

Actuarial Analysis for a Paid Family and Medical Leave Insurance Program in Oklahoma

Commissioned by The Oklahoma Partnership for School Readiness Foundation

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Agenda

- PFML insurance programs in the US
- Oklahoma Senate Bill 277
- Oklahoma PFML program options considered in the actuarial study
- Actuarial methods for determining PFML contribution rates
- Estimated contribution rates for Oklahoma PFML program options
- Projection of estimated financial experience for Oklahoma PFML program option 1
- Fund ratio projection
- Other Considerations

PFML Insurance Programs in the US

State	Waiting Period	Medical Maximum BP	Family Maximum BP	Safe Maximum BP	Combined Maximum BP	Benefit Percent	Maximum Weekly Benefit Amount	2025 Contribution Rate	Taxable Wages
RI	None	30 weeks	7 weeks	NA	30 weeks	~ 60%	85% x SAWW	1.30%	\$89,200
CA	7 days for medical None for family	52 weeks	8 weeks	NA	60 weeks	70 - 90%	100% x SAWW	1.20%	Unlimited
NJ	7 days for medical None for family	26 weeks	12 weeks	NA	38 weeks	85%	70% x SAWW	Up to 0.81%	\$156,800 EEs \$41,100 ERs
NY	7 days for medical None for family	26 weeks	12 weeks	NA	26 weeks	Medical: 50% Family: 67%	PML: \$170 PFL: 67% x SAWW	PML: varies PFL: 0.388%	\$91,374
DC	None	12 weeks	12 weeks	NA	12 weeks	Tiered 90% / 50%	\$1,153 in 2025	0.75%	Unlimited
WA	None for maternity/bonding 7 days for all other	12 weeks	12 weeks	NA	16 weeks	Tiered 90% / 50%	90% x SAWW	0.92%	OASDI
MA	7 days	20 weeks	12 weeks	NA	26 weeks	Tiered 80% / 50%	64% x SAWW	0.88%	OASDI
CT	None	12 weeks	12 weeks	12 days	12 weeks	Tiered 95% / 60%	60 x min wage	0.50%	OASDI
OR	None	12 weeks	12 weeks	12 weeks	12 weeks	Tiered 100% / 50%	120% x SAWW	1.00%	OASDI
CO	None	12 weeks	12 weeks	12 weeks	12 weeks	Tiered 90% / 50%	90% x SAWW	0.90%	OASDI
MD	None	12 weeks	12 weeks	NA	12 weeks +12 for bonding w/ medical	Tiered 90% / 50%	\$1,000 initially, adjusted annually	0.90% in 2028	OASDI
DE	None	6 weeks in 24 months	6-12 weeks in 24 months	NA	12 weeks	80%	\$900 initially, adjusted annually	0.80%	OASDI
MN	7-day Qualifying Period with Retro Benefits	12 weeks	12 weeks	12 weeks	20 weeks	Tiered 90% / 66% / 55%	100% x SAWW	0.88% in 2026	OASDI
ME	7 days for medical None for family	12 weeks	12 weeks	12 weeks	12 weeks	Tiered 90% / 66%	100% x SAWW	1.00%	OASDI

Oklahoma Senate Bill 277

- Establishes a mandatory PFML program in Oklahoma
- Includes a maximum benefit period of 12 weeks per qualifying event
- Includes a combined maximum benefit period of 16 weeks
- Includes a premium formula for determining required contributions and contribution rates
- Other provisions to be determined:
 - Waiting period
 - Benefit formula
 - Maximum weekly benefit amount
 - Taxable wage basis

Oklahoma PFML Program Options Considered in the Actuarial Study

Program	Waiting Period	Benefit Period	Combined Limit
Option	(Days)	(Weeks)	(Weeks)
1	7	6	12
2	7	8	12
3	0	6	12
4	7	12	12
5	7	12	16
6	0	8	12
7	0	12	12
8	0	12	16

Each program option assumes the following:

