

CalPERS Long-Term Care Program

September 11, 2012

▶ CalPERS Long-Term Care Program

▶ Background

- Legislation

- 1991: Initial Legislation Established
- 1995: First Policies Issued

- Program

- Guaranteed Renewable
- Inflation Protection

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▶ CalPERS Long-Term Care Program

▶ Background

◦ Program Eligibility

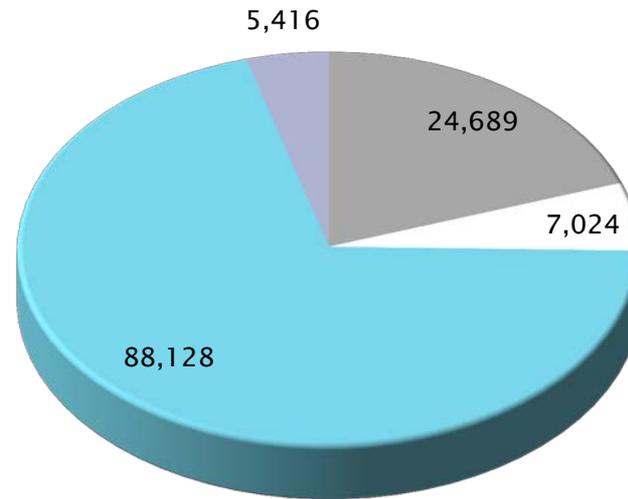
- CalPERS employees, retirees, annuitants and their family members:
 - Spouses, adult siblings, parents and parents-in-law
- Open to all public employee groups—
 - not just those that contract with CalPERS

Summary of CalPERS LTC Plans

As of 6/30/2012				Avg. Premium
LTC1	Comprehensive/Facility Only	Members	119,841	
	Unlimited, 6-year, and 3-year	Annualized Premium	266,614,497	\$2,225
	Partnership	Members	5,416	
	2-year, 1-year, and 6-months	Annualized Premium	7,745,079	\$1,430
LTC2	Comprehensive/Facility Only	Members	8,611	
	Unlimited, 6-year, and 3-year	Annualized Premium	20,896,311	\$2,427
	Partnership	Members	272	
	2-year, 1-year, and 6-months	Annualized Premium	479,489	\$1,763
LTC3	Comprehensive/Facility Only	Members	16,085	
	Unlimited, 6-year, and 3-year	Annualized Premium	32,151,457	\$1,999
	Partnership	Members	105	
	2-year and 1-year	Annualized Premium	213,296	\$2,031
Total	All	Members	150,330	
		Annualized Premium	328,100,129	\$2,183

