sufficient to support the program's benefits as currently designed.

Below is the baseline projection of the first ten (10) years of the program. The program received initial funding of $57,000,000 from the State at the beginning of State Fiscal Year (SY) 2023 and this initial balance is anticipated to grow to approximately $1.62 billion at the 2029 fiscal year. Then, revenue will closely align with expenses for 2-3 years, before drawing down to about $1.35 billion in 2032.

10-Year Projection of FAMLI Revenues and Expenses

Incurred Basis, Amounts shown in $000s

Fiscal Year	Contributions	Other Revenue	Benefit Payments	Administrative Expenses	Projected Ending Fund Balance
2023	$678,470	$14,207	$0	$22,289	$670,388
2024	$1,287,829	$14,659	$552,727	$60.694	$1,359,455
2025	$1,374,918	$922	$1,185,584	$59,174	$1,490,537
2026	$1,452,855	$947	$1,317,879	$60,700	$1,565,761
2027	$1,525,810	$961	$1,422,740	$62,267	$1,607,525
2028	$1,607,122	$685	$1,532,770	$63,874	$1,618,688
2029	$1,697,103	$403	$1,647,714	$65,523	$1,602,957
2030	$1,787,152	$395	$1,766,627	$67,214	$1,556,663
2031	$1,877,448	$379	$1,893,131	$68,949	$1,472,410
2032	$1,971,422	$352	$2,027,910	$70,729	$1,345,546

Sensitivity and Risk Analysis

There are a number of key assumptions that can result in material variation in results, compared to the Baseline Projection.

The following table shows the impact on assets and year of insolvency for experience deviating from our assumptions by -50% and +50%. This provides a uniform comparison of the assumptions' sensitivity.

Assumption	Range	2032 Fund Balance ($000,000s)	SFY of Insolvency
Local Government Employer Participation Rate	12.5% - 37.5%	$1,412 / $1,279	Post 2032
Private Employer Participation Rate	62.5% - 87.5%	$1,014 / $1,677	Post 2032
Incidence Rates	Varies	$8,025 / ($5,332)	Post 2032 / 2027
Duration	Varies	$8,027 / ($3,578)	Post 2032 / 2027
Salary Trend Rate & SAWW	2% - 6% Government 2.75% - 8.25% Private 2.6% - 7.7% SAWW	$1,472 / $916	Post 2032
Interest Income	0.0125% - 0.0375%	$1,344 / $1,347	Post 2032

Overall results are the most sensitive to the assumptions for Incidence Rates and Benefit Duration.

Comments and Considerations

Under the Baseline Projection the Plan is expected to remain solvent through 2032. However, there are additional funding needs that CDLE should consider.

Reserves

There will be annual variances in claims and revenue, and it is prudent to maintain assets in reserve in anticipation of adverse experience. Maintaining adequate assets should enable CDLE to manage the program with premiums at the lowest possible levels and managed well over time avoiding sharp increases.

Solvency Reserves

The purpose of a solvency reserve is to absorb unexpected and temporary adverse fluctuation in overall claims. The reserve helps stabilize annual changes in premium levels. Many plans utilize a minimum funding level target, but this can result in differences in views when determining when a plan is overfunded and how much of the “overfunding” is “excess”.

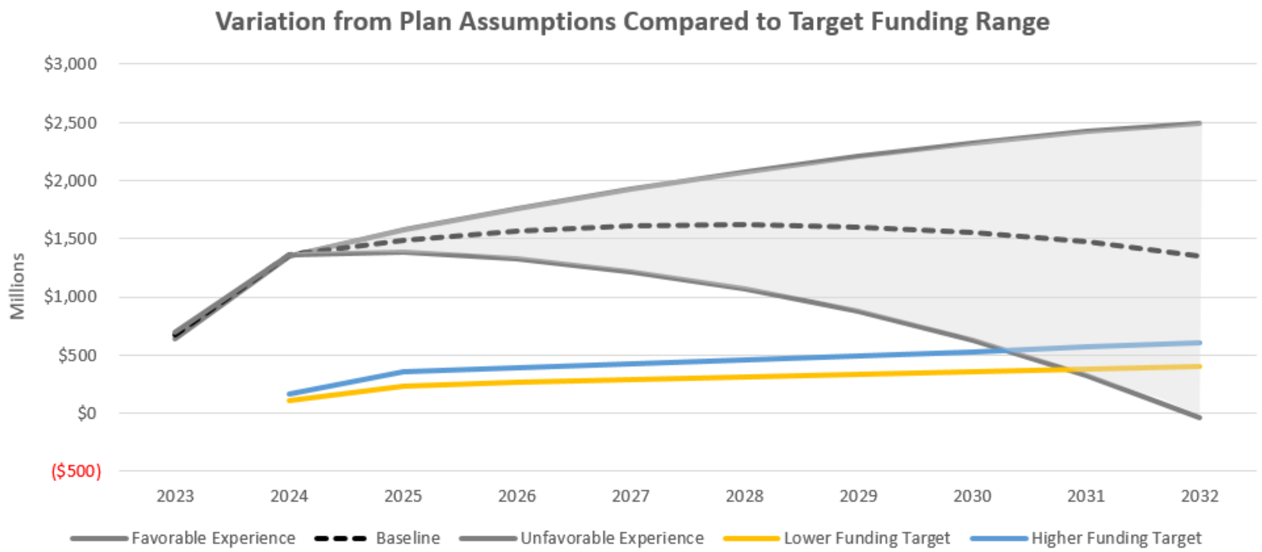
In our experience, plans benefit from a reserving policy that utilizes a Target Funding Range, rather than a minimum. Having a defined higher end of the Target Funding Range can provide a commonly defined threshold for when policies could be considered to spend-down assets, and to what level.

Segal also recommends that the Target Funding Range be defined as a function of metrics that are defined annually, enabling the Range to be adjusted as plan expectations evolve over time.

Our recommendation for the FAMLI Plan is to maintain assets between 20% - 30% of projected incurred annual claims. As long as premiums track close to expenses, this should provide solvency protection and stability, as well as enable CDLE to manage the program with a long-term focus.

The Baseline Projection indicates that assets will remain above the Target Funding Range through 2032. Although there is a spend-down anticipated in the later years, which would likely result in assets being close to the Target Funding Range by 2035-40.

This is a possible scenario where experience is consistently unfavorable. Under this scenario, assets decline beginning in SFY25, but remain above the lower end of the Target Funding Range until SFY31.



Estimated incurred claims include paid claims, IBNR claims and open claims. Therefore, maintaining assets within a Target Funding Range of 120% - 130% of estimated incurred claims will result in assets covering the expected claim liability, as well as an additional 20-30% margin to manage expected fluctuation.

Excess Reserves

In the event the program generates excess reserves, there are several approaches that FAMLI may consider sharing the results of the favorable experience with employees:

- **Direct payments:** Direct payments to employees is one option to refund excess premiums. While this may be the most straightforward approach, tax implications may vary by employee and circumstance.
- **Premium reductions:** While this approach is likely to spend down reserves, it often results in the need for future premium increases, which may not be desirable.
- **Premium holidays:** Provides temporary premium, potentially for both employers and employees. This has the benefit of not setting the stage for a future increase but may be operationally challenging.
- **Direct contributions to tax sheltered accounts:** Refunding excess premiums or reserves directly to employees' tax-sheltered accounts may be operationally challenging, as there may be a range of account types (Health Savings Accounts, Flexible Spending Accounts, Retirement Accounts, Tuition Savings Plans (529 Plans), etc. There may also be varying eligibility requirements, especially for Health Savings Accounts that require the employee to be enrolled in a specific type of health plan (an IRS regulated High Deductible Health Plan) and come with annual contribution limits. Health Reimbursement Arrangements are not likely a viable option since these are notional accounts and the only permissible contributions are employer contributions. There are also a range of potential tax consequences that can vary by account type.
- **Provide additional benefits:** Another option could be to provide paid-up, portable, individual policies for life insurance or other safety net insurance coverages. State issued bonds may

also be an option. Of course, tax implications here may vary by approach and employee circumstances.

