

CalPERS Long-Term Care Program

Actuarial Valuation as of June 30, 2025



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Actuarial Certification



April 2026

To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the funded condition of the CalPERS Long-Term Care Program as of the valuation date. This valuation is based on the participant and financial data as of June 30, 2025. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles and the standards of practice prescribed by the Actuarial Standards Board and that the assumptions and methods are internally consistent and reasonable for the Program related to actual and anticipated future experience.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

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Highlights and Executive Summary

Introduction

This is the actuarial valuation report as of June 30, 2025 for the CalPERS Long-Term Care Program (the Program). The financial projections used in this valuation analysis were produced under the First Principles Model by using the June 30, 2025 in-force data and updated assumptions. Oliver Wyman as the consulting actuary for CalPERS completed a parallel valuation, and CalPERS' valuation results are adequate compared to Oliver Wyman's valuation results.

This actuarial valuation uses best estimate assumptions that are appropriate as of the date of valuation and these assumptions do not include any margin for adverse deviation. Assumptions could change as more information becomes available, which would impact the funded status reported in future valuations. The assumptions, projection model, and scenarios were reviewed and updated this year. This report summarizes the approach, assumptions, and results of the actuarial valuation of the CalPERS Long-Term Care (LTC) Program as of June 30, 2025. For information on the sensitivity of the valuation results with respect to changes in the actuarial assumptions, please refer to the "Risk Analysis" section and Appendices A and B.

Purpose of the Report

The purpose of the June 30, 2025 actuarial valuation report of the CalPERS Long-Term Care Program is to:

- Determine whether assets as of June 30, 2025, expected future premium levels, and future investment returns are sufficient to support future benefits.
- Provide actuarial information as of June 30, 2025 to the CalPERS Board of Administration and other interested parties.
- Provide information as of June 30, 2025 relevant to CalPERS financial statements.

Use of this report for other purposes may be inappropriate. More detailed information can be provided upon request.

Funded Status and Margin for the Program

As of June 30, 2025, the Program's funded status is 97% (an increase from 94% last year) and the margin is negative 6.62% (an increase from negative 10.58% last year). During the 2024-25 fiscal year, the Program experienced a 9.5% investment return which improved the margin. This valuation reflects the approved premium rate increases that became effective in 2025 and were to be phased in over 2 years for non-partnership policies and over 3 years for partnership policies. For more details on the Program and the assumption changes, please see the "Key Assumption Changes and Findings" section. The table below provides the funded status and margin as of June 30, 2025.

Component	(\$ in Millions)
1)Present Value of Future Benefits	\$6,713
2)Present Value of Future Expenses	\$359
3)Present Value of Future Premiums (PVFP)	\$2,288
4)Valuation Liabilities [(1+2) - (3)]	\$4,785
5)Valuation Assets	\$4,633
6)Valuation Margin [(5) - (4)]	(\$151)
7)Margin as a % of PVFP [(6) / (3)]	(6.62%)
8)Funded Status [(5) / (4)]	97%

Highlights and Executive Summary

The table below displays the funded status and the margin/(deficit) for the LTC Program over the last five years. The program's margin was positive in the 2021 valuation reflecting a stabilization plan adopted to change the asset allocation and increase premium rates. The higher-than-expected investment return and the Program's experience related to COVID-19 also contributed to the positive margin in the 2021 valuation. However, rising interest rates reduced the market value of fixed income assets and reduced the valuation margin to negative in the 2022 and 2023 valuations. Further refinements in the morbidity assumptions also contributed to the margin decreases since 2021. Higher-than-expected investment return and the premium rate increases being phased in since 2025 improved the margin in the 2024 and 2025 valuations.

5-Year History of Funded Status and Margin

Valuation Date	Funded Status	Margin / (Deficit)
June 30, 2021	108%	10.51%
June 30, 2022	95%	(7.40%)
June 30, 2023	90%	(19.01%)
June 30, 2024	94%	(10.58%)
June 30, 2025	97%	(6.62%)

Key Assumption Changes and Findings

The key assumption changes and findings reflected in this actuarial valuation are as follows:

- The program experienced a 9.5% investment return during the 2024-25 fiscal year, which improved the program's margin by 8.88%.
- The claim utilization assumption was updated to include the recent year's data and reflect higher current cost of care. This update set separate rates more accurately for policies with and without inflation protection provision, reflecting that inflation policies' benefit pool would increase each year and partially offsets with cost-of-care inflation while non-inflation policies would not have this offset. The claim utilization assumption update decreased the margin by 2.56% in this valuation.
- Population changes in the program during the fiscal year decreased the margin by 1.32%. This impact is largely due to higher-than-expected claim utilization and cost of care for the population currently on claim.

Summary of the Program's experience cashflows in the fiscal year 2024-25 are as follows:

- The Program's actual claim payment during the fiscal year was \$366.8 million, which was 0.4%, or \$1.5 million, lower than projected.
- The Program's actual premium collected in the 2024-25 fiscal year was \$277.1 million. This amount reflected the premium rate increases and benefit conversions implemented during the fiscal year.
- The Program experienced an investment return of 9.5% during the 2024-25 fiscal year. The investment return was \$209.4 million higher compared to the assumed return based on the discount rate.
- The Program's actual expenses during the 2024-25 fiscal year were \$31.2 million.

A complete reconciliation of the Program's margin/(deficit) is provided on page 9.

Highlights and Executive Summary

Changes Since the Prior Valuation

Actuarial Model

CalPERS uses a First Principles Model for the Program's valuation projection. Improvements to the projection model are made each year when necessary. The 2025 valuation model was updated according to the assumption structures used in this valuation.

More information about the First Principles Based Model can be found in Appendix C.

Actuarial Assumptions

The First Principles Model uses multiple morbidity assumption components including claim incidence rates, claim termination rates, and claim utilization rates. The claim termination rates for the First Principles Model are also further refined into assumptions for claim recovery and on-claim death. The model tracks active life mortality and disabled life mortality separately. Lapse rates are only applied to active policies.

Each year, actual experience is measured against the assumptions previously assumed which are then updated to reflect the actual experience. For the 2025 valuation, assumptions were updated to reflect more recent years' experience. Please refer to the "Reconciliation to Prior Year Valuation Results" section on page 8 for more information on the changes that were made.

Assumptions are documented in more detail in Appendix C.

Premiums and Policies

As of June 30, 2025, there were 75,769 in-force policies with a total annualized premium amount of \$329,333,788. CalPERS historically implemented corrective actions, including premium increases in 2003, 2007, 2010, 2015/2016, and 2021/2022 to stabilize the LTC Fund. These historical premium increases were reflected in the data of this valuation.

In the June 30, 2023 valuation, the Program was at an underfunded status due to lower-than-expected investment returns in recent years and an increased projection of future claim liability. To address this funding risk, the board approved a 10% premium rate increase each year for two years starting in 2025 for non-partnership policies, and a 6.7% premium rate increase each year for three years starting in 2025 for partnership policies. These rate increases are included in the results of this valuation.

To reduce the impact of higher premiums on policyholders, options to convert to less expensive benefits are offered to policyholders. The valuation reflects the conversions implemented by the valuation date but does not assume future conversions in the projection.

Subsequent Events

Since 2022, the Program's mortality and morbidity experience are reverting closer to pre-pandemic levels. There is still uncertainty regarding how these experiences will evolve over the long term. Future experience will continue to be monitored.

The inflation and interest rates in the economy have been higher in recent years. Volatility in the economic environment may lead to fluctuation in the investment return. Long-term care services have also experienced higher cost-of-care inflation in recent years. A prolonged high inflation environment may lead to higher-than-expected future claim costs.

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Valuation Results

Comparison of Current and Prior Year Results

The results summarized in this report compare the program's assets to its valuation liabilities. Funded status and margin are the two measures used. The funded status measures the Program's assets as a ratio of the program's valuation liabilities, or reserves. For the LTC Program, the valuation liabilities are equal to the present value of future benefits and expenses less the present value of future premiums. This definition is consistent with a statutory gross premium valuation reserve for LTC insurance. When the funded status is above 100%, which means that the program's assets are greater than the program's net liabilities, the program will have a funding surplus. The opposite condition will result in a funding deficit. A funding surplus suggests that the Program's current fund balance, assumed future investment returns, and expected future premiums are adequate to cover the expected future claims and expenses.

The margin measures the program's funding surplus or deficit as a percentage of the present value of future premiums. A negative margin represents a premium rate increase needed to bring the Program back to a breakeven position.

When the Program has a funding surplus, both the funded status and the margin will be above the breakeven position, that is, the funded status will be greater than 100% and the margin will be greater than 0%. However, these two measures use different denominators. When the funded status is above 100%, the amount above 100% measures the surplus, which is the amount of assets greater than the valuation liabilities, as a percentage of the valuation liabilities. The margin, when it is above 0%, measures the surplus as a percentage of the present value of future premiums. Therefore, a 110% funded status is not equivalent to a 10% margin. Similarly, when the Program has a funding deficit, both the funded status and the margin will be below the breakeven position. However, a 90% funded status does not produce a negative 10% margin, for example.

The table below summarizes and compares the CalPERS Long-Term Care Program's June 30, 2025 actuarial valuation results to its June 30, 2024 results, including the present values of future cash flows for the current in-force participants. These present values are based on 60 years of projected cash flows.

