

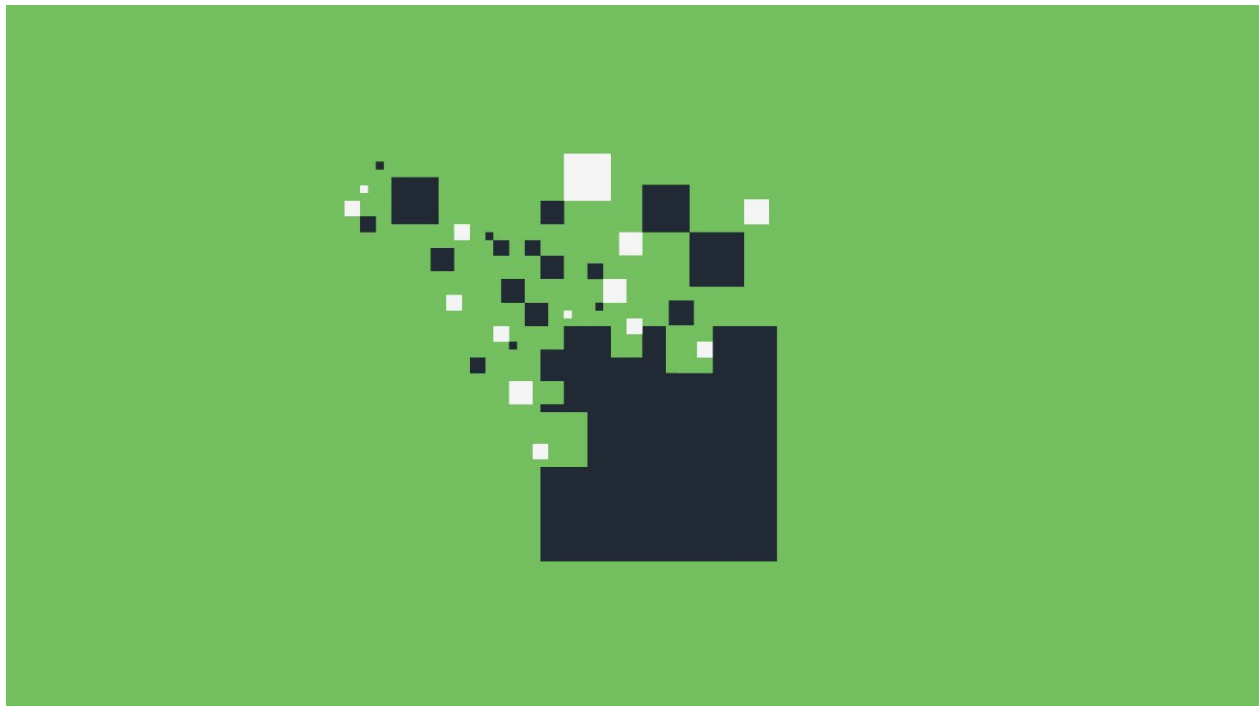
MILLIMAN REPORT

# Actuarial Analysis for the Michigan Paid Family and Medical Leave Program

Commissioned by Michigan Department of Labor and Economic Opportunity

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## Table of Contents

<b>Section 1 – Introduction</b> .....	3
<b>Section 2 – Executive Summary</b> .....	4
<b>Section 3 – Michigan PFML Program Options</b> .....	6
<b>Section 4 – Estimated Contribution Rates</b> .....	8
<b>Section 5 – Small Business Exemptions</b> .....	10
<b>Section 6 – Non-Standard Qualifying Reasons</b> .....	12
<b>Section 7 – Data, Assumptions, and Analytical Methods</b> .....	17
<b>Appendix A – Funding Analysis</b> .....	24

## Section 1 – Introduction

Milliman was engaged by the State of Michigan Department of Labor and Economic Opportunity (LEO) to perform an actuarial analysis for a new paid family and medical leave (PFML) program in the state of Michigan. In performing this analysis, we considered four different PFML program design options specified by LEO that are based on the PFML program defined in Michigan Senate Bill No. 332 from the 2023 legislative session, with some variations in terms of qualifying period, benefit period, maximum weekly benefit amount, and small employer exemptions.

This report contains the results of our analysis which include estimated contribution rates and financial projections for each of the PFML program options. The financial projections, excluding bereavement and non-standard qualifying reasons, are included in Appendix A and show expected PFML experience from 2025 through 2035. This report also contains documentation of the data, assumptions, and methods used in our analysis.

### Data Reliance

In performing the research and analysis for this project, Milliman relied on publicly available data from PFML programs in states with mandated benefits, as well as Michigan employment and demographic data from LEO. Milliman also relied on other publicly available information related to public health emergencies and other publicly declared emergencies. 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.

### Distribution

Milliman's work is prepared solely for the use and benefit of LEO. Milliman recognizes that this report may be public records subject to disclosure to third parties. Milliman does not intend to benefit and assumes no duty or liability to any third-party recipients of the report. To the extent that this report is not subject to disclosure under applicable public records laws, LEO shall not disclose Milliman's work to any third parties without our prior written consent.

### Variability of Results

The projections contained herein are estimates based on carefully constructed assumptions. Actual experience, however, will almost certainly differ from those assumptions. As such, actual costs may be either higher or lower than the amounts illustrated in this report.

### Qualifications

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

## Section 2 – Executive Summary

We analyzed two PFML program options specified by LEO and summarized in Table 4 later in this report. Option 1 is very similar to the PFML program defined in SB 332 except that it features a flat 90% benefit replacement ratio rather than a tiered benefit formula. Option 2 features shorter benefit periods than Option 1 for family, medical, and safe leave, although the combined benefit period is longer than Option 1. All other provisions are the same among the PFML program options (see Section 3).

For both program options, we also considered the following options for the qualifying period: (1) no qualifying period and (2) 7-day qualifying period before benefits begin with retroactive payments covering the first week for qualifying claims. The program options are labeled *Option 1 with no Qualifying Period*, *Option 1 with 7-day Qualifying Period*, *Option 2 with no Qualifying Period*, and *Option 2 with 7-day Qualifying Period* throughout this report.

The estimated contribution rates for these options are provided below in Table 1:

<b>Program Option</b>	<b>2025*</b>	<b>2026**</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
1 with no QP	0.62%	0.62%	0.62%	0.82%	0.87%	0.85%	0.84%
1 with 7-day QP	0.52%	0.52%	0.52%	0.68%	0.72%	0.71%	0.71%
2 with no QP	0.58%	0.58%	0.58%	0.77%	0.81%	0.80%	0.79%
2 with 7-day QP	0.49%	0.49%	0.49%	0.64%	0.68%	0.67%	0.66%

\* Premium contributions begin

\*\* Benefits begin

We also analyzed the expected costs for including bereavement as a qualifying reason for each of the program options, by assuming eligible employees would be allowed to take 10 days per death of a family member up to 15 days in 12 months. Based on this analysis, we have estimated that program costs would be approximately 10% higher for including bereavement (approximately \$200 million and 150,000 claims for bereavement benefits in 2026) which would require higher contribution rates for every option, as shown below:

<b>Program Option</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
1 with no QP	0.67%	0.67%	0.67%	0.90%	0.95%	0.93%	0.92%
1 with 7-day QP	0.58%	0.58%	0.58%	0.76%	0.80%	0.79%	0.78%
2 with no QP	0.64%	0.64%	0.64%	0.85%	0.90%	0.88%	0.87%
2 with 7-day QP	0.55%	0.55%	0.55%	0.72%	0.76%	0.75%	0.74%

In addition to the PFML program options summarized above, SB 332 includes qualifying reasons related to public emergencies that are not featured in PFML programs in other states (i.e., non-

standard qualifying reasons). Due to the unique nature of the non-standard qualifying reasons, we performed a separate analysis from the standard qualifying reasons, and the resulting estimated contribution rates for the non-standard qualifying reasons are displayed below:

<b>Program Option</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
1 with no QP	0.09%	0.09%	0.09%	0.12%	0.12%	0.12%	0.12%
1 with 7-day QP	0.08%	0.08%	0.08%	0.10%	0.10%	0.10%	0.10%
2 with no QP	0.08%	0.08%	0.08%	0.10%	0.10%	0.10%	0.10%
2 with 7-day QP	0.07%	0.07%	0.07%	0.09%	0.09%	0.09%	0.09%

If the non-standard qualifying reasons are retained in this PFML program, it is imperative to revise the contribution calculation corresponding to the non-standard qualifying reasons due to the catastrophic nature of these events. The current prescribed contribution calculation relies on retained surplus from the prior year to offset the calculated employer contributions during the current year. However, in the case of a catastrophic event such as a public health emergency, which is expected to occur infrequently, it is important to build up surplus year over year such that when an event does occur, the retained contributions over many years are sufficient to cover the high-severity catastrophic event.

## Section 3 – Michigan PFML Program Options

The PFML program options are summarized in Table 4 on page 7 of this report. Additional details are provided below:

- We assumed premium contributions would begin on January 1, 2025 and benefits would begin on January 1, 2026 for every program option.
- We assumed that PFML benefits would be paid after a 7-day qualifying period for Options 2 and 4, and that retroactive benefit payments covering the first week would be paid on claims that satisfy the 7-day qualifying period. We also assumed that Options 1 and 3 would not include a qualifying period, meaning that claims would be eligible for benefits on day one.
- We assumed that employees would be eligible for PFML benefits based on the qualifying reasons specified in Section 5 (1) (a) – (p) of SB 332. These qualifying reasons include bonding with newborn children or children placed in adoptive or foster care; caring for sick relatives; caring for one’s own serious health condition including maternity; attending exigencies that arise when family members are called to military duty; taking safe leave in situations involving domestic violence. These qualifying reasons are consistent with the qualifying reasons featured in other PFML programs in states that have mandated benefits.
- SB 332 also includes qualifying reasons related to business closures during declared public emergencies in Section 5 (1) (q) – (t). These qualifying reasons are non-standard and are not featured in other PFML programs. We assumed that Options 1 – 4 would not include these qualifying reasons – i.e., the contribution rates and financial projections in this report do not include provisions for costs associated with the qualifying reasons in Section 5 (1) (q) – (t) of SB 332. We have analyzed the risks and potential costs for these non-standard qualifying reasons separately (see Section 6 of this report).
- We assumed that every program option would provide benefits that replace 90% of average weekly wages, subject to a maximum weekly benefit amount equal to 67% of the state average weekly wage (SAWW).
- We assumed the Michigan PFML program will feature small business exemptions that would exempt employers with fewer than 25 employees from paying the employer portion of premium contributions (although the employee would still pay the employee portion and would be eligible for benefits).
- We assumed that the Michigan PFML plan will allow employers to provide benefits through private plans in lieu of the state fund.

