

Maine Paid Family and Medical Leave Program Actuarial Review

PFML Authority October Meeting

October 28, 2026

Spring Consulting Group
AN ALERA GROUP COMPANY

Agenda

- Background and Purpose
- Summary of Results
- Sensitivity Scenarios
- Fund Solvency Metrics
- Summary of Results
- Update to 2026 Projection
- Impact of Removing Waiting Period for Medical Leave
- Questions
- Appendix
  - Key Assumptions and Methods
  - Reliances and Limitations

Background and Purpose

Background

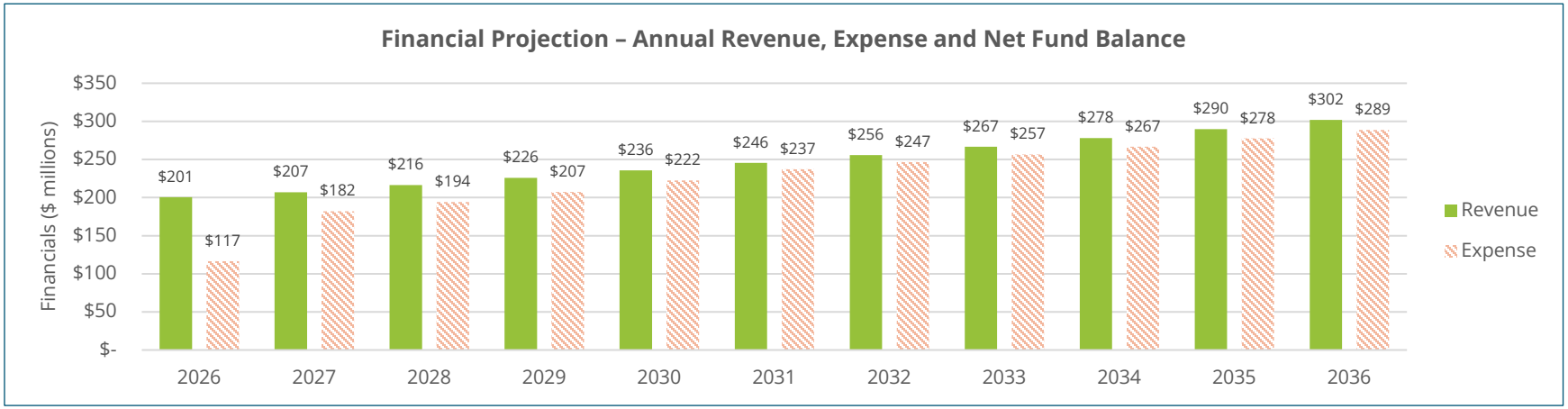
- The Maine Paid Family and Medical Leave Program (the PFML program) was signed into law in July 2023
- The Maine Department of Labor (MDOL or the Department) is responsible for administration. The Paid Family and Medical Benefits Authority (the Authority) is responsible for advising on program administration
- Premiums collections began in January 2025 (paid quarterly – wage reports and premiums are due on or before the last day of the month following the close of a quarter)
    - Employers with 15 or more employees pay 1% of wages (half of which can be deducted from employees), while those with fewer than 15 employees pay 0.5% (fully deductible from employees)
- Benefits started on May 2026
    - MDOL contracted with Aflac to administer all paid leave claims
- Eligible workers can take up to 12 weeks of paid leave, receiving 90% of their average weekly wage up to 50% of the state average weekly wage (SAWW; $1,249.12 as of July 1, 2026), plus 66% of any remaining wages, capped at the SAWW

Purpose: the purpose of the actuarial analysis is to:

- Develop financial projections for the PFML program revenue and expenses
- Assess adequacy of the fund balance to meet claims and expense obligations, and target funding requirements

