



Connecticut Paid Family and Medical Leave (CTPL) Program

Quarterly Experience Report - July 2022 to March 2023

June 8, 2023

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Key Results

Actual vs. Financial Projection Results for the Period July 2022 to March 2023

<i>Figures in \$ millions</i>	Actual	Financial Projections Presented in January 2023
	Jul 2022 to Mar 2023 (9-month period)	Jul 2022 to Mar 2023 (9-month period)
Beginning Fund Balance (net of outstanding contributions and claims payments)	\$446.3	\$446.3
Contributions Earned	\$330.5	\$327.6
Investment Income	\$11.2	\$10.5
Incurred Claims	(\$218.6)	(\$236.3)
Other Expenses	(\$32.9)	(\$33.2)
Net Activity	\$90.1	\$68.6
Ending Fund Balance (net of outstanding contributions and claims payments)	\$536.4	\$514.9

- Higher contributions and lower than estimated claims experience resulted in an ongoing strong fund balance position as of March 31, 2023
- Fund position remains strong, with funding metrics within target levels

Funding Metrics	Actual Metric as of Mar 31, 2023	Target	Actual vs. Target
Reserve vs. Net Fund Balance	0.1 : 1	Less than 3 : 1	Meets target
Contributions vs. Net Fund Balance	0.8 : 1	Less than 3 : 1	Meets target
Adverse Losses Over One Year vs. Net Fund Balance	0.3 : 1	Less than 0.5 : 1	Meets target

Fund Balance Results

CTPL Program Fund Balance Results (\$ millions)



Detailed Financial Results

<i>Figures in \$ millions</i>	Actual	Financial Projections
	Jul 2022 to Mar 2023 (9-month period)	Jul 2022 to Mar 2023 (9-month period)
Beginning fund balance (net of outstanding contributions and claims payments)	\$446.3	\$446.3
Revenue:		
a. Payroll contributions		
Payroll contributions (paid basis) - received by end of period	\$330.5	\$326.1
Change in reserve for contributions for fiscal year 2023 not yet received as of end of period, subsequently received in following period	N/A	\$1.5
Total contributions	\$330.5	\$327.6
b. Investment income	\$11.2	\$10.5
Total revenue	\$341.7	\$338.1
Expenses:		
a. Claims benefit payments		
Paid claims	(\$217.6)	(\$232.3)
Change in reserve for incurred claims in fiscal year 2023 not yet paid as of end of period	(\$1.0)	(\$4.0)
Reported incurred claims	(\$218.6)	(\$236.3)
b. Other		
CTPL administration	(\$15.0)	(\$15.0)
Claims administration (Aflac)	(\$16.7)	(\$16.9)
Seed capital repayment	(\$1.3)	(\$1.3)
Bond repayment	\$0.0	\$0.0
Subtotal expenses	(\$32.9)	(\$33.2)
Total expenses	(\$251.6)	(\$269.5)
Net activity	\$90.1	\$68.6
Ending fund balance (net of outstanding contributions and claims payments)	\$536.4	\$514.9

Financial Projection for Fiscal Year 2023

	Updated this Quarter (Based on July to March 2023 Actual Results)	Presented in January 2023 (Based on July to December 2022 Actual Results)
<i>Figures in \$ millions</i>	Jul 2022 to Jun 2023	Jul 2022 to Jun 2023
Beginning Fund Balance (net of outstanding contributions and claims payments)	\$446.3	\$446.3
Contributions Earned	\$443.0	\$443.0
Investment Income	\$17.0	\$14.9
Incurred Claims	(\$315.0)	(\$332.7)
Other Expenses	(\$40.9)	(\$45.3)
Net Activity	\$104.1	\$79.9
Ending Fund Balance (net of outstanding contributions and claims payments)	\$550.4	\$526.2

- Updated financial projections for fiscal year 2023 to reflect most recent financials for the period July 2022 to March 2023
- Compared to update from prior quarter:
 - Updated investment income to reflect actual earnings and higher projected earnings at 4.5%
 - Updated to reflect lower actual claims/expenses this quarter, with no change to claims experience for the remainder of the fiscal year until additional data is available (conservative approach)
 - Updated expenses to reflect recent expenses data and updated bond repayment schedule (\$2.16M in June 2023)

Questions

Appendix

Fund Solvency Metrics

- **Reserve vs. Net Fund Balance (net of outstanding contributions and claims payments):**
 - The reserve represents the funds required to be set aside in respect of the expected cost of claims for events that have already been incurred, but for which corresponding benefits have not yet been paid
 - The proposed target recommends the net fund balance should be at least one third of the reserve as a measure of the capacity of the funds to cover additional incurred claims not yet paid
- **Contributions vs. Net Fund Balance (net of outstanding contributions and claims payments):**
 - Assessment of adequacy of net fund balance to cover inadequate contributions during the year should claims run higher than expected
 - The proposed target recommends the net fund balance should at least cover one third of next year's contributions
- **Adverse Losses Over One Year vs. Net Fund Balance (net of outstanding contributions and claims payments):**
 - Assessment of adequacy of net fund balance to cover adverse losses
 - Adverse losses were determined based on a stress-test analysis of claims against changes in duration and incidence levels. The specific adverse scenario selected reflects the range of incidence rates experienced by other states
 - The proposed target recommends the net fund balance should cover more than two years of adverse losses

Reliances and Limitations

- Spring's analysis and projections are based on a number of assumptions and information from the Connecticut Paid Leave Authority (the "Authority") and Aflac. Other than a general review for reasonableness, Spring has not independently verified any of the information received from the Authority or its service providers. Where data was unavailable or incomplete for certain plans, Spring used industry experience to estimate missing values
- The accuracy of these projections depends on how well future experience conforms to assumptions. Actual experience may be more or less favorable than the assumptions underlying the projections. 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
- Spring is not a tax, legal or accounting firm – the Authority's advisors should review these areas in light of the Authority's unique facts and circumstances
- Please refer to the Annual Report as of June 30, 2022, provided on July 21, 2022, for additional information on data, assumptions and methods. This document is incomplete without the accompanying discussion
- Exhibit numbers may not add due to rounding



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Why Spring?

- Deep industry expertise
- End-to-end experience from strategy development through implementation
- Thought leadership
- Alternate funding
- Health and wealth convergence
- Benefit integration
- Flexibility to partner with clients and other preferred advisors
- Objectivity and independence — ownership structure removes potential conflicts of interest
- Award-winning project team
- Complete confidentiality
- Innovation — 8 patents
- Dedication to honesty, transparency and independence
- Strong project and multidisciplinary team management and communication