Component	6/30/2024 (\$ in Millions)	6/30/2025 (\$ in Millions)
1) Present Value of Future Benefits	\$6,726	\$6,713
2) Present Value of Future Expenses	\$349	\$359
3) Present Value of Future Premiums (PVFP)	\$2,493	\$2,288
4) Valuation Liabilities [(1+2) - (3)]	\$4,582	\$4,785
5) Valuation Assets	\$4,318	\$4,633
6) Valuation Margin [(5) - (4)]	(\$264)	(\$151)
7) Margin as a % of PVFP [(6) / (3)]	(10.58%)	(6.62%)
8) Funded Status [(5) / (4)]	94%	97%

This result shows that the Program currently has a deficit based on the experience up to June 30, 2025 and the current actuarial assumptions. Emerging experience and funding risk will continue to be monitored and reflected in future valuations.

Liability cashflows were calculated based on a projection of expected future cash flows of in-force policies as of June 30, 2025. This projection used a set of underlying assumptions derived from the Program's historical experience, as well as industry experience in areas where CalPERS data does not have sufficient credibility. Policies were projected on a seriatim basis using specific characteristics including issue age, policy form, benefit period, elimination period, underwriting status, and benefit options. We have not generated liabilities and reserves consistent with statutory reporting requirements as this self-funded program is not subject to such requirements.

Detailed yearly cashflows and projected fund balances are provided in Appendix A.

Valuation Results

Reconciliation to Prior Year Valuation Results

The Program's margin improved from negative 10.58% to negative 6.62% between June 30, 2024 and June 30, 2025. Factors that impacted the margin either positively or negatively during the fiscal year are the following:

The investment return during the fiscal year and active mortality assumption updates had positive impact on the margin:

- The Program experienced a 9.5% investment return during the fiscal year 2024-25, which was higher than the 4.75% discount rate and improved the program's margin by 8.88%.
- The active mortality assumption was updated to reflect experience from 2013 to 2024, excluding 2020 and 2021. The active mortality assumption update improved the margin by 0.29%.

A few assumption updates and the population changes during the fiscal year had negative impact on the margin:

- The morbidity assumption updates overall decreased the margin by 2.83%. These updates included the following components:
 - The claim incidence assumption was updated to reflect experience from 2012 to 2024, excluding 2015, 2020, and 2021. The most recent Milliman LTC Guidelines were used as an initial expected basis. The claim incidence assumption update decreased the margin by 0.55%.
 - The total claim termination and the claim recovery assumptions were updated reflecting the experience from 2013 to 2024, excluding 2020 and 2021. The most recent Milliman LTC Guidelines were used as an initial expected basis. This update overall improved the margin by 0.09%.
 - The claim utilization assumption was updated to include 2024 experience and reflect higher current cost of care. The assumption structure was refined to have separate rates for policies with and without inflation protection provision, reflecting that inflation policies' benefit pool would increase each year and partially offset with cost-of-care inflation while non-inflation policies would not have this offset. The claim utilization assumption update decreased the margin by 2.56%.
 - The Incurred-But-Not-Reported (IBNR) claim projection was updated and improved the margin by 0.19%.
- The expense assumption was updated to reflect the updated third-party administrator fees. The update included the projected expenses for the aging-in-place program. This expense is assumed to be offset by savings in the claim cashflows. This assumption update also projected higher operating expenses in future years. The expense update overall reduced the margin by 0.22%.
- Population changes in the program during the fiscal year reduced the margin by 1.32%. This impact is largely due to higher-than-expected claim utilization and cost of care for the population currently on claim.

Valuation Results

Reconciliation to Prior Year Valuation Results (continued)

This table below provides a detailed reconciliation of the factors that contributed to the change of margin. The resulting valuation margin in dollar amount is also the funding surplus or deficit of the program. A negative margin corresponds to a funding deficit.

	Change in Margin	Resulting Margin	Funded Status	Resulting Valuation Margin (\$ in Millions)
Result as of 6/30/24 valuation		(10.58%)	94%	(264)
Roll-forward to 6/30/25	(1.34%)	(11.92%)	94%	(277)
FY24-25 Non-Investment Gain/Loss	0.51%	(11.41%)	94%	(265)
FY24-25 Investment Gain/Loss	8.88%	(2.53%)	99%	(59)
FY24-25 Population Change	(1.32%)	(3.85%)	98%	(88)
Expense Assumption Update	(0.22%)	(4.08%)	98%	(93)
Lapse Assumption Update	(0.00%)	(4.08%)	98%	(93)
Mortality Assumption Update	0.29%	(3.79%)	98%	(86)
Morbidity Assumption Updates	(2.83%)	(6.62%)	97%	(151)
Result as of 6/30/25 valuation		(6.62%)	97%	(151)

Valuation Results

Summary of Key Assumptions

To calculate the future claim payments, premiums, and investment income, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Actual experience is measured against the assumptions, and the assumptions are then updated to reflect actual experience. This section provides general information on key assumptions used in the 2025 valuation.

Discount Rate

The discount rate assumption is a major assumption of the valuation. It is used to project asset growth and to determine the present values of future premiums, benefits, and expenses. This valuation uses a discount rate assumption of 4.75%.

The 4.75% discount rate assumption was initially adopted by the board in November 2020. It reflects the target asset allocation approved by the board in the March 2021 Investment Committee and the related Capital Market Assumptions as of September 30, 2020. In September 2024, the board approved a new target asset allocation. The current assumption has been reviewed for this valuation based on the current target asset allocation and the Capital Market Assumptions in 2024 and 2025.

Morbidity

Morbidity represents a substantial financial risk for Long-Term Care insurance products. The morbidity assumption reflects the expected claim payments for participants. The key components driving claim payments are:

- Claim incidence, which is the probability of a policy going on a new claim
- Claim termination, which is the probability that an existing claim will close in a given month
- Claim utilization, which is the amount of claim payment reimbursed relative to the maximum daily benefit

The morbidity assumptions were developed based on data as of June 30, 2025. The claim incidence study used data from 2012 to 2024, excluding 2015, 2020, and 2021. The claim termination study used data from 2013 to 2024, excluding 2020 and 2021. The claim utilization study was based on data in all years through 2024. Milliman's industry benchmark Milliman LTC Guidelines were used as the expected basis for the claim incidence and claim termination assumptions, which were then adjusted to the Program's experience through credibility weighting. Additional credibility will be assigned to the Program's experience in the future as the experience continues to emerge. Actual claim cashflow during the fiscal year ending at the valuation date is summarized in the table "Comparison of Actual to Expected Cash Flows for 2024-25" in the "Assets" section on page 19.

Mortality

The mortality assumption summarizes the expected death rates of the population. Mortality reduces future liabilities without significantly affecting assets.

The First Principles Model tracks policyholder status and projects separately for active and disabled mortality. This method more accurately models the plan's overall mortality, particularly the extent to which the mix of active and disabled individuals may be different for a given attained age.

For active mortality, the 2012 Individual Annuity Mortality (IAM) table is used as the assumed general population mortality, and selection factors are developed based on CalPERS' actual experience. Expected mortality based on the 2012 IAM and CalPERS selection factors is then compared to the actual CalPERS mortality experience to determine more refined experience-based adjustment factors that vary by attained age. The combination of these adjustment factors along with the 2012 IAM table and CalPERS selection factors produces the CalPERS experienced-based mortality assumption.

Valuation Results

Summary of Key Assumptions (continued)

The mortality improvement assumption reflects the expectation for mortality to gradually improve in the population due to health care technology and other factors. The development of this assumption can be very challenging and often relies on a very large population base to complete a credible study. Therefore, it is common in the LTC industry to rely on industry mortality improvement scales rather than independently calculate this assumption. This valuation uses 100% of the SOA mortality improvement Projection Scale G2.

Disabled mortality accounts for the majority of claim terminations. It is projected by using claim termination rate minus claim recovery rate instead of having its own direct assumption. The amount of claim recoveries is relatively small compared to disabled mortality. If a life recovers from a claim, it returns to the active status and has a probability to enter claim again in the future. This projection approach allows the disabled mortality and the recovery rates to vary by claim type and claim duration. The recovery rate assumption used the Milliman LTC Guidelines as the expected basis and then adjusted them based on the Program's experience from 2013 to 2024, excluding 2020 and 2021.

Lapse

The lapse assumption reflects the expected portion of participants who terminate their policies each year by not paying the renewal premiums. Lapse assumptions can differ based on a variety of factors, including the participant's age at enrollment and the number of years they have had their policy. Lapse rate assumptions may greatly affect long-term care insurance premiums because when individuals lapse, future liabilities are immediately reduced while current assets are mostly not affected. The First Principles Model uses an active life lapse assumption that only applies to active policyholders.

Expense

Expenses for the Program include fees charged by the third-party administrator (TPA) and CalPERS expenses related to internal staff working on the LTC Program and the investments. Expense assumptions were updated based on last year's actual expenses and the updated TPA contract at the valuation date. The administrative expenses are expressed either as per participant per month or flat expenses per month. Credit card premium payment expenses are reflected as a percentage of premium paid.

CalPERS implemented an aging-in-place program in April 2024 to assist eligible and opt-in participants to mitigate claims. This program currently is contracted to last for 5 years. The operating fees of this program are included in this valuation's projection. Generally, such a program is intended to reduce or delay the participants' claim need and provide net savings for the program. As the liability savings from this program are uncertain, this valuation assumes the net cost of this program is \$0, i.e., the liability reduction is assumed to offset the operating fees. The claim cashflows projected in this valuation reflect this offsetting adjustment.

Rate Increase and Policy Conversion

This valuation reflects the approved 10% premium rate increase each year for two years for non-partnership policies, and the 6.7% premium rate increase each year for three years for partnership policies. The implementation of these phased-in rate increases started in 2025. Shock lapse and anti-selection assumptions related to these rate increases were applied in the projection.

Options to convert to less expensive policies to offset the premium increases are offered to policyholders. The elected options will continue to be implemented in fiscal year 2025-26. The baseline projection in this valuation reflects benefit conversions already implemented by the valuation date but does not reflect potential future conversions.

