Delaware Department of Labor

State of Delaware Paid Family and Medical Leave Program

Actuarial Analysis of Contribution Rate Adequacy

Prepared by Risk Strategies and Optimizing Foundations

March 30, 2026

March 30, 2026

Mr. Christopher R. Counihan

Division of Paid Leave Delaware Department of Labor

4425 North Market Street

Wilmington, DE 19802

Re: Actuarial Analysis of the Delaware Paid Family and Medical Leave Program

Dear Mr. Counihan:

As requested, Risk Strategies and Optimizing Foundations, LLC have completed an actuarial analysis of contribution rate adequacy for the Delaware Paid Family and Medical Leave (PFML) Insurance Program.

Our analysis provides a projection of claims, expenses, contributions, fund balance, and solvency metrics for year 2026. These projections are based on demographic and wage data provided by the Delaware Office of Occupational and Labor Market Information (OOLMI) and actuarial assumptions derived from benchmarking comparable state PFML programs.

Under the baseline scenario reflecting current statute, our modeling indicates that the statutory contribution rate of 0.80% may be insufficient to sustainably support projected benefit payments and administrative expenses over the near term. Based on the assumptions applied, the Trust Fund is projected to remain adequate in 2026; however, as utilization evolves and potential policy changes are considered, reserve levels may become increasingly constrained.

Another objective of this engagement was to quantify the financial impact of proposed legislative amendments, specifically the proposal to transition benefit eligibility limits from a 24-month cycle to a 12-month cycle. Our analysis suggests that while this change simplifies administration, it introduces utilization risks that must be carefully weighed against the State's revenue constraints. Detailed financial projections for this proposed scenario are provided in Section 6 of the report.

Because the Program is in its startup phase and historical claims experience is limited, these projections are subject to material uncertainty. Actual results will differ to the extent that emerging experience varies from the assumptions used. As such, we recommend that the Department review these assumptions annually and adjust the Target Fund Balance metrics as credible experience emerges. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Michael L. Frank, ASA, FCA, MAAA
Managing Director and Actuary
Risk Strategies

Noor Rajah, FSA, MAAA, CFA
President
Optimizing Foundations LLC

cc: Gary Robbins, GBDS, VBS – Risk Strategies
Josh O'Neill – Risk Strategies
Donald Rusconi, CFA – Risk Strategies
Gursharan Jhuty, FSA, EA, MAAA – Optimizing Foundations

Contents

1 Executive Summary

This comprehensive actuarial review evaluates the long-term financial sustainability of Delaware's Paid Family and Medical Leave (PFML) Trust Fund, with particular emphasis on whether the statutory 0.80 percent contribution rate provides adequate funding to support projected benefits and administrative costs while maintaining prudent reserves. The analysis incorporates Delaware-specific workforce data, extensive cross-state benchmarking, industry market intelligence from major absence carriers, and sensitivity testing across key actuarial assumptions.

This report represents a convergence of three critical perspectives:

1. **Actuarial projection modeling** that forecasts cash flows, fund balance trajectories, and reserve adequacy over a one-year horizon under multiple scenarios,

2. **Industry market realities** drawn from carrier feedback providing systematic underpricing patterns, operational challenges, and structural tensions between state-mandated rates and actuarial adequacy,

3. **Governance and monitoring frameworks** designed to provide early warning indicators, transparent stakeholder communication, and systematic response mechanisms when experience deviates from expectations, as long-term sustainability depends not only on initial rate adequacy but also on disciplined monitoring and adaptive governance.

Data Available for Analysis

At the time of this review, the Delaware Department of Labor ("the Department") administrators provided the aggregate information for the total number of covered employers and employees, average taxable wage, and approximate number of claims filed during the first six weeks of benefit availability (through February 18, 2026).

Although employer contributions began on January 1, 2025, benefit payments only commenced on January 1, 2026. During the early implementation phase, the State's administrative system experienced operational issues that hindered claim filing and processing, and the early claim experience likely deviates from true demand and may not reflect steady-state program utilization.

As such, the currently available Delaware-specific claims experience is unlikely to be credible over the long term. The limited duration of emerging experience significantly constrains the

reliability of traditional actuarial projection methods. Accordingly, this study relies heavily on benchmark data and experience from other states with similar paid leave programs. While informative, these external benchmarks may not fully reflect Delaware's specific characteristics, such as demographic, wage, employer, and utilization characteristics, and therefore introduce additional uncertainty into the projections. However, they provide a best-case estimate given the lack of data.

Another notable source of longer-term uncertainty in the program's financial outlook relates to employer participation in the state plan versus private equivalent plans. Employers who obtain approved private plans do not contribute to the state Fund, directly reducing the pool of contributions available to support collective claims while simultaneously reducing the potential benefits paid out.

The State has provided assumptions regarding the anticipated rate at which current private-plan employers are expected to return to the state program, and we also referenced benchmarking data from comparable state programs to inform assumptions regarding participation rate trajectories and private plan opt-out patterns.

These assumptions reflect a meaningful degree of uncertainty, as employer decision-making around private plan adoption and retention is influenced by factors such as plan costs, workforce composition, and administrative preferences. Because the scope of this analysis is limited to a one-year projection for the 2026 plan year, these longer-term participation shift assumptions have not been incorporated into the current model. However, they represent an important dynamic that should be revisited and reflected in any multi-year projections or subsequent actuarial analyses.

Given the limited data provided, and at the Department's request, this report presents a one-year financial projection for calendar year 2026. As additional credible experience emerges, more granular and refined actuarial analyses will be necessary to validate long-term rate adequacy and fund sustainability.

Scenarios Analyzed

To assess contribution sufficiency under different statutory frameworks, we modeled three scenarios:

Scenario A: Prior Statutory Framework (Pre–HS1 for HB128). Scenario A reflects the original statutory framework in effect before July 30, 2025, prior to the enactment of HS1 for HB128. Under the prior structure, the State PFML program functioned as a secondary payer in coordination with Group STD policies, and employees were required to exhaust up to two weeks of employer-provided Paid Time Off (PTO) before becoming eligible to receive State PFML benefits.

As a result, employer-provided benefits partially offset State program costs during the initial portion of leave events. This structure reduced the number of weeks paid directly by the State and delayed the timing of State benefit payments.

Under the statute for Scenario A, the state is not the primary payer, and employees must exhaust up to two weeks of Paid Time Off (PTO) from employers before being eligible for the state plan.

Table 1.1 presents the projected 2026 financial results under this baseline scenario (in millions):

Table 1.1	2025	2026
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4
Total Expected Expenditure		$45.5
Assumed Fund Balance	$40.7	$201.9
Projected Funded Ratio		444%

*The Funded Ratio is the fund balance divided by the total expenditure.

Under **Scenario A**, the funded ratio at the end of the year is projected to be 444%, which means the available fund would likely be able to support the program for four years, assuming the same provisions, expected expenses, and claims level with no new contributions. Therefore, under the 0.80% contribution rate, the program is projected to be sustainable for 2026 in the baseline scenario. **Scenario B**: Current Statute ("Baseline Scenario" or "Base Case Scenario"). Scenario B reflects the current statutory framework under which the State PFML program operates following the enactment of HS1 for HB128. Under the current statute, the State PFML program serves as the primary payer, and the prior requirement that employees exhaust up to two weeks of employer-provided Paid Time Off (PTO) before receiving State benefits has been eliminated.

As a result, benefit payments are expected to begin immediately upon claim approval, increasing the duration of the state-paid benefits per claim. It will also likely increase the claim utilization rate from the perspective of the state program, as claims go directly to the state first. Total projected expenditure is expected to increase significantly relative to the baseline.

Table 1.2 summarizes the projected 2026 financial results under Scenario B (in millions):

Table 1.2	2025	2026
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4
Total Expected Expenditure		$77.7
Expected Fund Balance	$40.7	$169.1
Projected Funded Ratio		217%

Under this scenario, the projected funded ratio is expected to be above 200% at the end of 2026, meaning the available fund balance would likely be able to sustain 2 years of claims payments, assuming the same provisions, expected expenses, and claims level with no new contributions. Therefore, the 0.80% contribution rate is projected to be sufficient for 2026, with enough surplus. Note that the fund balance is much lower than the balance projected in Scenario A by close to half, and the funded ratio dropped from above 400% to above 200%, which indicates a weakened sustainability and solvency.

Scenario C builds upon Scenario B and further reflects a proposed statutory change where the maximum benefit duration for medical leave, family caregiving, and qualifying exigency leave would be increased to six weeks per year (rather than six weeks per 24-month period).

This modification substantially increases expected claim frequency and aggregate benefit costs. The combined effect of the State serving as primary payer and the expanded annual duration materially elevates projected expenditures.

Table 1.3 presents the projected 2026 financial results under Scenario C (in millions):

Table 1.3	2025	2026
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4
Total Expected Expenditure		$100.9
Expected Fund Balance	$40.7	$145.5
Expected Funded Ratio		144%

Under Scenario C, the funded ratio is projected to be 144%, indicating the available fund balance at the end of 2026 would likely be able to support the program for approximately a year and a half, and the annual expenditure is expected to dramatically increase to 100.9 million per year, doubled from 45.5 million in Scenario A. Therefore, although the fund balance is still projected to be sufficient, the program's solvency position is materially eroded, and the structural margin has compressed.

Actual results under each scenario will differ from these projections.

Key Observations and Sensitivity Considerations

Although Scenario C produces a projected fund ratio of 144% for 2026, suggesting that the fund balance could support approximately one to two years of expenditures, it is important to interpret this result with caution.

The projected year-end fund balance incorporates the impact of the one-year pre-collection period, as employer contributions began on January 1, 2025, while benefit payments did not commence until January 1, 2026. As a result, approximately $110 million of the projected fund balance is attributable to contributions accumulated prior to benefit payments.

When isolating the ongoing operational balance (i.e., excluding the pre-collection accumulation), the remaining fund position under Scenario C would be materially tighter and only marginally sufficient to cover one year of projected expenditure. In other words, absent the pre-funding cushion created during 2025, the 0.80% contribution rate would provide a limited margin for adverse deviation under the expanded benefit structure, and the annual contribution received is barely enough to cover the annual expenditure in the same year.

As such, while the baseline projection under Scenario C may appear adequate, it also highlights the structural sensitivity of the Program to higher utilization, longer durations, or administrative cost pressures. To further evaluate the Program's financial resilience, we conducted sensitivity testing to stress test the fund under adverse experience scenarios. These stress tests examine the impact of higher-than-expected claim incidence, extended claim durations, and wage growth variability on overall solvency metrics.

The results of these stress tests underscore the importance of ongoing monitoring and periodic rate review as credible Delaware-specific experience emerges, and are presented in detail in the results section and Appendix B.

Independent of this analysis, we have received informal feedback from major absence management insurance carriers operating in multiple PFML jurisdictions that reveal a consistent pattern: state-mandated contribution rates have proven systematically inadequate to cover actual claim costs and administrative expenses. Carriers report that state rates are generally not sufficient to cover claims except among very small groups, where leave utilization

is naturally suppressed, and this inadequacy reflects structural tensions from competing political pressures — from employers seeking to minimize contribution burdens and from benefit advocates pursuing richer program designs — versus the actuarial requirements necessary to maintain long-term solvency — a conclusion reinforced by the contribution rate history in the appendix, where states such as California and Washington have needed to increase rates repeatedly since program inception.

Despite offering superior claim adjudication and integrated absence management, private carriers face intense market pressure to match these inadequate state rates, and in jurisdictions like New York, where carriers must match the state rate exactly, profitability is possible only through statutory risk-sharing arrangements that effectively subsidize carriers from state reserves. Carriers nonetheless continue participating in PFML markets because they approach the product as part of integrated portfolios alongside short-term disability, long-term disability, and leave administration, where PFML generates strategic value through consolidated operations and enhanced cross-product service delivery consistent with standard insurance industry practice.

For Delaware, the relevance of this experience is direct. Contribution rates that appear adequate at program launch can come under pressure as utilization develops, awareness among employees grows, and behavioral patterns shift toward steady state. The projections under Scenarios B and C illustrate how quickly that pressure can build. The governance and monitoring framework recommended in this report is not a precaution but a necessity, providing the Department with the tools to identify and respond to adverse trends before they become structural problems, as part of a risk management framework.