In addition, we estimated the costs and funding requirements for including bereavement as a qualifying reason in each of the PFML program options, by assuming eligible employees would be allowed to take 10 days per death of a family member up to 15 days in 12 months.

**Table 4  
Michigan PFML Program Options**

<b>Program Feature</b>	<b>Option 1 with no Qualifying Period</b>	<b>Option 1 with 7-day Qualifying Period</b>	<b>Option 2 with no Qualifying Period</b>	<b>Option 2 with 7-day Qualifying Period</b>
Unpaid Waiting Period	None	None	None	None
Qualifying Period	None	7 days, with retroactive benefit payments	None	7 days, with retroactive benefit payments
Qualifying Reasons	- Family leave: Bonding Caring for sick relative - Medical leave: Maternity Own serious health condition - Safe leave - Military exigencies	- Family leave: Bonding Caring for sick relative - Medical leave: Maternity Own serious health condition - Safe leave - Military exigencies	- Family leave: Bonding Caring for sick relative - Medical leave: Maternity Own serious health condition - Safe leave - Military exigencies	- Family leave: Bonding Caring for sick relative - Medical leave: Maternity Own serious health condition - Safe leave - Military exigencies
Maximum Benefit Period Medical Leave	15 weeks	15 weeks	12 weeks	12 weeks
Maximum Benefit Period Family Leave	15 weeks	15 weeks	12 weeks	12 weeks
Maximum Benefit Period Safe Leave	15 weeks	15 weeks	12 weeks	12 weeks
Maximum Benefit Period Military Exigency	26 weeks	26 weeks	26 weeks	26 weeks
Combined Maximum Benefit Period	15 weeks (unless military exigency, then 26 weeks)	15 weeks (unless military exigency, then 26 weeks)	20 weeks (unless military exigency, then 26 weeks)	20 weeks (unless military exigency, then 26 weeks)
Wage Replacement Ratio	90%	90%	90%	90%
Maximum Weekly Benefit Amount	67% x SAWW	67% x SAWW	67% x SAWW	67% x SAWW
Contributions Begin Date	January 1, 2025	January 1, 2025	January 1, 2025	January 1, 2025
Benefits Begin Date	January 1, 2026	January 1, 2026	January 1, 2026	January 1, 2026
Small Business Exemption	Fewer than 25 employees	Fewer than 25 employees	Fewer than 25 employees	Fewer than 25 employees

*Note: The Unpaid Waiting Period, Qualifying Period, Maximum Benefit Period (15 or 12 weeks), Wage Replacement Ratio, Maximum Weekly Benefit Amount, Contributions Begin Date, and Benefits Begin Date also apply to the Non-Standard Qualifying Reasons discussed in Section 6 below.*

## Section 4 – Estimated Contribution Rates

Section 11 of SB 332 includes the following guidelines for determining premium contributions:

- Beginning January 1, 2025, for each employee, an employer shall remit contributions to the state treasurer for deposit into the family leave optimal coverage fund in the form and manner determined by the department.
- For the time period beginning on January 1, 2025 and ending on December 31, 2026, the contribution amount is a percentage of wages per employee to be determined by the director as sufficient to fund the payments of family leave optimal coverage benefits and to administer the provisions of this act.
- For the 2027 calendar year and each calendar year thereafter, not later than October 31, the director shall evaluate and determine the contribution rate for the immediately following calendar year based on a percent of employee wages and at the rate necessary to obtain a total amount of contributions equal to 135% of the benefits paid during the previous fiscal year plus an amount equal to 100% of the cost of administration of the payment of those benefits during the previous fiscal year, minus the amount of net assets remaining in the family leave optimal coverage fund as of June 30 of the current calendar year.
- An employer may deduct from an employee up to 50% of the contribution required under this section from the employee's wages and shall remit 100% of the contribution required under this section to the family leave optimal coverage fund. Payments made under this subsection must be made each quarter.

This premium formula would maintain a fund ratio (i.e., ratio of fund balance to total expenditure from the prior 12-month period) of 35% if there were no changes in the experience from year to year – i.e., no changes in covered employees, demographics, claims, etc. Because the financial projections in Appendix A assume employment growth and wage growth throughout the projection period, as well as increasing claim incidence rates during the initial years as the program phases in, the projected fund ratio is variable in the initial years and ultimately stabilizes to 30% in later years. The 30% fund ratio is in line with targets set by other states that have mandatory PFML programs, and it is in line with target surplus levels reported by insurance companies for short-term disability insurance business. However, if the non-standard qualifying events discussed in Section 6 of this report were to be included in the Michigan PFML program, then the premium formula would need to be revised due to the catastrophic nature of these events.

We developed actuarial assumptions for projecting benefit payments and administrative expenses for each of the Michigan PFML program options. These assumptions are based on PFML experience in states that have mandatory PFML programs (see Section 7 for details on the assumptions and analytical methods). We projected benefits and expenses from 2025 through 2035 and applied the premium formula in 2027 and beyond for estimating contribution rates in those years. We established contribution rates for 2025 and 2026 that keep rates level for the first three years. The estimated contribution rates are provided below in Table 5.



<b>Table 5</b>							
<b>Estimated Michigan PFML Contribution Rates as a Percent of Wages</b>							
<b>Program Option</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
1 with no QP	0.62%	0.62%	0.62%	0.82%	0.87%	0.85%	0.84%
1 with 7-day QP	0.52%	0.52%	0.52%	0.68%	0.72%	0.71%	0.71%
2 with no QP	0.58%	0.58%	0.58%	0.77%	0.81%	0.80%	0.79%
2 with 7-day QP	0.49%	0.49%	0.49%	0.64%	0.68%	0.67%	0.66%

For every program option, the estimated contribution rates are level in 2025 through 2027 then they increase in 2028 and 2029 due to the premium formula, and because we assume claim incidence rates will increase gradually during the initial years as the program phases in, consistent with other new PFML programs.

We also analyzed the expected costs of including bereavement as a qualifying reason for each of the program options, by assuming eligible employees would be allowed to take 10 days per death of a family member up to 15 days in 12 months. Based on this analysis, we have estimated that program costs would be approximately 10% higher for including bereavement (approximately \$200 million and 150,000 claims for bereavement benefits in 2026) which would require higher contribution rates for every option, as follows:

<b>Table 6</b>							
<b>Estimated Michigan PFML Contribution Rates as a Percent of Wages Bereavement Leave Included as a Qualifying Reason</b>							
<b>Program Option</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
1 with no QP	0.67%	0.67%	0.67%	0.90%	0.95%	0.93%	0.92%
1 with 7-day QP	0.58%	0.58%	0.58%	0.76%	0.80%	0.79%	0.78%
2 with no QP	0.64%	0.64%	0.64%	0.85%	0.90%	0.88%	0.87%
2 with 7-day QP	0.55%	0.55%	0.55%	0.72%	0.76%	0.75%	0.74%

## Section 5 – Small Business Exemptions

PFML programs that feature small business exemptions must subsidize the cost of these exemptions through contributions from employers who do not qualify for the exemptions. To estimate the impact of small business exemptions on employer and employee contributions, we have assumed that employers with fewer than 25 employees would qualify for the exemption. We have also assumed that employers would deduct 50% of the contribution from employee wages, based on the premium provisions in Michigan SB 332.

It is important to note that the sum of the employer and employee contribution rates do not equal the overall contribution rate for PFML programs that feature small business exemptions. For example, assuming that the contribution rates are the same for employers and employees, and that the taxable wages are different (because small employers are included for employee contributions and excluded for employer contributions), then the effective contribution from employers is smaller than the effective contribution for employees, meaning the overall effective contribution rate is lower than the sum of the two pieces. Table 7 below provides an example of these dynamics, based on illustrative taxable wages of \$1,000,000 in total (i.e., all participating employers) and \$200,000 for small employers, and based on an illustrative overall contribution rate of 1.00%.

(A) Contributor	(B) Total Taxable Wages	(C) Contribution Rates	(D) Contributions (B x C)
Employer	\$800,000	0.5556%	\$4,444
Employee	\$1,000,000	0.5556%	\$5,556
Total	\$1,000,000	1.0000%	\$10,000

In the example above, the employer taxable wages (column B) are lower than the employee taxable wages due to small business exemptions (i.e., \$200,000 is excluded from the taxable wage base for employer contributions). The employee taxable wages and the total taxable wages are equal because all eligible employees would make premium contributions. The sum of employer and employee contributions is equal to the total contributions (column D), but the sum of employer and employee contribution rates does not equal the overall contribution rate (column C).

If there were no small business exemptions, the employer and employee rates would be lower and their sum would equal the overall contribution rate, although the overall contribution rate would be the same in either case because the expected claim costs (i.e., expected benefits and expenses) do not depend on small business exemptions.

We have estimated employer and employee contribution rates for the PFML program options by assuming employers with fewer than 25 employees would qualify for the small business exemption. The contribution rates are summarized in Table 8 below:

<b>Table 8</b>							
<b>Estimated Contribution Rates as a Percent of Wages</b>							
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
<b>Option 1 with no Qualifying Period</b>							
Employer	0.35%	0.35%	0.34%	0.46%	0.48%	0.48%	0.47%
Employee	0.35%	0.35%	0.34%	0.46%	0.48%	0.48%	0.47%
<b>Overall*</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.82%</b>	<b>0.87%</b>	<b>0.85%</b>	<b>0.84%</b>
<b>Option 1 with 7-day Qualifying Period</b>							
Employer	0.29%	0.29%	0.29%	0.38%	0.40%	0.40%	0.39%
Employee	0.29%	0.29%	0.29%	0.38%	0.40%	0.40%	0.39%
<b>Overall*</b>	<b>0.52%</b>	<b>0.52%</b>	<b>0.52%</b>	<b>0.68%</b>	<b>0.72%</b>	<b>0.71%</b>	<b>0.71%</b>
<b>Option 2 with no Qualifying Period</b>							
Employer	0.33%	0.33%	0.33%	0.43%	0.45%	0.45%	0.44%
Employee	0.33%	0.33%	0.33%	0.43%	0.45%	0.45%	0.44%
<b>Overall*</b>	<b>0.58%</b>	<b>0.58%</b>	<b>0.58%</b>	<b>0.77%</b>	<b>0.81%</b>	<b>0.80%</b>	<b>0.79%</b>
<b>Option 2 with 7-day Qualifying Period</b>							
Employer	0.28%	0.28%	0.27%	0.36%	0.38%	0.37%	0.37%
Employee	0.28%	0.28%	0.27%	0.36%	0.38%	0.37%	0.37%
<b>Overall*</b>	<b>0.49%</b>	<b>0.49%</b>	<b>0.49%</b>	<b>0.64%</b>	<b>0.68%</b>	<b>0.67%</b>	<b>0.66%</b>

\* The Overall contribution rates shown above represent total contributions divided by total wages and do not equal the sum of employer and employee contribution rates due to the small business exemptions.