- **Contributions Begin:** January 1, 2027
- **Benefits Begin:** January 1, 2028
- **Benefit Formula:** 90% of an employee's average weekly wages up to 50% of the state average weekly wage (SAWW), plus 50% of average weekly wages above 50% of the SAWW.
- **Maximum Weekly Benefit :** 90% of the SAWW.
- **Small Employer Exemption:** Employers with fewer than 50 employees would contribute premiums at a rate that is 50% lower than the overall contribution rate.
- **Taxable Wages:** OASDI (Social Security) wage limit

Actuarial Methods for Determining PFML Contribution Rates

SB 277 Premium Formula

- Prescribed formula that aims at maintaining a uniform level of surplus in the fund (~30%)
- The structure and parameters are like those included in other PFML premium formulas (e.g., CA, MA)
- SB 277, Section 6.C.: “...the Department shall set the contribution rate for the subsequent fiscal year based on a percent of employee wages and at the rate necessary to obtain a total amount of contributions equal to one hundred thirty-five percent (135%) of the benefits paid during the previous fiscal year, plus an amount equal to one hundred percent (100%) of the cost of administration of the payment of those benefits during the previous fiscal year, less the amount of net assets remaining in the fund as of June 30 of the current fiscal year.”

▪ Alternative Pricing Method

- Contribution rates are determined from sound actuarial principles rather than a prescribed formula
- Used by states that have not adopted premium formulas (e.g., NY, CO)

Estimated Contribution Rates : % of Taxable Wages (OASDI Wage Limit)