Risk Analysis

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Risk Analysis

Risk Analysis

The actuarial projections supplied in this report are based on several assumptions with respect to very long-term demographic and economic outcomes. Unless these assumptions (such as morbidity, mortality, lapses, expenses, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between the assumptions and actual experience are called actuarial gains and losses which could either increase or decrease the funded status and margin of the LTC Program. If the actual experience differs from the assumptions unfavorably over a prolonged period, it may result in a need for premium changes to ensure the financial integrity of the LTC Program. This section displays the results of sensitivity testing performed around key actuarial assumptions.

Sensitivity Testing of Key Assumptions

The impact of changes to the assumptions was tested with respect to claim incidence, claim termination, claim utilization, active mortality, claim recovery rate, lapses, and investment earnings. The tables below illustrate the impact of the changes compared to the base assumptions regarding the funding adequacy levels.

Results are highly sensitive to the assumptions used in the underlying calculations. These tests are intended to illustrate the scale of the impact for these scenarios. They do not indicate the likelihood of a scenario becoming a real-world outcome.

Detailed yearly cash flows and projected fund balances for the base case and each of the scenarios tested are provided in Appendix A. The base case scenario reflects the baseline actuarial assumptions of this valuation.

Discount Rate

The discount rate assumption used in this valuation is 4.75%. In the sensitivity analysis, we test the impact of future investment returns on the margin and funded ratio of the LTC Program by increasing and decreasing the discount rate by 0.5%. The table below shows the impact on the margin and funded status. As expected, a higher discount rate increases both margin and funded status while a lower discount rate decreases both measures.

Impact of Discount Rate on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Discount Rate Increased by 0.5% to 5.25%	7.09%	104%
Discount Rate Decreased by 0.5% to 4.25%	(21.18%)	90%

Claim Incidence

Claim incidence is a key morbidity assumption reflecting the probability of an active policyholder going on claim. The sensitivity analysis tests the impact of claim incidence on the margin and funded status of the LTC Program by increasing and decreasing projected future claim incidence by 10%. As shown in the table below, lower-than-expected incidence increases both the margin and funded status while higher-than-expected claim incidence decreases both measures.

Impact of Claim Incidence on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Lower Claim Incidence (Future Claims Incidence Reduced by 10%)	7.32%	104%
Higher Claim Incidence (Future Claims Incidence Increased by 10%)	(20.15%)	91%

Risk Analysis

Sensitivity Testing of Key Assumptions (continued)

Claim Termination

Claim termination is the probability that an existing claim will cease in a given month. Claim termination occurs due to recovery or death of a member while on claim. For the sensitivity analysis, we test the impact that claim terminations have on the margin and funded status of the LTC Program by increasing and decreasing future expected claim terminations by 10%. As shown in the table below, higher-than-expected claim terminations increase both the margin and funded status, while lower-than-expected claim terminations decrease both measures.

Impact of Claim Termination on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Higher Claim Termination (Future Claim Termination Increased by 10%)	15.84%	108%
Lower Claim Termination (Future Claim Termination Decreased by 10%)	(33.51%)	86%

Claim Utilization

The claim utilization assumption projects the average percentage of maximum benefit allowance being used each month while on-claim. This assumption incorporates a trend projecting the utilization rate to change each calendar year. For the sensitivity analysis, we test the impact of the yearly increase trend being an additive 0.3% higher or lower compared to the baseline assumption. As shown in the table below, higher-than-expected claim utilization decreases both the margin and funded status, while lower-than-expected claim utilization increases both measures.

Impact of Claim Utilization on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Lower Claim Utilization (Yearly Increase Trend Being 0.3% Lower)	2.03%	101%
Higher Claim Utilization (Yearly Increase Trend Being 0.3% Higher)	(15.44%)	93%

Active Mortality

The active mortality assumption reflects the expected death rate of the participants in the LTC Program. Active mortality reduces future liabilities without significantly affecting the assets on hand. Because of this, higher-than-expected active mortality will generally result in an increase in the margin and funded status. For the sensitivity analysis, we test the impact active mortality rates have on the margin and funded ratio of the LTC Program by increasing and decreasing the active mortality rates by 10%. As shown in the table below, mortality deterioration (i.e., higher rates) increases both the margin and funded status, while mortality improvement (i.e., lower rates) decreases both measures.

Impact of Active Mortality on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Active Mortality Increased by 10%	(1.57%)	99%
Active Mortality Decreased by 10%	(11.85%)	94%

Risk Analysis

Sensitivity Testing of Key Assumptions (continued)

Claim Recovery Rate

The claim recovery assumption reflects the percentage of claims that would recover and return to active status. It is used to split claim terminations into recoveries and disabled mortality. If a claim is terminated due to recovery, the policy has a probability to enter claim again in the future, while a claim terminated due to disabled mortality would have no further liability. Therefore, under a certain total claim termination rate, higher claim recovery rate decreases the margin while lower claim recovery rate increases the margin. We test the impact of the claim recovery rate being 25% higher or lower than expected, and the results are shown below:

Impact of Claim Recovery Rate on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Claim Recovery Rate Being 25% Lower	(3.08%)	99%
Claim Recovery Rate Being 25% Higher	(10.23%)	95%

Lapses

The lapse assumption reflects the expected annual percentage of active participants who terminate their policies by not paying the renewal premiums. For the sensitivity analysis, we test the impact lapses have on the margin and funded status of the LTC Program by increasing and decreasing the assumed lapse rates by 0.25% additively. As shown in the table below, higher-than-expected lapse assumptions increase both the margin and funded status, while lower-than-expected lapses decrease both measures.

Impact of Lapses on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Lapse Rates Increased by 0.25%	(1.50%)	99%
Lapse Rates Decreased by 0.25%	(11.82%)	94%

Best and Worst Case

To test extreme “best case” and “worst case” scenarios, the sensitivity of the seven key assumptions was tested simultaneously. The seven key assumptions include discount rate, claim incidence, claim termination, claim utilization, active mortality, claim recovery, and lapses. The table below shows the combined impact on the margin and the funded status when the experience is better for all seven key assumptions, and when the experience is worse for all seven key assumptions.

Combined Impact of Key Assumptions on Margin and Funded Status

Scenario Description	Margin	Funded Status
Base Case	(6.62%)	97%
Discount Rate Increases by 0.5% to 5.25% Lower Claim Incidence (Future Claim Incidence Reduced by 10%) Higher Claim Termination (Future Claim Termination Increased by 10%) Lower Claim Utilization (Yearly Increase Trend Being 0.3% Lower) Active Mortality Rates Increased by 10% Claim Recovery Rate Being 25% Lower Lapses Increased by 0.25%	58.67%	138%
Discount Rate Decreases by 0.5% to 4.25% Higher Claim Incidence (Future Claim Incidence Increased by 10%) Lower Claim Termination (Future Claim Termination Decreased by 10%) Higher Claim Utilization (Yearly Increase Trend Being 0.3% Higher) Active Mortality Rates Decreased by 10% Claim Recovery Rate Being 25% Higher Lapses Decreased by 0.25%	(92.85%)	68%

Risk Analysis

Additional Sensitivity Testing

In addition to the sensitivity testing summarized previously, we use the future return scenarios that take ideas from New York 7 (NY7) to test different investment scenarios. In the private industry, LTC insurance companies commonly use the NY7 interest rate scenarios defined in New York Regulation 126 to test asset adequacy. The additional discount rate sensitivity scenarios are described in the table below:

Scenarios for Additional Discount Rate Sensitivity

Scenarios	Projection Years											
	1	2	3	4	5	6	7	8	9	10	11+	
Scenario #1	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
Scenario #2	4.75%	5.25%	5.75%	6.25%	6.75%	7.25%	7.75%	8.25%	8.75%	9.25%	9.75%	9.75%
Scenario #3	4.75%	5.75%	6.75%	7.75%	8.75%	9.75%	8.75%	7.75%	6.75%	5.75%	4.75%	4.75%
Scenario #4	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%	7.75%
Scenario #5	4.75%	4.25%	3.75%	3.25%	2.75%	2.25%	1.75%	1.25%	0.75%	0.25%	0.00%	0.00%
Scenario #6	4.75%	3.75%	2.75%	1.75%	0.75%	0.00%	0.75%	1.75%	2.75%	3.75%	4.75%	4.75%
Scenario #7	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%

The following table shows how varying the discount rate assumptions as described in the table above impacts the margin and funded status as of the valuation date.

Impact of Additional Discount Rate Sensitivity on Margin and Funded Status

Scenarios	Margin	Funded Status
Scenario #1	(6.62%)	97%
Scenario #2	68.11%	143%
Scenario #3	34.11%	118%
Scenario #4	71.26%	142%
Scenario #5	(133.22%)	57%
Scenario #6	(48.35%)	79%
Scenario #7	(105.69%)	61%

Detailed yearly cash flows and projected fund balances for these additional discount rate sensitivity scenarios are provided in Appendix B.

Assets

- 18 Reconciliation of the Market Value of Assets Over Prior Fiscal Year
- 18 Comparison of Actual to Expected Cash Flows
- 19 Asset Allocation
- 20 Historical Investment Return

Assets

Reconciliation of the Market Value of Assets Over Prior Fiscal Year

	Market Value
Market Value of Assets as of June 30, 2024	\$4,318,159,555
Premiums Received in 2024-25	277,140,548
Benefit Payments in 2024-25	(366,821,168)
Expense Payments in 2024-25	(31,242,900)
Investment Returns in 2024-25	411,884,286
Return of Overestimated Benefits	14,100,000
Return of Expected Litigation Payments in 2023-24	9,790,747
Market Value of Assets as of June 30, 2025	\$4,633,011,068

Comparison of Actual to Expected Cash Flows

Below is a table comparing the actual cash flows in 2024-25 to the cash flows that were projected as part of the June 30, 2024 valuation. The actual premiums received during fiscal year 2024-25 reflect the implemented rate increases and benefit conversions during this timeframe. \$14.1 million of previously overestimated benefits were returned to the program during the 2024-25 fiscal year. \$9.8 million of expected litigation payments in 2023-24 were also returned to the program during the 2024-25 fiscal year.