CalPERS LTC1 Plan Membership

LTC1 Membership



■ 3-Yr BP ■ 6-Yr BP ■ Lifetime BP ■ Partnership

Total LTC1 Membership = 125,257

Rate Increases by Plan Type

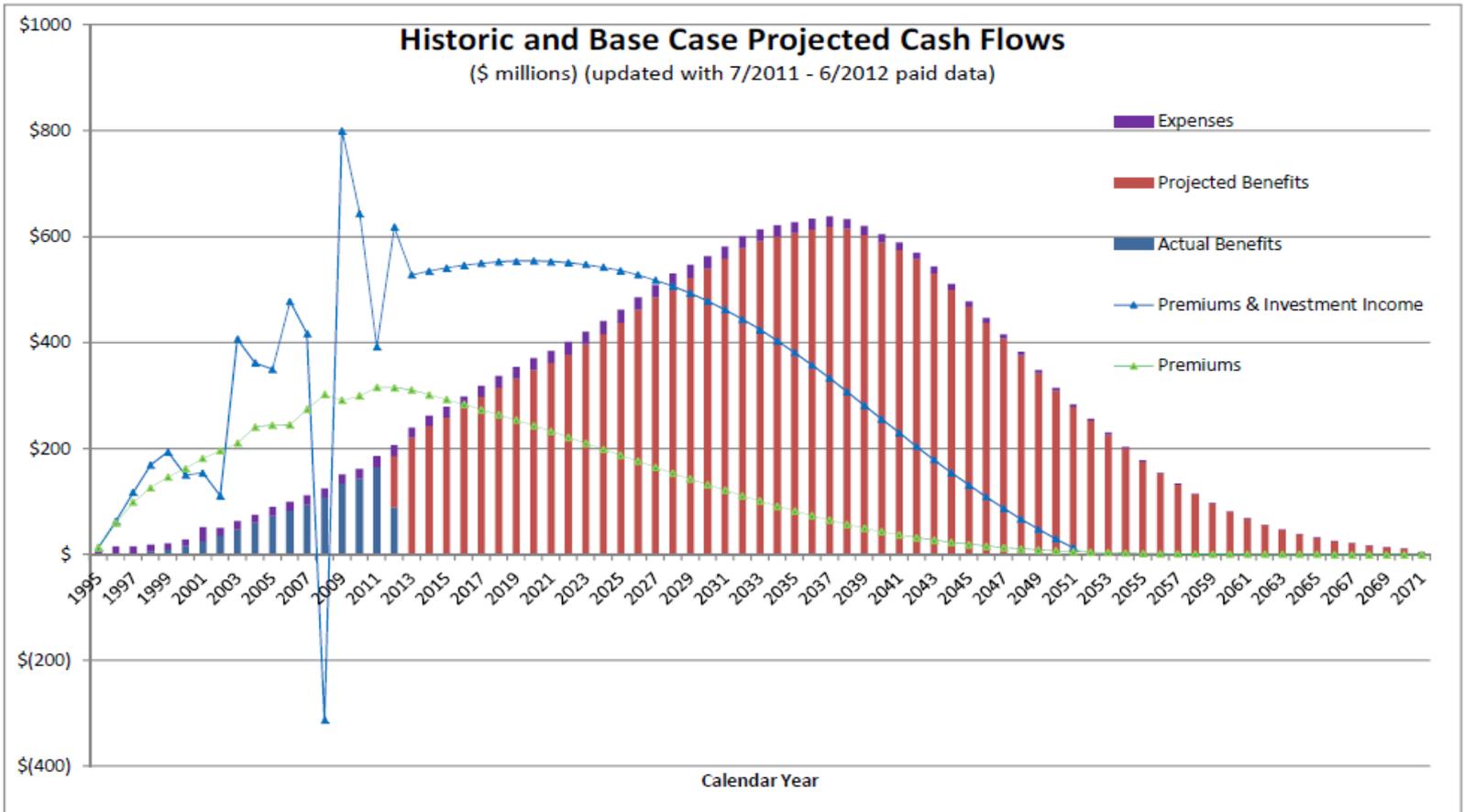
	2003 Rate Increases by Plan and Age (LTC1 only)							
Plan	Age 35	Age 45	Age 50	Age 55	Age 60	Age 65	Age 70	Age 75
Comprehensive lifetime Inflation	30.0%	30.0%	30.0%	30.0%	22.5%	16.0%	10.5%	6.0%
Comprehensive 3 -year Inflation	30.0%	24.0%	22.3%	20.0%	15.0%	10.0%	7.3%	6.0%
Comprehensive Without Inflation	10.0%	10.0%	10.0%	10.0%	8.0%	6.0%	6.0%	6.0%
Facility With Inflation	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	25.5%	20.0%
Facility Without Inflation	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	9.5%	6.0%
Partnership	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Rate Increases by Plan Type

2007 Rate Increases by Plan and Age (LTC1 and LTC2)								
Plan	Age 35	Age 45	Age 50	Age 55	Age 60	Age 65	Age 70	Age 75
Comprehensive and Facility								
Lifetime Coverage	47.1%	47.1%	47.1%	42.4%	37.6%	37.6%	32.9%	28.2%
Three-year with Inflation	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
Three-year without Inflation	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Partnership 2-year	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
Partnership 1-year	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
2010 Rate Increases by Plan (All Plans)								
Plan	All Ages							
Comprehensive and Facility								
LTC1 and LTC2 Lifetime without inflation and all Inflation Coverage	22.0%							
LTC1 and LTC2 non-inflation and limited benefits (non-lifetime) and all LTC3	15.0%							

Valuation History

YEAR	MARGIN/DEFICIT
▶ 2003	▶ 2.0%
▶ 2007	▶ (42.86%)
▶ 2010	▶ (42.24%)
▶ 2011	▶ 23.14
▶ 2012	▶ Pending