The overall contribution rates shown above are the same as the contribution rates in Table 1 because the required overall annual contribution does not depend on small business exemptions.

We also estimated the subsidies for employers that would qualify for the small business exemption, based on Michigan employment data provided to Milliman by LEO and the contribution rates included in Table 8. The data suggests that approximately 250,000 employers would qualify for the small business exemption. We have assumed that all qualifying employers would provide PFML benefits through the state fund rather than private plans because the small business exemption does not apply to private plans, and a private plan would be more expensive for employers than the state plan. Table 9 below shows estimated subsidies for employers that we assumed would qualify for small business exemptions from 2025 through 2027 for the Michigan PFML program options:

<b>Table 9</b>			
<b>Estimated Subsidies for Employers that Qualify for Small Business Exemptions</b>			
<b>(\$ Millions)</b>			
<b>Program Option</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
1 with no QP	\$172.9	\$179.5	\$184.8
1 with 7-day QP	\$145.6	\$151.1	\$156.4
2 with no QP	\$162.2	\$168.4	\$174.6
2 with 7-day QP	\$136.9	\$142.1	\$146.8

## Section 6 – Non-Standard Qualifying Reasons

SB 332 includes qualifying reasons related to public emergencies that are not featured in PFML programs in other states. These non-standard qualifying reasons are included in Section 5 (1) (q) – (t) of SB 332 and provided below:

(q) Closure of the covered individual's primary workplace by order of a public official because of a public health emergency.

(r) To care for a family member of the covered individual who is a child because the family member's school or place of care has been closed by order of a public official or by a school or place of care administrator because of a public health emergency, including, but not limited to, if the school or place of care is closed, but the administrators provide instruction remotely.

(s) If a local health department or the covered individual's health care provider determines that the covered individual's or a family member of the covered individual's presence in the community may jeopardize another individual's health because the covered individual or the family member is exposed to a communicable disease, even if the covered individual or family member does not contract the communicable disease.

(t) If the President of the United States, governor of this state, or a local official of this state declares an emergency, the inability to work or work remotely during the emergency or an extension of the emergency for any of the following reasons:

(i) If the declared emergency is because of a natural disaster or public health crisis, the covered individual has to care for a family member because the family member's usual care professional is unavailable because of the declared emergency.

(ii) If the declared emergency is because of a public health crisis related to a communicable disease, any one of the following:

(A) The covered individual has close contact with an individual who tests positive for the communicable disease or with an individual who has 1 or more principal symptoms of the communicable disease.

(B) The covered individual is subject to a personal, local, state, or federal quarantine or isolation order, including, but not limited to, a shelter-in-place or stay-at-home order related to the declared emergency.

(C) The covered individual has a condition or characteristic that might increase the covered individual's susceptibility of contracting, or increase the health risks associated with contracting, the communicable disease, including, but not limited to, age, heart disease, asthma, lung disease, diabetes, kidney disease, or a weakened or compromised immune system.

(iii) For any other reason related to a declared emergency as provided for in a rule promulgated under this act.

Due to the unique nature of the non-standard qualifying reasons, this analysis was performed independently, and results are shown separately from the standard qualifying reasons. The estimated contribution rates corresponding to the non-standard qualifying reasons are displayed below in Table 10.

<b>Program Option</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031+</b>
1 with no QP	0.09%	0.09%	0.09%	0.12%	0.12%	0.12%	0.12%
1 with 7-day QP	0.08%	0.08%	0.08%	0.10%	0.10%	0.10%	0.10%
2 with no QP	0.08%	0.08%	0.08%	0.10%	0.10%	0.10%	0.10%
2 with 7-day QP	0.07%	0.07%	0.07%	0.09%	0.09%	0.09%	0.09%

A description of the approach taken to estimate the expected costs of the non-standard qualifying events is discussed in the remainder of this section.

For public health related qualifying reasons, which are expected to be low frequency but high severity events, a simulation model was created to quantify the variability associated with these occurrences. The simulation model consisted of four main variables – epidemic intensity, percentage of eligible employees unable to work due to various qualifying reasons, the duration of time out of work, and the average wage of workers relative to the state average weekly wage.

In order to simulate the intensity and resulting implied frequency of a public health emergency, we relied on research performed by Proceedings of the National Academy of Sciences of the United States of America (PNAS). In their publication titled “Intensity and frequency of extreme novel epidemics”<sup>1</sup>, data and a description of their methodology are provided to support the analysis which generates an exceedance probability curve based on the intensity of an epidemic. The intensity of an epidemic is measured based on the number of deaths relative to the global population and the epidemic duration. The resulting exceedance probability curve generates a probability that an epidemic would exceed an intensity level in a given year. The result of this analysis serves as the base of our simulation model, which generates an intensity level for each trial.

After an intensity level has been simulated, it is compared to three selected intensity level thresholds, which assumes that a certain epidemic intensity must be observed in order to result in work closures, school closures, quarantines, etc. Based on historical information, COVID-19 resulted in these types of closures, so the COVID-19 intensity level is the first selected scenario (with an occurrence probability of 0.85%). Due to the uncertainty associated with the intensity level that would result in closures, we also produced results considering the intensity associated with a 1-in-100 year epidemic (1.0% probability), as well as the intensity associated with an epidemic that is estimated to occur twice as often as COVID-19 (1.7% probability). These additional scenarios allow for epidemic intensities that are less severe than COVID-19 to also result in similar yet less severe closures. The results shown in Table 10 above represent the average of the results from these three scenarios.

<sup>1</sup> [Intensity and frequency of extreme novel epidemics | PNAS](#)

For the remaining three variables simulated in the model, assumptions were parameterized using data from the United States Census Bureau Household Pulse Survey Data Tables<sup>2</sup> and U.S. Bureau of Labor Statistics<sup>3</sup>, which capture various data items related to the COVID-19 pandemic. These assumptions are summarized in Tables 11A through 11C, including the average value of each variable when the simulated intensity is equal to the COVID-19 pandemic. The parameters below are correlated to generally increase or decrease with the simulated epidemic intensity.

<b>Table 11A</b>				
<b>Non-Standard Qualifying Reasons – Public Health Emergency Simulation</b>				
<b>Percentage of Eligible Employees Out of Work by Qualifying Reason</b>				
(A) Qualifying Reason	(B) COVID-19 Average	(C) Distribution Fit	(D) Minimum Value	(E) Maximum Value
Work closure	18.7%	Gamma	0%	100%
Out of work to care for a child	7.1%	Gamma	0%	100%
Quarantine/Isolation	6.0%	Gamma	0%	100%
Out of work to care for other family	0.3%	Gamma	0%	100%
At-risk condition	1.7%	Gamma	0%	100%

<b>Table 11B</b>				
<b>Non-Standard Qualifying Reasons – Public Health Emergency Simulation</b>				
<b>Duration of Eligible Employees Out of Work by Qualifying Reason (in Days)</b>				
(A) Qualifying Reason	(B) COVID-19 Average	(C) Distribution Fit	(D) Minimum Value	(E) Maximum Value
Work closure	187	Gamma	7	N/A
Out of work to care for a child	180	Gamma	7	N/A
Quarantine/Isolation	14	Gamma	3	N/A
Out of work to care for other family	14	Gamma	3	N/A
At-risk condition	60	Gamma	7	N/A

<b>Table 11C</b>				
<b>Non-Standard Qualifying Reasons – Public Health Emergency Simulation</b>				
<b>Wage of Eligible Employees Out of Work by Qualifying Reason (as percent of SAWW)</b>				
(A) Qualifying Reason	(B) COVID-19 Average	(C) Distribution Fit	(D) Minimum Value	(E) Maximum Value
Work closure	92.6%	Normal	62.7%	132.8%
Out of work to care for a child	103.8%	Normal	62.7%	132.8%
Quarantine/Isolation	100.0%	N/A	100.0%	100.0%
Out of work to care for other family	103.8%	Normal	62.7%	132.8%
At-risk condition	100.0%	N/A	100.0%	100.0%

<sup>2</sup> [Household Pulse Survey Data Tables \(census.gov\)](https://www.census.gov/hhes/household/pulse-survey/)

<sup>3</sup> [May 2020 to September 2022 supplemental data tables \(XLSX\) : U.S. Bureau of Labor Statistics \(bls.gov\)](https://www.bls.gov/news.release/tables/2022/05-2022-supplemental-data-tables.xlsx)

In the simulation model, the percentage of employees out of work and the corresponding duration were simulated with epidemic intensity by using a multi-variate cumulative distribution, which reflects the correlated relationship between these variables.

100,000 simulated trials were calculated, and the plan options were applied to calculate the expected benefit payments. The average of these simulated trials reflects the best estimate of annual benefit payments for the selected intensity level threshold.

The expected cost of qualifying reasons other than public health emergencies was calculated separately due to the expected differences in frequency and severity. Other major disasters or emergencies have a much higher frequency relative to a public health emergency, but generally, the severity of these events (percentage of employees out of work and corresponding duration) is expected to be significantly lower. There is also significant variability in the types of major disasters or emergencies that could occur.

In order to estimate the cost associated with these events, we reviewed historical information from the Federal Emergency Management Agency (FEMA)<sup>4</sup>. The information from past events was used to select average parameters below, which are similar to the parameters selected for the public health emergencies simulation model. For the other major disasters and emergencies, the expected annual benefit payments were calculated directly based on the selected averages below rather than relying on a simulation model.

(A) Parameter	(B) Average
Frequency of event in a year	52.5%
Percentage of eligible employees out of work	1.8%
Duration of employees out of work (days)	14
Wage of employees out of work (percent of SAWW)	98.1%

When evaluating the incremental cost of the non-standard qualifying reasons, it is important to also consider the potential cost savings to employers that, without this coverage being available, would continue to cover employee wages during a public health emergency or other major disaster or emergency. During COVID-19, data suggests that despite workplace closures or employee absences, some employees continued to receive wage payments. With the inclusion of the non-standard qualifying reasons in Michigan SB 322, the estimated cost of this new PFML program is expected to be offset for some employers by the separate reduction of costs associated with the reduced need for them to continue to pay employee's wages during a public health emergency.