The 0.80% contribution rate is projected to sustain the program through 2026 across all scenarios, but it requires to be careful. The favorable fund position is substantially attributable to the pre-collection period, and when viewed on a steady-state basis, the margin between annual contributions and annual expenditures under Scenarios B and C is narrow and sensitive to utilization and duration. Cross-state experience and carrier feedback consistently indicate that initial contribution rates in PFML programs have proven insufficient over time, requiring subsequent increases as utilization matures and awareness grows. Accordingly, we recommend that the Department prioritize three near-term actions: establishing a governance framework with explicit solvency triggers, deferring benefit expansions until steady-state cost patterns are observable, and commissioning a follow-up actuarial study once sufficient Delaware-specific claims experience is available to support credible long-term projections.

2 Recommendations: A Path Forward

While the current analysis finds the 0.80 percent rate structurally adequate in the short term, the recommendations below are prioritized by urgency and sequenced to provide maximum stability with minimum stakeholder disruption.

2.1 Immediate Actions (Q1-Q2 2026, as Benefit Payments Begin)

1. Formalize reserve policy and governance triggers

If not already explicitly set up, establish explicit reserve targets expressed as months of projected benefit payments (recommended range: 6 to 12 months). Define governance triggers that automatically initiate rate review when reserves fall below thresholds (example: mandatory review if reserves drop below 6 months; emergency actions if below 3 months). Codify these triggers in regulation or formal policy before political pressures arise, if not already in effect.

Transparent reserve policy provides:

- Objective basis for rate decisions, depoliticizing what would otherwise be contentious stakeholder negotiations.
- Protection against premature rate cuts when short-term surpluses emerge during low-utilization periods.
- Clear stakeholder communication framework that explains program health in understandable metrics.
- Confidence for private carriers that the state is committed to systematic governance rather than reactive management.

2. Deploy a comprehensive monitoring dashboard

Implement monthly tracking of 4-5 critical metrics across four categories:

- Revenue metrics: Expected vs. actual premiums collected, effective collection rate (actual cash / statutory obligation), remittance lag by employer segment, compliance rate by industry.
- Utilization metrics: Claims per 1,000 covered workers by leave type, month-over-month incidence trends, demographic distribution of claimants vs. covered population.
- Cost severity metrics: Average weekly benefit amount, percentage of claimants hitting $900 cap, average claim duration by leave type, percentage of claimants reaching maximum duration.
- Financial health metrics: Monthly net cash flow, fund balance trajectory, reserve ratio (months of benefits), loss ratio (benefits/premiums), administrative expense ratio

Monthly or quarterly monitoring enables detection of adverse trends within weeks rather than quarters, providing time for measured response. Quarterly board review with published dashboards builds stakeholder trust through transparency.

3. Establish a transparent rate review process with stakeholder input mechanism

Commit to annual actuarial reviews with defined stakeholder consultation periods. Engage private carriers formally in design discussions, recognizing that their operational experience

across multiple jurisdictions provides invaluable market intelligence. Create an advisory committee including employer representatives, labor advocates, actuarial professionals, and carrier technical experts.

This process serves multiple objectives:

- Reduces information asymmetry that undermines stakeholder confidence
- Provides early warning of private plan exit trends that could destabilize the state pool
- Ensures operational feasibility of policy changes before legislative commitments
- Creates political cover for necessary rate adjustments by demonstrating broad-based input

2.2 Near-Term Actions (2027-2028, After 12-24 Months of Claims Experience)

1. Conduct a formal rate adequacy study calibrated to Delaware-specific experience

After 12 months of benefit payments, Delaware will have credible actual claims data to update actuarial assumptions for incidence, duration, benefit payments, wage distributions, and administrative costs, which dramatically reduces projection uncertainty.

The 2027 study should explicitly model:

- Year-two utilization acceleration scenarios based on peer state ramp-up patterns
- Private plans opt-out sensitivity showing how different exit patterns affect state pool costs
- Administrative cost trajectory under optimistic, baseline, and conservative efficiency improvement assumptions
- Break-even analysis identifying the exact combination of incidence, duration, and severity that would validate the 0.80% rate

2. Analyze private plan opt-out patterns and risk pool composition evolution

As a foundational step, we recommend that the Delaware Department of Labor explore opportunities to collect claim experience data from approved private plan carriers, where available. Specifically, this would ideally include data elements such as claim incidence rates by leave type (family, medical, and caregiver), average benefit durations, wage replacement, utilization patterns, claim denial rates, and workforce demographic profiles of covered employees. Even a high-level summary of this experience shared by private plan carriers on a periodic basis would provide the Department with a meaningful external reference point against which to benchmark the state program's own emerging experience.

This comparison is actuarially significant because the two pools (state program participants and privately insured employers) may exhibit materially different risk characteristics. For example, larger employers with more stable, higher-wage workforces may tend to self-select into private plans, which could leave the state pool disproportionately composed of smaller

employers, lower-wage workers, and higher-risk industries. If this dynamic is developing, it would manifest as higher-than-expected claim costs in the state program over time, placing pressure on Fund solvency.

Several peer states have either encouraged voluntary data-sharing arrangements or formally required approved private plan carriers to submit periodic experience reports to the relevant state agency, recognizing the importance of this data in monitoring program sustainability and risk pool dynamics. Establishing even an informal mechanism in the near term would meaningfully strengthen the Department's actuarial monitoring framework before such trends become financially material.

Therefore, understanding who is leaving the state pool is as important as understanding how many are leaving. A detailed profiling of private plan employers across wage levels, industry sectors, and workforce demographics will be essential to detecting adverse selection pressures early, when intervention remains most effective.

Potential interventions include:

- Adjusting private plan approval criteria
- Implementing risk adjustment mechanisms that account for workforce composition differences
- Creating incentives for private plans to serve diverse employer populations rather than picking low-risk groups
- Establishing reinsurance or risk-sharing arrangements

2.3 Long-Term Sustainability Framework (2029 and beyond)

1. Develop rate adjustment mechanisms that respond systematically to experience deviations

Consider automatic adjustment formulas (e.g., the rules that California enacted) that modify contribution rates within defined ranges based on observed loss ratios, reserve levels, and utilization trends. Such mechanisms, which are common in workers' compensation and unemployment insurance, depoliticize necessary adjustments and provide market stability.

Commit to recurring adequacy assessments every two years, decoupling actuarial analysis from political cycles. Establish expectation that rate adjustments based on objective experience data are normal program management, not crisis response.

2. Maintain robust private carrier engagement

Recognize that private plans are not competitors to the state program but are essential capacity partners. States need carriers to handle claim volume, provide specialized expertise, and maintain competitive service quality standards. Regular consultation ensures policy decisions support rather than undermine private plan viability.

3 Introduction

3.1 Program Background

The Delaware Paid Family and Medical Leave Insurance Program ("PFML" or "the Program") was established under the Healthy Delaware Families Act (Senate Bill 1), enacted by the Delaware General Assembly in May 2022. The Program is designed to provide partial wage replacement to eligible employees who take leave for parental bonding, serious health conditions, family caregiving, or qualifying military exigencies.

Program financing is supported through mandatory payroll contributions, with the statutory contribution rate currently set at 0.80% of covered wages, capped at the Social Security wage base. Contributions commenced on January 1, 2025, and benefit payments commenced on January 1, 2026.

The Department administers the Program and is responsible for premium collection, claims adjudication, and oversight of the Paid Leave Trust Fund. As the benefits are starting to get paid, the Department must ensure that the Fund is managed in accordance with fiduciary standards and that the contribution rate is sufficient to maintain the Program's long-term financial sustainability.

3.2 Summary of Benefits

The financial projections presented in this report reflect the benefit and contribution framework established under the Healthy Delaware Families Act, as subsequently amended (HS 1 for HB 128). The key statutory provisions incorporated into this analysis are summarized below.

A. Employee Eligibility

To qualify for benefits, an employee must meet specific tenure and hour requirements primarily aligned with the federal Family and Medical Leave Act (FMLA). Specifically, an employee is eligible if they have:

- Been employed by a covered employer for at least 12 months
- Worked at least 1,250 hours for that employer during the 12-month period immediately preceding the leave

B. Contribution Structure (Revenue)

The Program is funded through a mandatory payroll contribution based on "Covered Wages" up to the Social Security Wage Base ($176,100 for 2025, indexed annually). The statutory aggregate rate is 0.80%, structured as follows:

- Medical Leave: 0.40% of covered wages
- Parental Leave: 0.32% of covered wages
- Family Caregiving: 0.08% of covered wages

Employers are permitted to deduct up to 50% of the required contribution from employee wages, though they may elect to pay a larger share.

C. Benefit Schedule (Expenses)

Eligible claimants receive a weekly benefit amount determined as a percentage of their Average Weekly Wage (AWW), subject to statutory maximums and minimums:

- Wage Replacement Rate: 80% of the employees' AWW
- Maximum Weekly Benefit: $900 for calendar years 2026-27; thereafter indexed annually to the Consumer Price Index or inflation
- Minimum Benefit: $100 per week, unless the employee's AWW is less than $100, in which case the full AWW is payable

D. Benefit Duration Limits

- Parental Leave: Up to 12 weeks in a single application year
- Medical Leave/ Family Care Giving/ Qualifying Exigency: Up to 6 weeks in any 24-month period.
- Aggregate Cap: No individual may receive more than 12 weeks of combined PFML benefits in a single application year

E. Coordination with Employer-Provided Benefits (Primary Payer and PTO Requirement)

Under the previous statute, the State was not the primary payer at the onset of leave. Employees were required to exhaust up to two weeks of available employer-provided paid time off (PTO), if applicable, before becoming eligible to receive benefits from the State Program. As a result, PFML benefits function as a secondary source of wage replacement during the initial portion of leave when employer-paid benefits are available.

This coordination requirement materially affects projected claim timing, cash flow patterns, and aggregate program costs, and is explicitly reflected in the financial modeling assumptions used in this report.

Under the current scenario (**Scenario B**, HS1 for HB128), which was signed into law on July 30, 2025, the state is now the primary payer at the onset of leave in instances of Coordination of Benefits with Group STD policies.

One of the results of this new law is that employees who went onto STD benefits in 2025 had their STD checks reduced by $900 per week in anticipation that the state would start paying out $900 per week, with certain exceptions.

3.3 Scope of Analysis

In addition to the baseline scenario reflecting the current statute (Scenario B), this study evaluates two alternative policy configurations for the Delaware PFML program. These scenarios are intended to illustrate the fiscal impact of potential legislative modifications and to provide the Department and the General Assembly with a quantitative basis for informed decision-making. For clarity, Scenario A reflects the prior statutory framework, Scenario B represents the current baseline, and Scenario C illustrates a potential future modification.

Scenario A – State as Secondary Payer; With the PTO Exhaustion Requirement (Prior to the July 30, 2025 law)

Policy Overview

Under the original statutory framework (before the enactment of HS1 for HB128), the State PFML program was not the primary payer at the onset of leave, and employees were required to exhaust up to two weeks of available employer-provided paid time off (PTO), if applicable, before becoming eligible to receive benefits from the State program. As a result, PFML benefits functioned as a secondary source of wage replacement during the initial portion of leave when employer-paid benefits were available.

As a result, employer-provided benefits partially offset State program costs during the initial portion of leave events, and this structure was expected to reduce the number of weeks paid directly by the State and was expected to delay the timing of State benefit payments.

Scenario A is included in this analysis to reflect the program's historical structure and associated cost patterns, and to quantify the impact of subsequent policy changes that shifted the State PFML program from a secondary payer with a PTO exhaustion requirement to the current baseline statutory design.

Scenario B (Current Statute, HS1 for HB128) represents the current statute and reflects a structural shift from Scenario A, in which:

- The State Program is the primary payer of benefits,
- The statutory requirement to exhaust up to two weeks of employer-provided PTO before State payment no longer applies.

Policy Rationale and Structural Implications

Structurally, this policy change (from Scenario A to Scenario B) is expected to:

- Increase the number of benefit weeks paid directly by the State per claim,
- Accelerate the timing of State cash outflows,
- Eliminate a built-in cost mitigation mechanism embedded in the original statute,
- Potentially increase utilization incentives by simplifying benefit access.

From a program financing perspective, this modification alters the cost-sharing dynamic between employers and the State. Under the prior structure, employer-provided PTO (or other

state-approved private plans) partially offset State liability during the first portion of leave. Removing this coordination effectively transfers a greater share of wage replacement responsibility to the State Trust Fund. As such, the current statute (Scenario B) represents a meaningful expansion of the State's financial responsibility compared to its original structure without a corresponding change in funding structure.

