Advisory Committee Meeting

January 26, 2022
Agenda

- Introductions
- Trust fund projections
- Advisory Committee engagement
- Open comment and adjourn
Meeting structure

• Advisory Committee and the presenters will be unmuted during the meeting, until open comment.
• We will accept comments from the public only during the open comment period.
• Comments and questions in the chat will not be reviewed as part of the meeting structure, rather:
  • Open comments will be taken at the end of the meeting.
  • Please frame your questions as a comment.
  • “Raise your hand” if you have a comment.
  • The meeting host will unmute individual line to allow for the open comment.
Introductions

• Advisory Committee

(Note: We will use the Zoom feature to identify who is on the phone rather than announcing during meeting)
Commissioner comments

Cami Feek
Budget update

• Started closer monitoring of fund balance last August / September due to increases in benefit claims and apparent trends in fund balance.

• Moved from quarterly to weekly projections to fully understand potential impact on cash.

• Requested additional funds to establish a reserve (from one to three months of expenditures).

• Current projections are limited in that there are only two years of benefit and revenue data and the trends in usage may have been affected by the Covid pandemic.

• Developed staffing model and requested FTE authority to deal with increased claims and improve customer response time (128.5 FTE).
Current state of the trust fund

• Balance (as of Jan. 22, 2022) is $78.7 million, which equals about the last four weeks of payments.

• Governor’s proposed 2022 budget included General Fund-State funding to be used in the event the fund balance is in a deficit.

• Governor’s budget also included funding to contract with an actuary.

• 0.6% premium rate taken from paychecks in January, but collections will not begin until April 2022.

• Current rate structure is problematic in that it is set on cash available at a particular date with no provision for a reserve.

• Average monthly benefits have been growing consistently.

• A cash deficit is currently projected in early spring.

• Little historical data, and what we have is during the pandemic.
Premiums, benefits, admin, and fund balance by quarter

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<tbody>
<tr>
<td>Benefits</td>
<td>$58.1</td>
<td>$178.7</td>
<td>$177.0</td>
<td>$196.9</td>
<td>$188.7</td>
<td>$217.2</td>
<td>$247.6</td>
<td>$264.0</td>
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<tr>
<td>Premiums</td>
<td>$72.0</td>
<td>$193.4</td>
<td>$162.2</td>
<td>$173.3</td>
<td>$166.2</td>
<td>$157.2</td>
<td>$149.2</td>
<td>$188.3</td>
<td>$191.2</td>
<td>$172.1</td>
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<tr>
<td>Admin</td>
<td>$10.2</td>
<td>$7.3</td>
<td>$10.3</td>
<td>$13.2</td>
<td>$19.9</td>
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<td>$10.6</td>
<td>$11.8</td>
<td>$11.2</td>
<td>$8.3</td>
<td>$11.2</td>
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<tr>
<td>Fund Balance</td>
<td>$26.8</td>
<td>$209.8</td>
<td>$372.1</td>
<td>$467.2</td>
<td>$454.2</td>
<td>$426.8</td>
<td>$376.4</td>
<td>$326.6</td>
<td>$286.5</td>
<td>$221.5</td>
<td>$123.6</td>
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Fund balance weekly cash flow projections

- Components
  - Admin Costs
  - Benefits
  - Premiums

- High-Low Estimates
  - High: 5% higher premiums, benefits constant
  - Low: 10% lower premiums and 10% higher benefits

- Range of Accuracy

- Updated as of 1/24/2022
Trust fund structure considerations

1. **Time duration between rate setting and premium collection**
   - Appears as a cash deficit in the first quarter
   - More problematic in times of benefits growth
   - Funding included in the Governor’s budget to address

2. **No requirement for a minimum reserve**
   - The rate is set against the entire trust fund balance
   - Without a reserve, changing conditions throughout the year put the program and trust fund at risk
   - Funding included in the Governor’s budget to address the gap

3. **Maximum premium rate**
   - Statute allows a maximum of 1.2% (with solvency surcharge)
   - Based on current projections (with no additional funds), solvency surcharges are expected
   - Projections through 2028 indicate that the rate stays within the 1.2% maximum
   - That projection is based on assumptions we agreed upon last summer for 2022 benefits
     - Claim volume increase 10% from 2021
     - Average length of leave from recent historical average
     - Average benefit amount increasing in line with historical median

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<tr>
<th>Rate Year</th>
<th>Premium Rate</th>
<th>Solvency Surcharge</th>
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<tbody>
<tr>
<td>2019</td>
<td>0.4%</td>
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</tr>
<tr>
<td>2020</td>
<td>0.4%</td>
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</tr>
<tr>
<td>2021</td>
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<td>0.6%</td>
<td>0.1%</td>
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<tr>
<td>2025</td>
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<tr>
<td>2026</td>
<td>0.6%</td>
<td>0.1%</td>
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<tr>
<td>2027</td>
<td>0.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>2028</td>
<td>0.6%</td>
<td>0.2%</td>
</tr>
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</table>
Last year’s benefit changes

- Added qualifying periods for those with reduced work hours because of Covid-19 (1073).
  - Not paid out of Paid Leave trust fund.
- Expanded definition of family member (5097).
  - Up to 500 per calendar year paid out of Paid Leave trust fund.

<table>
<thead>
<tr>
<th></th>
<th>Total claims</th>
<th>5097 claims</th>
<th>5097 % of claims</th>
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<tr>
<td>Approved claims 2021</td>
<td>157,993</td>
<td>176</td>
<td>0.1%</td>
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<tr>
<td>Benefits paid in 2021</td>
<td>$918,504,256</td>
<td>$658,172</td>
<td>0.1%</td>
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Advisory Committee engagement

• Increase transparency
  • Regular review of volumes, premiums, and trust fund.
  • Budget requests and status briefings.

• Refresh Advisory Committee engagement
  • Conduct individual and group listening sessions.
  • Charter review.
  • Develop more robust recommendations on the future of Advisory for your feedback.

• Invest in Advisory Committee engagement
  • Hire Deputy Director – include Advisory Committee in selection process.
  • Appropriately staff Advisory Committee.
February meeting

Details

• 1 – 3 p.m., Friday, Feb. 11, 2022

Agenda

• Topics?
Open comment