Data Collection and Reporting

- Since the assumptions for this analysis were developed before the program goes into effect, the assumptions are based on a review of experience in similar programs in other states as well as industry data and practices.
- It will be important to monitor experience relative to these assumptions and to consider if subsequent actuarial analyses should utilize updated assumptions to reflect program experience more closely.
- We recommend quarterly reporting to monitor claims prevalence, duration, and costs against these projections.

Introduction

Background

Colorado voters approved Proposition 118 in November of 2020, paving the way for a state-run Paid Family and Medical Leave Insurance (FAMLI) program. The FAMLI program will ensure all Colorado workers have access to paid leave for a range of needs and situations, such as:

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Premiums will first be paid in January 2023, with benefits eligibility beginning in January 2024. Employers that pay premiums in 2023 but ultimately opt-out, maybe be eligible for a premium refund, less administrative expenses.

Segal's Role

Segal has been engaged to provide an actuarial analysis of the FAMLI program. An initial actuarial study was performed in 2019 by AMI Risk Consultants, Inc and this report is an update of that analysis and reflects provisions adopted after the 2019 study.

Our analysis projects expenses and income for the program, based on the program's provision and using reasonable actuarial assumptions, developed from reviewing experience in similar programs in other states as well as industry data and practices.

The result is a baseline projection of assets for the first ten (10) years of the program, from SFY 2023 through SFY 2032.

Our analysis also includes a sensitivity analysis of key assumptions to better understand the potential variance in results and associated risk.

This report includes comments and considerations as well as the results of our analysis. Segal is available to provide insights, observations, and strategic guidance on an ongoing basis.

This work product was prepared for CDLE for the specific purpose of this actuarial analysis and may not be appropriate to use for other purposes. Any third-party recipient of this work product who desires professional guidance should not rely upon this report but should engage qualified professionals for advice appropriate to its own specific needs. Any release of this report to a third party shall be in its entirety.

Segal utilizes a proprietary model developed by internal actuaries to project both revenues and expenses of the FAMLI program. For modeling purposes, we have relied on the following sources for key assumptions:

- For the purposes of projecting employee counts in the State of Colorado over the next 10-year period, we have relied on population projections developed by the Department of Local Affairs and published on the Colorado Information Marketplace.
- For the purposes of projecting average employee salaries, we have relied on historical Colorado-specific data and trends published by the U.S. Bureau of Labor and Statistics. Initial average annual salaries are based on actual calendar year 2021 salaries by ownership and industry type.
- The initial 2022 maximum salary was set at $147,000 published by the federal social security administration.
- The initial 2022 State Average Weekly Wage in the State of Colorado was set at $1,210 as published by the CDLE. CDLE also provided projected program expenses for SFY23-27.
- We have relied on the published experience of similar FAMLI programs offered in the states of California, New Jersey, and Rhode Island to set initial assumptions for claim frequency and duration rates.

Actual experience in the State of Colorado may vary and projections are recommended to be updated at least quarterly once the program is live. We are not aware of any material inconsistencies among the assumptions used in the modeling; and, in the aggregate, output from the model appears to be reasonable.

Data

Program data is not yet available. Premiums will not be collected until 2023; benefits will not be paid until 2024 and employers have not yet had the opportunity to officially opt-out.

The Federal Bureau of Labor and Statistics (BLS) has information for the Colorado market (as well as the other 49 states), which includes number of employees and pay range distribution. This data is provided by industry and employment type (hourly versus salaried). Importantly, it includes data for local government employers, as well as private employers, in Colorado. This analysis uses the most recent BLS data from 2021.

Additional data sources used to develop our assumptions include:

- Colorado Department of Health & Environment (2022). *Colorado Health Information Dataset (2020-2021) for Live Birth Statistics* https://cohealthviz.dphe.state.co.us/t/HealthInformaticsPublic/views/COHIDLiveBirthsDashboard/

- Blue Cross Blue Shield (2020). *Trends in Pregnancy and Childhood Complications*

- CAP Women's Initiative (2017). *Paid Family and Medical Leave: By the Numbers,* Center for American Progress. https://www.americanprogress.org/article/paid-family-medical-leave-numbers/

- National Partnership for Women & Families (2022). *Paid Leave Works: Evidence from State Programs*. https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/paid-leave-works-evidence-from-state-programs.pdf

- National Partnership for Women & Families (2022). *Meeting the Promise of Paid Leave: Best Practices in State Paid Leave Implementation*. https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/meeting-the-promise-of-paid-leave.pdf

- U.S. Bureau of Labor Statistics (2015). Self-employment rates by state, annual averages https://www.bls.gov/spotlight/2016/self-employment-in-the-united-states/home.htm

California

- Appelbaum, Eileen and Milkman, Ruth (2011). *Employer and Worker Experiences with Paid Family Leave in California. https://cepr.net/documents/publications/paid-family-leave-1-2011.pdf*

- State of California's Employment Development Department (2022). *Overview of California's Paid Family Leave Program* https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de2530.pdf

- State of California's Employment Development Department (2004-2022). *Paid Family Leave Program Monthly Dataset.* https://data.edd.ca.gov/Disability-Insurance/Paid-Family-Leave-PFL-Monthly-Data/r95e-fvkm/data

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- Connecticut Paid Leave Authority (2022). *Connecticut Paid Lave Annual Report 2022* *https://www.cbia.com/wp-content/uploads/2022/07/CTPL-Annual-Report.pdf*

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- Commonwealth of Massachusetts, Executive Office of Labor and Workforce Development, Department of Family and Medical Leave, (2022). *FY2021 Annual Report for the Massachusetts Paid Family and Medical Leave*. https://www.mass.gov/info-details/fy2021-annual-report-for-the-massachusetts-paid-family-and-medical-leave#types-of-leave-
- Commonwealth of Massachusetts, Executive Office of Labor and Workforce Development, Department of Family and Medical Leave, (2022). *FY2022 Annual Report for the Massachusetts Paid Family and Medical Leave*. https://www.mass.gov/doc/fy2022-dfml-annual-report/download

New Jersey

- Lerner, Sharon and Appelbaum, Eileen (2014). *Business As Usual: New Jersey Employers' Experiences with Family Leave Insurance. https://www.cepr.net/documents/nj-fli-2014-06.pdf*
- New Jersey Department of Labor and Workforce Development (2019). *Annual Report For 2019 Family Leave Insurance and Temporary Disability Insurance Programs* *https://nj.gov/labor/myleavebenefits/assets/pdfs/ANNUAL_FLI-TDI_REPORT_FOR_2019.pdf*
- New Jersey Department of Labor and Workforce Development, Office of Research and Information (2020). *Annual Report for 2019 Family Leave Insurance and Temporary Disability Insurance Programs.* https://nj.gov/labor/myleavebenefits/assets/pdfs/ANNUAL_FLI-TDI_REPORT_FOR_2019.pdf

Rhode Island

- State of Rhode Island's Department of Labor and Training (2022). *Unemployment Insurance (UI) & Temporary Disability Insurance (TDI) Statistics.* https://dlt.ri.gov/labor-market-information/data-center/unemployment-insurance-ui-temporary-disability-insurance-tdi
- State of Rhode Island's Department of Labor and Training (2022). *Current Employment Statistics (CES) https://dlt.ri.gov/labor-market-information/data-center/current-employment-statistics-ces*

Washington

- Washington State, Employment Security Department (2021). *Washington Paid Family & Medical Leave Annual Report.* https://media.esd.wa.gov/esdwa/Default/ESDWAGOV/newsroom/Legislative-resources/2021-paid-family-and-medical-leave-annual-report-to-legislature.pdf

FAMLI provided the initial fund balance as of July 1, 2022, as well as projected operational, administrative and personnel related expenses.

Segal reviewed the data for reasonableness, but has not audited the data, and has concluded that it is reasonable for this analysis.

Subsequent actuarial studies should utilize FAMLI program specific data if available.

Results

Baseline Results

Utilizing the data, assumptions and methodology outlined in this report we conclude that the current premium and administrative fee scheduled should be sufficient to support the program's benefits as currently designed.

Below is the baseline projection of the first ten (10) years of the program. The program received initial funding of $57,000,000 from the State at the beginning of State Fiscal Year (SFY) 2023 and this initial balance is anticipated to grow to approximately $1.62 billion at the 2028 fiscal year. Then, revenue will closely align with expenses for 2-3 years, before drawing down to about $1.35 billion in 2032.

