

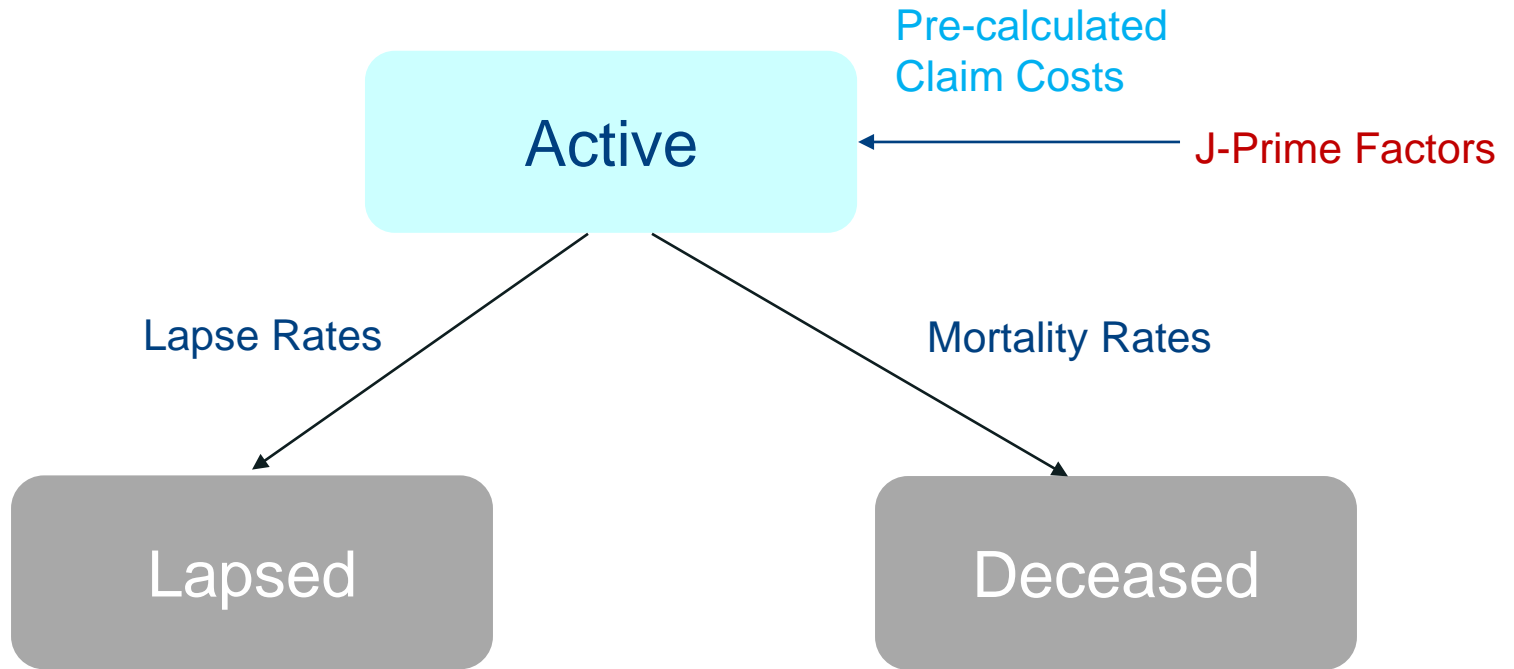
2017 Long-Term Care Valuation Report

Finance & Administration Committee
April 17, 2018

Summary

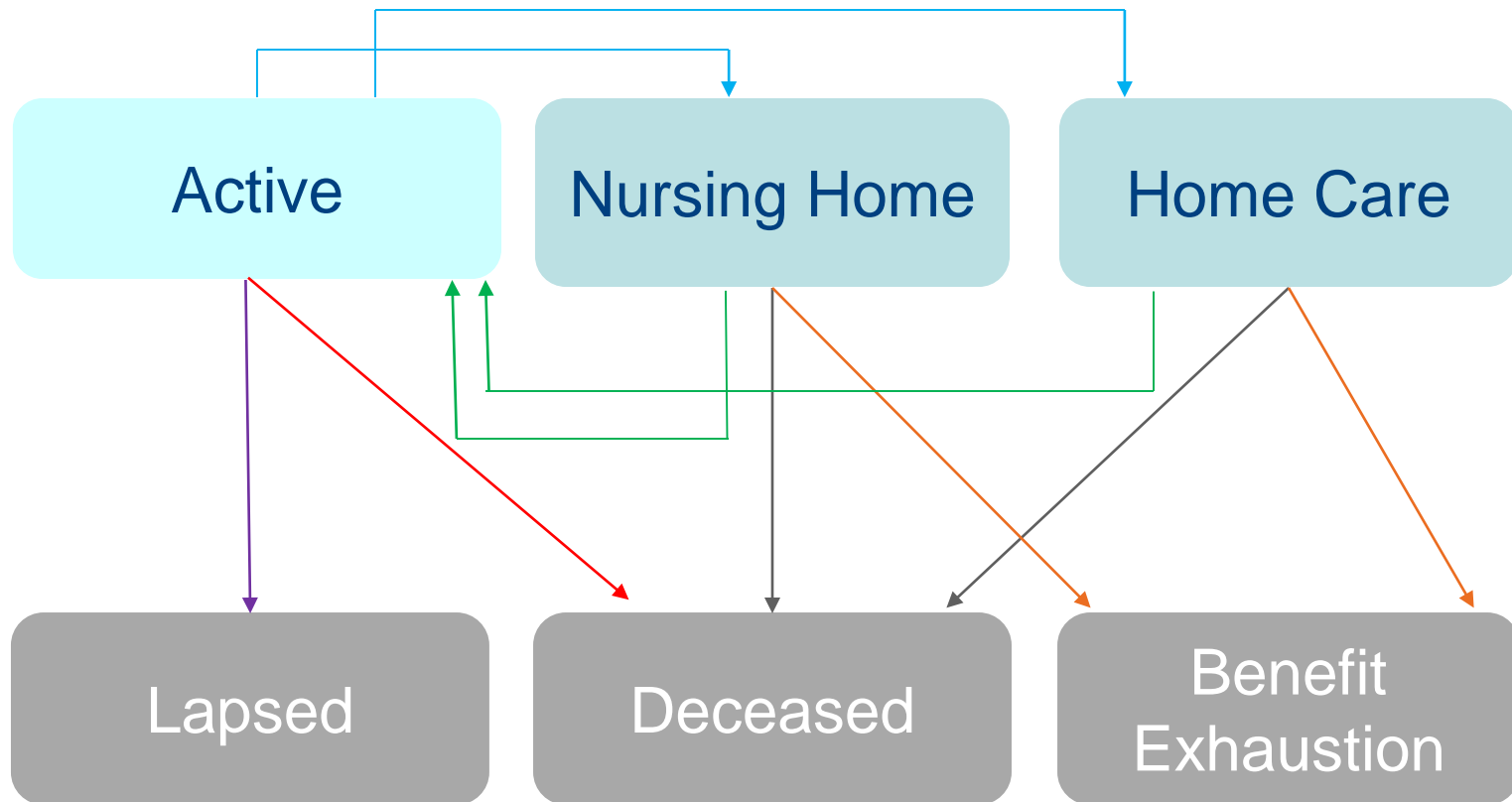
- Actuarial valuation date - June 30, 2017
 - The Program's funded status was 99 percent and the margin was negative 1.45 percent.
- Significant events since June 30, 2016
 - Switched from Claim Cost Model to First Principles Model
 - Adoption of a lower discount rate of 5.25 percent
 - Investment return of 1.56 percent for FY 2016-17
 - Expense assumptions updated based on a new third-party administrator contract effective, January 1, 2018.

Claim Cost Model



First Principles Model

- Incidence Rates
- Recovery Rates
- Lapse Rates
- Active Mortality Rates
- Disable Mortality Rates



Reconciliation to Prior Valuation Results

	Results as a Present Value of Premiums
Margin under Claim Cost Model as of 6/30/16:	9.59%
Projected One Year Forward (Passage of Time)	0.89%
Demographic Experience Gain	2.41%
Investment Loss for FT 2016-2017	(7.05%)
