Long-Term Care (LTC) Actuarial Valuation
Highlights and Executive Summary
As of June 30, 2014

CalPERS

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Highlights of Recent Program Changes

Premium and Policy Assumptions

- Stabilization Plan included premium increases for some participants and provided the ability for participants to convert to less expensive policies
- Ongoing 5% rate increase ended
- LTC1 and LTC2 participants with lifetime benefit period or inflation protection will receive an 85% rate increase in 2015
  - 85% rate increase implemented over two years: 36% rate increase in 2015 and 36% rate increase in 2016
  - Options: Accept Premium increase or convert to another benefit coverage plan
- Participants who are not subject to 5% increase in 2013 but are subject to 85% rate increase in 2015 will be given options to convert to another benefit coverage plan to avoid the 85% rate increase as early as Fall 2014

Funded Status and Margin
As of June 30, 2014

Component	($ in Millions)	
1. Present Value of Future Benefits	$6,223	
2. Present Value of Future Expenses	$381	
3. Present Value of Future Premiums (PVFP)	$3,251	
4. Valuation Liabilities (= 1 + 2 - 3)	$3,353	
5. Valuation Assets	$4,117	
6. Valuation Margin (= 5 - 4)	$764	
7. Margin as a % of PVFP (= 6/3)	23.49%	→ 2013: 19.66%
8. Funded Status (= 5/4)	123%	→ 2013: 123%

5 Year History of Funded Status and Margin

Valuation Date	Funded Status	Margin
June 30, 2010	97%	(2.98%)
June 30, 2011	127%	23.14%
June 30, 2012	96%	(4.66%)
June 30, 2013	123%	19.66%
June 30, 2014	123%	23.49%

*Funded Status and Margin based on best estimate assumptions (i.e., “base case” scenario)

- Funded Status and Margin fluctuated over the last 5 years as a result of:
  1) Plan experience
  2) Investment Return assumption changes in 2010 and 2012
  3) Premium rate adjustment in 2010 and 2013

Key Findings

- More conversions than expected and higher investment returns than expected resulted in higher margin in 2014.
  - The assumed rate of conversions associated with the 2014 offer projected at 3%; actual conversion rate will likely result in an additional 15% of members that accepted the offer to reduce benefits.
  - This higher than expected conversion rate resulted in an improvement to both the margin and funded status.
- Program benefited from investment gains during 2013-14 fiscal year:
  - Investment return = 10.6%
  - Assumed discount rate = 5.75%
- Mortality Improvement
  - Scale BB was adopted and used for future projections of mortality in this valuation. Scale BB resulted in higher longevity than past improvement assumptions and resulted in a reduction to the margin and funded status.
  - Mortality improvement is usually associated with morbidity improvement for LTC coverage; revising the mortality scale also led to a revised morbidity scale which resulted in lower projected claims than past improvement assumptions and resulted in an increase to the margin and funded status.