Scenario C – Revised Annual Benefit Limits by Leave Type *(Six weeks per year for medical, family care, and exigency; twelve weeks combined annual maximum across all leave types)*

Policy Overview

Scenario C builds upon Scenario B and introduces an additional modification to benefit duration limits. Under current law, medical leave, family caregiving leave, and qualifying exigency leave are limited to six weeks within 24 months, and scenario C revises this structure so that eligible individuals would receive up to six weeks of benefits per year for each of these leave types.

Policy Rationale and Structural Implications

This potential change reflects an increase in benefit flexibility and responsiveness to recurring or episodic medical and caregiving needs, especially for chronic illnesses. Annualizing the six-week limit could provide greater protection for workers facing ongoing health conditions, caregiving responsibilities for aging family members, or repeated qualifying exigencies.

From a structural standpoint, however, converting a 24-month limitation into an annual entitlement materially expands program exposure. While not every claimant would utilize benefits in consecutive years, the revised structure increases the maximum potential annual benefit liability per eligible individual.

This policy shift is expected to:

- Increase the potential frequency of payable claims within a given calendar year,
- Raise the maximum annual benefit exposure per claimant,
- Reduce the natural dampening effect of a multi-year eligibility cap,
- Introduce greater volatility into annual cost projections.

When layered onto Scenario B (State as primary payer), Scenario C represents a comprehensive expansion of both the timing and magnitude of State-funded benefits. The combined effect is

a structurally more generous and more responsive benefit program, accompanied by increased financial cost.

Revenue Constraint Consideration

The State of Delaware requires a three-fifths supermajority vote to adjust statutory revenue rates. As a result, any material expansion in benefit structure must be evaluated in the context of the fixed 0.80% contribution cap unless legislative action is taken.

As such, this analysis gives particular attention to the impact of the structural changes under Scenarios B and C that can be accommodated within the existing contribution framework or whether they would likely necessitate statutory rate modification to preserve long-term program sustainability.

4 Data

4.1 Overview of Data Reliance

In preparing this actuarial analysis, we relied upon data and information provided by the Department and public reports from comparable state programs.

Because the Delaware PFML Program is newly implemented, program-specific claims and utilization experience remain limited. Accordingly, certain key assumptions, particularly those related to claim incidence, duration, and behavioral response, are informed by experience from other states, industry benchmarking, and professional actuarial judgment. While these sources provide a reasonable basis for projection, actual Delaware experience may materially differ as the Program matures. Actual results will be different than these projections.

We reviewed the data for internal consistency and overall reasonableness in the context of the analysis performed. However, we did not conduct an independent audit or verification of the underlying data. The accuracy of the projections and conclusions presented in this report depends on the completeness and reliability of the information provided. Since we did not have complete data, we would recommend conducting this analysis again in the near term, once the data is readily available.

4.2 Primary Data Sources (State of Delaware)

The core demographic and economic baseline for this study was developed using specific datasets provided by the State.

The Department provided the following key input for this analysis:

- Workforce Data: 250,000 enrolled employees (out of 417,000 eligible), representing a 60% enrollment rate as of January 2026
- Early Claims Experience: approximately 1,200 claims filed during the first six weeks since the program's inception day (from January 1, 2026, to February 18, 2026) (Since the program started paying out benefits on January 01, 2026, this was the earliest possible claim data available for the analysis). We understand that a certain number of these claims were duplicates and had not yet been approved.
- Financial Parameters: Pre-collected premiums in 2025 (approximately $40 million collected and $70 million collectable, expected to be collected in 2026), and target

annualized return on assets (3.5%) and expected administrative expense of $10.35 million in 2026.

We validated these inputs against regional labor market data and comparable state programs. These assumptions will need to be validated over time based on actual experience.

- The claim history is very limited, and with only one and a half months of claims data available, we cannot validate long-term utilization patterns. Even though the department expects that the eventual steady weekly incidence rate will be 500 claims per two weeks (which is approximately 5.2% annualized), it is based on quantitative assumptions instead of observed experience.
- During the early implementation phase, the State's administrative system experienced operational issues that hindered claim filing and processing, and this early claim experience likely deviates from true demand and may not reflect steady-state program utilization as the program matures. The available claims data is reported in aggregate across all three leave types (parental leave, medical leave, and family care/qualified exigency) without category-level detail. As a result, there is insufficient information to distinguish utilization patterns by leave type or determine whether experience is disproportionally driven by any specific category. Accordingly, this analysis applies leave-type distribution assumptions based on benchmark data from comparable state programs, as described in Section 4.3

4.3 Secondary Data Sources (Comparative Programs)

To supplement the State data, we utilized anonymized claims and utilization data from mature Paid Family and Medical Leave programs in comparable jurisdictions and categorized these comparative sources into two groups based on their relevance to Delaware's specific plan design and maturity level.

A. Highly Comparable Benchmarks

The following states operate PFML programs with statutory designs (payroll-tax funded, state-administered, duration limits, etc.) highly comparable to the Delaware model. Data from these programs formed the basis for our incidence rate, claim denial rate, weekly benefit projection, and duration assumptions:

- Maine (ME PFML): *State of Maine Paid Family and Medical Leave Program Annual Actuarial Report,*

- Connecticut (CT Paid Leave): *State of Connecticut Paid Leave Authority – Annual Actuarial Report,*
- Washington (WA PFML): *Actuarial Analysis of Washington Paid Family and Medical Leave Benefits,*
- Colorado (FAMLI): *Family and Medical Leave Insurance Program – Actuarial Study of Short- and Long-term Solvency.*

B. Other Reference Programs (Actuarial Methodology Validation)

These reports were used to validate our actuarial assumptions (e.g., participation rates and ramp-up factors) against peer actuarial estimates:

- Minnesota (MN Paid Leave): *Actuarial Analysis for the Minnesota Paid Family and Medical Leave Program,*
- Maryland (MD FAMLI): *Maryland Family and Medical Leave Insurance (FAMLI) Program: Phase II Cost Analysis,*
- Michigan (MI PFML): *Actuarial Analysis for the Michigan Paid Family and Medical Leave Program,*
- California (SDI / PFL): There is currently no publicly available actuarial valuation report specifically for the California program. However, several economic evaluation studies are available that provide insight into program performance and impacts.

Where specific data for Delaware was unavailable, the benchmarks from these states served as the alternative basis for our actuarial estimates. The detailed summary of the benchmarks can be found in Appendix A.

4.4 Comparative State Analysis

To assess the reliability of using peer state assumptions as a proxy for Delaware's purpose, we evaluated the comparability of each benchmark state to Delaware across key factors, from the perspective of industrial, economic, and political standpoints. This section identifies which states provide the most appropriate benchmarking comparators for Delaware and explains the rationale for their relative relevance. Each state is assessed and assigned a comparability match (close match, lower match) based on structural, demographic, wage, and program design similarities to Delaware. The detailed description of the plan provision for each state can be found in Appendix C.

Maine (close match)

Similarities:

- The Maine PFML program starts collecting premiums in 2025, with the benefits commencing on May 1, 2026, closely aligning with Delaware's implementation timeline.
- The maximum benefit duration is 12 weeks per year.
- Maine is located in the northeastern location and is expected to exhibit broadly comparable demographic and economic characteristics.
- The eligible covered population of 495,452 is the closest match in size among all benchmark states considered.
- Private plans and self-funded exemptions are permitted upon state approval, provided the alternative plan meets or exceeds statutory benefit equivalency standards.

Key Differences:

- The contribution rate is 1.00%, exceeding Delaware's 0.80% by 20 basis points, reflecting a more conservative funding assumption.

Despite minor structural variations, Maine represents one of Delaware's most relevant and valuable benchmark states due to the parallel implementation timeline and comparable program scale. Maine's publicly available actuarial assumptions provide a practical reference point for utilization, duration, and funding expectations, and as both programs mature over a similar time horizon, emerging experience from Maine will offer meaningful opportunities for ongoing validation and calibration of Delaware's assumptions.

In addition, given that both states permit private plan exemptions, Maine's emerging experience with employer opt-out behavior provides a particularly relevant benchmark for assessing the potential long-term impact of adverse selection on Delaware's state pool. As Maine accumulates more years of experience, its data will help inform the reasonableness of Delaware's own participation rate assumptions and Fund solvency projections.

Connecticut (close match)

Similarities:

- Provides a 12-week annual cap for parental leave, consistent with Delaware's statutory maximum.
- Geographic proximity as a neighboring Northeast/Mid-Atlantic state with comparable labor market dynamics.
- Recent program launch in 2022 offers a credible ramp-up experience for modeling early-stage utilization patterns.
- Maximum weekly benefit of $981 in 2025 (increasing to $1,016.4 in 2026) closely aligns with Delaware's $900 statutory cap.
- Connecticut permits employer opt-out via approved private plans, provided the alternative plan meets or exceeds statutory benefit equivalency requirements, and self-funded arrangements are also permissible, subject to state approval.

Key Differences:

- Connecticut permits up to 12 weeks of medical leave annually, compared to Delaware's six weeks within 24 months under the current statute (six weeks per year under Scenario C)
- Contribution rate is 0.5%, which is 30 basis points lower than the 0.8% contribution rate for Delaware. (30 basis points lower).
- The covered workforce is approximately 1.6million, which is approximately four times Delaware's 417,000 covered employees.

In conclusion, the geographic proximity and recent program implementation phase provide highly relevant data for Delaware's projections. In addition, Connecticut's experience with private plan exemptions provides a relevant parallel for Delaware. As Connecticut's opt-out patterns and their effect on state pool risk composition become more observable over time, this data will offer Delaware a practical benchmark for evaluating adverse selection dynamics and the longer-term implications for fund sustainability.

While Connecticut's more generous medical leave provisions necessitate downward adjustment to reflect Delaware's more restrictive duration limit, it is still assigned a relatively high weighting within the composite benchmark framework, especially for modeling incidence rates and utilization development trends.

Washington (close match)

Similarities:

- The contribution rates from 2023 through 2025 were 0.8%, 0.74% and 0.92%, closely aligned to Delaware's initial contribution rate 0.80%. However, in 2026, Washington raised the contribution rate to 1.13% in response to emerging program deficits. This adjustment provides a practical reference point for evaluating whether Delaware's rate may require future modification if experience develops unfavorably.
- The maximum taxable wage limit is $184,500 in 2026 and $176,100 in 2025, aligning directly with Delaware's social security wage base cap, providing strong comparability in revenue exposure.
- Washington permits employers to apply for voluntary plan approval to opt out of the state Fund, provided the alternative plan offers benefits meeting or exceeding statutory equivalency requirements, with both fully insured and self-funded private arrangements permissible, subject to state approval.

Key Differences:

- Washington's covered workforce is approximately 3.9 million, compared to Delaware's approximately 417,000, reflecting materially different program scales and geographic distribution.
- The maximum weekly benefit of $1,647 is substantially higher than Delaware's $900 cap, indicating a more expensive benefit structure.
- The average incidence rate in Washington (approximately 6.8%) exceeds Delaware's assumed 5.2%, suggesting potentially higher utilization dynamics.

Although Washington differs from Delaware in workforce scale and benefit generosity, its contribution rate history and shared taxable wage base provide meaningful insight into rate adequacy dynamics. In particular, Washington's recent rate increase illustrates the financial sensitivity of PFML programs when utilization exceeds early assumptions.

Notably, Washington's relatively mature experience with private plan exemptions makes it one of the most informative benchmark states for Delaware in assessing how employer opt-out behavior evolves as a program matures. Washington's accumulated data on the risk profile and workforce composition of employers electing private coverage versus those remaining in the state pool offers Delaware a forward-looking reference point for anticipating adverse selection pressures and their potential impact on Fund cash flow and long-term solvency.

Accordingly, Washington serves as a useful benchmark for evaluating the structural sufficiency of Delaware's 0.80% contribution rate and the potential need for future rate adjustments under adverse experience scenarios.

Colorado (close match)

Similarities:

- The maximum allowed leave duration for major leave categories is broadly comparable to Delaware's program structure.
- The contribution rate for Colorado is 0.88%, and the maximum taxable wage is $184,500 in 2026 ($176,100 in 2025), consistent with the Social Security wage base framework used by Delaware.
- Colorado permits employers to opt out of the state Fund through approved private equivalent plans, provided such plans offer benefits that meet or exceed the statutory requirements in terms of benefit amount, duration, and employee eligibility, with both fully insured and self-funded arrangements eligible for state approval.