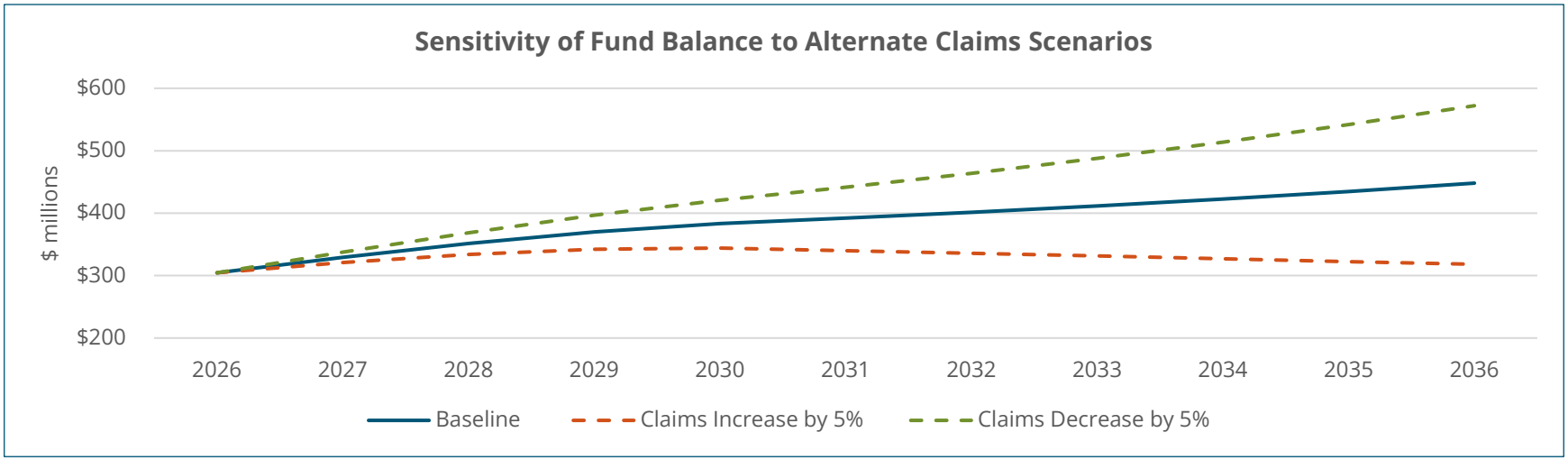
Summary of Results

- The analysis takes into account the long-term sustainability of the PFML program in Maine
  - Scenarios under review show a 10-year financial projection
  - Assumes premium rate will remain at current levels
- Under the baseline scenario:
  - Revenue is projected to increase from $201M in 2026 to $302M in 2036
  - Expense is projected to increase from $117M in 2026 to $289M in 2036
  - The net fund balance is projected to increase from an expected level of $305M as of December 31, 2026, to $448M as of December 31, 2036
- Alternate scenarios can result in differences in projected net fund balance
  - Differences in actual experience compared to assumptions underlying these projections will result in a variance in the financials
  - Recommend continuing to monitor emerging claims experience, with updates to financial projections on a regular basis (e.g., quarterly)



Sensitivity Scenarios

- A 5% change in claims experience compared to baseline scenario indicates over $100M difference in fund balance at the end of 2036
- Additional financial strain can occur due to potential changes in environment (e.g., recession, healthcare epidemic)
  - A recession can lead to higher unemployment levels which results in lower premiums collected and higher potential for claims in the near term
  - A healthcare epidemic can lead to higher claims under own health and care for others, for the duration of the epidemic
- A strong fund balance (within target fund solvency requirements) will help the PFML fund cover years with lower premium and/or higher claims expense



Fund Solvency Metrics

- The projection indicates that the net fund balance meets the target funding metrics

Key solvency metrics are outlined below:

- Premiums vs. Net Fund Balance (net of outstanding premiums and claims payments):
  - This measure is an assessment of adequacy of net fund balance to cover inadequate premiums during the year should claims run higher than expected
  - The target recommends the net fund balance should at least cover six months of premiums
- Length of Reserves
  - This is a measure of the adequacy of the net fund balance to pay claims and expenses, particularly if claims are higher than anticipated
  - The target recommends the net fund balance should be sufficient to cover 12 months of claims and expenses
- Fund solvency results are below:

Target Metrics	Projected Result as of December 31, 2026	Target	Result
Premium vs. Net Fund Balance	17 months	More than 6 months	Meets target
Length of Reserves	20 months	More than 12 months	Meets target

Summary of Results

Preliminary results are shown below on a calendar year basis (in $ millions):

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Income Statement											
Incurred Premium	$190.9	$194.5	$202.9	$211.6	$220.8	$230.3	$240.2	$250.6	$261.4	$272.6	$284.4
Investment income	$9.7	$12.5	$13.4	$14.2	$14.9	$15.4	$15.7	$16.1	$16.5	$17.0	$17.5
Incurred Claims	($99.6)	($164.7)	($176.0)	($188.5)	($202.8)	($216.9)	($225.5)	($234.6)	($243.9)	($253.7)	($263.8)
Other Expenses	($17.0)	($17.4)	($18.1)	($18.8)	($19.5)	($20.2)	($21.1)	($22.0)	($22.9)	($23.8)	($24.7)
Net Income/(Expense)	**$84.0**	**$24.9**	**$22.2**	**$18.5**	**$13.4**	**$8.6**	**$9.3**	**$10.1**	**$11.1**	**$12.1**	**$13.4**
Net Fund Balance at End of Period											
Fund Balance	$282.9	$307.8	$330.1	$347.6	$360.8	$369.3	$378.3	$387.0	$396.6	$408.2	$419.9
Reserve for Outstanding Premium	$42.6	$44.6	$46.5	$48.5	$50.7	$52.8	$55.1	$57.5	$60.0	$62.5	$65.2
Reserve for Outstanding Claims	($21.0)	($23.0)	($25.0)	($26.0)	($28.0)	($30.0)	($32.0)	($33.0)	($34.0)	($36.0)	($37.0)
Net Fund Balance	**$304.5**	**$329.4**	**$351.6**	**$370.1**	**$383.5**	**$392.1**	**$401.4**	**$411.5**	**$422.6**	**$434.7**	**$448.1**
Funding Metrics											
Premium vs. Net Fund Balance	17	18	18	18	18	18	18	17	17	17	17
Length of Reserves (Months)	20	20	20	19	19	19	18	18	18	18	19

Target Metrics	Target
Premium vs. Net Fund Balance	More than 6 months
Length of Reserves	More than 12 months