10-Year Projection of FAMLI Revenues and Expenses

Incurred Basis, Amounts shown in $000s

Fiscal Year	Contributions	Investment Income	Benefit Payments	Administrative Expenses	Projected Ending Fund Balance
2023	$678,470	$14,207	$0	$22,289	$670,388
2024	$1,287,829	$14,659	$552,727	$60.694	$1,359,455
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2032	$1,971,422	$352	$2,027,910	$70,729	$1,345,546

The following are included in Appendix C:

- Number of claims by leave of absence reason by SFY
- Benefit payments by leave of absence reason by SFY
- Paid claims cash flow projection by SFY
- Number of open claims at end of SFY

Sensitivity and Risk Analysis

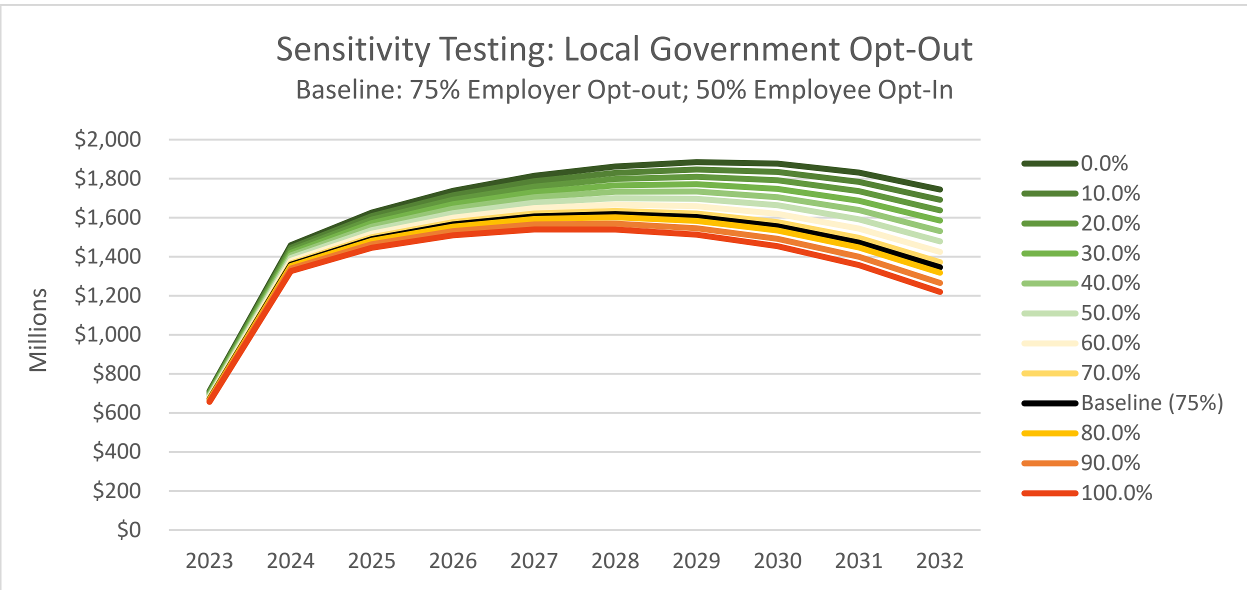
There are a number of key assumptions that can result in material variation in results, compared to the Baseline Projection.

Local Government Participation

Local government employers can opt-out of FAMLI, but their employees can then opt-in to FAMLI, paying only the 0.45% employee premium while being fully benefit eligible. This poses some risk to the solvency of the program.

The Baseline Projection assumes that 75% of local government employers opt-out, and that 50% of the employees of those opt-out employers enroll in FAMLI.

Higher opt-out rates for local governments lead to lower projected assets. If 100% of local governments opt-out, the program remains solvent through SFY32, but assets will be about 9.4% ($126,000,000) lower than for the Baseline Projection.

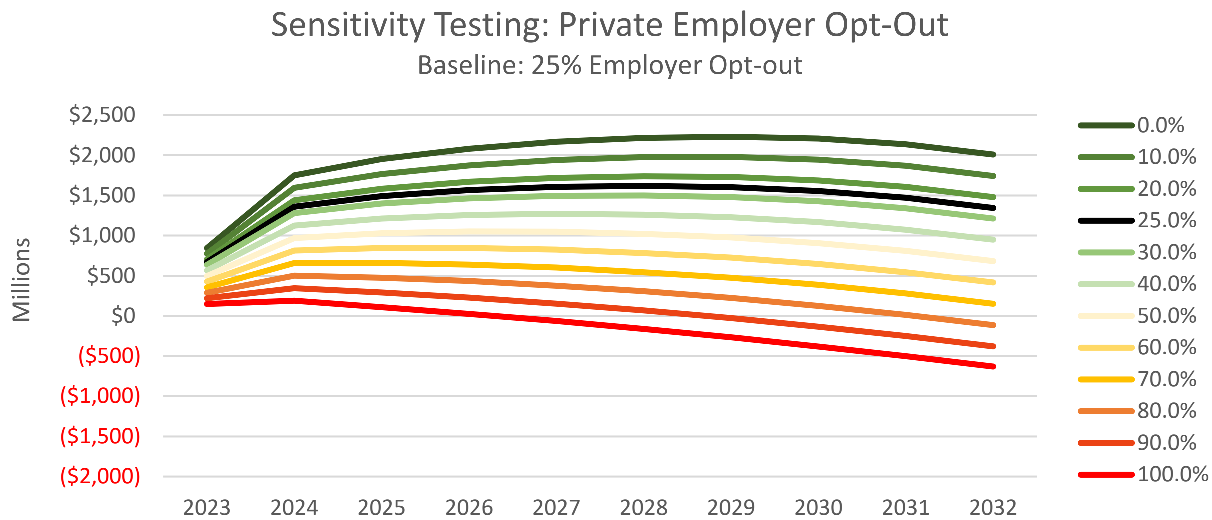


Private Employer Participation

In addition, the Program could be challenged if a large number of private employers establish their own programs and FAMLI approves their opt-out requests.

The Baseline Projection assumes that 25% of private employers qualify to opt-out of FAMLI.

At higher opt-out rates, the program's solvency can be challenged. If 100% of private employers qualify to opt-out, then the program would reach insolvency within three years of paying claims, or 2027. This is because the local government and private employers represent about 9% and 80% of employees respectively. Without the private employer population, the proportion of covered lives for which the program only collects 0.45% of salaries (i.e., self-employed individuals and local government employees whose employer has opted out) increases significantly.



Local Government and Private Employer Participation

Participation by Private employers is a risk for the FAMLI program if the availability for qualifying private plans at a lower cost improves over time. Private insurance companies are currently developing products to file for approval in the State of Colorado and once approved, will market to both local government and private employers. In the early years of the program, there may not be a significant number of private plans available that would cause private employer participation rate to drop below 40%. Monitoring of private plan availability and participation rates is recommended.

The following table shows the projected SFY when the program becomes insolvent for different combinations of private and local government employer participation rates.

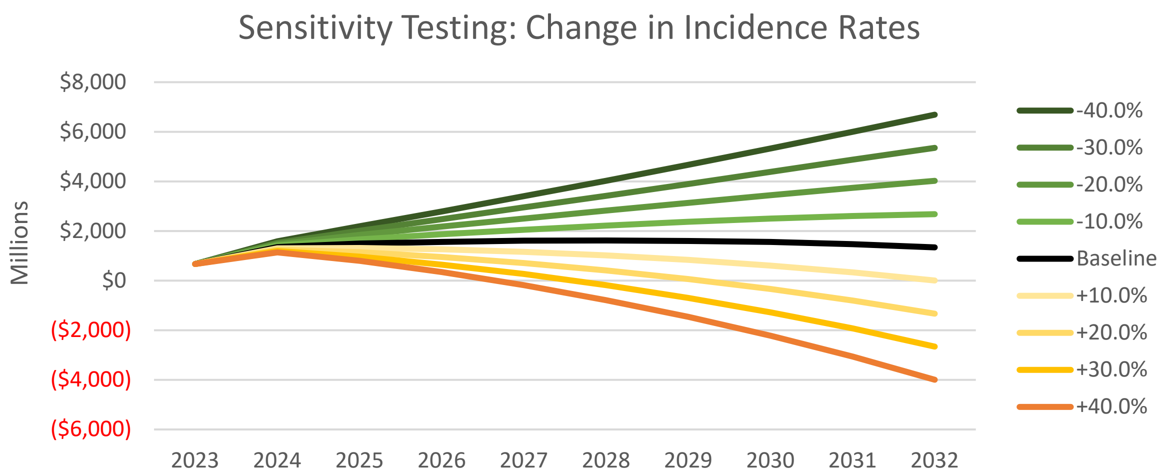
Local Government Employer Participation Rate	Private Employer Participation Rate										
	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
100%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2030
90%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2032	2029
80%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2032	2029
70%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2031	2028
60%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2031	2028
50%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2030	2028
40%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2032	2030	2027
30%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2032	2029	2027
20%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2031	2029	2027
10%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2031	2029	2026
0%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2031	2028	2026

Benefit Incidence Rates and Duration

A clear element of risk to the program would be benefit payments exceeding assumed rates, either due to an increased level of incidence rates, or in the length of the benefit period. The rates of both may increase during times of economic uncertainty, particularly for hourly and service industry workers.