Comparison of Actual to Expected Cash Flows for 2024-2025

	Projected Results in the June 30, 2024 Valuation	Actual Results in the June 30, 2025 Valuation
Fund Balance as of June 30, 2024	\$4,318,159,555	\$4,318,159,555
Cash Flows for 2024-25		
Premiums	284,786,731	277,140,548
Paid Claims	(368,310,636)	(366,821,168)
Expenses	(25,979,518)	(31,242,900)
Investment Income	202,505,568	411,884,286
Return of Overestimated Benefits		14,100,000
Return of Expected Litigation Payments in 2023-24		9,790,747
Balance as of June 30, 2025	\$4,411,161,700	\$4,633,011,068

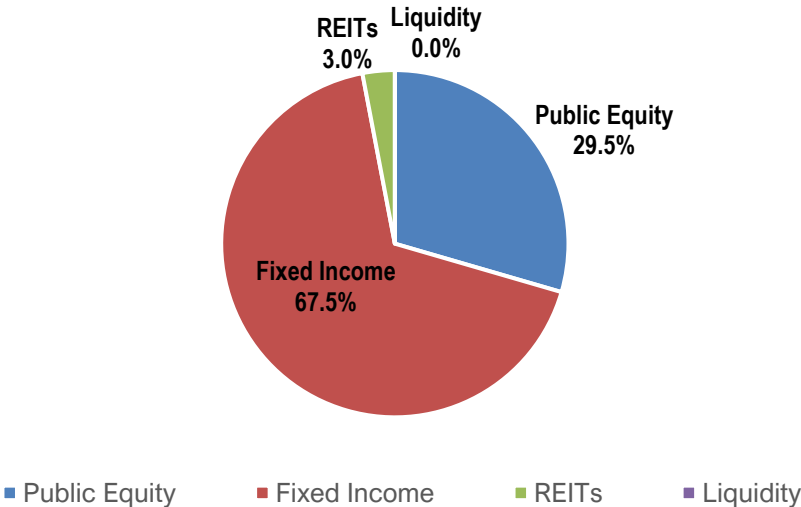
Assets

Asset Allocation

CalPERS follows a strategic allocation policy that identifies the targeted percentage of funds to be invested in each asset class. The current strategic asset allocation target was adopted by the board in September 2024. The asset allocation as of June 30, 2025 is shown below.

Asset Class	Allocation at Valuation Date	Asset Value at Valuation Date (\$ in Millions)
Public Equity	29.5%	\$1,374.0
Fixed Income	67.5%	\$3,145.5
Real Estate Investment Trusts (REITs)	3.0%	\$139.0
Liquidity	0.0%	\$1.3
Total LTC Fund:	100.0%	\$4,659.8

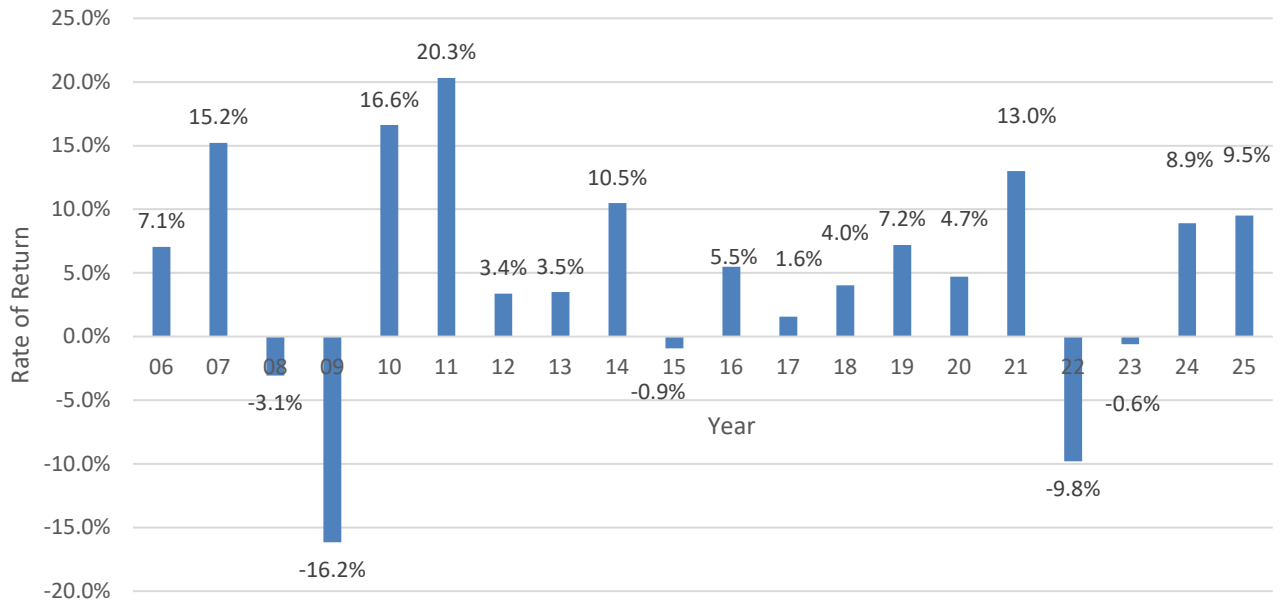
Asset Allocation at Valuation Date



Assets

Historical Investment Return

The following table provides 20 years of historical investment returns for each fiscal year ending June 30. Prior to 2012, the program's portfolio allocated about 44% in equity. Starting from 2012, the targeted asset allocation switched to a more conservative mix with 15% in equity and 66% in fixed income. In 2023, the allocation in equity increased to around 30%.



Appendices

- A-1 Appendix A – 60 Year Projection of Fund Balance for Scenarios Used in Sensitivity Testing of Key Assumptions
- B-1 Appendix B – 60 Year Projection of Fund Balance for Additional Discount Rate Sensitivity Testing
- C-1 Appendix C – Valuation Model and Assumptions
- D-1 Appendix D – Summary of In-force Policies
- E-1 Appendix E – Demographic Information
- F-1 Appendix F – Glossary of Terms

Appendix A – 60 Year Projection of Fund Balance for Scenarios Used in Sensitivity Testing of Key Assumptions

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Appendix A

Base Case Scenario

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years based on the actuarial assumptions used in this valuation.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(6.62%)	(\$151)	97%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$108,100	\$4,684,243
2026	70,138	\$292,314	\$369,304	\$27,511	\$220,022	\$4,799,765
2027	66,497	\$273,757	\$372,986	\$25,383	\$225,085	\$4,900,239
2028	62,877	\$255,163	\$381,048	\$25,583	\$229,242	\$4,978,012
2029	59,291	\$236,820	\$385,114	\$22,272	\$232,507	\$5,039,953
2030	55,720	\$218,893	\$400,575	\$21,294	\$234,685	\$5,071,662
2031	52,198	\$201,450	\$414,877	\$32,138	\$235,222	\$5,061,318
2032	48,723	\$184,548	\$428,940	\$22,943	\$234,186	\$5,028,170
2033	45,306	\$168,235	\$441,964	\$23,029	\$231,914	\$4,963,326
2034	41,962	\$152,579	\$453,720	\$23,071	\$228,182	\$4,867,295
2035	38,697	\$137,649	\$463,650	\$23,053	\$223,027	\$4,741,268
2045	13,176	\$36,168	\$398,802	\$15,932	\$119,393	\$2,443,727
2055	2,859	\$6,043	\$178,923	\$6,081	\$20,532	\$364,093
2065	448	\$752	\$53,078	\$3,282	(\$34,441)	(\$786,912)
2075	60	\$82	\$10,166	\$2,632	(\$73,200)	(\$1,620,504)
2085	9	\$5	\$862	\$1,260	(\$59,670)	(\$2,602,650)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	\$3,123,579
Present Value as of June 30, 2025	\$2,287,954	\$6,713,202	\$359,252	\$2,798,628

Appendix A

Discount Rate Increased by 0.50% to 5.25%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the assumed discount rate and expected return were 5.25%, i.e., 0.50% higher.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
7.09%	\$157	104%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,993	\$119,335	\$4,695,478
2026	70,138	\$292,314	\$369,304	\$27,519	\$243,774	\$4,834,743
2027	66,497	\$273,757	\$372,986	\$25,401	\$250,617	\$4,960,730
2028	62,877	\$255,163	\$381,048	\$25,612	\$256,551	\$5,065,783
2029	59,291	\$236,820	\$385,114	\$22,314	\$261,592	\$5,156,768
2030	55,720	\$218,893	\$400,575	\$21,350	\$265,524	\$5,219,260
2031	52,198	\$201,450	\$414,877	\$32,208	\$267,734	\$5,241,359
2032	48,723	\$184,548	\$428,940	\$23,029	\$268,293	\$5,242,231
2033	45,306	\$168,235	\$441,964	\$23,133	\$267,568	\$5,212,936
2034	41,962	\$152,579	\$453,720	\$23,195	\$265,309	\$5,153,909
2035	38,697	\$137,649	\$463,650	\$23,198	\$261,554	\$5,066,264
2045	13,176	\$36,168	\$398,802	\$16,387	\$169,959	\$3,217,691
2055	2,859	\$6,043	\$178,923	\$7,120	\$90,894	\$1,732,906
2065	448	\$752	\$53,078	\$4,737	\$74,526	\$1,465,906
2075	60	\$82	\$10,166	\$5,181	\$102,123	\$2,039,764
2085	9	\$5	\$862	\$3,800	\$80,512	\$3,185,047