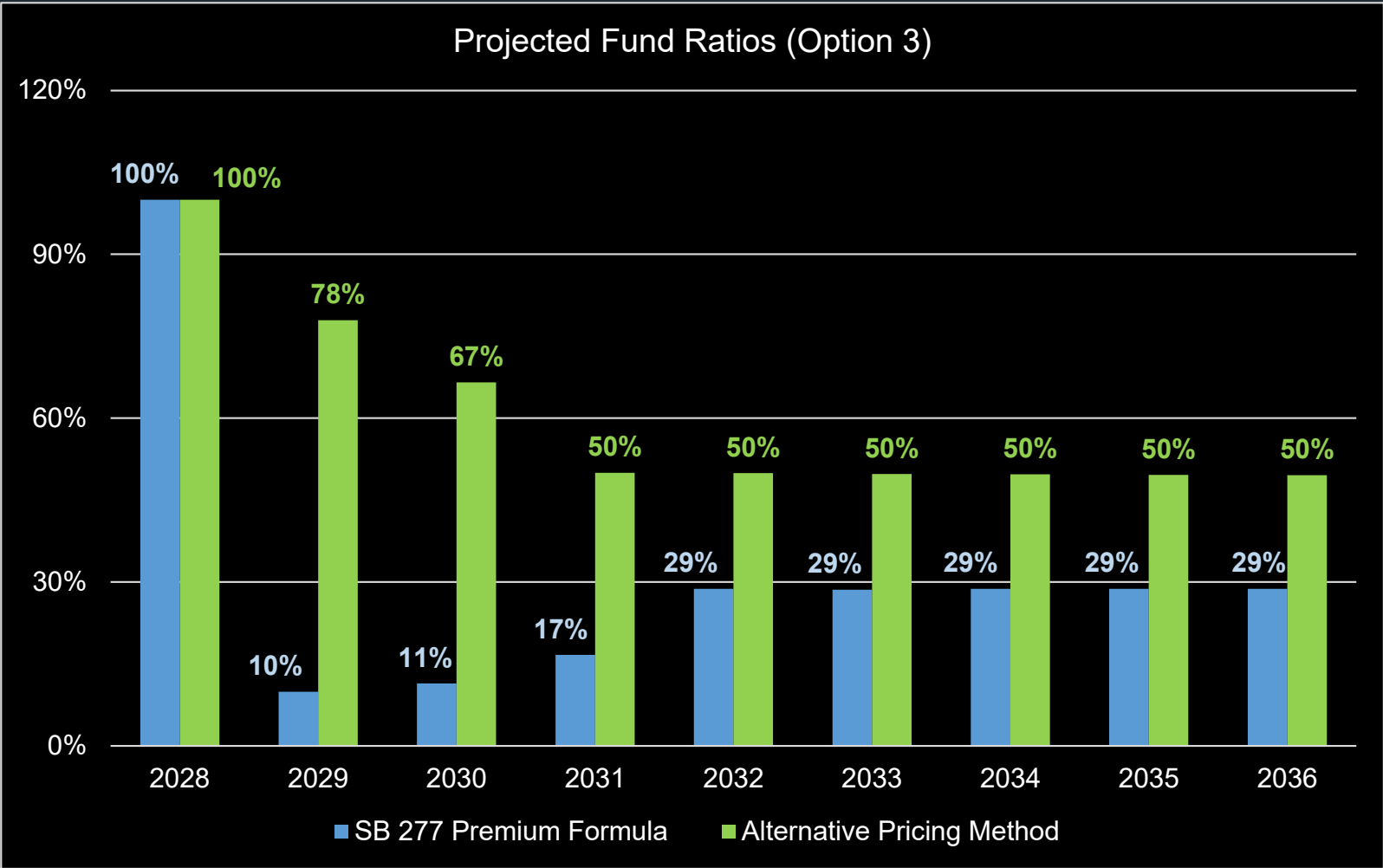
SB 277 Premium Formula

Program Option	Waiting Period (Days)	Benefit Period (Weeks)	Combined Limit (Weeks)	2027	2028	2029	2030	2031	2032	2033+
1	7	6	12	0.44%	0.44%	0.13%	0.55%	0.62%	0.66%	0.59%
2	7	8	12	0.52%	0.52%	0.15%	0.66%	0.75%	0.79%	0.71%
3	0	6	12	0.55%	0.55%	0.16%	0.70%	0.79%	0.84%	0.75%
4	7	12	12	0.57%	0.57%	0.17%	0.72%	0.82%	0.87%	0.78%
5	7	12	16	0.62%	0.62%	0.18%	0.79%	0.90%	0.95%	0.85%
6	0	8	12	0.65%	0.65%	0.19%	0.84%	0.95%	1.00%	0.90%
7	0	12	12	0.71%	0.71%	0.21%	0.92%	1.05%	1.10%	0.99%
8	0	12	16	0.77%	0.77%	0.23%	1.01%	1.14%	1.20%	1.08%

Alternative Pricing Method

Program Option	Waiting Period (Days)	Benefit Period (Weeks)	Combined Limit (Weeks)	2027	2028	2029	2030	2031	2032	2033+
1	7	6	12	0.44%	0.44%	0.44%	0.52%	0.52%	0.59%	0.59%
2	7	8	12	0.52%	0.52%	0.52%	0.63%	0.63%	0.71%	0.71%
3	0	6	12	0.55%	0.55%	0.55%	0.68%	0.68%	0.75%	0.75%
4	7	12	12	0.57%	0.57%	0.57%	0.70%	0.70%	0.78%	0.78%
5	7	12	16	0.62%	0.62%	0.62%	0.77%	0.77%	0.85%	0.85%
6	0	8	12	0.65%	0.65%	0.65%	0.81%	0.81%	0.90%	0.90%
7	0	12	12	0.71%	0.71%	0.71%	0.90%	0.90%	0.99%	0.99%
8	0	12	16	0.77%	0.77%	0.77%	0.98%	0.98%	1.08%	1.08%

Fund Ratio Projection



Fund Ratio = EOY Fund balance divided by total expenditure from prior 12 months.

Initial contribution rates were established by targeting a fund ratio of 100% in 2028.

The fund ratio under SB 277 decreases sharply in 2029 then gradually increases to an ultimate ratio of 29% in 2032 and beyond.