One final important consideration is in regard to the prescribed contribution calculation. The current approach relies on retained surplus from the prior year to offset the calculated employer contributions during the current year. In the case of a catastrophic event such as a public health emergency, which is expected to occur infrequently (i.e., once every 25, 50, or even 100 years), it is important to build up surplus year over year such that when an event does occur, the retained

<sup>4</sup> [Disasters and Other Declarations | FEMA.gov](https://www.fema.gov/disasters)

contributions over many years are sufficient to cover the high-severity catastrophic event. If the non-standard qualifying reasons are retained in this PFML program, it is imperative to revise the contribution calculation corresponding to the non-standard qualifying reasons due to the catastrophic nature of these events.



## Section 7 – Data, Assumptions, and Analytical Methods

We obtained Michigan employment data from the Michigan Labor Market Information division of LEO. This data is based on employment experience from 4Q 2022 through 3Q 2023 and it was used to develop demographic assumptions for eligible employees and covered wages in 2026 and beyond. We also researched Michigan employment data from the US Census Bureau, which includes distributions of Michigan workers and corresponding wages by age and gender. We used these distributions to segment the employment and wage data from LEO by age and gender. We then assumed overall employment growth of 1.8% and wage growth of 11.8% to project eligible employees and wages in 2026, when PFML benefits begin. These assumptions are based on employment and wage forecasts from a report by the Michigan House Fiscal Agency<sup>5</sup>. Table 13 below shows the assumed demographics of eligible employees in 2026 when PFML benefits begin:

Age	Eligible Employees		Average Monthly Wage	
	Female	Male	Female	Male
Less than 25	332,458	309,161	\$2,214	\$3,016
25 - 34	453,137	487,769	\$4,614	\$6,161
35 - 44	436,833	466,846	\$5,639	\$8,107
45 - 54	447,146	456,683	\$5,975	\$9,282
55 - 64	386,090	408,032	\$5,422	\$8,994
65 and above	121,566	141,177	\$3,819	\$6,590
<b>Total</b>	<b>2,177,230</b>	<b>2,269,667</b>	<b>\$4,832</b>	<b>\$7,297</b>

The assumptions shown above include self-employed workers and independent contractors who are expected to participate in the Michigan PFML program.

In our financial projections, we assumed that the number of eligible employees will increase at a rate of 0.4% per year and that their wages will increase at a rate of 3.3% per year from 2026 through 2034. These assumptions are based on 2026 forecasts from the Michigan House Fiscal Agency. We also assumed that benefit payments will increase by 3.3% per year based on expected annual wage growth. The estimated contribution rates in this report are relatively insensitive to the wage growth assumption because, if wage growth is faster, then benefits will also grow faster and the expected impact on contribution rates would be relatively small.

We researched participation rates for private plans in states that allow employers to provide benefits through private plans in lieu of the state plan. The participation rates vary from state to state, ranging from less than 5% of eligible employees in California<sup>6</sup> to approximately 33% of eligible employees in Massachusetts<sup>7</sup>. There are many reasons why an employer may choose to opt-out of the state plan and provide benefits through a private plan, like existing policies, ease of administration, benefit levels, and cost. The range in participation rates may be affected by the

<sup>5</sup> Economic Outlook and Revenue Estimates for Michigan, House Fiscal Agency, January 2024.

<sup>6</sup> May 2023 Disability Insurance (DI) Fund Forecast, State of California Employment Development Department, Table 2

<sup>7</sup> Paid Family and Medical Leave and Employer Private Plans, The Center for Law and Social Policy, July 2021

different requirements in each state. For example, employers in California must obtain consent from a majority of employees to use private plans. The financial projections in Appendix A assume that 15% of eligible employees in Michigan would be covered by private plans (approximately mid-range of the participation rates in other states) and that 85% of eligible employees would be covered by the state plan.

We developed morbidity assumptions for estimating paid family leave and paid medical leave benefit payments in Michigan. These assumptions include claim incidence rates and average claim durations that are based on recent claim experience in states with mandated PFML benefits, adjusted for differences in benefit design between Michigan and the other states (e.g., waiting period, replacement ratio, definition of family member, etc.). We also adjusted the experience for differences in industry and geographic risk between Michigan and the other states. The maternity and bonding incidence rates were adjusted for differences in birth rates between Michigan and the other states. The morbidity assumptions vary by age, gender, and leave type (i.e., family and medical).

We developed morbidity assumptions for bereavement leave based on mortality rates from the *2016 Society of Actuaries Group Life Mortality Study* for projecting spouse and child deaths, and mortality rates from the *2015 Society of Actuaries Valuation Basic Table* for projecting other deaths. We assumed eligible employees would take 10 days of bereavement leave for the death of a child or spouse, and five days for other deaths. We used these assumptions to calculate expected costs related to bereavement leave.

We considered the impact of private plans in developing the morbidity assumptions. Specifically, we took the following factors into consideration:

- 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 the 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. There is evidence that large employers are more likely than small employers to provide PFML benefits through private plans, and large employers have higher claim rates than small employers. According to reports from New York Department of Financial Services<sup>8</sup>, paid family leave incidence rates for employers with 500 or more employees are much higher than the incidence rates for employers with fewer than 500 employees. Other considerations, such as plan design and existing benefits, can also influence an employer's decision to use private plans for providing PFML benefits.
- Administrative expenses tend to be significantly lower for PFML benefits provided through the state fund versus private plans, which translates directly 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.

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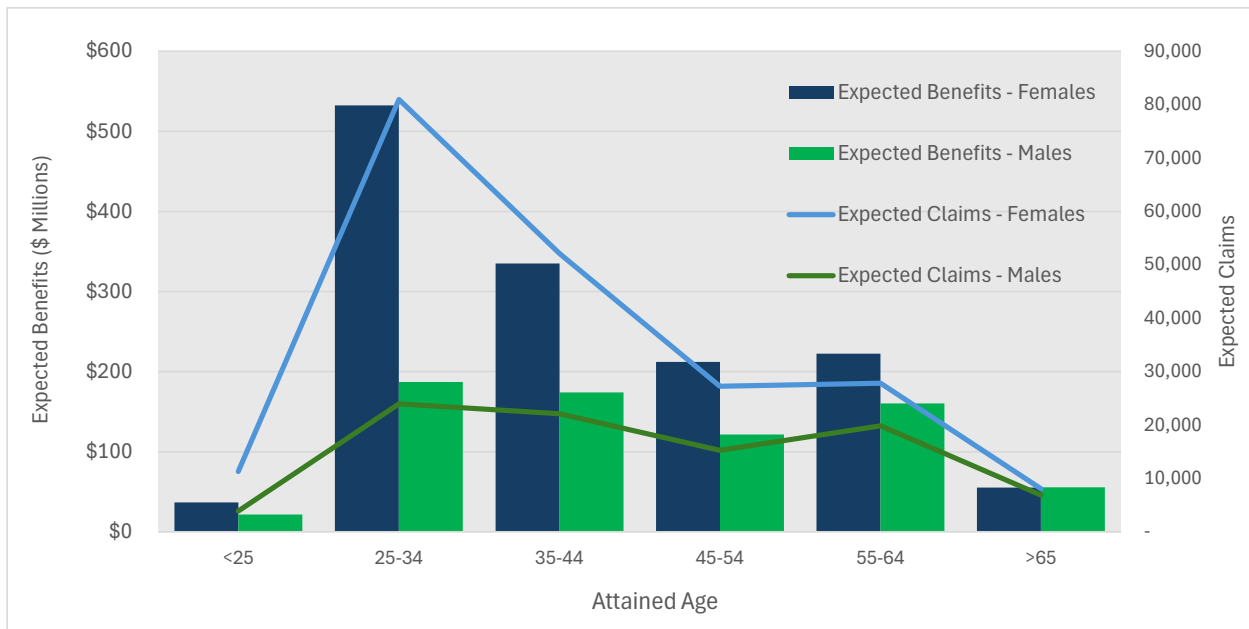
<sup>8</sup> New York State Paid Family Leave Report 2018 – 2022, Department of Financial Services

- The state plan is prefunded by 12-months of premium payments before benefits begin, whereas there is no pre-funding for private plans.
- In our experience working with insurance companies, we have noticed many cases where the premium rate is greater than the state rate.

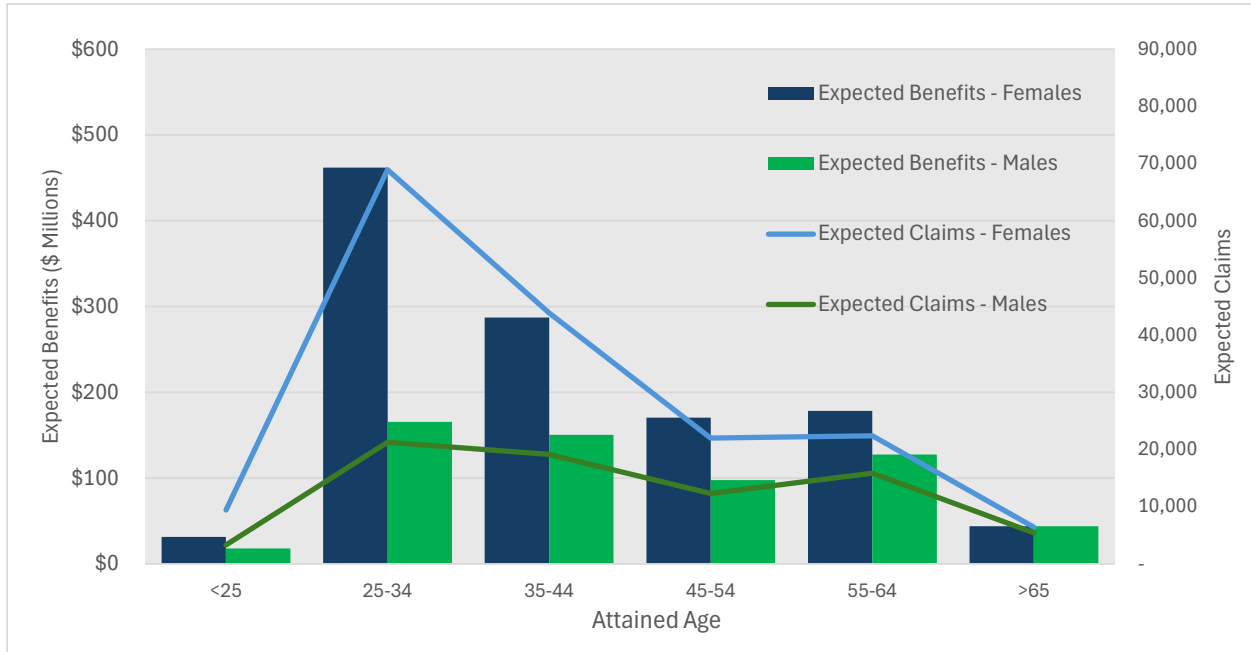
For these reasons, we did not make an explicit adjustment to our morbidity assumptions for allowing employers to provide benefits through private plans.