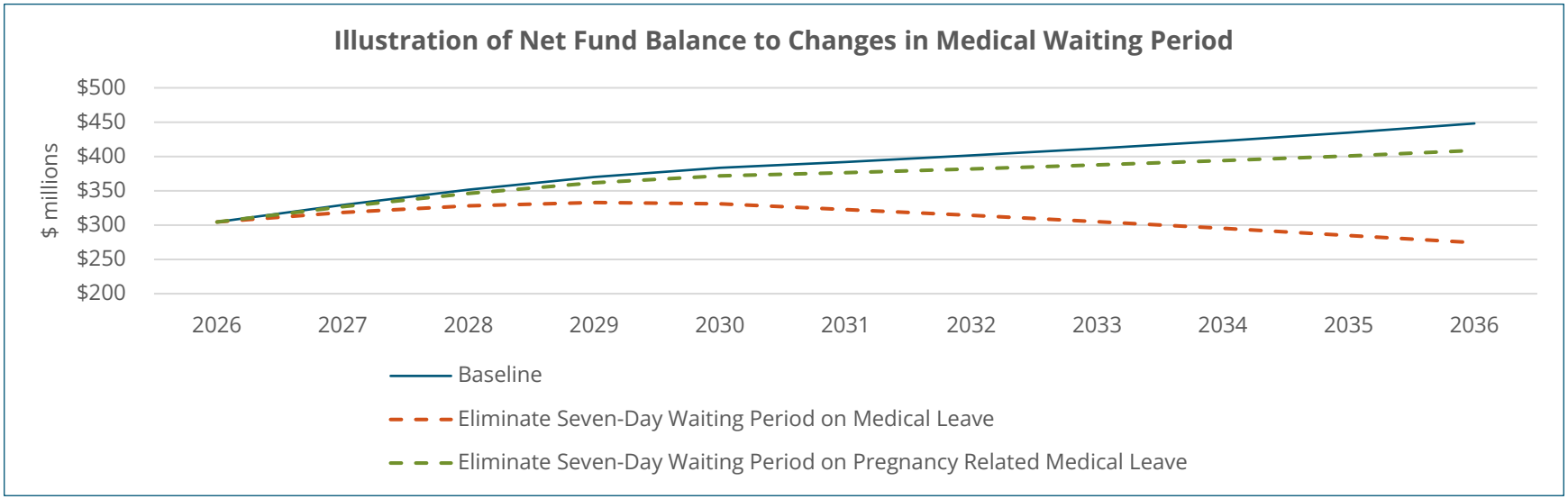
Update to 2026 Projection

Figures in $ millions	Updated Financial Projection (October 2026)	Initial Financial Projection (December 2025)
Income Statement		
Incurred Premium	$190.9	$185.5
Investment Income	$9.7	$9.0
Incurred Claims	($99.6)	($99.6)
Other Expenses	($17.0)	($18.3)
Net Income/(Expense)	**$84.0**	**$76.6**
Net Fund Balance at End of Period		
Fund Balance	$282.9	$263.6
Reserve for Outstanding Premium	$42.6	$42.6
Reserve for Outstanding Claims	($21.0)	($21.0)
Net Fund Balance	**$304.5**	**$285.2**
Funding Metrics		
Premium vs. Net Fund Balance	17	16
Length of Reserves (Months)	20	19

- Updated 2026 financial projection reflects the following:
  - Incurred premium collected up to July 31, 2026
  - Actual investment income earnings during Q1 and Q2 of 2026
  - Incurred claims experience between May 1, 2026, and June 30, 2026
  - Other expenses forecasts for claims administration and other expenses
  - Actual beginning of year net fund balance of $220.5M

Impact of Removing Waiting Period for Medical Leave

- Currently medical leave benefit includes a waiting period of seven calendar days
  - For example, if an employee is out of work due to a qualifying medical issue for eight weeks in total, payments under paid leave program for leave begin for the period starting day 8 to the end of the leave period (i.e., seven weeks of payments)
- The impact of eliminating the seven-day waiting period on medical leave is estimated to be a claims cost increase of $10M - $12M (assuming a 2027 baseline)
- The impact of eliminating the seven-day waiting period for pregnancy claims under medical leave is estimated to be a claims cost increase of $2M to $3M (assuming a 2027 baseline)



Questions

Proprietary & Confidential

Appendix

Proprietary & Confidential

Appendix — Key Assumptions and Methods

- Key components of actuarial analysis include:
  - Data collection and review:
    - Collect and analyze data from the Department on covered employees and employers
  - Claims projection:
    - Review data from other states in conjunction with plan design and Maine demographics to establish assumptions on claims incidence and duration by type of benefit
    - Develop additional supporting assumptions for the actuarial analysis, based on available data (e.g., salary increase projections, changes in employment)
    - Calculated 10-year projection of claims based covered population and estimated claims levels for each type of benefit
  - Premium projection:
    - Review data collected by the Department as part of quarterly premium collection/reporting process to estimate covered population, wages, benefit level and premiums expected to be collected
  - Investment income:
    - Project investment earnings based on fund balance and cash flow each year, based on investment earnings assumptions
  - Other expenses:
    - Review key components of expenses and projected changes in expenses to develop expense projection for claims administration and other expenses of the Department
  - Develop financial projections, including projections on estimated future premiums collected and investment income, and projections on claims and expenses
  - Develop alternate scenarios to test sensitivity of the net income projection and fund balance to alternate assumptions