The fund ratio under alternative pricing method decreases gradually from 2028 through 2031 then stabilizes at 50% in later years.

Financial Projection: SB 277 Premium Formula (Option 1)

	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
Covered Employees		1,405,622	1,412,273	1,418,955	1,425,668	1,432,414	1,439,191	1,446,001	1,452,843	1,459,717
Taxable Wages (\$ millions)										
Exempt Employers (< 50 Employees)	\$30,238	\$31,626	\$33,015	\$34,465	\$35,979	\$37,559	\$39,246	\$40,969	\$42,768	\$44,647
<u>All Other Employers</u>	<u>\$50,422</u>	<u>\$52,738</u>	<u>\$55,054</u>	<u>\$57,472</u>	<u>\$59,995</u>	<u>\$62,630</u>	<u>\$65,444</u>	<u>\$68,318</u>	<u>\$71,318</u>	<u>\$74,450</u>
Total	\$80,660	\$84,364	\$88,069	\$91,937	\$95,974	\$100,189	\$104,689	\$109,287	\$114,086	\$119,097
Benefit Payments (\$ millions)										
Care/Safe/Exigency		\$17.1	\$21.4	\$25.7	\$29.5	\$30.8	\$32.2	\$33.6	\$35.1	\$36.7
Bonding		\$77.0	\$85.7	\$102.9	\$118.2	\$123.4	\$128.9	\$134.6	\$140.5	\$146.7
Maternity		\$41.7	\$52.3	\$62.8	\$72.1	\$75.3	\$78.6	\$82.1	\$85.7	\$89.5
<u>Own Health</u>		<u>\$125.2</u>	<u>\$156.9</u>	<u>\$188.3</u>	<u>\$216.3</u>	<u>\$225.8</u>	<u>\$235.9</u>	<u>\$246.3</u>	<u>\$257.1</u>	<u>\$268.4</u>
Total		\$261.1	\$316.4	\$379.8	\$436.1	\$455.3	\$475.7	\$496.6	\$518.4	\$541.2
Expenses (\$ millions)										
Start-up	\$65.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Care/Safe/Exigency		\$1.0	\$1.1	\$1.4	\$1.6	\$1.6	\$1.7	\$1.8	\$1.8	\$1.9
Bonding		\$4.0	\$4.5	\$5.4	\$6.2	\$6.5	\$6.8	\$7.1	\$7.4	\$7.7
Maternity		\$2.2	\$2.8	\$3.3	\$3.8	\$4.0	\$4.1	\$4.3	\$4.5	\$4.7
<u>Own Health</u>		<u>\$6.6</u>	<u>\$8.3</u>	<u>\$9.9</u>	<u>\$11.4</u>	<u>\$11.9</u>	<u>\$12.4</u>	<u>\$13.0</u>	<u>\$13.5</u>	<u>\$14.1</u>
Total	\$65.0	\$13.7	\$16.7	\$20.0	\$23.0	\$24.0	\$25.0	\$26.1	\$27.3	\$28.5
Contribution Rates										
Care/Safe/Exigency	0.03%	0.03%	0.01%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Bonding	0.13%	0.13%	0.03%	0.15%	0.17%	0.18%	0.16%	0.16%	0.16%	0.16%
Maternity	0.07%	0.07%	0.02%	0.09%	0.10%	0.11%	0.10%	0.10%	0.10%	0.10%
<u>Own Health</u>	<u>0.21%</u>	<u>0.21%</u>	<u>0.06%</u>	<u>0.27%</u>	<u>0.31%</u>	<u>0.32%</u>	<u>0.29%</u>	<u>0.29%</u>	<u>0.29%</u>	<u>0.29%</u>
Overall	0.44%	0.44%	0.13%	0.55%	0.62%	0.66%	0.59%	0.59%	0.59%	0.59%
Contributions (\$ millions)										
Care/Safe/Exigency	\$21.2	\$22.2	\$6.2	\$28.0	\$33.3	\$36.6	\$34.3	\$35.9	\$37.4	\$39.0
Bonding	\$84.8	\$88.7	\$25.0	\$112.0	\$133.4	\$146.5	\$137.1	\$143.5	\$149.6	\$156.2
Maternity	\$46.3	\$48.4	\$15.0	\$67.3	\$80.1	\$88.0	\$82.3	\$86.1	\$89.8	\$93.8
<u>Own Health</u>	<u>\$138.8</u>	<u>\$145.2</u>	<u>\$44.9</u>	<u>\$201.8</u>	<u>\$240.2</u>	<u>\$264.0</u>	<u>\$247.0</u>	<u>\$258.4</u>	<u>\$269.5</u>	<u>\$281.3</u>
Total	\$291.0	\$304.4	\$91.1	\$409.1	\$487.0	\$535.1	\$500.8	\$523.9	\$546.3	\$570.3
Investment Income (\$ millions)	\$9.0	\$10.6	\$1.3	\$1.8	\$2.9	\$5.3	\$5.5	\$5.8	\$6.0	\$6.3
Fund Balance (\$ millions)	\$235.0	\$275.1	\$34.6	\$45.7	\$76.6	\$137.8	\$143.3	\$150.3	\$156.9	\$163.8
Fund Ratio		100%	10%	11%	17%	29%	29%	29%	29%	29%