The following charts show the expected benefit payments and the number of expected claims in 2026 based on our morbidity assumptions:

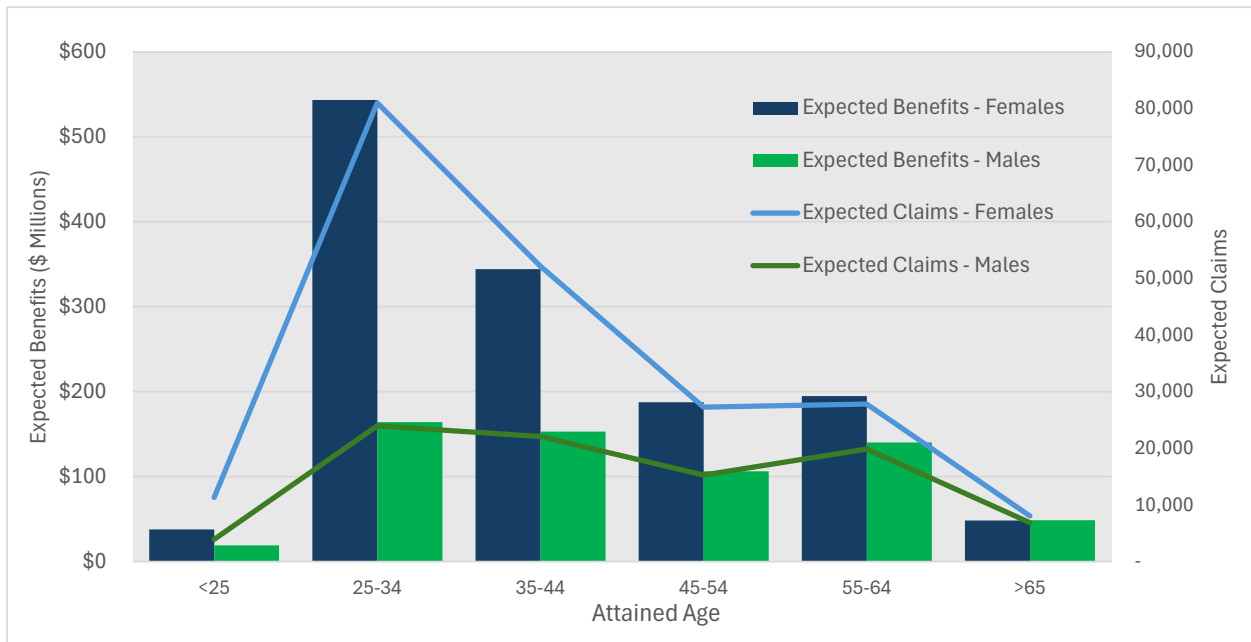
**2026 Expected PFML Benefit Payments and Claims  
Option 1 with no Qualifying Period**



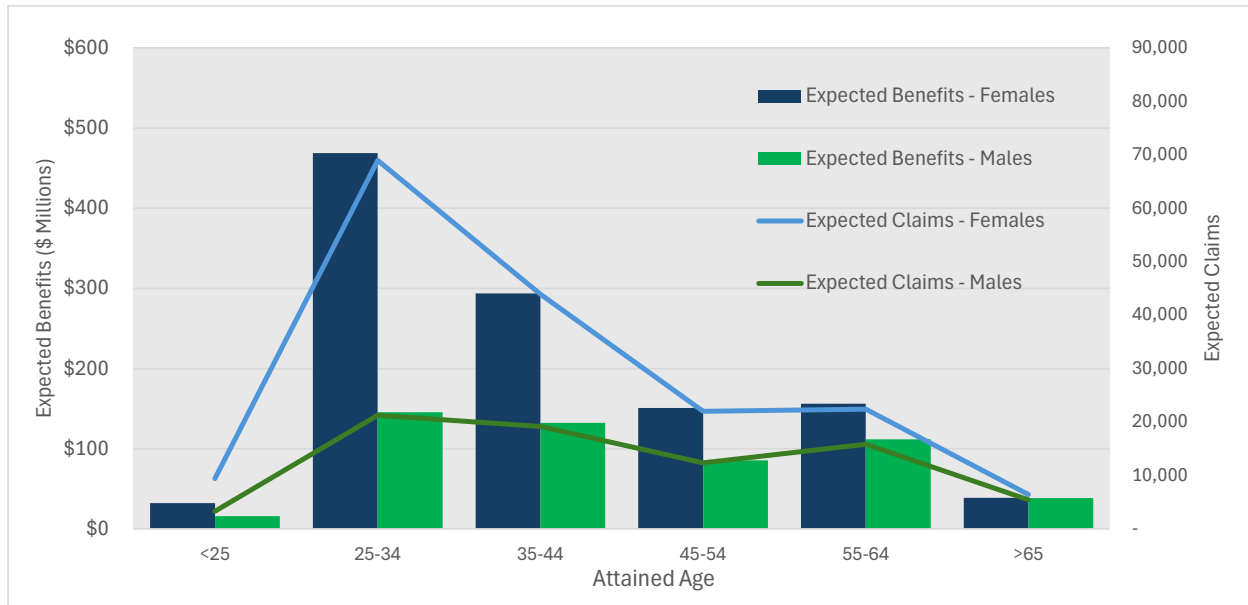
### 2026 Expected PFML Benefit Payments and Claims Option 1 with 7-day Qualifying Period



### 2026 Expected PFML Benefit Payments and Claims Option 2 with no Qualifying Period



**2026 Expected PFML Benefit Payments and Claims  
Option 2 with 7-day Qualifying Period**

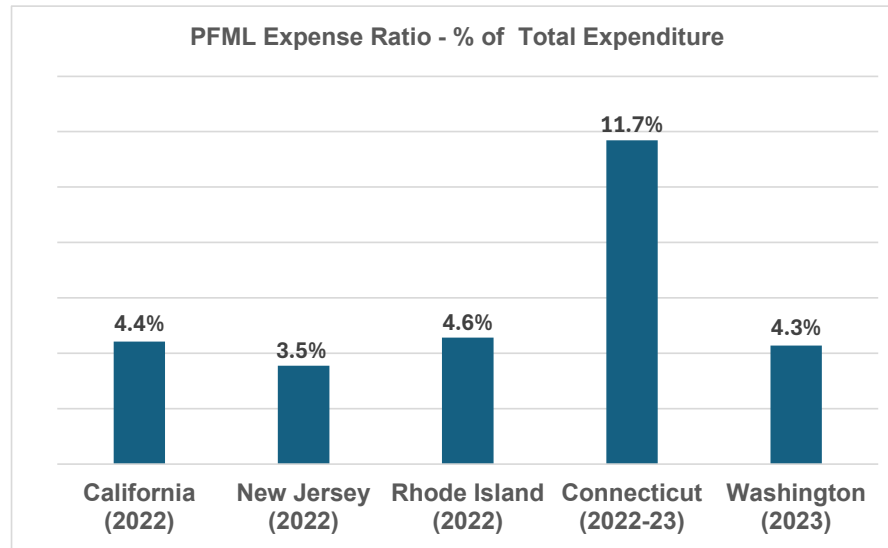


The estimated benefit payments and claims shown above are skewed toward younger female workers for several reasons. They include expected backlog bonding claims for parents of children born, adopted, or placed in foster care prior to the benefit begin date, who would be eligible for bonding leave. Also, young female workers have high incidence rates for family leave due to bonding and high incidence rates for medical leave due to maternity. Based on PFML programs in other states, bonding claims represent approximately 75 - 80% of total family claims, and maternity claims represent approximately 25 - 30% of total medical claims.

We used employment data from LEO to estimate the impact of small business exemptions. Based on this data, employers with fewer than 25 employees represent approximately 250,000 businesses. We only excluded wages for determining the employer portion of premium contributions, and we have assumed that all employees would remit 50% of total contributions through payroll deductions. To estimate the subsidies for employers that would qualify for small business exemptions, we calculated the premium that these employers would pay if there were no exemptions, based on their taxable wages and the overall contribution rates for the PFML program options. An example of this calculation is provided below for estimating subsidies in 2025 under *Option 1 with 7-day Qualifying Period*.

- A. Assumed 2025 taxable wages for qualifying employers: \$56 billion
- B. 2025 overall contribution rate: 0.52% of wages
- C. 2025 employer contribution rate assuming no small business exemptions: 0.26% of wages (i.e., 50% of the overall rate)
- D. Estimated 2025 subsidies for qualifying employers: \$56 billion x 0.26% = \$146 million

We assumed administrative expenses equal to 5% of total expenditure in every year, based on average expense ratios reported by states with mandatory PFML programs<sup>9</sup>, as shown below. Administration of the Connecticut program is different than the other states because Connecticut engaged a third party to administer claims, whereas the other states do not use third party administrators.



We assumed \$60 million in start-up costs based on PFML start-up costs reported in Washington (\$63 million<sup>10</sup>), Colorado (\$52 million<sup>11</sup>), and Oregon (\$57 million<sup>12</sup>). This is a high-level estimate of start-up costs that should be refined once Michigan is better able to estimate actual start-up costs.