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$747,464	\$8,990,884
Present Value as of June 30, 2025	\$2,220,356	\$6,344,526	\$351,439	\$3,728,451

Appendix A

Discount Rate Decreased by 0.50% to 4.25%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the assumed discount rate and expected return were 4.25%, i.e., 0.50% lower.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(21.18%)	(\$500)	90%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$96,838	\$4,672,982
2026	70,138	\$292,314	\$369,304	\$27,502	\$196,382	\$4,764,872
2027	66,497	\$273,757	\$372,986	\$25,365	\$199,908	\$4,840,186
2028	62,877	\$255,163	\$381,048	\$25,554	\$202,557	\$4,891,303
2029	59,291	\$236,820	\$385,114	\$22,231	\$204,345	\$4,925,123
2030	55,720	\$218,893	\$400,575	\$21,240	\$205,099	\$4,927,300
2031	52,198	\$201,450	\$414,877	\$32,070	\$204,323	\$4,886,126
2032	48,723	\$184,548	\$428,940	\$22,859	\$202,086	\$4,820,962
2033	45,306	\$168,235	\$441,964	\$22,928	\$198,693	\$4,722,998
2034	41,962	\$152,579	\$453,720	\$22,952	\$193,946	\$4,592,850
2035	38,697	\$137,649	\$463,650	\$22,915	\$187,883	\$4,431,818
2045	13,176	\$36,168	\$398,802	\$15,524	\$79,208	\$1,754,080
2055	2,859	\$6,043	\$178,923	\$5,731	(\$27,261)	(\$757,170)
2065	448	\$752	\$53,078	\$3,282	(\$99,702)	(\$2,473,007)
2075	60	\$82	\$10,166	\$2,632	(\$167,185)	(\$4,107,196)
2085	9	\$5	\$862	\$1,260	(\$127,283)	(\$6,181,098)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$658,735	(\$463,989)
Present Value as of June 30, 2025	\$2,359,600	\$7,117,640	\$374,801	\$1,933,578

Appendix A

Claim Incidence Rates Increased by 10%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the future claim incidence were to be 10% higher than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(20.15%)	(\$451)	91%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,936	\$142,088	\$185,214	\$14,994	\$108,091	\$4,682,981
2026	70,078	\$291,225	\$378,174	\$27,663	\$219,760	\$4,788,130
2027	66,369	\$271,722	\$388,606	\$25,792	\$224,134	\$4,869,587
2028	62,669	\$252,343	\$401,584	\$26,090	\$227,243	\$4,921,499
2029	58,996	\$233,363	\$408,985	\$22,828	\$229,179	\$4,952,229
2030	55,338	\$214,931	\$426,498	\$21,860	\$229,809	\$4,948,611
2031	51,733	\$197,103	\$441,876	\$32,723	\$228,629	\$4,899,745
2032	48,182	\$179,925	\$456,246	\$23,525	\$225,747	\$4,825,646
2033	44,702	\$163,434	\$469,016	\$23,558	\$221,531	\$4,718,037
2034	41,306	\$147,688	\$480,084	\$23,537	\$215,781	\$4,577,885
2035	38,001	\$132,751	\$488,966	\$23,448	\$208,554	\$4,406,776
2045	12,626	\$33,659	\$404,667	\$15,475	\$84,061	\$1,660,734
2055	2,689	\$5,485	\$176,680	\$5,610	(\$36,577)	(\$894,231)
2065	416	\$672	\$51,368	\$3,184	(\$124,003)	(\$2,761,129)
2075	56	\$73	\$9,645	\$2,554	(\$214,965)	(\$4,746,510)
2085	8	\$4	\$833	\$1,224	(\$171,012)	(\$7,457,060)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,102,638	\$13,230,495	\$662,401	(\$1,299,812)
Present Value as of June 30, 2025	\$2,236,520	\$6,959,958	\$360,326	\$2,076,305

Appendix A

Claim Incidence Rates Reduced by 10%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the future claim incidence were to be 10% lower than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
7.32%	\$172	104%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,958	\$142,322	\$182,947	\$14,991	\$108,109	\$4,685,504
2026	70,198	\$293,409	\$360,391	\$27,357	\$220,285	\$4,811,450
2027	66,626	\$275,820	\$357,162	\$24,968	\$226,044	\$4,931,184
2028	63,088	\$258,044	\$360,069	\$25,064	\$231,265	\$5,035,360
2029	59,592	\$240,382	\$360,516	\$21,698	\$235,893	\$5,129,420
2030	56,112	\$223,005	\$373,622	\$20,705	\$239,671	\$5,197,770
2031	52,678	\$205,993	\$386,542	\$31,521	\$241,995	\$5,227,694
2032	49,282	\$189,412	\$400,002	\$22,321	\$242,897	\$5,237,680
2033	45,934	\$173,320	\$413,002	\$22,457	\$242,681	\$5,218,222
2034	42,647	\$157,791	\$425,189	\$22,559	\$241,098	\$5,169,364
2035	39,427	\$142,903	\$435,940	\$22,610	\$238,165	\$5,091,882
2045	13,779	\$39,027	\$390,531	\$16,387	\$157,680	\$3,293,248
2055	3,052	\$6,706	\$180,557	\$7,254	\$83,280	\$1,746,731
2065	485	\$850	\$54,773	\$4,756	\$63,565	\$1,372,847
2075	65	\$93	\$10,730	\$4,947	\$80,985	\$1,778,228
2085	9	\$5	\$894	\$3,407	\$60,555	\$2,637,997

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,291,648	\$12,483,890	\$735,077	\$7,932,306
Present Value as of June 30, 2025	\$2,343,371	\$6,439,699	\$365,097	\$3,581,623

Appendix A

Claim Termination Rates Increased by 10%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the future claim terminations were to be 10% higher than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
15.84%	\$362	108%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,854	\$142,204	\$183,004	\$14,991	\$108,107	\$4,685,327
2026	69,898	\$292,300	\$360,294	\$27,352	\$220,255	\$4,810,237
2027	66,154	\$273,711	\$357,012	\$24,955	\$225,945	\$4,927,925
2028	62,464	\$255,081	\$359,973	\$25,046	\$231,047	\$5,029,033
2029	58,829	\$236,703	\$360,208	\$21,666	\$235,515	\$5,119,378
2030	55,226	\$218,745	\$372,657	\$20,650	\$239,117	\$5,183,932
2031	51,681	\$201,275	\$384,478	\$31,429	\$241,274	\$5,210,573
2032	48,190	\$184,351	\$396,396	\$22,182	\$242,048	\$5,218,394
2033	44,764	\$168,022	\$407,587	\$22,273	\$241,766	\$5,198,323
2034	41,414	\$152,355	\$417,702	\$22,328	\$240,199	\$5,150,846
2035	38,149	\$137,419	\$426,181	\$22,333	\$237,385	\$5,077,136
2045	12,807	\$36,030	\$360,159	\$15,712	\$166,208	\$3,495,523
2055	2,736	\$6,008	\$158,339	\$7,230	\$112,890	\$2,410,436
2065	423	\$747	\$45,969	\$5,704	\$119,451	\$2,609,087
2075	56	\$81	\$8,569	\$7,297	\$171,998	\$3,785,156
2085	8	\$5	\$739	\$5,806	\$131,434	\$5,727,168

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,188,661	\$11,752,869	\$779,650	\$10,438,015
Present Value as of June 30, 2025	\$2,285,654	\$6,190,854	\$365,785	\$3,904,298

Appendix A

Claim Termination Rates Reduced by 10%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the future claim terminations were to be 10% lower than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(33.51%)	(\$768)	86%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	74,041	\$142,205	\$185,164	\$14,994	\$108,092	\$4,683,151
2026	70,388	\$292,329	\$378,592	\$27,676	\$219,784	\$4,788,997
2027	66,862	\$273,804	\$389,861	\$25,836	\$224,193	\$4,871,297
2028	63,326	\$255,248	\$403,781	\$26,164	\$227,340	\$4,923,940
2029	59,800	\$236,943	\$412,430	\$22,938	\$229,299	\$4,954,814
2030	56,271	\$219,051	\$431,602	\$22,013	\$229,910	\$4,950,159
2031	52,780	\$201,638	\$449,023	\$32,937	\$228,644	\$4,898,482
2032	49,326	\$184,761	\$465,811	\$23,808	\$225,577	\$4,819,201
2033	45,924	\$168,466	\$481,182	\$23,896	\$221,058	\$4,703,647
2034	42,589	\$152,823	\$495,050	\$23,929	\$214,867	\$4,552,359
2035	39,327	\$137,902	\$506,860	\$23,889	\$207,042	\$4,366,553
2045	13,615	\$36,325	\$445,087	\$16,225	\$65,813	\$1,238,873
2055	3,011	\$6,085	\$204,650	\$6,230	(\$86,765)	(\$2,014,954)
2065	480	\$759	\$62,344	\$3,469	(\$215,474)	(\$4,783,838)
2075	65	\$82	\$12,350	\$2,717	(\$364,375)	(\$8,042,786)
2085	9	\$5	\$1,035	\$1,292	(\$288,878)	(\$12,596,074)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,197,754	\$14,233,222	\$685,888	(\$5,507,729)
Present Value as of June 30, 2025	\$2,290,486	\$7,322,613	\$368,446	\$1,508,180