Financial Projection: Alternative Pricing Method (Option 1)

	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>
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Bonding		\$77.0	\$85.7	\$102.9	\$118.2	\$123.4	\$128.9	\$134.6	\$140.5	\$146.7
Maternity		\$41.7	\$52.3	\$62.8	\$72.1	\$75.3	\$78.6	\$82.1	\$85.7	\$89.5
Own Health		<u>\$125.2</u>	<u>\$156.9</u>	<u>\$188.3</u>	<u>\$216.3</u>	<u>\$225.8</u>	<u>\$235.9</u>	<u>\$246.3</u>	<u>\$257.1</u>	<u>\$268.4</u>
Total		\$261.1	\$316.4	\$379.8	\$436.1	\$455.3	\$475.7	\$496.6	\$518.4	\$541.2
Expenses (\$ millions)										
Start-up	\$65.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Care/Safe/Exigency		\$1.0	\$1.1	\$1.4	\$1.6	\$1.6	\$1.7	\$1.8	\$1.8	\$1.9
Bonding		\$4.0	\$4.5	\$5.4	\$6.2	\$6.5	\$6.8	\$7.1	\$7.4	\$7.7
Maternity		\$2.2	\$2.8	\$3.3	\$3.8	\$4.0	\$4.1	\$4.3	\$4.5	\$4.7
Own Health		<u>\$6.6</u>	<u>\$8.3</u>	<u>\$9.9</u>	<u>\$11.4</u>	<u>\$11.9</u>	<u>\$12.4</u>	<u>\$13.0</u>	<u>\$13.5</u>	<u>\$14.1</u>
Total	\$65.0	\$13.7	\$16.7	\$20.0	\$23.0	\$24.0	\$25.0	\$26.1	\$27.3	\$28.5
Contribution Rates										
Care/Safe/Exigency	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Bonding	0.13%	0.13%	0.12%	0.14%	0.14%	0.16%	0.16%	0.16%	0.16%	0.16%
Maternity	0.07%	0.07%	0.07%	0.09%	0.09%	0.10%	0.10%	0.10%	0.10%	0.10%
Own Health	<u>0.21%</u>	<u>0.21%</u>	<u>0.22%</u>	<u>0.26%</u>	<u>0.26%</u>	<u>0.29%</u>	<u>0.29%</u>	<u>0.29%</u>	<u>0.29%</u>	<u>0.29%</u>
Overall	0.44%	0.44%	0.44%	0.52%	0.52%	0.59%	0.59%	0.59%	0.59%	0.59%
Contributions (\$ millions)										
Care/Safe/Exigency	\$21.2	\$22.2	\$21.8	\$26.8	\$27.9	\$32.8	\$34.3	\$35.8	\$37.4	\$39.0
Bonding	\$84.8	\$88.7	\$87.0	\$107.0	\$111.7	\$131.4	\$137.3	\$143.3	\$149.6	\$156.2
Maternity	\$46.3	\$48.4	\$52.2	\$64.3	\$67.1	\$78.9	\$82.4	\$86.0	\$89.8	\$93.8
Own Health	<u>\$138.8</u>	<u>\$145.2</u>	<u>\$156.7</u>	<u>\$192.8</u>	<u>\$201.3</u>	<u>\$236.6</u>	<u>\$247.3</u>	<u>\$258.1</u>	<u>\$269.5</u>	<u>\$281.3</u>
Total	\$291.0	\$304.4	\$317.7	\$390.8	\$408.0	\$479.7	\$501.3	\$523.3	\$546.3	\$570.3
Investment Income (\$ millions)	\$9.0	\$10.6	\$10.4	\$10.5	\$8.8	\$9.2	\$9.6	\$10.0	\$10.4	\$10.9
Fund Balance (\$ millions)	\$235.0	\$275.1	\$270.3	\$271.8	\$229.5	\$239.2	\$249.3	\$259.9	\$270.9	\$282.3
Fund Ratio		100%	81%	68%	50%	50%	50%	50%	50%	50%