Appendix — Key Assumptions and Methods

Item	Assumption	Comments
Eligible Population Covered	489,782	Based on employee data provided by the Department for the period Q2 2025 to Q2 2026 Excludes private plan population
Initial Average Weekly Benefit Amount (AWBA)	$816 in 2026	Based on review of actual YTD claims for May/June 2026 provided by the Department
Fund Investment Rate of Return	4.00% per year	Based on review of cash pool earnings from the Office of the State Treasurer
Salary Growth	4.0% per year	Based on Report of the Maine Consensus Economic Forecasting Commission dated April 1, 2025
Incidence Rate	Refer to table A	Based on review of other states' data in conjunction with Maine population demographics and Maine PFML program Rates reflect increases to move to ultimate incidence rate assumptions in future years
Duration	Refer to table B	Based on review of other states' data in conjunction with Maine population demographics and Maine PFML program
Forecasted Changes in Employment Level	Refer to table C	Based on Report of the Maine Consensus Economic Forecasting Commission dated April 1, 2025
Claims Administration and Other Expenses	Refer to table D	Based on budget data provided by the Department

Appendix — Key Assumptions and Methods

Table A: Incidence Rate Assumption (Incidence Rate per Year)

Leave Type	2026	2027	2028	2029	2030	2031 +
Medical Leave	2.08%	2.14%	2.20%	2.27%	2.34%	2.41%
Parental Leave	1.61%	1.65%	1.70%	1.75%	1.81%	1.86%
Family Care Leave	0.53%	0.55%	0.56%	0.58%	0.60%	0.62%
Military Family Leave	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%
Safe Leave	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%
Total	**4.44%**	**4.56%**	**4.68%**	**4.82%**	**4.99%**	**5.13%**

Appendix — Key Assumptions and Methods

Table B: Duration Assumption

Leave Type	Proposed Assumption (Weeks)
Medical Leave	7.0
Parental Leave	11.5
Family Care Leave	6.0
Military Family Leave	6.0
Safe Leave	6.0

Table C: Forecasted Changes in Employment Level

Calendar Year	% Change
2026	100.2%
2027	100.1%
2028 and onwards	100.0%

Table D: Claims Administration and Other Expenses

Expenses	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Claims Administration	$8.0M	$9.7M	$10.1M	$10.5M	$10.9M	$11.3M	$11.8M	$12.3M	$12.8M	$13.3M	$13.8M
Other Expenses	$9.0M	$7.7M	$8.0M	$8.3M	$8.6M	$8.9M	$9.3M	$9.7M	$10.1M	$10.5M	$10.9M
Total	$17.0M	$17.4M	$18.1M	$18.8M	$19.5M	$20.2M	$21.1M	$22.0M	$22.9M	$23.8M	$24.7M

Reliances and Limitations

- Our analysis and projections are based on a number of assumptions and information from the Department. Other than a general review for reasonableness, Spring Consulting Group has not independently verified any of the information received.
- To the extent that actual experience differs from the assumptions underlying these projections, so will the actual results differ from the results in these projections. Actual future experience may be more or less favorable than the assumptions underlying the projections. The accuracy of these projections depends on how well future experience conforms to assumptions.
- This document is provided for the use of the Department. As such it should not be relied upon by other parties unless requested in writing to Spring Consulting Group.
- Please refer to the Annual Actuarial Report as of June 30, 2026, dated October 1, 2026, for additional information on data, assumptions and methods. This document is incomplete without the accompanying discussion
- Exhibit numbers may not add due to rounding.