The following shows the impact of incidence rates varying from our assumptions by -40% to +40%. While any decrease in claim rates improves the solvency projection, an increase in claim incidence rate by 20% will result in a need to increase premiums before the plan becomes insolvent in 2030.

Similarly, a 40% higher claim rate results in a negative fund balance by the end of SFY 2027.

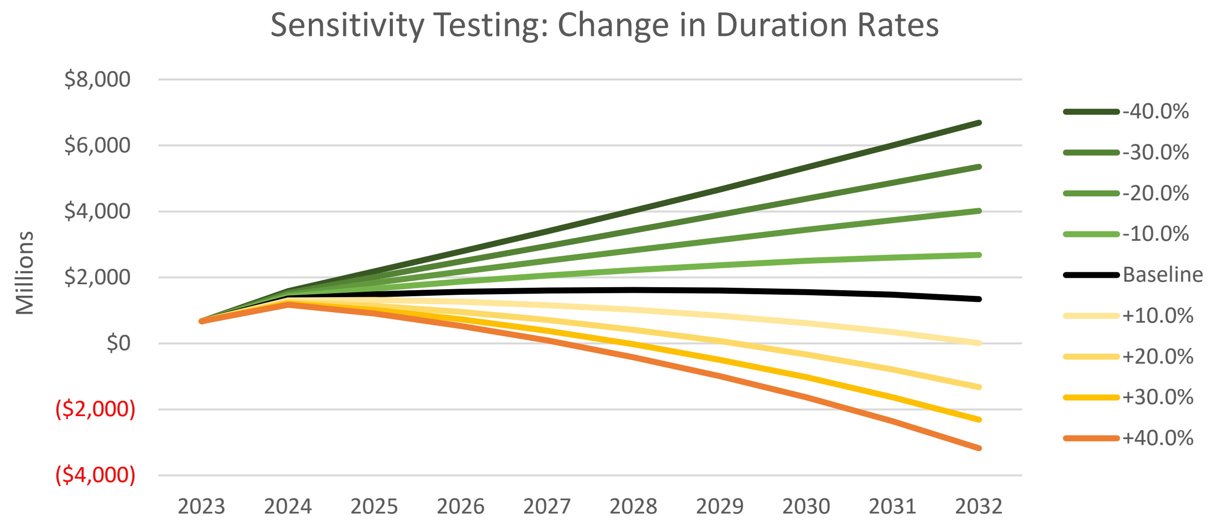


The table below shows the assumed incidence rates for certain scenarios.

	Newborn Child Care	Care for Yourself	Care for Family Member	Prep for Military Deployment	Immediate Safety Risk
-20%	1.60%	3.2%	0.40%	0.00%	0.06%
-10%	1.80%	3.6%	0.45%	0.01%	0.07%
Baseline	2.00%	4.00%	0.50%	0.01%	0.08%
+10%	2.20%	4.40%	0.55%	0.01%	0.09%
+20%	2.40%	4.80%	0.60%	0.01%	0.10%

The following shows the impact of a variation in benefit period duration assumptions by -40% to +40%. While results are sensitive to variations in average duration, claim incidence rates have the greatest impact on program solvency.

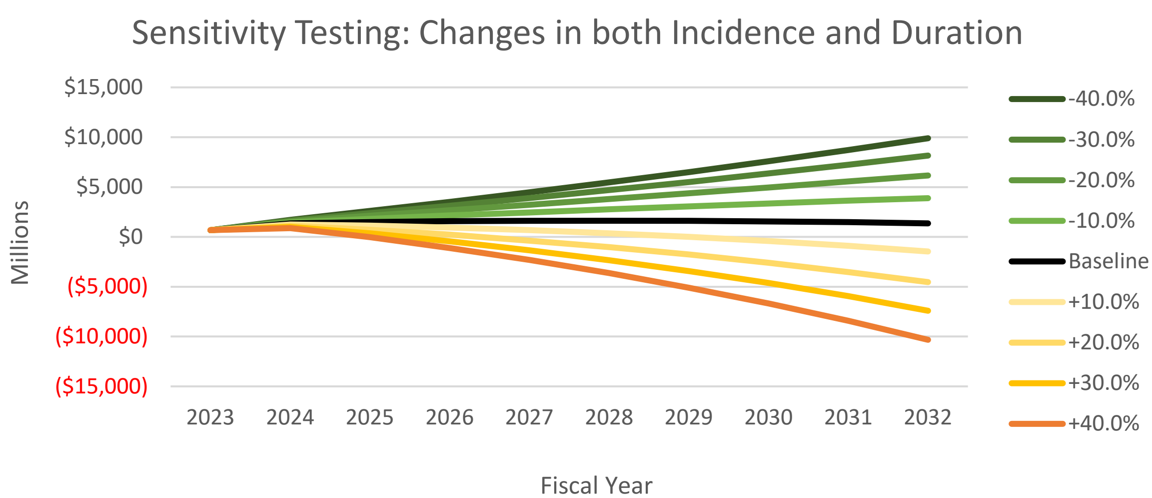
With a 10% increase in average duration, the plan remains solvent through 2032. However, with a 20% increase in average duration, insolvency is expected by 2030.



The table below shows the assumed duration rates in weeks for certain scenarios.

	Newborn Child Care	Care for Yourself	Care for Family Member	Prep for Military Deployment	Immediate Safety Risk
-20%	8.16	6.64	6.64	2.40	3.00
-10%	9.18	7.47	7.47	2.70	3.38
Baseline	10.20	8.30	8.30	3.00	3.75
+10%	11.22	9.13	9.13	3.30	4.13
+20%	12.24	9.96	9.96	3.60	4.50

If both the incident rates and duration exceed our assumptions by 40%, then program solvency will be challenged immediately. This is considered to be an unlikely situation but given that the contribution rate as a percentage of salary is fixed at 0.90% for both 2023 and 2024, actual results for these assumptions will need to be monitored closely as experience begins in January 2024.



Frequency and duration of claims combine to determine the total benefit payments. Since program solvency is sensitive to how experience may deviate from the assumptions CDLE should constantly monitor for deviations from expected assumption rates.

As illustrated below, the FAMLI program is expected to remain solvent over the next 10 years with claim frequency rates below expected levels, even if most or all claimants utilize the maximum 12-week benefit duration. In contrast, if frequency of claims is greater than expected, the plan's solvency will be at risk within the 10-year period requiring the contribution rate of 0.90% of salary to be increased.

The following table shows the projected SFY when the program becomes insolvent for different combinations in variance in claim incidence rates and duration.