Other Considerations

- Premium formulas can be useful for targeting a specific level of surplus in the fund
 - May be challenging to implement for new programs with pre-funding mechanisms
 - May be prone to wide fluctuations depending on emerging experience
 - Limits could be established for the annual rate adjustments to avoid a large increase or decrease in any year, subject to rate adequacy testing
- Oklahoma employers with fewer than 50 employees would contribute premiums at a rate that is 50% lower than the overall contribution rate
 - Employers with fewer than 50 employees represent approximately 37% of overall taxable wages in Oklahoma, based on data provided to Milliman by the Oklahoma Partnership for School Readiness Foundation
 - A threshold of 50 employees for small business exemptions is relatively high compared to thresholds in other states with PFML programs, which range from 10 – 50 employees
 - A lower threshold would require fewer subsidies and would reduce the overall contribution rate, with all else equal
 - Some PFML programs do not feature small business exemptions

Other Considerations

- The definition of taxable wages is different across states that have adopted PFML programs
 - For many PFML programs, premium rates are applied to wages capped at the OASDI limit for determining contributions
 - Some programs apply contribution rates to uncapped wages for determining contributions
 - Increasing the taxable wage limit translates to a reduction in the overall contribution rate, with all else equal
- The Oklahoma PFML program options vary in terms of the waiting period and benefit period
 - Other provisions that impact program costs are listed below:
 - Maximum weekly benefit amount
 - Income replacement
 - Qualifying reasons
 - Qualifying period

Limitations

We relied on information provided by the Oklahoma Partnership for School Readiness as well as on publicly available data and information from a variety of sources including US Census Bureau, US Department of Labor Statistics, and US states with mandatory PFML programs. If any of this information is inaccurate or incomplete, our results may be affected and would need to be revised.

Our analysis uses actuarial assumptions that are individually reasonable and that, in combination, offer our best estimate of anticipated experience. To the extent that actual experience varies from these assumptions, the emerging costs of the Oklahoma PFML program will vary from the projections contained herein.

Milliman's work was prepared exclusively for the Oklahoma Partnership for School Readiness for the specific purpose of analyzing potential costs and funding requirements for a new PFML program. Milliman recognizes that this information may be public records subject to disclosure to third parties. It is not for the use or benefit of any third party for any purpose.

We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant Actuarial Standards of Practice.

I, Paul Correia, am a Consulting Actuary with Milliman, Inc. I am a member of the American Academy of Actuaries, and I meet its Qualification Standards to render the actuarial opinion contained herein.



Thank you

Paul Correia, FSA, MAAA

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