2011 Annual Valuation (as of 6/30/2011) used for projected cash flows starting 7/2012

- * Revised discount rate is 5.75% for all projected years
- * 5% premium increase is assumed to be ongoing
- * Restated funding status as of 6/30/2011 is a deficit of (4.13%) which reflects the revised discount rate

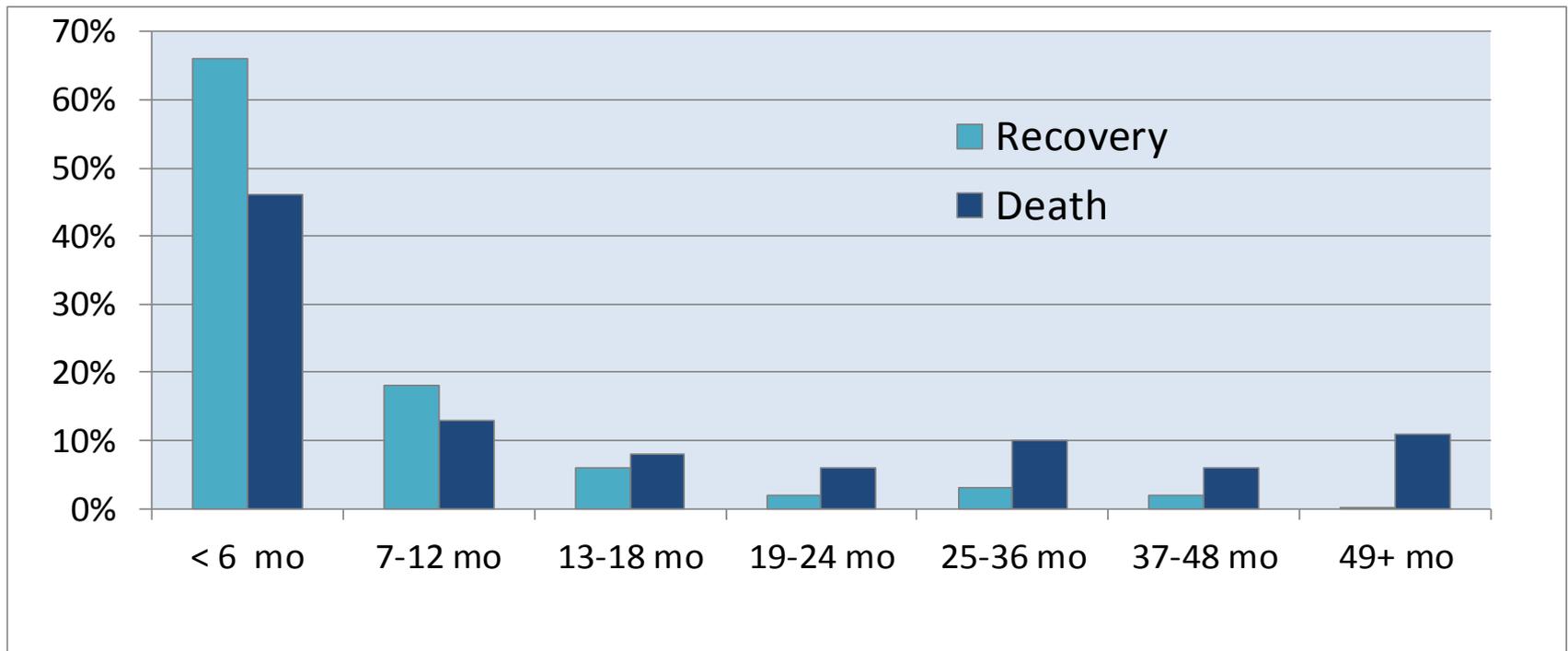
Projections by Plan Type

LTC1 Annual Premium for Comprehensive Lifetime, Inflation Plans								
2011	Beginning Premium	5% Increase		5% Increase	37% and 5%	5% Increase	5% Increase	5% Increase
Att. Age	LTC1 2010	LTC1 2011	LTC1 2012	LTC1 2013	LTC1 2015	LTC1 2020	LTC1 2025	LTC1 2030
40	\$783	\$822	\$864	\$907	\$1,370	\$1,748	\$2,231	\$2,847
50	\$1,176	\$1,235	\$1,297	\$1,362	\$2,057	\$2,625	\$3,350	\$4,276
60	\$1,892	\$1,987	\$2,086	\$2,190	\$3,308	\$4,222	\$5,389	\$6,878
70	\$2,974	\$3,123	\$3,279	\$3,443	\$5,201	\$6,637	\$8,471	\$10,812
80	\$4,862	\$5,105	\$5,360	\$5,629	\$8,501	\$10,850	\$13,848	\$17,674
LTC2 Annual Premium for Comprehensive Lifetime, Inflation Plans								
2011	Beginning Premium				37% Increase			
Att. Age	LTC2 2010	LTC2 2011	LTC2 2012	LTC2 2013	LTC2 2015	LTC2 2020	LTC2 2025	LTC2 2030
40	\$1,029			\$1,029	\$1,410	\$1,410	\$1,410	\$1,410
50	\$1,604			\$1,604	\$2,197	\$2,197	\$2,197	\$2,197
60	\$2,626			\$2,626	\$3,598	\$3,598	\$3,598	\$3,598
70	\$4,141			\$4,141	\$5,673	\$5,673	\$5,673	\$5,673
80	\$7,116			\$7,116	\$9,749	\$9,749	\$9,749	\$9,749
LTC3 Annual Premium for Comprehensive Lifetime, Inflation Plans								
2011	Beginning Premium							
Att. Age	LTC3 2010	LTC3 2011	LTC3 2012	LTC3 2013	LTC3 2015	LTC3 2020	LTC3 2025	LTC3 2030
40	\$1,208			\$1,208	\$1,208	\$1,208	\$1,208	\$1,208
50	\$1,933			\$1,933	\$1,933	\$1,933	\$1,933	\$1,933
60	\$2,863			\$2,863	\$2,863	\$2,863	\$2,863	\$2,863
70	\$4,711			\$4,711	\$4,711	\$4,711	\$4,711	\$4,711
80	\$9,693			\$9,693	\$9,693	\$9,693	\$9,693	\$9,693

Average Time on Claim

Average Time on Claim Until Recovery: 9 Months

Average Time on Claim Until Death: 17.7 Months