Key Differences:

- Colorado's western geographic location introduces potential demographic, economic, and workforce composition differences relative to Delaware.
- The maximum weekly benefit of $1,381.45 is materially higher than Delaware's $900 cap, reflecting a more generous benefit structure.

Colorado's publicly available actuarial report provides a comprehensive and transparent set of modeling assumptions across incidence, duration, and administrative expense factors. The depth of documentation offers a valuable analytical reference for assumption development, particularly in the absence of mature Delaware-specific experience. In addition, Colorado's comparable program maturity and allowance of private equivalent plan exemptions make it a timely benchmark for Delaware in monitoring early-stage employer opt-out behavior and its implications for Fund stability.

Although geographic and structural differences require appropriate calibration, Colorado's detailed actuarial framework serves as a strong methodological benchmark. Accordingly, it is considered a highly relevant comparator state within this analysis.

Minnesota (lower match)

Similarities:

- The program begins operation in 2026, so no actual experience data is currently available. Milliman's preliminary actuarial reports (2023-2025) relied extensively on peer-state benchmarking, which provides useful validation support for Delaware's assumption development.
- The statutory structure is comparable to Delaware: the contribution rate of 0.88%, the taxable wage limit of $185,000, and a requirement that the employers fund at least 50% of the total contribution.
- Minnesota permits employers to opt out of the state Fund through approved private equivalent plans, provided such plans meet or exceed the statutory benefit equivalency standards, with both fully insured and self-funded arrangements eligible, subject to state approval.

Key Differences:

- Minnesota's covered workforce is approximately 2.45 million, materially larger than Delaware's covered workforce.
- The upper Midwest location implies different geographic, economic, and labor market characteristics relative to Delaware.

Although Minnesota lacks operational claims experience, its actuarial reports provide a strong methodological reference for modeling startup programs without historical data. In particular, the structured use of multi-state benchmarking and explicit uncertainty management offers insight into how emerging programs should develop incidence, duration, and sensitivity assumptions, and Minnesota's parallel launch timeline offers some contemporaneous reference value for early-stage private plan opt-out patterns.

Accordingly, Minnesota serves primarily as a methodological benchmark rather than an experience-based comparator, contributing to assumption validation and scenario testing within Delaware's projection framework.

Maryland (lower match)

Similarities:

- Maryland will begin collecting contributions in 2027, with benefits payable in 2028.
- As Delaware's immediate neighbor, Maryland shares similar regional labor market dynamics and workforce demographics.
- The contribution rate is 0.9%, with employers required to pay 50% of the total contribution. The maximum taxable wage of $176,100 in 2025 aligns with Delaware's wage base.
- The maximum weekly benefit is $1,000, broadly comparable to Delaware's $900 cap.
- Maryland permits employers to opt out of the state Fund through approved private plans, provided such plans meet or exceed the statutory benefit equivalency requirements in terms of benefit amount, duration, and employee eligibility, with both fully insured and self-funded arrangements eligible, subject to state approval.

Key Differences

- Maryland combines all types of leaves (medical, parental, family care, etc.) within a single pooled program, whereas Delaware administers certain leave categories separately.
- Structural differences in eligibility criteria and coverage provisions may materially affect incidence and duration assumptions.

Although no experience data is yet available, its program cost analysis provides a useful forward-looking cross-validation point to ensure Delaware's assumptions fall within a reasonable range. Given its geographic proximity and comparable contribution and wage base structure, Maryland provides meaningful regional validation for Delaware's economic and funding assumptions, and its near-identical program launch timeline makes it a relevant benchmark for private plan opt-out dynamics. However, Maryland's unified benefit pool and structural design differences introduce materially different utilization dynamics.

Accordingly, Maryland serves as a regional reasonableness check rather than a primary structural benchmark in this analysis.

Michigan (lower match)

Similarities:

- Michigan remains in the pre-implementation planning phase and has not yet launched operations. Available materials consist primarily of feasibility studies and preliminary actuarial assessments prepared during 2023–2024. As such, the program provides limited but informative insight into early-stage cost modeling approaches.

Key Differences

- The statutory maximum leave durations are materially longer than Delaware's structure: 12–15 weeks for medical and family leave, up to 26 weeks for military exigency leave, with an annual maximum of 15 weeks.
- The proposed contribution rate range (0.49%–0.62%) is significantly lower than Delaware's 0.80% rate, reflecting a different funding framework.
- Michigan's PFML program does not currently permit employers opt-out through private equivalent plans, meaning all covered employers are required to contribute to the state Fund, resulting in a more uniform risk pool composition compared to states that allow private plan exemptions.

Given the material differences in benefit duration and contribution structure, Michigan's projected cost dynamics are not directly comparable to Delaware's program design. While its feasibility studies offer a general perspective on early-stage actuarial modeling, the structural divergence limits its applicability, and the absence of a private plan opt-out framework limits its direct comparability to Delaware on the risk pool.

Accordingly, Michigan is assigned a relatively low benchmark weight and contributes minimally to Delaware's composite assumption development.

California (lower match)

California's Paid Family Leave program has been in operation for over 20 years, and as a mature program, its legislative framework, funding structure, and utilization patterns reflect long-term policy evolution rather than the early-stage dynamics currently relevant to Delaware. Publicly available documentation from the program's initial implementation period (approximately 2002–2004) is limited, reducing its usefulness for start-up phase assumption development. Moreover, subsequent statutory amendments and benefit expansions have materially altered the program's structure over time.

Nevertheless, California's established operational experience provides meaningful insight into long-term utilization trends, benefit adequacy pressures, and contribution rate sustainability in a fully mature environment. Its Voluntary Plan framework is also one of the longest-standing and most well-documented private plan opt-out mechanisms among all peer states, so it offers Delaware a uniquely longitudinal reference for understanding how employer opt-out behavior, risk pool composition, and adverse selection dynamics evolve as a paid leave program matures well beyond its initial years.

As such, it serves primarily as a reference point for scenario testing and long-term program evolution, rather than as a direct structural benchmark for Delaware's initial projections.

Conclusion: Benchmark Weighting Strategy and Key Assumptions

- **Demographic and Structural Benchmarking**
  Delaware's eligible workforce of approximately 417,000 employees is materially smaller than most benchmark states, with the exception of Maine (495,452). Maine also shares geographic proximity and a parallel implementation timeline. Accordingly, Maine receives the highest weighting in the development of demographic and baseline utilization assumptions.

  Connecticut, Washington, and Colorado, while larger in scale or structurally more generous in benefit design, remain relevant comparators. Their experience is incorporated with appropriate weight adjustments to account for structural and economic differences, consistent with their benchmark scores.

- **Maximum Weekly Benefit Assumption**
  Delaware's statutory maximum weekly benefit of $900 is lower than most peer states. Given current wage distributions, a substantial portion of expected claimants are projected to earn at or above the earnings threshold required to receive the full $900 benefit (approximately $1,125 per week)

  As a conservative modeling approach, the average weekly benefit is therefore assumed to equal the $900 statutory maximum across all leave categories. This assumption implicitly reflects high wage replacement concentration at the cap and mitigates the risk of understating program costs in early projections.

- Most benchmark states permit employers to opt out of the state Fund through approved private or self-funded equivalent plans, subject to benefit equivalency requirements. This prevalence reflects a broader national policy trend of accommodating employer flexibility within state paid leave frameworks, with Michigan standing as a notable exception, operating a fully unified state pool without private plan exemptions. Notably, the maturity of these opt-out frameworks varies significantly across peer states.

  While peer state data on the precise risk profile of employers electing private coverage versus those remaining in the state pool is not yet comprehensively documented in publicly available literature, the theoretical potential for adverse selection, whereby employers with more favorable risk characteristics disproportionately migrate to private arrangements, is a well-recognized actuarial consideration in voluntary opt-out frameworks. Delaware should therefore treat the monitoring of its private plan opt-out patterns prudently in subsequent actuarial reviews, particularly as the program transitions from its initial ramp-up phase into a more mature operating environment.

- **Incidence Rate Weighting Methodology**
  For incidence rate development (detailed in the following section), a weighted-average benchmarking framework is applied:
  - 40% Maine
  - 20% Colorado
  - 20% Washington
  - 20% Connecticut

  This weighting structure is based on judgment and reflects Maine's strong comparability in workforce scale and implementation timing, while maintaining diversification across larger, more mature programs to stabilize projection volatility

- **Claims Denial Rate Assumption**
  Because no official claims denial rate was identified for Maine, the denial rate assumption is derived from equal weighting (one-third each) of Colorado, Washington, and Connecticut experience. This approach ensures reliance on documented administrative data while avoiding unsupported extrapolation.

5 Assumptions and Analytical Methods

5.1 Summary of Key Assumptions

The following table 5.1 summarizes the primary demographic, economic, and behavioral assumptions utilized in the financial projection model. These inputs were selected based on statutory requirements, data provided by the Department, or actuarial estimates derived from comparable state programs.

Table 5.1 Summary of Key Assumptions			
Category	Assumption Item	Selected Value	Source / Basis
Economic	Total Population (2026)	417,000	**OOLMI Census** - Total eligible workforce count provided by the Delaware Office of Occupational and Labor Market Information based on Q1 2025 employment data.
	Covered Population	250,000	**OOLMI Census** - Current enrollment in the state plan as of January 2026, representing 60% of the eligible workforce. Figure provided by the Department based on employer reporting during the initial enrollment period, reflecting employees covered by the state fund rather than approved private plans.
Financial	Contribution Rate	0.80%	**Statute (Current Law)** - Statutory payroll contribution rate established under the Healthy Delaware Families Act (Senate Bill 1), enacted May 2022. Rate set by the General Assembly and applicable to covered wages up to the Social Security wage base. Allocated as: 0.40% Medical, 0.32% Parental, 0.08% Family Care.
	Average Taxable Wage Base	$67,200	**SS Admin (Indexed)** - Value of $67,200 represents the average taxable wage across Delaware's covered workforce, capped at the Social Security wage base ($176,100 for 2025, indexed annually). Based on OOLMI wage distribution data.
	Fund Return on Assets (ROA)	3.50%	**Dept. Target** - Target annual investment return assumed by the Department for the Paid Leave Trust Fund.
	Administrative Expense Ratio	$10.35M	**Dept. Budget** - Budgeted operational costs as a fixed cost, provided by the Department based on budget projections.
Utilization	Overall Incidence Rate	5.17%	**Benchmarked –** Calculated based on the weighted average rules specified in the Comparative State Analysis Section.
	Claim Denial Rate	14.42%	**Benchmarked** – Calculated based on the weighted average rules specified in the Comparative State Analysis Section.
	Average Claim Duration	Parental: 12 weeks/year; Medical: 3 weeks/year; Family	**Maximum Utilization Assumption** - We assume claimants utilize the full statutory entitlement across all leave categories per policy limit. This maximum utilization provides a conservative cost estimate, as actual experience may show lower average

		Care &QE: 6 weeks/year	durations if some claimants use partial entitlements. For policy on a two-year basis (i.e., medical leave capped at 6 weeks per two years), we assume it will be equally split into each year. (Note: Under Scenario A, with the PTO requirement, we incorporated a 0.5-week reduction in the average duration for each type of leave.)
	Average Weekly Benefit	$900	**Statutory Maximum Assumption** - We assume the average weekly benefit equals the $900 statutory cap across all leave types. Delaware's 80% wage replacement rate means the cap is reached by workers earning $1,125/week or more. We assume the majority of claimants exceed this earnings threshold. This maximum benefit assumption provides a conservative cost estimate. (Note: Under Scenario A, the state is not the primary payer, so we assume the state will be paying out on average 50-75% of the cost and perform a range testing.)

* Assumptions marked as "Benchmarked" or "Estimated" were derived through comparative analysis of peer state programs, with detailed benchmark data provided in Appendix A.

5.2 Analytical Methodology

To assess the financial status of the Delaware Paid Leave Trust Fund, we developed a deterministic cash flow model operating on a single-year projection basis. The model calculates annual revenue and expenditure streams to estimate the fund balance in the end-of-year position.

Population and Revenue Generation

The model establishes annual revenue by defining the tax base.

- Taxable Wage Base: The projected Covered Employee Population is multiplied by the Average Taxable Wage, capped at the Social Security wage base.
- Total Contributions: The statutory contribution rate (0.80%) is applied to the taxable wage base to determine total premium revenue collected from employers and employees.

Benefit Expenditure Projection

On the expenditure side, the model estimates total benefit payments by applying utilization assumptions to the same covered population.