Morbidity Assumption Change	(7.06%)
Expenses Assumption Change	4.30%
Mortality/Lapse Change	1.17%
Discount Rate Change	(14.11%)
Margin under Claim Cost Model as of 6/30/17:	(9.86%)
Model Changed from Claim Cost to First Principles Based	8.41%
Margin under First Principle Based Model as of 6/30/17	(1.45%)

Current and Prior Year Results

Component	6/30/2016 (\$ in Millions)	6/30/2017 (\$ in Millions)
1. Present Value of Future Benefits	\$6,225	\$6,498
2. Present Value of Future Expenses	\$404	\$336
3. Present Value of Future Premiums (PVFP)	\$2,589	\$2,455
4. Valuation Liabilities (= 1 + 2 - 3)	\$4,040	\$4,378
5. Valuation Assets	\$4,288	\$4,343
6. Valuation Margin (= 5 - 4)	\$248	(\$35)
7. Margin as a % of PVFP (= 6 / 3)	9.59%	(1.45%)
8. Funded Status (= 5 / 4)	106%	99%

5-Year History of Funded Status and Margin

Valuation Date	Funded Status	Margin / (Deficit)
June 30, 2013	123%	19.66%
June 30, 2014	123%	23.49%
June 30, 2015	111%	14.44%
June 30, 2016	106%	9.59%
June 30, 2017	99%	(1.45%)

Questions?