CalPERS Long-Term Care Program

▶ Possible Program Plan Changes

- Retained Inflation
 - Open to all plans with inflation protection excluding Partnership Plans
- Combined 9-Year/Retained Inflation Benefit
 - Open to lifetime with inflation
- Optional DBA
 - Open to plans that selected built-in inflation protection and dropped that option in 2010 and those that decreased their DBA since 2010

Optional DBA

Hypothetical Scenario

LTC1 – Lifetime with Inflation (Issue age 48)

- ▶ 60-year old member drops inflation in July 2010

- Annual Premium was = \$3,548
- DBA was = \$404

Member drops inflation

- Annual Premium is = \$1,286
- DBA is = \$225

- ▶ Same member, now 63-years old selects Optional DBA Repurchase in July 2013

- Annual Premium was = \$1,286
- DBA was = \$225

Optional DBA Repurchase

- Annual Premium is = \$1,905
- DBA is = \$404

Optional DBA

Hypothetical Scenario

LTC1–Lifetime with Inflation (Issue age 48)

- ▶ 60–year old member decreases inflation in July 2010
 - Annual Premium was = \$3,548
 - DBA was = \$404
 - ▶ Same member, now 63–years old selects Optional DBA Repurchase in July 2013
 - Premium was = \$3,048 **
 - DBA was = \$348
- Decreases DBA ***
- Annual Premium is = \$2,633
 - DBA is = \$300
- Optional DBA Repurchase**
- Annual Premium is = \$1,905
 - DBA is = \$404
- ▶ * DBA decreased in 2010 as an alternative to accepting a premium increase.
 - ▶ ** Premium is higher because of the 5% annual increases in 2011, 2012, and 2013 were accepted by this member.

Rate Increases Will Be Necessary

- Policy Questions

- Who Bears the Cost?

- Align rate increase to plans related to funding concerns?
 - LTC1 and LTC2

- Spread rate increases equally across all plans including LTC3?

Rate Increases Will Be Necessary

- Policy Questions Continued
 - How to spread the increase?
 - Maintain 5 percent annual increase for LTC1 until 2018 or 2030?
 - One-time 2015 large rate increase?
 - Spread increase over—
 - 3 years
 - 5 years
 - 10 years