- Claim Volume: The expected number of claims is calculated by multiplying the Covered Population by the Incidence Rate, adjusted for the program's ramp-up phase within each employee group.
- Benefit Payment: Claim Volume is multiplied by the assumed average claim duration and the average weekly benefit for each leave category to determine the total benefit cost.

Fund Balance

The year-end fund balance is determined using a standard roll-forward approach:

Beginning Balance + Annual Contributions + Interest Income – Claim Payments – Administrative Expenses

This produces the projected ending balance for the year under evaluation.

Solvency Measurement

To evaluate the financial adequacy, the model calculates a funded ratio for the projection year:

- Metric: The funded ratio is defined as the Ending Fund Balance divided by the Total Annual Expenditure.

- Interpretation: This metric indicates the number of years of benefit and administrative costs that could be covered by the fund's accumulated reserves, assuming no additional revenue is collected.

6 Results

We performed financial projections under three separate scenarios to evaluate the range of potential outcomes and the specific impact of the enacted and proposed legislative changes.

6.1 Scenario A: Prior Statutory Projection (Pre HS1 for HB128)

Scenario A reflects the prior statutory framework of the Delaware PFML program before the enactment of HS1 for HB128. Under this structure, the state PFML program would have functioned as a secondary payer, and employees were required to exhaust up to two weeks of employer-provided Paid Time Off (PTO) before becoming eligible to receive the benefits from the state program.

During the pre-collection phase, the program collected approximately $40 million in contributions and has an additional $70 million in receivables outstanding as of the date of this study. For projection purposes, it is assumed that $70 million will be collected in the first benefit year.

In the initial projection year, total taxable wages are estimated at $16.8 Billion, generating $134.4 million in contribution revenue at the statutory rate of 0.80%.

The projected claim volume is 9,944 claims, resulting in total benefit payments of $35.1 million. After accounting for $10.4 million in administrative expenses, total annual expenditure equals $45.5 million, producing an annual operating surplus of $88.9 million.

Including the $110 million in pre-collection funding, the program's total year-end fund balance is projected to reach $201.9 million.

The resulting funded ratio is approximately 444%, indicating that the Trust Fund holds reserves sufficient to cover more than four times the current year of projected benefit and administrative expenditures, assuming no additional revenue is collected and no further increase in benefits.

Table 6.1: Prior Statutory Cash Flow Projection (Scenario A) *(Amounts in millions)*

Table 6.1 Scenario A Financial Projection	2025	2026
Eligible Employees		250,000
Taxable Wages ($ millions)		$16,800
Expected Approved Claims		
Parental Leave		3,686
Medical Leave		4,795
Family Caregiver / QE Leave		1,463
Total		**9,944**
Benefit Payments ($ millions)		
Parental Leave		$23.8
Medical Leave		$6.7
Family Caregiver / QE Leave		$4.5
Total		**$35.1**
Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$45.5**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions - Exp. Benefit Payments) ($ millions)		**$88.9**
Investment Income ($ millions)	$0.7	$3.0
Expected Fund Balance ($ millions)	**$40.7**	**$201.9**

Funded Ratio		**444%**
Fixed Expenses as a Percentage of Benefits		**29.6%**
Paid Loss Ratio		**26.1%**
Combined Loss Ratio		**33.9%**

6.2 Scenario B: Baseline Projection (Current Law)

Scenario B (Baseline – Current Law) maintains the same revenue assumptions as the Baseline scenario, including the projected taxable wage base and statutory contribution rate of 0.80%. As such, total contribution revenue remains unchanged from Scenario A. However, the incidence rate and the average weekly benefit paid both increased, reflecting higher projected benefit utilization and associated costs as the state becomes the primary payer and the PTO rule is removed.

Under this scenario, total annual expenditures increase to $77.7 million, reflecting higher projected benefit utilization and associated costs.

After incorporating the $110 million in pre-collection funding, the projected year-end Trust Fund balance is $169.1 million.

The resulting funded ratio is approximately 217%, indicating that the Fund retains reserves sufficient to cover roughly two years' projected expenditures, assuming no additional revenue is collected. However, this reduced the ratio to approximately half the previous scenario, indicating a high level of sensitivity to assumptions used and program requirements.

Although the program continues to generate a positive year-end balance under this scenario, the materially lower funded ratio relative to Scenario A reflects increased cost pressure. The reduction in surplus narrows the program's financial margin and accelerates reserve drawdown under sustained higher utilization.

This scenario illustrates the program's sensitivity to expenditure growth while holding contribution revenue constant at the statutory rate.

The increase in projected expenditures between Scenario A and Scenario B primarily reflects changes to the coordination of benefits structure enacted under current law. Under the prior statutory framework represented in Scenario A, the State PFML program functioned as a secondary payer when employer-provided wage replacement benefits — such as short-term disability plans — were available. In practice, employer-sponsored benefits often covered a portion of the leave period before State benefits became payable, and this study assumed the State paid between 50 percent and 75 percent of total benefit costs based on parallel benchmarks and experience, thereby reducing direct program expenditures. Under current

law, as reflected in Scenario B, the State PFML program serves as the primary payer, meaning benefit payments begin immediately upon eligibility without offset by employer-provided benefits. As a result, a materially larger share of total wage replacement during qualifying leave events is borne directly by the State program.

Current law also removed the requirement for employees to exhaust up to two weeks of employer-provided paid time off before receiving State benefits. However, the modeling results suggest this provision contributes only a modest portion of the overall cost increase. Based on observed employer leave practices and available workforce data, many employees do not accumulate sufficient PTO balances to fully utilize the previously required two-week exhaustion period. Accordingly, the model assumes an average increase in State-paid leave duration of approximately 0.5 weeks per claim attributable to the removal of the PTO requirement, increasing projected costs by approximately $2 to $3 million. After isolating this effect within the projection framework, the analysis indicates that more than 95 percent of the increase in projected expenditures — approximately $30 million of the total $32 million increase — is driven by the shift from a secondary payer to a primary payer structure, with the elimination of the PTO exhaustion requirement contributing only a small portion of the total cost change.

Table 6.2: Baseline Cash Flow Projection (Scenario B) *(Amounts in millions)*

Table 6.2 Scenario B Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ millions)		$16,800
Expected Approved Claims		
Parental Leave		4,096
Medical Leave		5,328
Family Caregiver / QE Leave		1,626
Total		**11,049**
Benefit Payments ($ millions)		
Parental Leave		$44.2
Medical Leave		$14.4
Family Caregiver / QE Leave		$8.8
Total		**$67.4**

Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$77.7**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$56.7**
Investment Income ($ millions)	$0.7	$2.4
Expected Fund Balance ($ millions)	**$40.7**	**$169.1**
Funded Ratio		**217%**
Fixed Expenses as a Percentage of Benefits		**15.4%**
Paid Loss Ratio		**50.1%**
Combined Loss Ratio		**57.8%**

6.3 Scenario C: Extended Duration Projection

Scenario C reflects the impact of extending benefit duration while maintaining the same revenue assumptions as the prior scenarios. Total contribution revenue remains unchanged under the statutory 0.80% contribution rate, and the expected incidence rate is the same as scenario B, while the expected duration for each type of leave nearly doubled.

Under the extended-duration structure, projected annual expenditures increase materially to $100.9 million, reflecting the direct cost impact of longer average claim durations. After incorporating the $110 million in pre-collection funding, the projected year-end Trust Fund balance declines to $145.5 million.

The resulting funded ratio is approximately 144%, indicating that reserves are sufficient to cover approximately one and a half years of projected expenditure, assuming no additional revenue is collected.

While the Trust Fund remains solvent in the modeled year, the extended duration significantly compresses the program's financial cushion. Compared to the baseline scenario, the reduction in the funded ratio demonstrates that benefit expansion materially weakens reserve adequacy under the current 0.80% contribution rate, and the situation will be even worse without the $110 million of pre-collection amount.

Although the projected balance remains positive, the margin for adverse deviation is substantially reduced, highlighting the program's sensitivity to duration-related cost increases and reinforcing the importance of evaluating contribution adequacy before implementing structural benefit expansions.

Table 6.3: Alternative Cash Flow Projection (Scenario C) *(Amounts in millions)*

Table 6.3 Scenario C Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ millions)		$16,800
Expected Approved Claims		
Parental Leave		4,096
Medical Leave		5,328
Family Caregiver / QE Leave		1,626
Total		**11,049**
Benefit Payments ($ millions)		
Parental Leave		$44.2
Medical Leave		$28.8
Family Caregiver / QE Leave		$17.6
Total		**$90.6**
Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$100.9**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%

Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$33.5**
Investment Income ($ millions)	$0.7	$2.0
Expected Fund Balance ($ millions)	**$40.7**	**$145.5**
Funded Ratio		**144%**
Fixed Expenses as a Percentage of Benefits		**11.5%**
Paid Loss Ratio		**67.4%**
Combined Loss Ratio		**75.1%**

Another consideration that may affect projected program costs relates to the definition of covered wages used in the modeling framework, particularly the distinction between Federal Insurance Contributions Act (FICA) wages and the wage base used for Delaware state income tax withholding purposes. FICA wages generally represent compensation subject to Social Security and Medicare taxation and include most forms of earned income — such as salary, bonuses, commissions, and certain taxable fringe benefits — subject to the federal Social Security wage cap. In contrast, the wage base used for Delaware personal income tax withholding may differ due to the treatment of certain payroll deductions, including pre-tax benefit contributions, retirement plan deferrals, and other compensation adjustments permitted under federal or state tax rules. As a result, total payroll reported under the Delaware income tax framework may be either higher or lower than payroll measured using the FICA wage definition.

These differences in wage definitions may influence both contribution projections and benefit cost estimates, depending on which payroll measure most closely aligns with the statutory definition of covered wages under the PFML program. If the effective taxable wage base under the state income tax definition is smaller than the FICA wage base due to pre-tax deductions or other adjustments, contribution revenues and benefit exposure may be correspondingly lower than projections based on FICA wages alone. Conversely, if certain compensation elements included in state income tax reporting exceed those captured under FICA wages, the effective wage base used for program modeling could be higher.

To evaluate the potential impact of this difference, sensitivity testing was performed by adjusting the assumed total taxable wage base used in the projections. Under the upward sensitivity scenario, if the effective taxable wage base were 10 percent higher than the baseline assumption, total projected contribution revenue would increase from $134.4 million to $147.8 million, while projected benefit costs remain essentially unchanged because the currently estimated average weekly benefit is already at or near the statutory maximum of $900 per week. As a result, the projected fund balance would improve by approximately $13.4 million. Under the downward sensitivity scenario, if the effective taxable wage base were 10 percent lower than the baseline assumption, total projected contribution revenue would decrease to $121.0 million, and projected total expenditures would decrease from $100.9 million to approximately $91.9 million as a portion of the claimant population shifts below the weekly benefit cap, resulting in a net reduction in the projected fund balance of approximately $4.5 million.

These results reveal a structurally asymmetric relationship between the contribution and expenditure sides of the program, driven primarily by the statutory weekly benefit cap. Because contribution revenue scales linearly with the taxable wage base while benefit payments are constrained by the $900 weekly maximum, increases in the wage base generate proportionally higher revenue without a corresponding increase in expenditures for claimants already at or near the cap. This asymmetry is evident in the sensitivity results: a 10 percent upward adjustment improves the fund balance by approximately $13.4 million, whereas a 10 percent downward adjustment reduces the fund balance by only approximately $4.5 million — a ratio of roughly three to one in favor of the program under upward wage base adjustments. To the extent that the Delaware state income tax wage base exceeds the FICA-based measure used in the baseline projections, the program's financial position would likely improve relative to current estimates. Conversely, if the state income tax wage base is narrower, the financial impact would be partially offset by corresponding reductions in benefit exposure, limiting the net deterioration of the fund balance. Accordingly, while the choice of wage definition may influence the absolute level of projected program cash flows, the program's long-term solvency position is expected to remain within a reasonable range under moderate variations in the assumed wage base, with upward adjustments being modestly favorable to the trust fund.

We would recommend an actuarial review if the state considers changing the definition of wages to review the impact based on actual data prior to implementing the change.

6.4 Sensitivity Analysis

To evaluate the program's resilience under varying experience outcomes, we performed sensitivity testing for Scenarios A, B, and C. For each scenario, projections were developed under a defined range of assumptions representing best-case and worst-case experiences. These cases primarily reflect variation in key cost drivers, including incidence rate, claim denial rate, and duration.