Appendix A

Claim Utilization Rate with Higher Yearly Increases

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the future yearly increase trend of claim utilization rate were to be 0.3% higher than projected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(15.44%)	(\$353)	93%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,358	\$14,993	\$108,097	\$4,683,962
2026	70,137	\$292,314	\$370,289	\$27,511	\$219,990	\$4,798,466
2027	66,496	\$273,757	\$374,881	\$25,382	\$224,985	\$4,896,946
2028	62,876	\$255,163	\$384,078	\$25,581	\$229,020	\$4,971,470
2029	59,288	\$236,820	\$389,405	\$22,268	\$232,102	\$5,028,719
2030	55,717	\$218,893	\$406,193	\$21,287	\$234,026	\$5,054,158
2031	52,193	\$201,450	\$421,878	\$32,127	\$234,233	\$5,035,836
2032	48,714	\$184,548	\$437,312	\$22,923	\$232,786	\$4,992,934
2033	45,296	\$168,234	\$451,714	\$23,002	\$230,019	\$4,916,472
2034	41,949	\$152,578	\$464,897	\$23,035	\$225,702	\$4,806,819
2035	38,680	\$137,648	\$476,165	\$23,005	\$219,868	\$4,665,165
2045	13,152	\$36,165	\$417,842	\$15,698	\$104,468	\$2,105,104
2055	2,851	\$6,042	\$191,940	\$5,719	(\$12,898)	(\$379,482)
2065	446	\$752	\$58,570	\$3,279	(\$93,139)	(\$2,084,063)
2075	60	\$82	\$11,442	\$2,629	(\$168,452)	(\$3,721,690)
2085	9	\$5	\$962	\$1,258	(\$134,717)	(\$5,874,703)

(3) Cash flows for 2025 and 2085 are for six months only.

(4) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,910	\$13,407,096	\$662,032	\$368,503
Present Value as of June 30, 2025	\$2,287,931	\$6,916,895	\$357,252	\$2,405,284

Appendix A

Claim Utilization Rate with Lower Yearly Increases

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the future yearly increase trend of claim utilization rate were to be 0.3% lower than projected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
2.03%	\$47	101%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$183,804	\$14,992	\$108,103	\$4,684,523
2026	70,139	\$292,314	\$368,330	\$27,511	\$220,054	\$4,801,050
2027	66,499	\$273,757	\$371,067	\$25,384	\$225,186	\$4,903,543
2028	62,879	\$255,163	\$378,050	\$25,585	\$229,463	\$4,984,533
2029	59,294	\$236,820	\$380,853	\$22,277	\$232,910	\$5,051,134
2030	55,724	\$218,893	\$394,963	\$21,302	\$235,341	\$5,089,102
2031	52,205	\$201,450	\$407,904	\$32,152	\$236,207	\$5,086,704
2032	48,732	\$184,549	\$420,588	\$22,964	\$235,581	\$5,063,281
2033	45,317	\$168,236	\$432,212	\$23,058	\$233,803	\$5,010,050
2034	41,975	\$152,580	\$442,591	\$23,108	\$230,655	\$4,927,586
2035	38,712	\$137,650	\$451,127	\$23,100	\$226,177	\$4,817,186
2045	13,200	\$36,171	\$379,568	\$16,169	\$134,398	\$2,784,209
2055	2,868	\$6,045	\$166,494	\$6,659	\$53,963	\$1,107,258
2065	450	\$752	\$47,993	\$3,796	\$23,615	\$495,642
2075	60	\$82	\$9,000	\$3,203	\$20,580	\$447,869
2085	9	\$5	\$764	\$1,750	\$13,998	\$609,047

(5) Cash flows for 2025 and 2085 are for six months only.

(6) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,193,025	\$12,370,491	\$692,084	\$5,845,586
Present Value as of June 30, 2025	\$2,287,976	\$6,510,859	\$363,623	\$3,188,920

Appendix A

Active Mortality Rates Increased by 10%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the active mortality rates were to be 10% higher than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(1.57%)	(\$35)	99%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,877	\$142,139	\$184,179	\$14,992	\$108,098	\$4,684,076
2026	69,936	\$291,688	\$369,293	\$27,503	\$220,001	\$4,798,970
2027	66,175	\$272,575	\$372,433	\$25,352	\$225,033	\$4,898,793
2028	62,449	\$253,521	\$379,712	\$25,528	\$229,166	\$4,976,239
2029	58,770	\$234,807	\$382,828	\$22,190	\$232,429	\$5,038,457
2030	55,121	\$216,589	\$397,228	\$21,185	\$234,638	\$5,071,271
2031	51,534	\$198,927	\$410,401	\$31,993	\$235,249	\$5,063,053
2032	48,008	\$181,874	\$423,298	\$22,762	\$234,339	\$5,033,207
2033	44,554	\$165,470	\$435,140	\$22,823	\$232,250	\$4,972,965
2034	41,184	\$149,777	\$445,719	\$22,843	\$228,764	\$4,882,944
2035	37,905	\$134,859	\$454,500	\$22,806	\$223,922	\$4,764,418
2045	12,677	\$34,807	\$384,163	\$15,631	\$127,286	\$2,624,626
2055	2,715	\$5,741	\$170,611	\$6,188	\$39,853	\$794,081
2065	422	\$709	\$50,247	\$3,187	(\$619)	(\$39,632)
2075	56	\$76	\$9,547	\$2,572	(\$18,432)	(\$412,396)
2085	8	\$4	\$808	\$1,234	(\$16,517)	(\$721,163)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,142,264	\$12,527,378	\$661,930	\$4,692,869
Present Value as of June 30, 2025	\$2,258,848	\$6,570,913	\$356,447	\$3,016,228

Appendix A

Active Mortality Rates Decreased by 10%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the active mortality rates were to be 10% lower than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(11.85%)	(\$275)	94%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	74,017	\$142,271	\$183,980	\$14,993	\$108,101	\$4,684,410
2026	70,340	\$292,941	\$369,315	\$27,519	\$220,044	\$4,800,561
2027	66,820	\$274,945	\$373,541	\$25,414	\$225,138	\$4,901,689
2028	63,310	\$256,820	\$382,395	\$25,639	\$229,318	\$4,979,793
2029	59,820	\$238,862	\$387,429	\$22,356	\$232,586	\$5,041,456
2030	56,331	\$221,240	\$403,979	\$21,406	\$234,732	\$5,072,043
2031	52,878	\$204,030	\$419,447	\$32,287	\$235,193	\$5,059,532
2032	49,457	\$187,294	\$434,722	\$23,128	\$234,029	\$5,023,004
2033	46,082	\$171,085	\$448,982	\$23,241	\$231,570	\$4,953,435
2034	42,767	\$155,477	\$461,974	\$23,307	\$227,584	\$4,851,215
2035	39,519	\$140,545	\$473,118	\$23,309	\$222,106	\$4,717,438
2045	13,711	\$37,630	\$414,345	\$16,256	\$111,149	\$2,254,686
2055	3,017	\$6,377	\$187,920	\$5,991	\$175	(\$89,095)
2065	477	\$801	\$56,180	\$3,389	(\$70,314)	(\$1,579,564)
2075	64	\$87	\$10,853	\$2,697	(\$131,328)	(\$2,902,739)
2085	9	\$5	\$921	\$1,288	(\$105,476)	(\$4,599,778)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,246,118	\$13,263,765	\$676,383	\$1,461,241
Present Value as of June 30, 2025	\$2,318,221	\$6,863,177	\$362,663	\$2,568,751

Appendix A

Claim Recovery Rate Being 25% Higher

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the claim recovery rates were to be 25% higher than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(10.23%)	(\$236)	95%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,973	\$142,236	\$184,082	\$14,993	\$108,100	\$4,684,272
2026	70,218	\$292,628	\$369,393	\$27,514	\$220,028	\$4,800,021
2027	66,628	\$274,365	\$373,327	\$25,396	\$225,104	\$4,900,766
2028	63,057	\$256,018	\$381,784	\$25,608	\$229,270	\$4,978,662
2029	59,513	\$237,877	\$386,359	\$22,310	\$232,534	\$5,040,404
2030	55,981	\$220,110	\$402,417	\$21,347	\$234,692	\$5,071,443
2031	52,492	\$202,791	\$417,385	\$32,209	\$235,184	\$5,059,824
2032	49,044	\$185,979	\$432,165	\$23,033	\$234,073	\$5,024,678
2033	45,650	\$169,724	\$445,946	\$23,134	\$231,690	\$4,957,013
2034	42,323	\$154,098	\$458,482	\$23,190	\$227,805	\$4,857,244
2035	39,069	\$139,173	\$469,203	\$23,184	\$222,454	\$4,726,485
2045	13,445	\$36,973	\$409,288	\$16,114	\$114,089	\$2,321,782
2055	2,945	\$6,232	\$185,751	\$6,001	\$6,889	\$59,954
2065	465	\$780	\$55,642	\$3,351	(\$58,892)	(\$1,327,413)
2075	62	\$85	\$10,757	\$2,672	(\$112,988)	(\$2,498,236)
2085	9	\$5	\$904	\$1,277	(\$91,037)	(\$3,970,243)

(3) Cash flows for 2025 and 2085 are for six months only.