We developed assumptions for projecting investment income the assets held in the Michigan PFML fund based on the US Treasury 6-month forward curve as of May 2, 2024. The following interest rate assumptions were applied to the projected fund balances to estimate investment income in our financial projections:

<sup>9</sup> <https://edd.ca.gov/siteassets/files/disability/pdf/edddiforecastjan24.pdf>  
<https://nj.gov/labor/myleavebenefits/assets/pdfs/Annual%20FLI%20TDI%20Report%20for%202022.pdf>  
<https://dlt.ri.gov/labor-market-information/publications>  
<https://egov.ct.gov/PMC/Event/Details/17111>  
<https://paidleave.wa.gov/app/uploads/2024/04/2024.04.10-April-Advisory-Presentation.pdf>

<sup>10</sup> <https://www.opportunityinstitute.org/research/post/preliminary-lessons-from-implementing-paid-family-medical-leave-in-washington/>

<sup>11</sup> Proposition 118: Paid Family and Medical Leave Insurance Program

<sup>12</sup> <https://olis.oregonlegislature.gov/liz/2023R1/Downloads/CommitteeMeetingDocument/261751>

<https://olis.oregonlegislature.gov/liz/2019R1/Measures/Analysis/HB2005>

<https://olis.oregonlegislature.gov/liz/2022R1/Downloads/CommitteeMeetingDocument/252494>

<b>Table 14</b>	
<b>Interest Rate Assumptions</b>	
<b>Year</b>	<b>Interest Rate</b>
2025	4.32%
2026	4.13%
2027	4.17%
2028	4.03%
2029	4.03%
2030	4.03%
2031	4.03%
2032	4.03%
2033	4.03%
2034	4.03%

We also tested the impact of using lower interest rate assumptions for projecting investment income, because the current US Treasury yield curve is inverted (i.e., long-term yields are lower than short-term yields). Assuming lower interest rates for projecting investment income results in slightly higher contribution rates for the PFML program options, but the impact is relatively minor.

## Appendix A – Funding Analysis

This section contains financial projections for the Michigan PFML program options, excluding bereavement and non-standard qualifying reasons, over the period 2025 through 2035. The projections are based on the contribution rates included in prior sections of this report. We developed separate projections for the different program options, each of which include the following items:

- **Eligible Employees** – Projection of eligible employees that assumes annual employment growth of 0.6% in 2025 and 0.4% in 2026 and beyond based on forecasts from the Michigan House Fiscal Agency. The projections assume that 85% of eligible employees will be covered through the state fund.
- **Taxable Wages** – Projection of taxable wages based on unlimited wages. The projection was developed using Michigan wage data provided to Milliman by LEO and assumes wage growth of 3.8% in 2025 and 3.3% in 2026 and beyond based on forecasts from the Michigan House Fiscal Agency.
- **Claims** – Projection of estimated claims approved for benefits between 2026 and 2035, for family leave, medical leave, and in total. The projection assumes claim incidence rates will increase gradually during the initial years as the program phases in, a trend observed in other states with new PFML programs. The projection also assumes children born, adopted, or fostered in 2025 will be eligible for bonding benefits in 2026.
- **Benefit Payments (\$ millions)** – Projection of estimated benefit payments between 2026 and 2035 for family leave, medical leave, and in total. The estimated benefit payments for family claims are higher in 2026 than 2027 due to backlog bonding claims for children born, fostered, or adopted in 2025.
- **Expenses (\$ millions)** – Projection of start-up and ongoing expenses for administering the PFML program. We assumed \$60 million in start-up costs based on start-up costs reported in other states. The projection of ongoing administrative expenses represents 5% of total expenditures in each year, based on expense ratios in other states with PFML programs.
- **Total Expenditure (\$ millions)** – Sum of benefit payments and expenses.
- **Contribution Rate** – Projection of estimated contribution rates for employers, employees, and overall. The sum of employer and employee contribution rates does not equal the overall contribution rate due to small business exemptions. The contribution rates in 2027 and beyond were determined from the premium formula included in SB 332. We established contribution rates for 2025 and 2026 that keep rates level for the first three years.
- **Contributions (\$ millions)** – Projection of estimated contributions for employers, employees, and in total.
- **Investment Income (\$ millions)** – Projection of estimated income on assets in the fund, based on the US Treasury 6-month forward curve as of May 2, 2024.



- **Fund Balance (\$ millions)** – Projection of end-of-year fund balances equal to the beginning-of-year fund balance plus the contributions in that year, minus total expenditure in that year, plus the assumed investment income.
- **Fund Ratio** – Ratio of the end-of-year fund balance to total expenditure from the preceding twelve months. The fund ratio stabilizes at 30% over time, which is in line with the targets set by other states that have mandatory PFML programs, and it is in line with the target surplus levels reported by insurance companies for short-term disability insurance products.

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

**Projection 1**  
**Michigan PFML Program Option 1 with no Qualifying Period**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<b>Covered Employees*</b>		3,779,862	3,794,982	3,810,162	3,825,402	3,840,704	3,856,067	3,871,491	3,886,977	3,902,525	3,918,135
<b>Taxable Wages (\$ millions)</b>											
Small Businesses (< 25 Employees)	\$55,610.9	\$57,675.8	\$59,817.5	\$62,038.6	\$64,342.2	\$66,731.4	\$69,209.2	\$71,779.1	\$74,444.4	\$77,208.7	\$80,075.6
All Other Employers	\$208,918.2	\$218,552.9	\$226,668.2	\$235,084.8	\$243,814.0	\$252,867.3	\$262,256.8	\$271,994.9	\$282,094.6	\$292,569.4	\$303,433.0
<b>Total</b>	<b>\$264,529.1</b>	<b>\$276,228.7</b>	<b>\$286,485.7</b>	<b>\$297,123.5</b>	<b>\$308,156.2</b>	<b>\$319,598.7</b>	<b>\$331,466.0</b>	<b>\$343,774.0</b>	<b>\$356,539.1</b>	<b>\$369,778.1</b>	<b>\$383,508.7</b>
<b>Claims</b>											
Family		85,816	78,740	81,427	82,570	82,900	83,232	83,565	83,899	84,235	84,572
Medical		<u>213,625</u>	<u>225,204</u>	<u>232,887</u>	<u>236,157</u>	<u>237,102</u>	<u>238,050</u>	<u>239,002</u>	<u>239,958</u>	<u>240,918</u>	<u>241,882</u>
<b>Total</b>		<b>299,441</b>	<b>303,944</b>	<b>314,314</b>	<b>318,727</b>	<b>320,002</b>	<b>321,282</b>	<b>322,567</b>	<b>323,858</b>	<b>325,153</b>	<b>326,454</b>
<b>Benefit Payments (\$ millions)</b>											
Family		\$661.9	\$627.3	\$670.1	\$702.0	\$728.0	\$755.1	\$783.1	\$812.2	\$842.3	\$873.6
Medical		<u>\$1,452.1</u>	<u>\$1,581.3</u>	<u>\$1,689.2</u>	<u>\$1,769.5</u>	<u>\$1,835.2</u>	<u>\$1,903.3</u>	<u>\$1,974.0</u>	<u>\$2,047.3</u>	<u>\$2,123.3</u>	<u>\$2,202.1</u>
<b>Total</b>		<b>\$2,113.9</b>	<b>\$2,208.6</b>	<b>\$2,359.4</b>	<b>\$2,471.4</b>	<b>\$2,563.2</b>	<b>\$2,658.4</b>	<b>\$2,757.1</b>	<b>\$2,859.5</b>	<b>\$2,965.6</b>	<b>\$3,075.8</b>
<b>Expenses (\$ millions)</b>											
Start-up	\$60.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$34.8	\$33.0	\$35.3	\$36.9	\$38.3	\$39.7	\$41.2	\$42.7	\$44.3	\$46.0
Medical		<u>\$76.4</u>	<u>\$83.2</u>	<u>\$88.9</u>	<u>\$93.1</u>	<u>\$96.6</u>	<u>\$100.2</u>	<u>\$103.9</u>	<u>\$107.8</u>	<u>\$111.8</u>	<u>\$115.9</u>
<b>Total</b>	<b>\$60.0</b>	<b>\$111.3</b>	<b>\$116.2</b>	<b>\$124.2</b>	<b>\$130.1</b>	<b>\$134.9</b>	<b>\$139.9</b>	<b>\$145.1</b>	<b>\$150.5</b>	<b>\$156.1</b>	<b>\$161.9</b>
<b>Total Expenditure (\$ millions)</b>											
Family		\$696.7	\$660.3	\$705.4	\$738.9	\$766.4	\$794.8	\$824.3	\$854.9	\$886.7	\$919.6
Medical		<u>\$1,528.5</u>	<u>\$1,664.5</u>	<u>\$1,778.1</u>	<u>\$1,862.6</u>	<u>\$1,931.8</u>	<u>\$2,003.5</u>	<u>\$2,077.9</u>	<u>\$2,155.0</u>	<u>\$2,235.1</u>	<u>\$2,318.0</u>
<b>Total</b>	<b>\$60.0</b>	<b>\$2,225.2</b>	<b>\$2,324.9</b>	<b>\$2,483.5</b>	<b>\$2,601.5</b>	<b>\$2,698.1</b>	<b>\$2,798.3</b>	<b>\$2,902.2</b>	<b>\$3,010.0</b>	<b>\$3,121.7</b>	<b>\$3,237.7</b>
<b>Contributions (\$ millions)</b>											
Employer	\$726.0	\$759.5	\$781.7	\$1,073.8	\$1,179.5	\$1,206.0	\$1,235.0	\$1,280.8	\$1,328.4	\$1,377.7	\$1,428.9
Employee	<u>\$919.2</u>	<u>\$959.9</u>	<u>\$988.0</u>	<u>\$1,357.2</u>	<u>\$1,490.7</u>	<u>\$1,524.2</u>	<u>\$1,560.9</u>	<u>\$1,618.8</u>	<u>\$1,679.0</u>	<u>\$1,741.3</u>	<u>\$1,806.0</u>
<b>Total</b>	<b>\$1,645.2</b>	<b>\$1,719.4</b>	<b>\$1,769.8</b>	<b>\$2,431.0</b>	<b>\$2,670.2</b>	<b>\$2,730.2</b>	<b>\$2,795.9</b>	<b>\$2,899.7</b>	<b>\$3,007.3</b>	<b>\$3,119.0</b>	<b>\$3,234.8</b>
<b>Contribution Rates**</b>											
Employer	0.35%	0.35%	0.34%	0.46%	0.48%	0.48%	0.47%	0.47%	0.47%	0.47%	0.47%
Employee	<u>0.35%</u>	<u>0.35%</u>	<u>0.34%</u>	<u>0.46%</u>	<u>0.48%</u>	<u>0.48%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.47%</u>	<u>0.47%</u>
<b>Total</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.82%</b>	<b>0.87%</b>	<b>0.85%</b>	<b>0.84%</b>	<b>0.84%</b>	<b>0.84%</b>	<b>0.84%</b>	<b>0.84%</b>
<b>Investment Income (\$ millions)</b>	\$68.5	\$47.4	\$26.7	\$24.8	\$28.5	\$31.0	\$32.1	\$33.3	\$34.6	\$35.8	\$37.2
<b>Fund Balance (\$ millions)</b>	<b>\$1,653.7</b>	<b>\$1,195.3</b>	<b>\$666.9</b>	<b>\$639.1</b>	<b>\$736.3</b>	<b>\$799.4</b>	<b>\$829.1</b>	<b>\$859.8</b>	<b>\$891.8</b>	<b>\$924.9</b>	<b>\$959.2</b>
<b>Fund Balance % of Total Expenditure</b>		54%	29%	26%	28%	30%	30%	30%	30%	30%	30%

\* The projection of covered employees and taxable wages assume that 15% of eligible employees would be covered through private plans.