In addition, a break-even analysis was conducted to identify the utilization threshold at which the Trust Fund balance would be fully exhausted under Scenario C. Under Scenario C (extended duration), the break-even point occurs when the overall incidence rate increases to approximately 13.3%**,** at which level the projected year-end Fund balance would decline to zero. This result highlights the program's sensitivity to higher-than-expected utilization under the expanded benefit structure.

The tables below present a summary of the best-case and worst-case outcomes for each scenario, as well as the Scenario C break-even case. For detailed sensitivity results and supporting calculations, please refer to Appendix B.

Table 6.4.1 – Sensitivity Test for Scenario A (Prior Statutes)

		The Worst Case	The Best Case
	2025	**2026**	**2026**
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4	$134.4
Total Expected Expenditure		$86.4	$27.6
Expected Fund Balance	$40.7	$160.3	$220.1
Expected Funded Ratio		186%	798%

Table 6.4.2 – Sensitivity Test for Scenario B (The Baseline)			
		The Worst Case	**The Best Case**
	2025	**2026**	**2026**
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4	$134.4
Total Expected Expenditure		$118.7	$57.9
Expected Fund Balance	$40.7	$127.4	$189.3
Expected Funded Ratio		107%	327%

Table 6.4.3 – Sensitivity Test for Scenario C			
		The Worst Case	**The Best Case**
	2025	**2026**	**2026**
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4	$134.4
Total Expected Expenditure		$155.9	$70.7
Expected Fund Balance	$40.7	$89.6	$176.2
Funded Ratio		57%	249%

Table 6.4.4 – Break-even Point for Scenario C Under an Incidence Rate of 13.3%		
	2025	**2026**
Expected Contribution Received	$40 (with 70M receivable to be collected in 2026)	$134.4
Total Expected Expenditure		$244.0
Expected Fund Balance	$40.7	$0
Expected Funded Ratio		0% **(Incidence rate of 13.3%)**

Observations

Across all three scenarios, the primary cost driver is the incidence rate, which materially influences total benefit outlays and overall fund sustainability. Variations in claim frequency produce significantly larger financial impacts than comparable changes in other assumptions. This sensitivity is particularly pronounced in Scenarios B and C, where higher utilization levels rapidly erode reserves and compress the funded ratio under the unchanged 0.80% contribution rate.

Under the worst case in Scenario C, where the maximum duration is extended and the state becomes the primary payer, if the highest incidence rate and leave duration from the benchmarks are applied, the fund balance is $89.6 and the fund ratio is 57%, meaning the available fund balance would likely not be able to support one more year of operation in the future given the same cost and benefit structure.

In the break-even analysis for Scenario C, all assumptions remain consistent with those used in Section 6.3, except for the incidence rate. By holding all other inputs constant and varying only utilization, the analysis demonstrates that an incidence rate of 13.3% is sufficient to reduce the projected year-end Fund balance to zero. Note that this is based on 2 years of contributions and one year of claims payment. Under a normalized approach after 2026, the breakeven ratio is

likely lower and closer to a 7.7% incidence rate. This would reflect a breakeven point in a normal year, increasing from 5.2% to 7.7%.

This result underscores the critical importance of closely monitoring the incidence rate, as even moderate upward deviations from baseline expectations could materially impair the program's financial position. Given the extended duration structure in Scenario C, utilization becomes the dominant risk variable driving solvency outcomes.

7 Comments and Considerations

Based on the financial projections and sensitivity testing presented in this report, we offer the following observations and considerations regarding the financial viability and long-term sustainability of the Delaware Paid Family and Medical Leave (PFML) program.

Contribution Rate Adequacy and Structural Balance

- Under the current statutory contribution rate of 0.80%, the program is likely to generate adequate revenue in the initial year. This is due in part to the pre-collection funding period.
- Driven by utilization, projected expenditure growth places increasing pressure on solvency.
- In alternative policy configurations (Scenarios C), the funded ratio declines materially, demonstrating that the current contribution rate provides limited margin under higher utilization or expanded benefit designs per policy change.
- If benefit expansions are pursued, consideration should be given to whether the existing statutory rate can sustainably support the enhanced cost structure without future legislative adjustment.

Importance of Incidence Monitoring

- Across all modeled scenarios, the incidence rate is a particularly influential cost driver.
- Sensitivity testing shows that relatively moderate increases in utilization materially reduce reserve adequacy.
- In Scenario C, an incidence rate of approximately 13.3% results in a break-even outcome, fully exhausting the year-end Fund balance in 2026, and a 7.7% rate would create a break-even in a year with no previous assets.
- Early program experience should therefore be closely monitored, particularly during the ramp-up phase, to detect deviations from baseline assumptions.
- Recognition that the absence of private plan experience data represents a potential monitoring blind spot, particularly if the risk profiles of privately insured and state-insured populations diverge over time.

We recommend establishing a formal utilization monitoring framework, including:

- Quarterly tracking claims incidence by leave type.
- Comparison of actual-to-expected utilization ratios.
- Early identification of concentration within specific industries or demographic groups.
- Incorporation of claim data reported by approved private plan carriers, including incidence rates by leave type, average benefit durations, and utilization patterns.

Reserve Adequacy and Risk Margin

- While initial funded ratios appear enough due to pre-collection contributions, those reserves include approximately one to two years of advance funding.
- Absent the pre-collection balance, reserve coverage would be materially tighter.
- Given inherent uncertainty in startup programs, a target reserve margin (for example, maintaining a funded ratio above 150%–200%) may provide a prudent buffer against adverse deviation.

Some other states have experienced upward adjustments to contribution rates following early underestimation of utilization. Maintaining a proactive reserve strategy can reduce the need for abrupt rate changes.

Duration Sensitivity and Policy Design

- Extending benefit duration significantly increases average cost per claim and amplifies financial exposure.
- Under Scenario C, even without incidence growth, extended duration is expected to materially reduce reserve adequacy.
- When duration expansion and rising utilization occur simultaneously, solvency risk accelerates.

Any structural benefit expansion is therefore recommended to be accompanied by updated actuarial projections and explicit funding alignment.

Administrative and Operational Considerations

- Accurate and timely claims data collection will be critical in validating actuarial assumptions.

- Enhanced reporting granularity (e.g., by leave category, wage band, and claim duration) will improve future modeling accuracy.
- Clear communication regarding eligibility requirements may help moderate unintended overutilization during early implementation.

Recommended Ongoing Actuarial Review

We recommend:

- An annual actuarial valuation of the Trust Fund.
- Mid-year monitoring reports during the first two years of benefit payments.
- Periodic reassessment of the statutory contribution rate relative to emerging experience.
- A formal mechanism for adjusting rates if funded ratios fall below a predetermined threshold.

Regular review will allow policymakers to respond gradually rather than reactively.

Overall Conclusion

The Delaware PFML program is likely to be financially viable at launch under normal circumstances, supported by pre-collection funding and the current contribution rate. However, long-term sustainability is highly sensitive to utilization levels and benefit design parameters. The current 0.80% contribution rate provides limited tolerance for sustained adverse deviation, particularly under expanded duration scenarios.

Careful monitoring of incidence rate trends, maintenance of prudent reserve margins, and alignment between benefit structure and funding levels will be essential to ensuring the program's ongoing financial stability.

It may make sense to adjust the contribution rate on an annual basis based on the actual incidence rate and the current funded ratio, as well as the projected ratio, to keep the program at a solvency ratio of 2 to 3x, for example. This would be supported by an annual study providing a 5-year projection of the expected solvency metrics based on current and expected experience.

8 Appendix

8.1 Appendix A - Benchmarks for each state

The benchmark tables below summarize actuarial assumptions from states that have published comprehensive actuarial valuation reports. Many other state programs exist but are not included in this analysis due to the absence of publicly available actuarial documentation detailing their underlying assumptions.

A.1 Contribution Rate

Contribution Rate	Washington	California	Connecticut	Maryland	Colorado	Michigan	Minnesota	Maine
2026	1.13%	1.30%	0.5%	1.2%	0.88%	0.49-0.62%	0.88%	1%
2025	0.92%	1.20%	0.5%	0.9%	0.90%			
2024	0.74%	1.10%	0.5%	0.9%	0.90%			
2023	0.80%	0.90%	0.5%	0.9%	0.90%			
2022	0.60%	1.10%	0.5%					
2021	0.40%	1.20%	0.5%					
2020	0.40%	1.00%						

A.2 Projected Incidence Rate

Washington	2023	2024	2025	2026	2027					
Family	2.86%	2.96%	3.00%	3.00%	3.00%					
Medical	3.36%	3.68%	3.80%	3.80%	3.80%					
Total	6.21%	6.64%	6.80%	6.80%	6.80%					
California	N/A									
Connecticut	2025	2026	2027							
Parental	0.79%	0.80%	0.82%							
Bonding	0.77%	0.79%	0.80%							
Medical	2.60%	2.66%	2.71%							
Total	4.16%	4.25%	4.33%							
Maryland	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Family	2.07%	1.58%	1.65%	1.70%	1.73%	1.73%	1.73%	1.73%	1.73%	
Medical	3.67%	3.85%	4.01%	4.13%	4.21%	4.21%	4.21%	4.21%	4.21%	
Total	5.74%	5.44%	5.65%	5.82%	5.94%	5.94%	5.94%	5.94%	5.94%	
Colorado	2024									
Medical	4%									
Parental	2%									
care/QE	0.59%									
Total	7%									

Michigan	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Family	2.3%	2.1%	2.1%	2.2%	2.2%	2.2%	2.2%	2.1%	2.4%	
Medical	5.7%	5.9%	6.1%	6.2%	6.2%	6.2%	6.2%	6.1%	6.1%	
Total	7.9%	8.0%	8.2%	8.3%	8.3%	8.3%	8.3%	8.3%	8.6%	
Minnesota	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Family	1.907%	1.66%	1.71%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%	1.73%
Medical	3.418%	3.42%	3.59%	3.70%	3.73%	3.73%	3.73%	3.73%	3.73%	3.73%
Total	5.324%	5.081%	5.302%	5.426%	5.463%	5.463%	5.463%	5.463%	5.463%	5.463%
Maine	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
parental	1.61%	1.65%	1.70%	1.75%	1.81%	1.86%	1.86%	1.86%	1.86%	1.86%
medical	2.08%	2.14%	2.20%	2.27%	2.34%	2.41%	2.41%	2.41%	2.41%	2.41%
care/QE	0.75%	0.77%	0.78%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
total	4.44%	4.56%	4.68%	4.86%	4.99%	5.11%	5.11%	5.11%	5.11%	5.11%

A.3 Overall Incidence Rate Growth

Washington	2023	2024	2025	2026						
Family	3.68%	1.33%	0.00%	0.00%						
Medical	9.58%	3.28%	0.00%	0.00%						
Overall	6.87%	2.41%	0.00%	0.00%						
California	N/A									
Connecticut	2025	2026								
Parental	2.00%	2.01%								
Bonding	2.00%	2.00%								
Medical	2.00%	2.00%								
Overall	2.00%	2.00%								
Maryland	2026	2027	2028	2029	2030	2031	2032	2033		
Family	-23.64%	4.00%	3.00%	2.00%	0.00%	0.00%	0.00%	0.00%		
Medical	5.00%	4.00%	3.00%	2.00%	0.00%	0.00%	0.00%	0.00%		
Overall	-5.34%	4.00%	3.00%	2.00%	0.00%	0.00%	0.00%	0.00%		
Colorado	2024	2025	2026	2027	2028	2029				
Birth or adoption of child	2.00%	3.00%	2.50%	2.00%	1.50%	1.00%				
Care for yourself	4.00%	3.00%	2.50%	2.00%	1.50%	1.00%				
Care of family member	0.50%	3.00%	2.50%	2.00%	1.50%	1.00%				
Active-duty military deployment	0.01%	1.50%	1.25%	1.00%	0.75%	0.50%				
Domestic violence	0.08%	1.50%	1.25%	1.00%	0.75%	0.50%				

Average	1.32%	2.40%	2.00%	1.60%	1.20%	0.80%				
Michigan	2026	2027	2028	2029	2030	2031	2032	2033		
Family	-8.6%	3.0%	1.0%	0.0%	0.0%	0.0%	-0.4%	11.9%		
Medical	5.0%	3.0%	1.0%	0.0%	0.0%	0.0%	-0.4%	0.0%		
Overall	1.1%	3.0%	1.0%	0.0%	0.0%	0.0%	-0.4%	3.1%		
Minnesota	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Family	-12.77%	3.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Medical	0.00%	5.00%	3.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Overall	-4.57%	4.35%	2.35%	0.68%	0.00%	0.00%	0.00%	0.00%	0.00%	
Maine	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Parental	2.48%	3.03%	2.94%	3.43%	2.76%	0.00%	0.00%	0.00%	0.00%	
Medical	2.88%	2.80%	3.18%	3.08%	2.99%	0.00%	0.00%	0.00%	0.00%	
care/QE	2.67%	1.30%	7.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Overall	2.70%	2.63%	3.85%	2.67%	2.40%	0.00%	0.00%	0.00%	0.00%	

A.4 Other General Assumptions

	Washington	California	Connecticut	Maryland	Colorado	Michigan	Minnesota	Maine
Expense	74M (subject to inflation)	N/A	Fixed 40M	N/A	5%	5%	7%	17.4M(10.9%)
Population Growth	0.7-1.2%	N/A	N/A	1.01-1.07%	1.2-1.3%	0.4%	0.56%	N/A
Salary Growth	3.90-4.40%	N/A	3.30-3.70%	1.03-1.30%	4.00-5.50%	3.30%	4.58%	4.00%
Return on Asset	1.00%	N/A	2.88%	N/A	1.25-3.75%	4.03-4.13%	3.28-3.91%	4.00%

8.2 Appendix B - Sensitivity Tests Financial Projections

This appendix presents the detailed financial projections supporting the sensitivity testing summarized in 6.4. The tables in this section provide full cash flow projections under best-case and worst-case assumptions for Scenarios A, B, and C, as well as the break-even analysis for Scenario C.