(4) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,221,376	\$13,145,583	\$672,456	\$1,993,409
Present Value as of June 30, 2025	\$2,303,986	\$6,811,757	\$361,038	\$2,643,748

Appendix A

Claim Recovery Rate Being 25% Lower

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the claim recovery rates were to be 25% lower than expected.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(3.08%)	(\$70)	99%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,922	\$142,174	\$184,077	\$14,992	\$108,099	\$4,684,215
2026	70,058	\$292,001	\$369,215	\$27,507	\$220,016	\$4,799,510
2027	66,365	\$273,151	\$372,645	\$25,370	\$225,067	\$4,899,712
2028	62,699	\$254,312	\$380,315	\$25,559	\$229,214	\$4,977,363
2029	59,069	\$235,771	\$383,877	\$22,235	\$232,480	\$5,039,502
2030	55,461	\$217,686	\$398,749	\$21,243	\$234,678	\$5,071,875
2031	51,907	\$200,123	\$412,396	\$32,068	\$235,259	\$5,062,792
2032	48,404	\$183,135	\$425,755	\$22,853	\$234,298	\$5,031,617
2033	44,966	\$166,766	\$438,040	\$22,925	\$232,136	\$4,969,554
2034	41,606	\$151,083	\$449,033	\$22,954	\$228,553	\$4,877,203
2035	38,330	\$136,151	\$458,196	\$22,924	\$223,591	\$4,755,824
2045	12,914	\$35,388	\$388,656	\$15,756	\$124,571	\$2,562,720
2055	2,776	\$5,862	\$172,398	\$6,160	\$33,776	\$659,275
2065	432	\$726	\$50,652	\$3,216	(\$10,812)	(\$264,605)
2075	58	\$79	\$9,613	\$2,593	(\$34,770)	(\$772,739)
2085	8	\$5	\$822	\$1,243	(\$29,377)	(\$1,281,851)

(3) Cash flows for 2025 and 2085 are for six months only.

(4) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,165,164	\$12,632,313	\$664,252	\$4,216,539
Present Value as of June 30, 2025	\$2,272,209	\$6,617,593	\$357,692	\$2,948,670

Appendix A

Lapses Increased by 0.25%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the lapse rates were to be 0.25% higher than expected for each of the next 60 years.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(1.50%)	(\$34)	99%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,861	\$142,083	\$184,074	\$14,992	\$108,099	\$4,684,126
2026	69,893	\$291,524	\$369,168	\$27,504	\$220,003	\$4,798,982
2027	66,108	\$272,335	\$372,503	\$25,359	\$225,028	\$4,898,482
2028	62,362	\$253,203	\$380,026	\$25,541	\$229,137	\$4,975,256
2029	58,664	\$234,416	\$383,387	\$22,208	\$232,361	\$5,036,437
2030	54,999	\$216,131	\$398,006	\$21,208	\$234,514	\$5,067,868
2031	51,399	\$198,412	\$411,351	\$32,022	\$235,053	\$5,057,961
2032	47,861	\$181,313	\$424,361	\$22,794	\$234,059	\$5,026,177
2033	44,398	\$164,874	\$436,258	\$22,855	\$231,875	\$4,963,813
2034	41,022	\$149,158	\$446,831	\$22,874	\$228,288	\$4,871,554
2035	37,739	\$134,228	\$455,551	\$22,835	\$223,340	\$4,750,737
2045	12,547	\$34,401	\$382,776	\$15,581	\$125,976	\$2,596,267
2055	2,658	\$5,606	\$167,798	\$6,110	\$39,027	\$777,252
2065	407	\$681	\$48,645	\$3,141	(\$550)	(\$37,298)
2075	53	\$72	\$9,107	\$2,541	(\$17,719)	(\$396,436)
2085	7	\$4	\$751	\$1,220	(\$15,880)	(\$693,358)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,129,090	\$12,474,963	\$660,056	\$4,679,559
Present Value as of June 30, 2025	\$2,251,822	\$6,562,454	\$356,165	\$3,006,670

Appendix A

Lapses Decreased by 0.25%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the lapse rates were to be 0.25% lower than expected for each of the next 60 years.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(11.82%)	(\$275)	94%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	74,033	\$142,327	\$184,085	\$14,993	\$108,101	\$4,684,361
2026	70,383	\$293,105	\$369,440	\$27,518	\$220,041	\$4,800,549
2027	66,886	\$275,183	\$373,469	\$25,407	\$225,143	\$4,901,999
2028	63,396	\$257,131	\$382,073	\$25,626	\$229,347	\$4,980,777
2029	59,923	\$239,243	\$386,849	\$22,336	\$232,654	\$5,043,489
2030	56,449	\$221,683	\$403,162	\$21,382	\$234,857	\$5,075,486
2031	53,008	\$204,526	\$418,435	\$32,256	\$235,392	\$5,064,713
2032	49,598	\$187,832	\$433,569	\$23,093	\$234,315	\$5,030,199
2033	46,231	\$171,655	\$447,747	\$23,205	\$231,954	\$4,962,857
2034	42,921	\$156,068	\$460,715	\$23,271	\$228,076	\$4,863,016
2035	39,677	\$141,148	\$471,893	\$23,275	\$222,711	\$4,731,705
2045	13,835	\$38,021	\$415,484	\$16,297	\$112,632	\$2,286,970
2055	3,074	\$6,513	\$190,773	\$6,063	\$1,346	(\$64,676)
2065	493	\$831	\$57,910	\$3,434	(\$69,891)	(\$1,571,096)
2075	68	\$92	\$11,347	\$2,726	(\$131,313)	(\$2,902,672)
2085	10	\$6	\$988	\$1,301	(\$105,549)	(\$4,603,033)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,258,895	\$13,314,379	\$677,991	\$1,497,430
Present Value as of June 30, 2025	\$2,325,010	\$6,869,976	\$362,854	\$2,581,822

Appendix A

“Best Case” Scenario

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the experience were to be better than expected for the key assumptions. Specifically, this scenario includes higher discount rate, higher claim termination rates, higher active mortality, higher lapse rates, lower claim incidence rates, lower yearly increase for claim utilization rates, and lower claim recovery rates.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
58.67%	\$1,287	138%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,685	\$142,103	\$181,703	\$14,990	\$119,354	\$4,697,774
2026	69,445	\$291,674	\$350,507	\$27,194	\$244,299	\$4,856,045
2027	65,468	\$272,585	\$338,873	\$24,513	\$252,556	\$5,017,800
2028	61,591	\$253,537	\$334,704	\$24,473	\$260,692	\$5,172,852
2029	57,811	\$234,823	\$328,810	\$21,008	\$268,621	\$5,326,479
2030	54,097	\$216,602	\$335,995	\$19,941	\$276,059	\$5,463,204
2031	50,472	\$198,938	\$343,250	\$30,648	\$282,350	\$5,570,594
2032	46,927	\$181,886	\$351,150	\$21,348	\$287,551	\$5,667,533
2033	43,468	\$165,489	\$358,719	\$21,457	\$292,011	\$5,744,857
2034	40,105	\$149,807	\$365,581	\$21,548	\$295,478	\$5,803,013
2035	36,843	\$134,903	\$371,139	\$21,605	\$297,991	\$5,843,163
2045	12,070	\$34,839	\$302,665	\$16,111	\$297,375	\$5,819,750
2055	2,516	\$5,699	\$128,156	\$10,604	\$352,917	\$7,009,131
2065	380	\$693	\$35,536	\$13,636	\$530,283	\$10,606,842
2075	50	\$73	\$6,378	\$24,278	\$860,308	\$17,231,665
2085	7	\$4	\$528	\$23,338	\$696,608	\$27,565,884

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,142,460	\$10,110,532	\$1,213,265	\$31,114,210
Present Value as of June 30, 2025	\$2,192,981	\$5,160,201	\$379,126	\$6,433,362

Appendix A

“Worst Case” Scenario

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years if the experience were to be worse than expected for the key assumptions. Specifically, this scenario includes lower discount rate, lower claim termination rates, lower active mortality, lower lapse rates, higher claim incidence rates, higher yearly increase for claim utilization rates, and higher claim recovery rates.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(92.85%)	(\$2,224)	68%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	74,215	\$142,307	\$186,502	\$14,995	\$96,822	\$4,670,644
2026	70,868	\$292,980	\$389,032	\$27,844	\$195,941	\$4,742,689
2027	67,605	\$275,013	\$409,788	\$26,317	\$198,250	\$4,779,848
2028	64,286	\$256,940	\$432,382	\$26,803	\$198,968	\$4,776,570
2029	60,936	\$239,039	\$448,826	\$23,691	\$198,182	\$4,741,274
2030	57,547	\$221,472	\$474,974	\$22,841	\$195,772	\$4,660,703
2031	54,162	\$204,309	\$498,723	\$33,871	\$191,280	\$4,523,698
2032	50,782	\$187,609	\$521,230	\$24,823	\$184,788	\$4,350,042
2033	47,432	\$171,421	\$541,878	\$24,910	\$176,623	\$4,131,299
2034	44,126	\$155,822	\$560,714	\$24,922	\$166,593	\$3,868,077
2035	40,870	\$140,888	\$577,005	\$24,839	\$154,739	\$3,561,861
2045	14,551	\$37,821	\$526,057	\$16,621	(\$36,661)	(\$1,151,659)
2055	3,307	\$6,477	\$252,204	\$6,544	(\$256,690)	(\$6,421,570)
2065	542	\$827	\$80,703	\$3,404	(\$473,556)	(\$11,657,095)
2075	75	\$92	\$16,674	\$2,522	(\$742,236)	(\$18,215,983)
2085	11	\$6	\$1,438	\$1,181	(\$559,479)	(\$27,166,011)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,253,058	\$16,544,948	\$704,339	(\$17,802,793)
Present Value as of June 30, 2025	\$2,395,278	\$8,852,211	\$400,115	(\$1,228,826)

Appendix B – 60 Year Projection of Fund Balance for Additional Discount Rate Sensitivity Testing