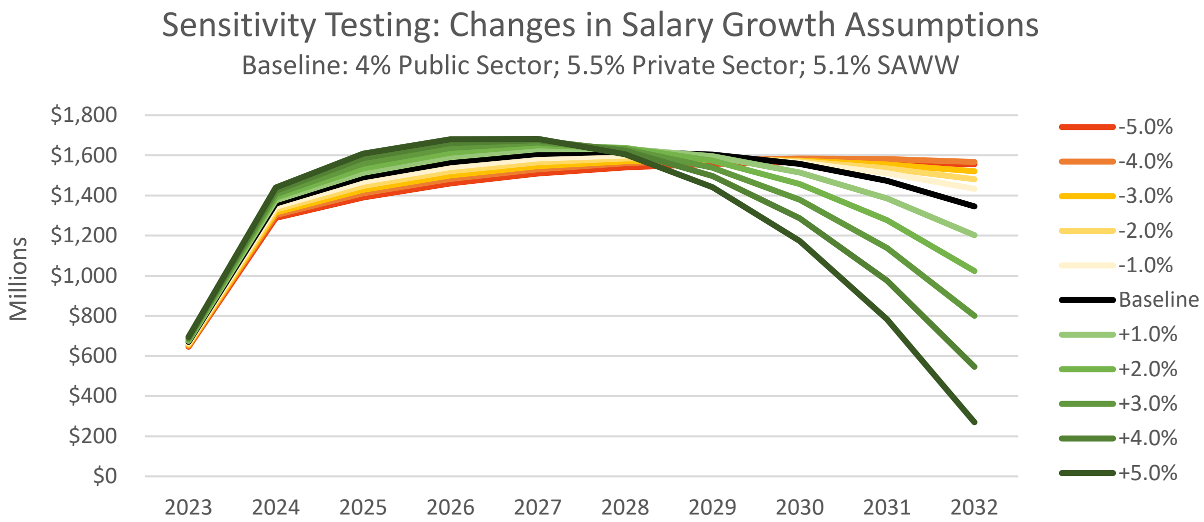
		Duration of Claims									
		-40%	**-30%**	**-20%**	**-10%**	**Baseline**	**+10%**	**+20%**	**+30%**	**+40%**	**MAX**
Frequency of Claims	**-40%**	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032
	-30%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032
	-20%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032
	-10%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2031	2030	2029
	Baseline	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2030	2029	2028	2027
	+10%	Post 2032	Post 2032	Post 2032	Post 2032	Post 2032	2030	2028	2027	2027	2027
	+20%	Post 2032	Post 2032	Post 2032	Post 2032	2030	2028	2027	2026	2026	2026
	+30%	Post 2032	Post 2032	Post 2032	2031	2028	2027	2026	2026	2026	2026
	+40%	Post 2032	Post 2032	2032	2029	2027	2026	2026	2026	2025	2025

Salary Growth

Although salary is a significant component to the FAMLI program financials, aggregate revenues and benefit payments are positively correlated when modeling various scenarios. Reductions in salary reduce both contributions and benefit payments and vice versa. However, the risk associated with different rates of salary increases arises when salary levels exceed expectations because this results in a greater increase in benefit payments than in premium revenue.

For example, in 2028, for every 1% increase in the annual salary growth assumption, revenue increases by $63.8 (+4%) while benefits increase by $72.4M (+4.7%). This is because revenue for each employee is capped at an amount established annually by the federal social security administration for the OASDI program while benefits continue to grow with the State Average Weekly Wage.

The following shows the impact of deviations in the baseline salary assumptions between -5% and +5%.



The table below shows the assumed 2026 – 2032 salary growth rates for certain scenarios. (Note that modeling assumes that short term salary growth rates will be 2% higher than those shown below, reduced by 0.5 basis points per year until the ultimate growth rates are achieved.)

	State Government	Local Government	Private Employer	Self-Employed
+3%	+7%	+7%	+8.5%	+8.5%
+2%	+6%	+6%	+7.5%	+7.5%
+1%	+5%	+5%	+6.5%	+6.5%
Baseline	+4%	+4%	+5.5%	+5.5%
-1%	+3%	+3%	+4.5%	+4.5%
-2%	+2%	+2%	+3.5%	+3.5%
-3%	+1%	+1%	+2.5%	+2.5%

The following table shows the impact on assets and year of insolvency for experience deviating from our assumptions by -50% and +50%. This provides a uniform comparison of the assumptions' sensitivity.

Assumption	Range	2032 Fund Balance ($000,000s)	SFY of Insolvency
Local Government Employer Participation Rate	12.5% - 37.5%	$1,412 / $1,279	Post 2032
Private Employer Participation Rate	62.5% - 87.5%	$1,014 / $1,677	Post 2032
Incidence Rates	Varies	$8,025 / ($5,332)	Post 2032 / 2027
Duration	Varies	$8,027 / ($3,578)	Post 2032 / 2027
Salary Trend Rate & SAWW	2% - 6% Government 2.75% - 8.25% Private 2.6% - 7.7% SAWW	$1,472 / $916	Post 2032
Interest Income	0.0125% - 0.0375%	$1,344 / $1,347	Post 2032

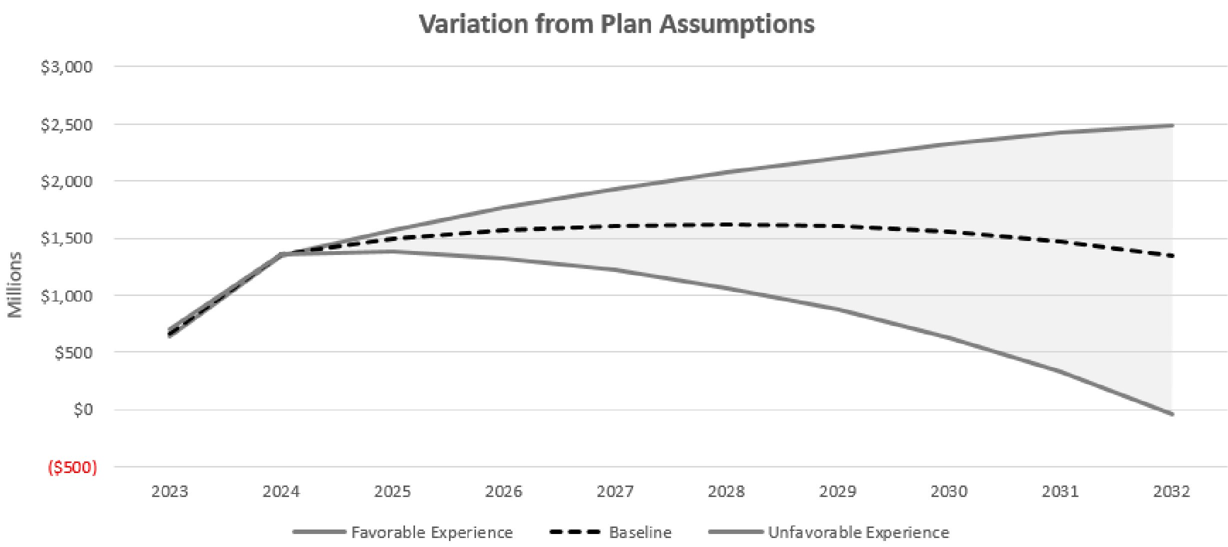
Overall results are the most sensitive to the assumptions for Incidence Rates and Benefit Duration.

Scenario Modeling

While it is informative to review the potential impact of experience varying from assumptions for a single variable, the more likely scenario is that experience for some assumptions will be favorable, and experience for other assumptions will be unfavorable.

Scenario modeling enables us to model variations to multiple assumptions simultaneously. The result is a range in potential outcomes and the ability to review the likely downside risk. In other words, we can determine a range of likely outcomes that are more favorable, and less favorable, than the Baseline Projection.

The following graph illustrates a likely range of variance from the Baseline Projection due to experience, in aggregate, varying on an annual basis. While the downside of this variance indicates the program could be insolvent in 2032, it is much more likely that experience will track closer to the Baseline Projection. Similarly, if overall experience is consistently favorable, it is much more likely for that experience to track close to the Baseline Projection.



Comments and Considerations

Under the Baseline Projection the Plan is expected to remain solvent through 2032. However, there are additional funding needs that CDLE should consider.

Reserves

There will be annual variances in claims and revenue, and it is prudent to maintain assets in reserve in anticipation of adverse experience. Maintaining adequate assets should enable CDLE to manage the program with premiums at the lowest possible levels and managed well over time avoiding sharp increases.

Solvency Reserves

The purpose of a solvency reserve is to absorb unexpected and temporary adverse fluctuation in overall claims. The reserve helps stabilize annual changes in premium levels. Many plans utilize a minimum funding level target, but this can result in differences in views when determining when a plan is overfunded and how much of the "overfunding" is "excess".