\*\* The overall contribution rate is equal to total contributions divided by total taxable wages every year, and does not equal the sum of employer and employee rates due to the small business exemptions.

## Projection 2 Michigan PFML Program Option 1 with 7-day Qualifying Period

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<b>Covered Employees*</b>		3,779,862	3,794,982	3,810,162	3,825,402	3,840,704	3,856,067	3,871,491	3,886,977	3,902,525	3,918,135
<b>Taxable Wages (\$ millions)</b>											
Small Businesses	\$55,610.9	\$57,675.8	\$59,817.5	\$62,038.6	\$64,342.2	\$66,731.4	\$69,209.2	\$71,779.1	\$74,444.4	\$77,208.7	\$80,075.6
All Other Employers	\$208,918.2	\$218,552.9	\$226,668.2	\$235,084.8	\$243,814.0	\$252,867.3	\$262,256.8	\$271,994.9	\$282,094.6	\$292,569.4	\$303,433.0
<b>Total</b>	<b>\$264,529.1</b>	<b>\$276,228.7</b>	<b>\$286,485.7</b>	<b>\$297,123.5</b>	<b>\$308,156.2</b>	<b>\$319,598.7</b>	<b>\$331,466.0</b>	<b>\$343,774.0</b>	<b>\$356,539.1</b>	<b>\$369,778.1</b>	<b>\$383,508.7</b>
<b>Claims</b>											
Family		81,916	75,161	77,726	78,817	79,132	79,449	79,766	80,086	80,406	80,727
Medical		<u>168,679</u>	<u>177,822</u>	<u>183,889</u>	<u>186,471</u>	<u>187,217</u>	<u>187,966</u>	<u>188,717</u>	<u>189,472</u>	<u>190,230</u>	<u>190,991</u>
<b>Total</b>		<b>250,595</b>	<b>252,983</b>	<b>261,615</b>	<b>265,288</b>	<b>266,349</b>	<b>267,414</b>	<b>268,484</b>	<b>269,558</b>	<b>270,636</b>	<b>271,719</b>
<b>Benefit Payments (\$ millions)</b>											
Family		\$631.9	\$599.0	\$639.8	\$670.2	\$695.1	\$720.9	\$747.7	\$775.5	\$804.2	\$834.1
Medical		<u>\$1,146.8</u>	<u>\$1,248.8</u>	<u>\$1,334.0</u>	<u>\$1,397.4</u>	<u>\$1,449.3</u>	<u>\$1,503.1</u>	<u>\$1,558.9</u>	<u>\$1,616.8</u>	<u>\$1,676.8</u>	<u>\$1,739.1</u>
<b>Total</b>		<b>\$1,778.7</b>	<b>\$1,847.8</b>	<b>\$1,973.9</b>	<b>\$2,067.6</b>	<b>\$2,144.4</b>	<b>\$2,224.0</b>	<b>\$2,306.6</b>	<b>\$2,392.2</b>	<b>\$2,481.1</b>	<b>\$2,573.2</b>
<b>Expenses (\$ millions)</b>											
Start-up	\$60.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$33.3	\$31.5	\$33.7	\$35.3	\$36.6	\$37.9	\$39.4	\$40.8	\$42.3	\$43.9
Medical		<u>\$60.4</u>	<u>\$65.7</u>	<u>\$70.2</u>	<u>\$73.5</u>	<u>\$76.3</u>	<u>\$79.1</u>	<u>\$82.0</u>	<u>\$85.1</u>	<u>\$88.3</u>	<u>\$91.5</u>
<b>Total</b>	<b>\$60.0</b>	<b>\$93.6</b>	<b>\$97.3</b>	<b>\$103.9</b>	<b>\$108.8</b>	<b>\$112.9</b>	<b>\$117.1</b>	<b>\$121.4</b>	<b>\$125.9</b>	<b>\$130.6</b>	<b>\$135.4</b>
<b>Total Expenditure (\$ millions)</b>											
Family		\$665.2	\$630.5	\$673.5	\$705.5	\$731.7	\$758.9	\$787.0	\$816.3	\$846.6	\$878.0
Medical		<u>\$1,207.1</u>	<u>\$1,314.5</u>	<u>\$1,404.2</u>	<u>\$1,470.9</u>	<u>\$1,525.6</u>	<u>\$1,582.2</u>	<u>\$1,641.0</u>	<u>\$1,701.9</u>	<u>\$1,765.1</u>	<u>\$1,830.6</u>
<b>Total</b>	<b>\$60.0</b>	<b>\$1,872.3</b>	<b>\$1,945.0</b>	<b>\$2,077.7</b>	<b>\$2,176.4</b>	<b>\$2,257.3</b>	<b>\$2,341.1</b>	<b>\$2,428.0</b>	<b>\$2,518.2</b>	<b>\$2,611.7</b>	<b>\$2,708.6</b>
<b>Contributions (\$ millions)</b>											
Employer	\$611.1	\$639.3	\$661.8	\$891.8	\$986.7	\$1,008.9	\$1,033.2	\$1,071.6	\$1,111.3	\$1,152.6	\$1,195.4
Employee	<u>\$773.7</u>	<u>\$808.0</u>	<u>\$836.5</u>	<u>\$1,127.2</u>	<u>\$1,247.1</u>	<u>\$1,275.2</u>	<u>\$1,305.8</u>	<u>\$1,354.3</u>	<u>\$1,404.6</u>	<u>\$1,456.8</u>	<u>\$1,510.9</u>
<b>Total</b>	<b>\$1,384.8</b>	<b>\$1,447.2</b>	<b>\$1,498.3</b>	<b>\$2,019.0</b>	<b>\$2,233.9</b>	<b>\$2,284.1</b>	<b>\$2,339.0</b>	<b>\$2,425.9</b>	<b>\$2,516.0</b>	<b>\$2,609.4</b>	<b>\$2,706.3</b>
<b>Contribution Rates**</b>											
Employer	0.29%	0.29%	0.29%	0.38%	0.40%	0.40%	0.39%	0.39%	0.39%	0.39%	0.39%
Employee	<u>0.29%</u>	<u>0.29%</u>	<u>0.29%</u>	<u>0.38%</u>	<u>0.40%</u>	<u>0.40%</u>	<u>0.39%</u>	<u>0.39%</u>	<u>0.39%</u>	<u>0.39%</u>	<u>0.39%</u>
<b>Total</b>	<b>0.52%</b>	<b>0.52%</b>	<b>0.52%</b>	<b>0.68%</b>	<b>0.72%</b>	<b>0.71%</b>	<b>0.71%</b>	<b>0.71%</b>	<b>0.71%</b>	<b>0.71%</b>	<b>0.71%</b>
<b>Investment Income (\$ millions)</b>	\$57.2	\$39.5	\$22.9	\$20.7	\$23.9	\$25.9	\$26.9	\$27.9	\$28.9	\$30.0	\$31.1
<b>Fund Balance (\$ millions)</b>	<b>\$1,382.1</b>	<b>\$996.6</b>	<b>\$572.8</b>	<b>\$534.7</b>	<b>\$616.0</b>	<b>\$668.8</b>	<b>\$693.6</b>	<b>\$719.3</b>	<b>\$746.1</b>	<b>\$773.8</b>	<b>\$802.5</b>
<b>Fund Balance % of Total Expenditure</b>		53%	29%	26%	28%	30%	30%	30%	30%	30%	30%

\* The projection of covered employees and taxable wages assume that 15% of eligible employees would be covered through private plans.

\*\* The overall contribution rate is equal to total contributions divided by total taxable wages every year, and does not equal the sum of employer and employee rates due to the small business exemptions.