For each scenario, sensitivity testing was conducted under three conditions: a best-case, a baseline, and a worst-case set of assumptions, with each condition applying a consistent combination of parameter values across all inputs simultaneously. A separate break-even analysis was also performed under Scenario C to identify the specific parameter combination at which the year-end Fund balance is exactly exhausted.

The key parameters that varied across conditions are as follows:

- Claim incidence rate: Baseline assumes 5.17%, reflecting the central projection derived from peer state benchmarking and state-provided assumptions. The best case applies a rate of 4.16%, reflecting lower-than-expected program utilization, while the worst case applies 7.90%, reflecting accelerated ramp-up or higher-than-anticipated demand.
- Claim denial rate: Baseline assumes 14.42%, reflecting expected administrative adjudication outcomes. The best case applies a higher denial rate of 25%, which is favorable to the Fund as fewer claims result in benefit payments, while the worst case applies a lower denial rate of 10%, reflecting more permissive claims adjudication outcomes.
- Benefit duration and other related parameters: Additional minor adjustments to average claim duration and related cost drivers are applied consistently across conditions, directionally aligned with each respective case.

Each condition represents a holistic stress of the model rather than an isolated parameter movement, providing a realistic range of financial outcomes under plausible combinations of experience.

It is important to note that the best-case and worst-case parameter assumptions are applied relative to the baseline of each respective scenario. As such, the stressed assumptions for Scenario B are calibrated around Scenario B's own baseline design, and similarly for Scenario C. This approach ensures that the sensitivity analysis reflects the incremental risk profile of each scenario independently, rather than applying a uniform stress derived solely from the Scenario A baseline.

Table 8.2.1 - Scenario A (Prior Statutes) Best-Case Financial Projection *(Amounts in millions)*

Table 8.2.1 Scenario A Best-Case Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800
Expected Approved Claims		
Parental Leave		2,455
Medical Leave		3,194
Family Caregiver / QE Leave		975
Total		**6,623**
Benefit Payments ($ millions)		
Parental Leave		$12.2
Medical Leave		$2.9
Family Caregiver / QE Leave		$2.2
Total		**$17.2**
Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$27.6**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$106.8**
Investment Income ($ millions)	$0.7	$3.3
Expected Fund Balance ($ millions)	**$40.7**	**$220.1**

Funded Ratio		**798%**
Fixed Expenses as a Percentage of Benefits		**60.5%**
Paid Loss Ratio		**12.8%**
Combined Loss Ratio		**20.5%**

Table 8.2.2 - Scenario A (Prior Statutes) Worst-Case Financial Projection *(Amounts in millions)*

Table 8.2.2 Scenario A Worst-Case Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800
Expected Approved Claims		
Parental Leave		6,253
Medical Leave		8,134
Family Caregiver / QE Leave		2,482
Total		**16,869**
Benefit Payments ($ millions)		
Parental Leave		$50.2
Medical Leave		$15.9
Family Caregiver / QE Leave		$9.9
Total		**$76.0**
Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$86.4**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-

Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$48.0**
Investment Income ($ millions)	$0.7	$2.3
Expected Fund Balance ($ millions)	**$40.7**	**$160.3**
Funded Ratio		**186%**
Fixed Expenses as a Percentage of Benefits		**13.7%**
Paid Loss Ratio		**56.5%**
Combined Loss Ratio		**64.3%**

Table 8.2.3 - Scenario B (Baseline) Best-Case Financial Projection *(Amounts in millions)*

Table 8.2.3 Scenario B Best-Case Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800
Expected Approved Claims		
Parental Leave		2,888
Medical Leave		3,757
Family Caregiver / QE Leave		1,147
Total		**7,792**
Benefit Payments ($ millions)		
Parental Leave		$31.2
Medical Leave		$10.1
Family Caregiver / QE Leave		$6.2
Total		**$47.5**
Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$57.9**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**

Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$76.5**
Investment Income ($ millions)	$0.7	$2.8
Expected Fund Balance ($ millions)	**$40.7**	**$189.3**
Funded Ratio		**327%**
Fixed Expenses as a Percentage of Benefits		**21.9%**
Paid Loss Ratio		**35.3%**
Combined Loss Ratio		**43.1%**

Table 8.2.4 - Scenario B (Baseline) Worst-Case Financial Projection *(Amounts in millions)*

Table 8.2.4 Scenario B Worst-Case Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800
Expected Approved Claims		
Parental Leave		6,582
Medical Leave		8,562
Family Caregiver / QE Leave		2,613
Total		**17,757**
Benefit Payments ($ millions)		
Parental Leave		$71.1
Medical Leave		$23.1
Family Caregiver / QE Leave		$14.1
Total		**$108.3**
Administration and Other ($ millions)		**$10.4**

Total Expenditure ($ millions)		**$118.7**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$15.7**
Investment Income ($ millions)	$0.7	$1.7
Expected Fund Balance ($ millions)	**$40.7**	**$127.4**
Funded Ratio		**107%**
Fixed Expenses as a Percentage of Benefits		**9.6%**
Paid Loss Ratio		**80.6%**
Combined Loss Ratio		**88.3%**

Table 8.2.5 - Scenario C Best-Case Financial Projection *(Amounts in millions)*

Table 8.2.5 Scenario C Best-Case Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800
Expected Approved Claims		
Parental Leave		2,888
Medical Leave		3,757
Family Caregiver / QE Leave		1,147
Total		**7,792**
Benefit Payments ($ millions)		
Parental Leave		$29.9
Medical Leave		$18.6

Family Caregiver / QE Leave		$11.9
Total		**$60.4**
Administration and Other ($ Millions)		**$10.4**
Total Expenditure ($ millions)		**$70.7**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$63.7**
Investment Income ($ millions)	$0.7	$2.5
Expected Fund Balance ($ millions)	**$40.7**	**$176.2**
Funded Ratio		**249%**
Fixed Expenses as a Percentage of Benefits		**17.2%**
Paid Loss Ratio		**44.9%**
Combined Loss Ratio		**52.6%**

Table 8.2.6 - Scenario C Worst-Case Financial Projection *(Amounts in millions)*

Table 8.2.6 Scenario C Worst-Case Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800
Expected Approved Claims		
Parental Leave		6,582
Medical Leave		8,562
Family Caregiver / QE Leave		2,613

Total		**17,757**
Benefit Payments ($ millions)		
Parental Leave		$71.1
Medical Leave		$46.2
Family Caregiver / QE Leave		$28.2
Total		**$145.5**
Administration and Other ($ millions)		**$10.35**
Total Expenditure ($ millions)		**$155.89**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**$(21.5)**
Investment Income ($ millions)	$0.7	$1.1
Expected Fund Balance ($ millions)	**$40.7**	**$89.6**
Funded Ratio		**57%**
Fixed Expenses as a Percentage of Benefits		**7.1%**
Paid Loss Ratio		**108.3%**
Combined Loss Ratio		**116.0%**

Table 8.2.7 - Scenario C Break-even Financial Projection *(Amounts in millions)*

Table 8.2.7 Scenario C Break-even Financial Projection	2025	2026
Eligible Employees		**250,000**
Taxable Wages ($ **millions)**		$16,800

Expected Approved Claims		
Parental Leave		10,565
Medical Leave		13,744
Family Caregiver / QE Leave		4,194
Total		**28,503**
Benefit Payments ($ millions)		
Parental Leave		$114.1
Medical Leave		$74.2
Family Caregiver / QE Leave		$45.3
Total		**$233.6**
Administration and Other ($ millions)		**$10.4**
Total Expenditure ($ millions)		**$244.0**
Contribution Rates		
Parental Leave		**0.32%**
Medical Leave		**0.40%**
Family Caregiver / QE Leave		**0.08%**
Total		0.80%
Contributions Received ($ millions)	$40.0	$134.4
Contributions Receivable ($ millions)	$70.0	-
Fund Balance Before Benefit Payments ($ millions)		$244.4
Expected Annual Surplus/Deficit (Exp. Contributions **- Exp. Benefit Payments)** ($ millions)		**($109.6)**
Investment Income ($ millions)	$0.7	$(0.5)
Expected Fund Balance ($ millions)	**$40.7**	**$(0.0)**
Funded Ratio		**0%**
Fixed Expenses as a Percentage of Benefits		**4.5%**
Paid Loss Ratio		**173.8%**
Combined Loss Ratio		**181.5%**

8.3 Appendix C - Program comparison with states

Multiple states have implemented PFML of similar programs for years, and some of the assumptions and benchmarks are already shown in Appendix A. The table below presents a detailed summary and side-by-side comparison of plan provisions of the comparative states and serves to inform future legislative decision-making.

	California	Colorado	Connecticut	Dist. of Columbia
Program	PML: State Disability Insurance (SDI) PFL: Paid Family Leave (PFL)	PFML: Colorado Paid Family and Medical Leave Insurance (FAMLI)	PFML: Connecticut Paid Leave	PFML: Universal Paid Leave (UPL)
Type of Coverage Allowed	State plan or state-approved private voluntary plan	State plan or state-approved private plan	State plan or state-approved private plan	State plan only
Eligibility	Contributed to PML and earned at least $300 in gross wages during the base period.	Earned $2,500 in wages subject to premiums during the first four of the last five completed quarters.	Earned $2,325 in wages subject to premiums during the first four of the last five completed quarters. Must be actively employed or employed within prior 12 weeks	Worked 50% of time in D.C. in prior year or substantial amount regularly.
Leave Reasons	Care of a family member, bonding, medical, qualifying military exigency.	Caring for a family member, bonding, medical, qualifying exigency, safe leave. Neonatal care (1/1/26)	Caring for a family member, bonding, medical, qualifying exigency, caring for a service member, bone marrow/organ donation, safe leave.	Parental leave, family leave, and medical leave.
Job Protection	Does not provide job protection	Yes, with continuation of health benefits and reinstatement if employed at least 180 days.	Does not provide job protection	Does not provide job protection
Benefit Percentage and Maximum Benefit	Up to 90% of quarterly base wages (on sliding scale); Max $1,765 weekly.	Up to 90% of average weekly wage (on sliding scale); Max $1,381.45 weekly.	Up to 95% of average weekly wage (on sliding scale); Max $981.00 weekly. (Inc. to $1,016.40 eff. 1/1/26	Up to 90% of average weekly wage (on sliding scale); Max $1,190 weekly
Waiting Period (elimination period)	PML: 7 days; PFL: None	None	None	One-Week
Maximum Duration	PML: 52 weeks; PFL: 8 weeks in a 12-month period	12 weeks max in a 12-month period (+4 weeks for pregnancy or childbirth complications). Up to 12 additional weeks for parents with newborn in NICU	12 weeks in a 12-month period (+2 weeks for pregnancy incapacity). Safe leave 12 days.	12 weeks in a 52-week period (+2 weeks prenatal leave).
Taxable Wage Base	Limit removed effective 1/1/24	$176,100 (inc. to $184,500 eff. 1/1/26)	$176,100 (inc. to $184,500 eff. 1/1/26)	N/A
Maximum Employee Contribution	1.3% of taxable wage base	0.45% of taxable wage base Decreasing to 0.44% 1/1/26	0.5% of taxable wage base	None
Cost to Employer	Employers may elect to pay all or part of employee contribution.	0.45% of taxable wage base (exempt for employers with <10 employees). Decreasing to 0.44% 1/1/26	None	0.75% of wages of each covered employee