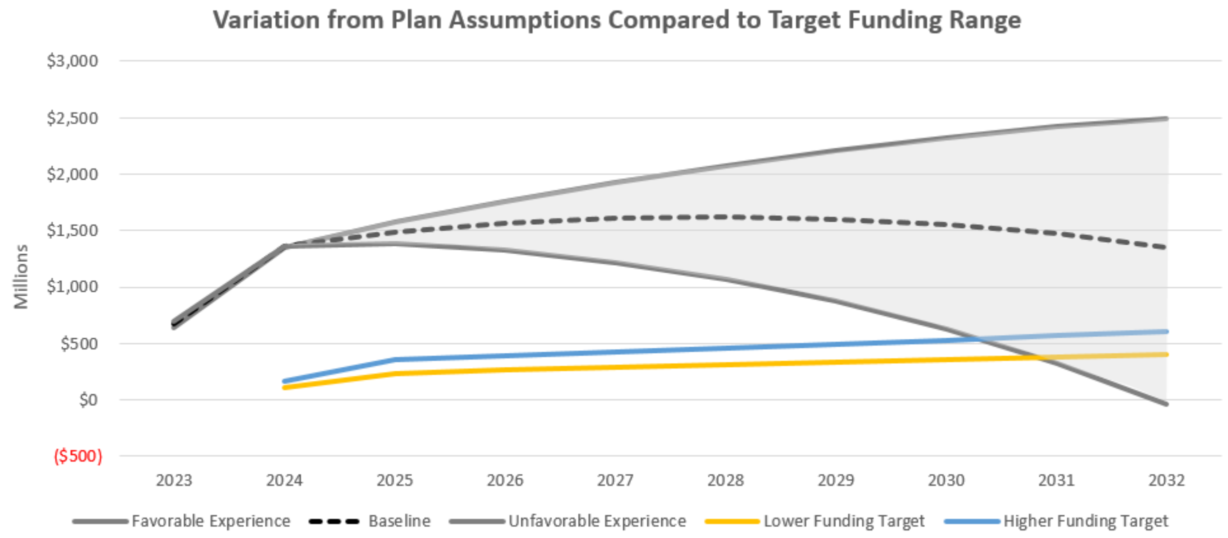
In our experience, plans benefit from a reserving policy that utilizes a Target Funding Range, rather than a minimum. Having a defined higher end of the Target Funding Range can provide a commonly defined threshold for when policies could be considered to spend-down assets, and to what level.

Segal also recommends that the Target Funding Range be defined as a function of metrics that are defined annually, enabling the Range to be adjusted as plan expectations evolve over time.

Our recommendation for the FAMLI Plan is to maintain assets between 20% - 30% of projected incurred annual claims. As long as premiums track close to expenses, this should provide solvency protection and stability, as well as enable CDLE to manage the program with a long-term focus.

The Baseline Projection indicates that assets will remain above the Target Funding Range through 2032. Although there is a spend-down anticipated in the later years, which would likely result in assets being close to the Target Funding Range by 2035-40.

There is a possible scenario where experience is consistently unfavorable. Under this scenario, assets decline beginning in SFY25, but remain above the lower end of the Target Funding Range until SFY31.



Open Claim Reserves

At any given time, there will be claims that are in payment status and it is prudent to maintain reserves for these claims until they are closed. It is our recommendation that CDLE engage an actuary to estimate the Open Claim Liability annually each June 30.

Incurred But Not Reported (IBNR) Claim Reserves

At any given time, there will be claims that have been submitted, but have not yet been processed, approved and in payment status. For example, there may be a birth on June 30, but the claim may not appear on an open claims report until sometime in July. It is our recommendation that CDLE engage an actuary to estimate the Open Claim Liability annually each June 30.

Estimated incurred claims include paid claims, IBNR claims and open claims in progress. Therefore, maintaining assets within a Target Funding Range of 20% - 30% of estimated incurred claims will result in assets covering the expected claim liability, as well as providing an additional 20-30% margin to manage expected fluctuation.

Excess Reserves

Sharing experience gains with covered participants is a common practice with mutual insurance companies, where policyholders contribute towards funding a set risk margin and then share in dividends in the event the margin is not fully utilized.

FAMLI could consider a similar approach to share excess reserves with contributing employees. Care should be exercised, however, so that assets are not disbursed in a manner that results in a premium increase. Experience gains should only be shared as long as future premiums and benefits can remain stable.

FAMLI should consider establishing parameters that enable such a disbursement. For example, if current premiums are anticipated to cover projected expenses (fund balance is anticipated to grow) for the subsequent three years and remain above the higher end of the Target Funding Range, then Plan management can have the option to authorize a disbursement. Disbursements should be limited such that remaining assets are maintained at, or above, the higher end of the Target Funding Range. Disbursements to employees should not exceed a given percentage of each employee's premium payments for the specified time period. FAMLI should calculate an equitable maximum percentage, such as 50% of premium contributions, once it has determined the aggregate dollar amount of disbursements.

An equitable and easy to employ methodology for determining the amount of the disbursement for each covered employee would be to allocate based on actual premium paid in the prior year and limited to the premium amount paid by each employee.

We recommend that no disbursements be made until at least two years after assumptions are established based on FAMLI specific experience. Additionally, any disbursements should be discretionary and not formulaic to enable Plan management to account for unforeseen circumstances, such as a pandemic or anticipated economic downturn.

In the event the program generates excess reserves, there are a number of approaches that FAMLI may consider sharing the results of the favorable experience with employees:

- **Direct payments:** Direct payments to employees is one option to refund excess premiums. While this may be the most straightforward approach, tax implications may vary by employee and circumstance.
  - Advantages include:
    1. Favorable publicity if amounts are significant (i.e., welcomed surprise)
    2. Adjusts net employee premiums to be better aligned with program costs
  - Considerations include:
    1. Unfavorable publicity if amounts are significant (i.e., Premiums are too high to begin with)
    2. Cost of administration (i.e., postage, envelopes, administrative effort in calculating refunds and checking final amounts)
    3. Risk of incorrect/unknown mailing addresses for recipients resulting in unclaimed payments
    4. Cost of postage may exceed the amount of refund in some instances, which may generate "bad publicity"
- **Premium reductions:** While this approach is likely to spend down reserves, it often results in the need for future premium increases, which may not be desirable.
  - Advantages include:
    1. Favorable publicity so long as the premium reduction is not followed by a more significant increase the following year.
    2. Adjusts net premiums to be better aligned with program costs
  - Considerations include:
    1. May be followed by premium increases if reduction was too high.
    2. Reduces employer premiums as well and the impact to employees will be reduced compared to other approaches that are directed towards employees

- **Premium holidays:** Provides temporary premium, potentially for both employers and employees. This has the benefit of not setting the stage for a future increase but may be operationally challenging.
  - Advantages include:
    1. Positive publicity
    2. Adjusts revenue to better align with expenses
  - Considerations include:
    1. May be complicated to administer for a large number of individual employers and direct pay employees (self-employed, individual public sector opt-in employees)
    2. Reduces employer premiums as well and the impact to employees will be reduced compared to other approaches that are directed towards employees
- **Direct contributions to tax sheltered accounts:** Refunding excess premiums or reserves directly to employees' tax-sheltered accounts may be operationally challenging, as there may be a range of account types (Health Savings Accounts, Flexible Spending Accounts, Retirement Accounts, Tuition Savings Plans (529 Plans), etc. There may also be varying eligibility requirements, especially for Health Savings Accounts that require the employee to be enrolled in a specific type of health plan (an IRS regulated High Deductible Health Plan) and come with annual contribution limits. Health Reimbursement Arrangements are not likely a viable option since these are notional accounts and the only permissible contributions are employer contributions. There are also a range of potential tax consequences that can vary by account type.
  - Advantages include:
    1. Adjusts net employee premiums to better align with expenses
  - Considerations include:
    1. Administrative fees paid to third party administrator
    2. No single account solution would cover all covered employees
    3. Likely necessary to provide direct disbursements in some select instances
    4. Employees without existing accounts will need to establish new accounts and incur administrative costs to maintain accounts with limited balances in some instances
    5. Operational challenges surrounding eligibility rules or IRS requirements for some accounts
    6. Coordination with other parties administering accounts employees may have could be challenging
- **Provide additional benefits:** Another option could be to provide paid-up, portable, individual policies for life insurance or other safety net insurance coverages. State issued bonds may also be an option. Of course, tax implications here may vary by approach and employee circumstances.
  - Advantages include
    1. Provides additional safety net benefits to employees
  - Considerations include:
    1. Need to contract with insurer to support unique program with policies with low face values
    2. Employees may not appreciate the value as much as a direct disbursement

3. Likely necessary to provide direct disbursements in some select instances

FAMLI could also establish a means for employees to select from a range of options (direct payment, Health Savings Account, qualified retirement account, etc), perhaps via a member portal where the appropriate account information could be provided. This could potentially streamline FAMLI's administrative efforts for processing disbursements but increase data storage and security requirements.