**Projection 3**  
**Michigan PFML Program Option 2 with no Qualifying Period**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<b>Covered Employees*</b>		3,779,862	3,794,982	3,810,162	3,825,402	3,840,704	3,856,067	3,871,491	3,886,977	3,902,525	3,918,135
<b>Taxable Wages (\$ millions)</b>											
Small Businesses	\$55,610.9	\$57,675.8	\$59,817.5	\$62,038.6	\$64,342.2	\$66,731.4	\$69,209.2	\$71,779.1	\$74,444.4	\$77,208.7	\$80,075.6
All Other Employers	\$208,918.2	\$218,552.9	\$226,668.2	\$235,084.8	\$243,814.0	\$252,867.3	\$262,256.8	\$271,994.9	\$282,094.6	\$292,569.4	\$303,433.0
<b>Total</b>	<b>\$264,529.1</b>	<b>\$276,228.7</b>	<b>\$286,485.7</b>	<b>\$297,123.5</b>	<b>\$308,156.2</b>	<b>\$319,598.7</b>	<b>\$331,466.0</b>	<b>\$343,774.0</b>	<b>\$356,539.1</b>	<b>\$369,778.1</b>	<b>\$383,508.7</b>
<b>Claims</b>											
Family		85,816	78,740	81,427	82,570	82,900	83,232	83,565	83,899	84,235	84,572
Medical		213,625	225,204	232,887	236,157	237,102	238,050	239,002	239,958	240,918	241,882
<b>Total</b>		<b>299,441</b>	<b>303,944</b>	<b>314,314</b>	<b>318,727</b>	<b>320,002</b>	<b>321,282</b>	<b>322,567</b>	<b>323,858</b>	<b>325,153</b>	<b>326,454</b>
<b>Benefit Payments (\$ millions)</b>											
Family		\$613.1	\$581.1	\$620.8	\$650.3	\$674.4	\$699.5	\$725.5	\$752.4	\$780.3	\$809.3
Medical		\$1,373.4	\$1,495.7	\$1,597.7	\$1,673.6	\$1,735.8	\$1,800.2	\$1,867.1	\$1,936.4	\$2,008.3	\$2,082.9
<b>Total</b>		<b>\$1,986.6</b>	<b>\$2,076.8</b>	<b>\$2,218.5</b>	<b>\$2,323.9</b>	<b>\$2,410.2</b>	<b>\$2,499.7</b>	<b>\$2,592.5</b>	<b>\$2,688.8</b>	<b>\$2,788.6</b>	<b>\$2,892.2</b>
<b>Expenses (\$ millions)</b>											
Start-up	\$60.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$32.3	\$30.6	\$32.7	\$34.2	\$35.5	\$36.8	\$38.2	\$39.6	\$41.1	\$42.6
Medical		\$72.3	\$78.7	\$84.1	\$88.1	\$91.4	\$94.7	\$98.3	\$101.9	\$105.7	\$109.6
<b>Total</b>	<b>\$60.0</b>	<b>\$104.6</b>	<b>\$109.3</b>	<b>\$116.8</b>	<b>\$122.3</b>	<b>\$126.9</b>	<b>\$131.6</b>	<b>\$136.4</b>	<b>\$141.5</b>	<b>\$146.8</b>	<b>\$152.2</b>
<b>Total Expenditure (\$ millions)</b>											
Family		\$645.4	\$611.7	\$653.5	\$684.5	\$709.9	\$736.3	\$763.6	\$792.0	\$821.4	\$851.9
Medical		\$1,445.7	\$1,574.4	\$1,681.8	\$1,761.7	\$1,827.1	\$1,895.0	\$1,965.4	\$2,038.3	\$2,114.0	\$2,192.5
<b>Total</b>	<b>\$60.0</b>	<b>\$2,091.1</b>	<b>\$2,186.1</b>	<b>\$2,335.3</b>	<b>\$2,446.2</b>	<b>\$2,537.1</b>	<b>\$2,631.3</b>	<b>\$2,729.0</b>	<b>\$2,830.3</b>	<b>\$2,935.4</b>	<b>\$3,044.4</b>
<b>Contributions (\$ millions)</b>											
Employer	\$681.1	\$712.5	\$738.9	\$1,010.5	\$1,109.1	\$1,134.0	\$1,161.3	\$1,204.4	\$1,249.1	\$1,295.5	\$1,343.6
Employee	\$862.4	\$900.5	\$933.9	\$1,277.2	\$1,401.8	\$1,433.2	\$1,467.7	\$1,522.2	\$1,578.7	\$1,637.4	\$1,698.2
<b>Total</b>	<b>\$1,543.4</b>	<b>\$1,613.0</b>	<b>\$1,672.9</b>	<b>\$2,287.6</b>	<b>\$2,510.8</b>	<b>\$2,567.2</b>	<b>\$2,629.0</b>	<b>\$2,726.6</b>	<b>\$2,827.9</b>	<b>\$2,932.9</b>	<b>\$3,041.8</b>
<b>Contribution Rates**</b>											
Employer	0.33%	0.33%	0.33%	0.43%	0.45%	0.45%	0.44%	0.44%	0.44%	0.44%	0.44%
Employee	0.33%	0.33%	0.33%	0.43%	0.45%	0.45%	0.44%	0.44%	0.44%	0.44%	0.44%
<b>Total</b>	<b>0.58%</b>	<b>0.58%</b>	<b>0.58%</b>	<b>0.77%</b>	<b>0.81%</b>	<b>0.80%</b>	<b>0.79%</b>	<b>0.79%</b>	<b>0.79%</b>	<b>0.79%</b>	<b>0.79%</b>
<b>Investment Income (\$ millions)</b>	\$64.1	\$44.2	\$25.0	\$23.3	\$26.8	\$29.1	\$30.2	\$31.3	\$32.5	\$33.7	\$34.9
<b>Fund Balance (\$ millions)</b>	<b>\$1,547.5</b>	<b>\$1,113.6</b>	<b>\$625.4</b>	<b>\$601.0</b>	<b>\$692.4</b>	<b>\$751.7</b>	<b>\$779.6</b>	<b>\$808.5</b>	<b>\$838.5</b>	<b>\$869.7</b>	<b>\$902.0</b>
<b>Fund Balance % of Total Expenditure</b>		53%	29%	26%	28%	30%	30%	30%	30%	30%	30%

\* The projection of covered employees and taxable wages assume that 15% of eligible employees would be covered through private plans.

\*\* The overall contribution rate is equal to total contributions divided by total taxable wages every year, and does not equal the sum of employer and employee rates due to the small business exemptions.

**Projection 4**  
**Michigan PFML Program Option 2 with 7-day Qualifying Period**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<b>Covered Employees*</b>		3,779,862	3,794,982	3,810,162	3,825,402	3,840,704	3,856,067	3,871,491	3,886,977	3,902,525	3,918,135
<b>Taxable Wages (\$ millions)</b>											
Small Businesses	\$55,610.9	\$57,675.8	\$59,817.5	\$62,038.6	\$64,342.2	\$66,731.4	\$69,209.2	\$71,779.1	\$74,444.4	\$77,208.7	\$80,075.6
All Other Employers	\$208,918.2	\$218,552.9	\$226,668.2	\$235,084.8	\$243,814.0	\$252,867.3	\$262,256.8	\$271,994.9	\$282,094.6	\$292,569.4	\$303,433.0
<b>Total</b>	<b>\$264,529.1</b>	<b>\$276,228.7</b>	<b>\$286,485.7</b>	<b>\$297,123.5</b>	<b>\$308,156.2</b>	<b>\$319,598.7</b>	<b>\$331,466.0</b>	<b>\$343,774.0</b>	<b>\$356,539.1</b>	<b>\$369,778.1</b>	<b>\$383,508.7</b>
<b>Claims</b>											
Family		81,916	75,161	77,726	78,817	79,132	79,449	79,766	80,086	80,406	80,727
Medical		168,679	177,822	183,889	186,471	187,217	187,966	188,717	189,472	190,230	190,991
<b>Total</b>		<b>250,595</b>	<b>252,983</b>	<b>261,615</b>	<b>265,288</b>	<b>266,349</b>	<b>267,414</b>	<b>268,484</b>	<b>269,558</b>	<b>270,636</b>	<b>271,719</b>
<b>Benefit Payments (\$ millions)</b>											
Family		\$585.3	\$554.7	\$592.6	\$620.7	\$643.8	\$667.7	\$692.5	\$718.2	\$744.9	\$772.5
Medical		\$1,084.5	\$1,181.0	\$1,261.6	\$1,321.5	\$1,370.6	\$1,421.5	\$1,474.3	\$1,529.0	\$1,585.8	\$1,644.7
<b>Total</b>		<b>\$1,669.7</b>	<b>\$1,735.7</b>	<b>\$1,854.2</b>	<b>\$1,942.2</b>	<b>\$2,014.4</b>	<b>\$2,089.2</b>	<b>\$2,166.7</b>	<b>\$2,247.2</b>	<b>\$2,330.6</b>	<b>\$2,417.2</b>
<b>Expenses (\$ millions)</b>											
Start-up	\$60.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Family		\$30.8	\$29.2	\$31.2	\$32.7	\$33.9	\$35.1	\$36.4	\$37.8	\$39.2	\$40.7
Medical		\$57.1	\$62.2	\$66.4	\$69.6	\$72.1	\$74.8	\$77.6	\$80.5	\$83.5	\$86.6
<b>Total</b>	<b>\$60.0</b>	<b>\$87.9</b>	<b>\$91.4</b>	<b>\$97.6</b>	<b>\$102.2</b>	<b>\$106.0</b>	<b>\$110.0</b>	<b>\$114.0</b>	<b>\$118.3</b>	<b>\$122.7</b>	<b>\$127.2</b>
<b>Total Expenditure (\$ millions)</b>											
Family		\$616.1	\$583.9	\$623.8	\$653.4	\$677.7	\$702.8	\$728.9	\$756.0	\$784.1	\$813.2
Medical		\$1,141.6	\$1,243.1	\$1,328.0	\$1,391.1	\$1,442.7	\$1,496.3	\$1,551.8	\$1,609.5	\$1,669.2	\$1,731.2
<b>Total</b>	<b>\$60.0</b>	<b>\$1,757.6</b>	<b>\$1,827.1</b>	<b>\$1,951.8</b>	<b>\$2,044.5</b>	<b>\$2,120.4</b>	<b>\$2,199.1</b>	<b>\$2,280.8</b>	<b>\$2,365.5</b>	<b>\$2,453.3</b>	<b>\$2,544.4</b>
<b>Contributions (\$ millions)</b>											
Employer	\$574.5	\$601.0	\$621.2	\$838.4	\$926.9	\$947.7	\$970.5	\$1,006.6	\$1,044.0	\$1,082.7	\$1,122.9
Employee	\$727.5	\$759.6	\$785.1	\$1,059.7	\$1,171.5	\$1,197.8	\$1,226.7	\$1,272.2	\$1,319.5	\$1,368.4	\$1,419.3
<b>Total</b>	<b>\$1,302.0</b>	<b>\$1,360.6</b>	<b>\$1,406.2</b>	<b>\$1,898.1</b>	<b>\$2,098.4</b>	<b>\$2,145.6</b>	<b>\$2,197.2</b>	<b>\$2,278.8</b>	<b>\$2,363.4</b>	<b>\$2,451.2</b>	<b>\$2,542.2</b>
<b>Contribution Rates**</b>											
Employer	0.28%	0.28%	0.27%	0.36%	0.38%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
Employee	0.28%	0.28%	0.27%	0.36%	0.38%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
<b>Total</b>	<b>0.49%</b>	<b>0.49%</b>	<b>0.49%</b>	<b>0.64%</b>	<b>0.68%</b>	<b>0.67%</b>	<b>0.66%</b>	<b>0.66%</b>	<b>0.66%</b>	<b>0.66%</b>	<b>0.66%</b>
<b>Investment Income (\$ millions)</b>	\$53.7	\$37.1	\$21.5	\$19.5	\$22.4	\$24.3	\$25.2	\$26.2	\$27.2	\$28.2	\$29.2
<b>Fund Balance (\$ millions)</b>	<b>\$1,295.6</b>	<b>\$935.8</b>	<b>\$536.4</b>	<b>\$502.3</b>	<b>\$578.7</b>	<b>\$628.2</b>	<b>\$651.5</b>	<b>\$675.7</b>	<b>\$700.8</b>	<b>\$726.8</b>	<b>\$753.8</b>
<b>Fund Balance % of Total Expenditure</b>		53%	29%	26%	28%	30%	30%	30%	30%	30%	30%

\* The projection of covered employees and taxable wages assume that 15% of eligible employees would be covered through private plans.

\*\* The overall contribution rate is equal to total contributions divided by total taxable wages every year, and does not equal the sum of employer and employee rates due to the small business exemptions.



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