	Hawaii	Maine	Maryland	Massachusetts
Program	PML: Temporary Disability Insurance (TDI)	PFML: Maine Paid Family and Medical Leave	PFML: Maryland Paid Family and Medical Leave	PFML: Massachusetts Paid Family and Medical Leave
Type of Coverage Allowed	State-approved private plan, or self-funded private plan	State plan or state-approved private plan	State plan or state-approved private plan	State plan, state-approved private plan, or self-funded private plan
Eligibility	Worked at least 14 weeks (20+ hours/week) and earned $400+ in prior year.	Earned at least six times the state average weekly wage in prior four quarters.	Worked for minimum 680 hours in 12 months immediately prior to leave start.	Earned at least $6,300 in the last four quarters and 30x weekly unemployment benefit.
Leave Reasons	Medical & disability leave, personal off-the-job illness or injury including pregnancy	Caring for a family member, bonding, medical, qualifying exigency, caring for a service member and safe leave.	Caring for a family member, military caregiver, bonding, medical, qualifying exigency.	Caring for a family member, bonding, medical, qualifying exigency, caring for a service member.
Job Protection	Does not provide job protection	Yes (if employed for +120 days with employer)	Yes, with continuation of health benefits and reinstatement (limited exceptions).	Yes, with continuation of health benefits and reinstatement.
Benefit Percentage and Maximum Benefit	58% of average weekly earnings; Max $871 weekly.	Up to 90% of average weekly wage up to 50% of SAWW (then 66% of wages exceeding); Max $1,198.84 weekly.	Up to 90% of average weekly wage (on sliding scale); Max $1,000 weekly.	Up to 80% of average weekly wage (on sliding scale); Max $1,230.39 weekly.
Waiting Period (elimination period)	PML: 7 days	PML: 7 days; PFL: None	None	PML: 7 days; PFL: 7 days
Maximum Duration	26 weeks in a one-year period	12 weeks of paid leave total in a 12-month period	12 weeks total per 12-month period (24 weeks in limited cases).	Combined: 26 weeks in a 52-week period (various sub-limits.
Taxable Wage Base	Max Weekly Wage Base: $1,500.21	$176,100 (inc. to $184,500 eff. 1/1/26)	Up to the Social Security wage base ($176,100 in 2025)	$176,100 (inc. to $184,500 eff. 1/1/26)
Maximum Employee Contribution	Lesser of 1/2 cost of coverage, 0.5% of taxable wages or $7.50 weekly.	0.50% of taxable wage base	0.45%(current), will be 0.6% next year of taxable wage base up to cap	PML: 0.28%; PFL: 0.18% of taxable wage base
Cost to Employer	Employers fund additional costs above employee maximum contribution.	0.50% of taxable wage base (exempt for employers with <15 employees). In the employer's own election	0.45% (current) will be 0.6% next year of taxable wage base (exempt for employers with <15 employees).	Small employers (< 25 employees) are exempt from medical leave contributions. Large Employers: 0.88% of wages up to Social Security limit minus amounts permitted to be charged to employees.

	Minnesota	New Jersey	New York
Program	PFML: Minnesota Paid Family and Medical Leave	PML: Temporary Disability Insurance (TDI) PFL: Family Leave Insurance (FLI)	PML: Disability Benefits Law (DBL) PFL: Paid Family Leave (PFL)
Type of Coverage Allowed	State plan or state-approved private plan	State plan, state-approved private plan, or self-funded private plan	State-approved private plan
Eligibility	Earned at least 5.3% of the state average weekly wage in the year preceding leave.	Worked 20 weeks earning at least $310 weekly or earning $15,500 total in base year.	PML: Worked at least 4 weeks. PFL: 26 consecutive weeks (full time) or 175 days (part time).
Leave Reasons	Caring for a family member, bonding, medical, safe leave, qualifying exigency.	Caring for a family member, bonding, medical, and safe leave	PML: Medical Disability; PFL: Caring for a family member, bonding, qualifying exigency
Job Protection	Yes, with continuation of benefits, reinstatement after 90 days tenure.	Does not provide job protection	Only NY PFL is job protected
Benefit Percentage and Maximum Benefit	Up to 90% of average weekly wage (on sliding scale); Max 100% of state average weekly wage.	85% of average weekly wage; Max $1,119 weekly.	PML: 50% avg weekly wage, max $170; PFL: 67% avg weekly wage, max $1,228.53.
Waiting Period (elimination period)	N/A	PML: 7 days (retro to 1st day if leave is +22 continuous days; PFL: None	PML: 7 days; PFL: None
Maximum Duration	PML: Up to 12 weeks PFL: Up to 12 weeks Combined: 20 weeks max per year.	PML: Up to 26 weeks or until employee receives 1/3 base year wages; PFL: 12 weeks.	PML: 26 weeks in a 52-week period PFL: 12 weeks in a 52-week period Combined: 26 weeks in a 52-week period.
Taxable Wage Base	185000	$165,400 (inc. to $171,100 eff. 1/1/26)	PFL: $91,373.88 (inc. to $95,348.71 eff. 1/1/26)
Maximum Employee Contribution	Max at 50% of the combined 0.88% premium rate.	PML: 0.23%; PFL: 0.33% of taxable wage base	PML: 0.5% of wages up to max $ .60 per week; PFL: 0.432% of taxable wage base
Cost to Employer	Combined 0.88% (PML 0.61%, PFL 0.27%); Small employers (≤30 employees, avg wage ≤150% state avg): reduced rate 0.66%.	PML: Rate varies 0.1% to 0.75% of $44,800 wage base PFL: 0.00%	PML: Employer are required to pay the insurance premium, and allowed to collect 60 cents per week from employees; PFL: None

	Rhode Island	Oregon	Washington
Program	PML: Temporary Disability Insurance (TDI) PFL: Temporary Caregiver Insurance (TCI)	PFML: Paid Leave Oregon (PLO)	PFML: Washington Paid Family and Medical Leave
Type of Coverage Allowed	State plan only	State plan or state-approved private plan	State or state-approved private plan
Eligibility	Paid wages in RI and paid into TDI/TCI fund; earned $18,000 in base period or $3,000 in one quarter.	Contributed to funds and earned at least $1,000 in wages during either 1) 4 of the prior 5 completed quarters or 2) last 4 completed quarters	Worked at least 820 hours during the qualifying period.
Leave Reasons	Caring for a family member, bonding, bone marrow/organ donation and medical	Caring for a family member, bonding, medical, and safe leave	Caring for a family member, child bereavement, bonding, medical, and qualifying exigency.
Job Protection	For PFL only (continuation of health benefits and reinstatement).	Yes, if employed >90 days (continuation of health insurance benefits and reinstatement).	Yes, continuation of health benefits and reinstatement if employed >180 days
Benefit Percentage and Maximum Benefit	4.62% of total base period high quarter wages; Max $1,103 weekly.	Up to 100% of average weekly wage (on sliding scale); Max $1,636.56 weekly.	Up to 90% of average weekly wage (on sliding scale); Max $1,647 weekly.
Waiting Period (elimination period)	Leave must last 7+ consecutive days.	None	Up to 7 days (no waiting period for bonding, post-natal medical, qualifying exigency).
Maximum Duration	PML: 30 weeks; PFL: 8 weeks; Combined 30 weeks Bone marrow: 5 business days Organ transplant: 30 business days	12 weeks total in a 52-week period (+2 weeks for pregnancy-related limitations).	PML: 12 weeks PFL: 12 weeks Combined: 18weeks in a 52-week period. (various sub-limits)
Taxable Wage Base	$89,200 (inc. to $100,000+ eff. 1/1/26)	$176,100 (inc. to $184,500 eff. 1/1/26)	$176,100 (inc. to $184,500 eff. 1/1/26)
Maximum Employee Contribution	PML/PFL combined: 1.1% of taxable wage base	PML/PFL combined: 0.6% of taxable wage base	8.07%
Cost to Employer	None	0.4% of taxable wage base (exempt for employers with <25 employees).	0.323% of taxable wage base (exempt for employers with <50 employees).

8.4 Appendix D – Data request

In preparation for this actuarial analysis, Optimizing Foundations submitted a comprehensive data request to the Delaware Department of Labor seeking detailed demographic and claims information. A copy of the original data request is attached below:

Data for actuarial analysis - Must have:

1. Total Market Baseline & Projections

To serve as a comparison point against public labor statistics and private plan exits:

- **Total Market Size:**
    - How many total employers are subject to DE PFML regulations?
    - What are the total covered employee counts of these employers?
    - What are the total covered wages for these employers?
- **Growth Projections:** What employment growth is the Division projecting in Delaware over the next several years?

2. Employer and Covered Workforce Data

- **Employer-level** metrics, including:
    - **General Information:**
        - Industry (NAICS code)
        - Employer size band (e.g., 1–9, 10–49, 50–249, 250+) or actual if known
        - Region (county or zip code)
        - Employment type (State or local government, private employer, or self-employed)
        - Federal Employer Identification Number (EIN)
    - Wages and Contribution:
        - Covered employee counts
        - Total covered wages and maximum taxable wage base
        - Breakdown of employee and employer contributions
        - Method of contribution collection (e.g., payroll tax system)

        - Historical or current remittance/compliance patterns
    - Claims and Utilization:
        - Leave type category
        - Claimant wage
        - Approved, denied, or pending claims
        - Average weekly benefits paid (per type)
        - Average leave duration (per type)
- **Aggregate employee demographic details** (if available):
    - Age bands
    - Gender
    - Wage bands
    - Individual contributions received

Great to have:

1. Private Plan Exits (Opt-Outs)

To understand the impact of private plan adoption on the State Plan risk pool, we request:

- **Employer Counts:** The number of employers approved to exit the State Plan/offer a private plan to their employees for 2025, and the number approved for 2026.
- **Projection expectations for exiting employers**
- **Employee Counts:** The total covered employee counts associated with these exiting employers.
- **Wages:** The total covered wages associated with these exiting employers.

2. Administrative Expenses

3. Additional Reference Data

- **Actuarial or fiscal notes** from prior legislative or executive branch analyses.
- **Early data on compliance and enforcement** (percent of employers and covered payroll in compliance; new employer enrollments).
- **Claims experience data** (acknowledging benefits commenced 1/1/26, so we understand data availability may be limited).

Note that a large amount of the data requested was not readily available at the time of this analysis.

8.5 Appendix E – Primary Payer Impact on Select States

This appendix summarizes the documented financial impacts of primary versus secondary payer status across state-paid family and medical leave programs. States operating as primary payers pay full statutory benefits regardless of employer-provided benefits, while secondary payers coordinate benefits through offsets or reductions.

Though most of the states are serving as the primary payer currently, nearly none of them have a very clear provision guiding the cost split either in dollars or percentage between the primary payer and other payers (SDI, workers' compensation, etc.).

Washington:

No official state guidance about dollar split or order is found.

California:

The state PFL can be combined with other employer-provided paid leave (sick leave, STD, etc.), but the combination cannot exceed the employee's regular wages. The state PFL pays first the statutory benefit, and then the employer pays the top-up benefits that can supplement up to 100% of the wages. There is no fixed dollar or percentage split among all kinds of benefits, and it is relatively flexible. (For example, if the state pays $350 and the employer pays $150, then it is a 70%/30% split, while the PFL may pay $450 and the employer pays $50, which becomes a 90%/10% split).

Connecticut:

CT PFML allows coordination with employer-paid leave or STD plans as long as the total compensation does not exceed the employee's regular pay, but not the unemployment or workers' compensation. Since CT PFML pays $981 at maximum, the rest of the compensation is supplemented by the other programs. There is no publicly available study about the overall percentage of the PFML benefits out of all benefits.

Colorado:

The Colorado FAMLI statute and guidance allow employees to coordinate employer paid leave and FAMLI but with some restrictions on concurrent use. However, the specific sequencing or dollar splitting is not yet clearly defined or posted.

Maryland, Minnesota, and Maine:

These state programs are relatively new and have not yet published finalized coordination rules.