Segal can assist with further explorations of any of these potential approaches.

Data Collection and Reporting

Since the assumptions for this analysis were developed before the program goes into effect, the assumptions are based on a review of experience in similar programs in other states as well as industry data and practices.

It will be important to monitor experience relative to these assumptions and to consider if subsequent actuarial analyses should utilize updated assumptions to more closely reflect program experience.

We recommend quarterly reporting to monitor claims prevalence, duration, and costs against these projections. Claims expenses should be tracked by:

- Type of benefit (maternity, family leave, etc)
- Duration (frequency by number of weeks)
- Type of claim (open, closed, pending)
- Employee category (private employer, private, State Government, Local government, Local Government employee opting in after employer opts-out self-employed)
- NAICS code(s)
- Average weekly benefit
- Total Benefit paid to date

Premium revenue should be tracked by:

- Employer (split into employer and employee)
- Employer category (private, State Government, Local government, Local Government employee opting in after employer opts-out, self-employed)
  - Including NAICS code
- Employee category (private, State Government, Local government, Local Government employee opting in after employer opts-out self-employed)

Additionally, detailed data should be collected and stored to enable FAMLI staff (and potentially vendors) to review detailed experience as necessary. Employee data should include:

- SSN or other unique identifier (used to track an employee over time across one or more employers)
- Gender
- DOB or Age
- Effective date of coverage
- Coverage termination (should track multiple coverage periods if data system supports this approach)
- Employer(s)
- Employer category (private, public, public employee opting in after employer opts-out, self-employed)
- Industry
- County or zip code
- Salary
- Hourly/Salaried indicator
- Claims activity
  - SSN or ID (to enable matching back to census data)
  - Start and end dates
  - Duration of absence
  - Claim type (open, closed, pending)
  - Type of benefit (maternity, family leave, etc)
  - Weekly benefit
  - Total benefit

FAMLI staff may find it helpful to record and track operational data and statistics on such items as:

- Call volume (by hour, day, etc)
- Call reason (file a claim, check on claim, benefit/coverage question, etc)
- Representative that took the call
- Speed to answer
- Call resolution
- Call duration
- Employee satisfaction
- Appeals
  - Type of benefit
  - Reason for appeal
  - Outcome
  - Length of time to rule on appeal
  - Second level, or additional, appeals
  - Open vs. resolved appeals

Segal can assist in developing a data and reporting structure as well as provide appropriate industry performance benchmarks.

Appendix A: Plan Benefits

Qualifying Events

Benefits under the FAMLI Program may be paid to a participating employee with job protection due to any of the following qualifying events:

- To care for a new child during the first year after the birth, adoption, or placement through foster care of the child;
- To care for their own serious health condition;
- To care for a family member with a serious health condition;
- When a family member is on active-duty military service or being called to active-duty military service; and
- When the individual or the individual's family member is a victim of domestic violence, stalking or sexual assault.

Benefit Rates

Weekly benefit payments are based on both the eligible participant's average weekly wage and the State Average Weekly Wage (SAWW), which is published by the Colorado Department of Labor annually. For 2021, the average annual salary in Colorado was $62,900 which equates to a SAWW $1,210. In May, 2022, the Colorado Division of Worker's Compensation issued a report that set the FY2023 SAWW to $1,350.55.

$$\text{Weekly Benefit} = 0.90 \text{ x MIN [Weekly Wage, 50\% of SAWW]} + 0.50 \text{ x MAX [\$0, Weekly Wage – 50\% of SAWW]}$$

	Actual	Annual Trend Assumption
FY 2023 State Average Weekly Wage (SAWW)	$1,350.55	5.1%
2024 Maximum Weekly Benefit	$1,100	90% of SAWW
Benefit Replacement Ratio (below SAWW)	90%	N/A
Benefit Replacement Ratio (above SAWW)	50%	N/A

Appendix B: Assumptions

Employee and Population Growth

The Bureau of Labor and Statistics reported that there was a total of 2.69M employees in the State of Colorado in calendar year 2021. Published data includes employee count by state, industry, and ownership type (i.e., Federal, State or Local Government versus private industry). While there are no published statistics on the number of self-employed individuals in Colorado, we assumed that this group is 10% of the total workforce.

Overall employee population growth rates are assumed to follow population projections published on the Colorado Information Marketplace by the Department of Local Affairs.

Owner Type	2021 Baseline	Distribution
Federal Government	54,151	1.8%
State Government	107,727	3.7%
Local Government	250,188	8.5%
Private (< 10 EEs)	384,491	13.1%
Private (≥10 EEs)	1,894,179	64.5%
Self-Employed	244,612	8.3%
Total	**2,881,197**	100.0%

Calendar Year	Annual Growth Rate
2022	1.2%
2023	1.2%
2024	1.2%
2025	1.3%
2026	1.3%
2027	1.3%
2028	1.2%
2029	1.2%
2030	1.2%
2031	1.1%
2032	1.1%
2033	1.0%
2034	1.0%
2035	0.9%

Employer Growth

The Bureau of Labor and Statistics reported that there was a total of 229,000 employers in the State of Colorado in calendar year 2021. This represents a 3.9% increase of 2020 levels, or 5.0% growth in the private sector.

Owner Type	2021 Baseline	Distribution	Annual Growth Assumption
Federal Government	1,196	0.50%	0%
State Government	724	0.30%	0%
Local Government	1,533	0.70%	0%
Private (< 10 EEs)	181,949	79.3%	0%
Private (≥10 EEs)	44,053	19.2%	0%
Total	**229,455**	**100%**	

Average Annual Salary

The Bureau of Labor and Statistics publishes aggregate and average annual salary information by state, industry, and ownership type. Historical data between 2017 and 2021 was used to set baseline and salary growth assumptions by industry. During that time period, salaries of State and Local Government employees grew between 3.5% and 7.5% while salaries of private sector employees grew between 3.5% and 8.25%.

Owner Type	2021 Baseline	2022	2023	2024	2025	2026+
State Government	$73,713	6.0%	5.5%	5.0%	4.5%	4.0%
Local Government	$56,922	6.0%	5.5%	5.0%	4.5%	4.0%
Private (< 10 EEs)	$66,458	7.5%	7.0%	5.5%	5.5%	5.5%
Private (≥10 EEs)	$70,397	7.5%	7.0%	5.5%	5.5%	5.5%
Self-Employed	$70,629	7.5%	7.0%	5.5%	5.5%	5.5%
Average	**$68,845**					

Participation Rate

Federal Government employers and employees were excluded from the analysis.

All (100%) State Government employers and employees are included in the analysis.

Both Local Governments and Private employers may opt out of the Colorado FAMLI program if the employer can demonstrate that it offers comparable coverage to its employees. Employees of those Local Government employers that do opt out of the FAMLI program may elect to enroll in the FAMLI program as an individual participant with no employer sponsor. Employees of Private employers who opt out of the FAMLI program may not elect to enroll in FAMLI as an individual participant.

The baseline model uses the following assumptions for employer participation in 2023.

	Federal Government	State Government	Local Government	Private	Self-Employed
Employer Participation Rate	0%	100%	25%	75%	N/A
Employee Participation Rate					
Employer Opt-in	0%	100%	100%	100%	10%
Employer Opt-out	N/A	N/A	50%	0%	

Although a Local Government may elect FAMLI Program coverage following a previous declination, approval is subject to a vote of the governing body and participation must be aligned with the entity's budgeting cycle. For the purposes of the baseline projection, the modeling assumes that once an employer opts out of the program, the opt-out remains in place through the end of the projection period. This implies that Local Government employers who opt out renew their opt-out status at least every eight (8) years per 7 CCR 1107-2.5 subsection C.

Employer and Employee Contribution Rates

Initial premium contributions to the FAMLI program are equal to 0.9% of salary, subject to a minimum salary of $2,500 and a maximum salary equal to the taxable maximum salary established by the Social Security Administration's OASDI program. The current maximum for 2023 is $160,200. Employers and employees each contribute 50% of the total premium requirement.

Owner Type	Employer Contribution Rate	Employee Contribution Rate	Total Contribution Rate
State Government	0.45%	0.45%	0.90%
Local Government			
Employer Opt-In	0.45%	0.45%	0.90%
Employer Opt-Out	0.00%	0.45%	0.45%
Private			
Employer Opt-In (< 10 EEs)	0.00%	0.45%	0.45%
Employer Opt-In (≥10 EEs)	0.45%	0.45%	0.90%
Employer Opt-Out	0.00%	0.00%	0.00%
Self-Employed Individuals	0.00%	0.45%	0.45%

	2023	2024	2025	2026+
OASDI Taxable Maximum Trend	4.0%	3.5%	3.0%	2.5%
State Average Weekly Wage Trend	6.1%	5.6%	5.1%	5.1%

Participating employers with less than 10 employees are not required to contribute the employer portion of the premium.

HB1133 provided initial funding for the FAMLI program in the amount of $57 million as an advanced payment of premiums for state employee coverage. The program is required to credit the state employer premium accounts annually beginning January 1, 2023 until the account has a zero dollar balance. The projections included in this analysis assume the initial $57 million was received on July 1, 2022 and credits to the projected State Government employer premiums each year until the credit amount is returned to zero.

Beginning in calendar year 2025, the director may increase the overall contribution rate based on the formula shown and subject to a maximum rate of 1.2% of salary:

$$\text{Premium Rate} = \text{MIN}\ [(1.35 \text{ x Benefits} + 1.0 \text{ x Admin} - \text{Net Assets}) \ / \ \text{Salary Base}\ , 1.20\ ]$$

Initial premium contributions to the FAMLI program are equal to 0.9% of salary, subject to Investment Income

Investment income is assumed to be 0.025% of the average cash balance per year.

Claim Incidence Rates

Benefits under the FAMLI Program may be paid to a participating employee with job protection due to any of the following qualifying events:

- To care for their own serious health condition;
- To care for a family member with a serious health condition;
- To care for a new child during the first year after the birth, adoption, or placement through foster care of the child;
- When a family member is on active-duty military service or being called to active-duty military service; and
- When the individual or the individual's family member is a victim of domestic violence, stalking or sexual assault.

Leave of Absence Type	2024
Birth or adoption of child	2.00%
Care for yourself	4.00%
Care of family member	0.50%
Active-duty military deployment	0.01%
Domestic violence	0.08%

Rates for subsequent years are expected to increase by the following rates. For example, the 2024 assumed rate of claims due to the need to care for oneself would be:

4.00% x 1.03 = 4.12%

Year	Birth or adoption of child	Care for yourself	Care for family member	Active-duty military deployment	Domestic violence
2024	3.00%	3.00%	3.00%	1.50%	1.50%
2025	2.50%	2.50%	2.50%	1.25%	1.25%
2026	2.00%	2.00%	2.00%	1.00%	1.00%
2027	1.50%	1.50%	1.50%	0.75%	0.75%
2028 and beyond	1.00%	1.00%	1.00%	0.50%	0.50%

Claim Duration Rates

The maximum duration of paid leave under the Colorado FAMLI Program is 12 weeks with an additional four (4) weeks available for complicated pregnancies.

Leave of Absence Type	2024
Birth or adoption of child	10.20
Care for yourself	8.30
Care of family member	8.30
Active-duty military service	3.00
Domestic violence	3.75

Administrative Expenses

Administrative expense projections were provided by CDLE for SFY 2023 through SFY 2027. Expenses include salaries and benefits for 349 full- time employees and other operating expenses. Beyond SFY 2027, the following growth rates were assumed:

Expense Type	Annual Growth Rate
Personnel Service Expenses	3.0%
Operating Expenses	2.0%

Administrative Fees

A $500 application fee is assumed to be charged for each private employer that opts-out.

Additionally, an ongoing fee may be charged to opt-out employers. In accordance with C.R.S. 8-13.3-521(7), in addition to the initial application fee, starting in the first calendar quarter of 2025, an employer with an approved private plan may be required to pay the Division an annual maintenance fee to cover amounts expended by the division for costs arising out of the prior year's administration of private plans.

The Division will calculate each employer's maintenance fee based on costs arising out of the administration of the employer's private plan and will notify the employer of the annual maintenance fee amount and its due date.

This ongoing has yet to be determined. For conservatism, this initial assumes a $0 maintenance, which will then be updated in future analyses once a policy has been finalized.

Appendix C: Supporting Exhibits

Projection of Number of Claimants by Leave of Absence Type

Fiscal Year	Newborn Child Care	Care for Yourself	Care for Family Member	Prep for Military Deployment	Immediate Safety Risk	Total
2024	20,588	41,174	5,148	57	822	67,788
2025	41,938	83,876	10,483	114	1,663	138,073
2026	43,380	86,760	10,841	116	1,699	142,794
2027	44,641	89,281	11,159	119	1,727	146,925
2028	45,839	91,679	11,460	121	1,759	150,857
2029	46,968	93,933	11,741	123	1,794	154,558
2030	47,996	95,988	11,998	124	1,824	157,928
2031	49,023	98,046	12,256	127	1,851	161,302
2032	50,048	100,097	12,510	131	1,881	164,666

Projection of Benefit Payments by Leave of Absence Type

Amounts shown in $000s

Fiscal Year	Newborn Child Care	Care for Yourself	Care for Family Member	Prep for Military Deployment	Immediate Safety Risk	Total
2024	$194,190	$316,022	$39,508	$157	$2,851	$552,727
2025	$416,546	$677,911	$84,725	$331	$6,071	$1,185,584
2026	$463,062	$753,623	$94,167	$361	$6,665	$1,317,879
2027	$499,930	$813,619	$101,692	$389	$7,110	$1,422,740
2028	$538,606	$876,574	$109,577	$418	$7,595	$1,532,770
2029	$579,034	$942,325	$117,781	$445	$8,128	$1,647,714
2030	$620,840	$1,010,355	$126,289	$471	$8,672	$1,766,627
2031	$665,303	$1,082,745	$135,339	$507	$9,236	$1,893,131
2032	$712,690	$1,159,879	$144,954	$545	$9,843	$2,027,910

Projection of Paid Claims Cash Flow

Fiscal Year	Incurred Claim Projection	2024	2025	2026	2027	2028	2029	2030	2031	2032
2024	$552,727	$442,182	$110,545							
2025	$1,185,584		$948,468	$237,117						
2026	$1,317,879			$1,054,303	$263,576					
2027	$1,422,740				$1,138,192	$284,548				
2028	$1,532,770					$1,226,216	$306,554			
2029	$1,647,714						$1,318,171	$329,543		
2030	$1,766,627							$1,413,301	$353,325	
2031	$1,893,131								$1,514,504	$378,626
2032	$2,027,910									$1,622,328
Estimate of Paid Claims		**$442,182**	**$1,059,013**	**$1,291,420**	**$1,401,768**	**$1,510,764**	**$1,624,725**	**$1,742,844**	**$1,867,830**	**$2,000,954**

Assumes 80% of claims are incurred and fully paid during the fiscal year; 20% of claims remain open and carryover into the next fiscal year.

Projection of Open Claims at End of Fiscal Year

Fiscal Year	Incurred Claim Count	2024	2025	2026	2027	2028	2029	2030	2031	2032
2024	67,788	55,230	13,558							
2025	138,073		110,458	27,615						
2026	142,794			114,235	28,559					
2027	146,925				117,540	29,385				
2028	150,857					120,686	30,171			
2029	154,558						123,646	30,912		
2030	157,928							126,342	31,586	
2031	161,302								129,041	32,260
2032	164,666									131,732
Estimate of Paid Claims		**55,247**	**125,070**	**141,921**	**146,161**	**150,130**	**153,873**	**157,304**	**160,677**	**164,043**

Assumes 80% of claims are incurred and fully paid during the fiscal year; 20% of claims remain open and carryover into the next fiscal year.