- SCENARIO 1 – BASE CASE..... B-1
- SCENARIO 2 – DISCOUNT RATE INCREASING 0.50% FOR 10 YEARS..... B-2
- SCENARIO 3 – DISCOUNT RATE INCREASING 1% FOR 5 YEARS THEN
DECREASING 1% FOR 5 YEARS B-3
- SCENARIO 4 – DISCOUNT RATE INCREASED 3% B-4
- SCENARIO 5 – DISCOUNT RATE DECREASING 0.50% FOR 10 YEARS B-5
- SCENARIO 6 – DISCOUNT RATE DECREASING 1% FOR 5 YEARS THEN
INCREASING 1% FOR 5 YEARS B-6
- SCENARIO 7 – DISCOUNT RATE DECREASED 3%..... B-7

Appendix B

Scenario 1 – Base Case

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years based on the actuarial assumptions used in this valuation. This is the base scenario including a discount rate and expected return assumption of 4.75%.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(6.62%)	(\$151)	97%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$108,100	\$4,684,243
2026	70,138	\$292,314	\$369,304	\$27,511	\$220,022	\$4,799,765
2027	66,497	\$273,757	\$372,986	\$25,383	\$225,085	\$4,900,239
2028	62,877	\$255,163	\$381,048	\$25,583	\$229,242	\$4,978,012
2029	59,291	\$236,820	\$385,114	\$22,272	\$232,507	\$5,039,953
2030	55,720	\$218,893	\$400,575	\$21,294	\$234,685	\$5,071,662
2031	52,198	\$201,450	\$414,877	\$32,138	\$235,222	\$5,061,318
2032	48,723	\$184,548	\$428,940	\$22,943	\$234,186	\$5,028,170
2033	45,306	\$168,235	\$441,964	\$23,029	\$231,914	\$4,963,326
2034	41,962	\$152,579	\$453,720	\$23,071	\$228,182	\$4,867,295
2035	38,697	\$137,649	\$463,650	\$23,053	\$223,027	\$4,741,268
2045	13,176	\$36,168	\$398,802	\$15,932	\$119,393	\$2,443,727
2055	2,859	\$6,043	\$178,923	\$6,081	\$20,532	\$364,093
2065	448	\$752	\$53,078	\$3,282	(\$34,441)	(\$786,912)
2075	60	\$82	\$10,166	\$2,632	(\$73,200)	(\$1,620,504)
2085	9	\$5	\$862	\$1,260	(\$59,670)	(\$2,602,650)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	\$3,123,579
Present Value as of June 30, 2025	\$2,287,954	\$6,713,202	\$359,252	\$2,798,628

Appendix B

Scenario 2 - Discount Rate Increasing by 0.50% for 10 Years

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years under scenario 2 of the additional discount rate sensitivity scenarios.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
68.11%	\$1,389	143%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$108,100	\$4,684,243
2026	70,138	\$292,314	\$369,304	\$27,511	\$231,526	\$4,811,269
2027	66,497	\$273,757	\$372,986	\$25,383	\$261,172	\$4,947,830
2028	62,877	\$255,163	\$381,048	\$25,583	\$292,327	\$5,088,687
2029	59,291	\$236,820	\$385,114	\$22,272	\$325,259	\$5,243,380
2030	55,720	\$218,893	\$400,575	\$21,294	\$359,979	\$5,400,383
2031	52,198	\$201,450	\$414,877	\$32,138	\$395,929	\$5,550,747
2032	48,723	\$184,548	\$428,940	\$22,943	\$433,450	\$5,716,863
2033	45,306	\$168,235	\$441,964	\$23,029	\$473,423	\$5,893,527
2034	41,962	\$152,579	\$453,720	\$23,071	\$515,948	\$6,085,263
2035	38,697	\$137,649	\$463,650	\$23,053	\$561,657	\$6,297,866
2045	13,176	\$36,168	\$398,802	\$15,932	\$849,078	\$9,366,908
2055	2,859	\$6,043	\$178,923	\$6,081	\$1,700,415	\$19,051,177
2065	448	\$752	\$53,078	\$3,282	\$4,129,457	\$46,455,256
2075	60	\$82	\$10,166	\$2,632	\$10,419,380	\$117,278,523
2085	9	\$5	\$862	\$1,260	\$12,895,719	\$283,720,153

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	\$289,446,382
Present Value as of June 30, 2025	\$2,039,432	\$5,002,593	\$280,755	\$10,171,572

Appendix B

Scenario 3 - Discount Rate Increasing 1% for Five Years then Decreasing 1% for Five Years

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years under scenario 3 of the additional discount rate sensitivity scenarios.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
34.11%	\$702	118%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$108,100	\$4,684,243
2026	70,138	\$292,314	\$369,304	\$27,511	\$243,003	\$4,822,746
2027	66,497	\$273,757	\$372,986	\$25,383	\$297,404	\$4,995,537
2028	62,877	\$255,163	\$381,048	\$25,583	\$356,586	\$5,200,655
2029	59,291	\$236,820	\$385,114	\$22,272	\$421,970	\$5,452,059
2030	55,720	\$218,893	\$400,575	\$21,294	\$494,900	\$5,743,983
2031	52,198	\$201,450	\$414,877	\$32,138	\$520,572	\$6,018,989
2032	48,723	\$184,548	\$428,940	\$22,943	\$486,064	\$6,237,719
2033	45,306	\$168,235	\$441,964	\$23,029	\$441,995	\$6,382,955
2034	41,962	\$152,579	\$453,720	\$23,071	\$389,309	\$6,448,052
2035	38,697	\$137,649	\$463,650	\$23,053	\$329,850	\$6,428,847
2045	13,176	\$36,168	\$398,802	\$15,932	\$241,108	\$5,127,863
2055	2,859	\$6,043	\$178,923	\$6,081	\$214,123	\$4,633,276
2065	448	\$752	\$53,078	\$3,282	\$273,469	\$6,003,328
2075	60	\$82	\$10,166	\$2,632	\$416,539	\$9,179,538
2085	9	\$5	\$862	\$1,260	\$325,283	\$14,181,090

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	\$19,907,319
Present Value as of June 30, 2025	\$2,057,104	\$5,679,395	\$309,084	\$5,434,802

Appendix B

Scenario 4 – Discount Rate Increased 3%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years under scenario 4 of the additional discount rate sensitivity scenarios.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
71.26%	\$1,378	142%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$175,116	\$4,751,260
2026	70,138	\$292,314	\$369,304	\$27,511	\$364,196	\$5,010,956
2027	66,497	\$273,757	\$372,986	\$25,383	\$383,634	\$5,269,978
2028	62,877	\$255,163	\$381,048	\$25,583	\$402,708	\$5,521,218
2029	59,291	\$236,820	\$385,114	\$22,272	\$421,483	\$5,772,135
2030	55,720	\$218,893	\$400,575	\$21,294	\$439,688	\$6,008,846
2031	52,198	\$201,450	\$414,877	\$32,138	\$456,460	\$6,219,741
2032	48,723	\$184,548	\$428,940	\$22,943	\$471,919	\$6,424,325
2033	45,306	\$168,235	\$441,964	\$23,029	\$486,642	\$6,614,209
2034	41,962	\$152,579	\$453,720	\$23,071	\$500,299	\$6,790,296
2035	38,697	\$137,649	\$463,650	\$23,053	\$512,981	\$6,954,223
2045	13,176	\$36,168	\$398,802	\$15,932	\$640,927	\$8,720,874
2055	2,859	\$6,043	\$178,923	\$6,081	\$1,028,542	\$14,210,933
2065	448	\$752	\$53,078	\$3,282	\$2,040,404	\$28,340,671
2075	60	\$82	\$10,166	\$2,632	\$4,268,450	\$59,338,950
2085	9	\$5	\$862	\$1,260	\$4,413,986	\$120,488,043

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	\$126,214,272
Present Value as of June 30, 2025	\$1,933,155	\$4,915,462	\$273,110	\$9,175,344

Appendix B

Scenario 5 – Discount Rate Decreasing 0.50% for 10 Years

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years under scenario 5 of the additional discount rate sensitivity scenarios. Rate of return in future years is floored at 0%.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(133.22%)	(\$3,567)	57%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$108,100	\$4,684,243
2026	70,138	\$292,314	\$369,304	\$27,511	\$208,491	\$4,788,234
2027	66,497	\$273,757	\$372,986	\$25,383	\$189,143	\$4,852,765
2028	62,877	\$255,163	\$381,048	\$25,583	\$167,326	\$4,868,623
2029	59,291	\$236,820	\$385,114	\$22,272	\$143,648	\$4,841,705
2030	55,720	\$218,893	\$400,575	\$21,294	\$118,664	\$4,757,393
2031	52,198	\$201,450	\$414,877	\$32,138	\$92,887	\$4,604,714
2032	48,723	\$184,548	\$428,940	\$22,943	\$67,246	\$4,404,626
2033	45,306	\$168,235	\$441,964	\$23,029	\$42,751	\$4,150,618
2034	41,962	\$152,579	\$453,720	\$23,071	\$20,139	\$3,846,545
2035	38,697	\$137,649	\$463,650	\$23,053	\$4,697	\$3,502,188
2045	13,176	\$36,168	\$398,802	\$15,932	\$0	(\$507,305)
2055	2,859	\$6,043	\$178,923	\$6,081	\$0	(\$3,196,332)
2065	448	\$752	\$53,078	\$3,282	\$0	(\$4,224,002)
2075	60	\$82	\$10,166	\$2,632	\$0	(\$4,498,590)
2085	9	\$5	\$862	\$1,260	\$0	(\$4,563,137)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	\$1,163,092
Present Value as of June 30, 2025	\$2,677,345	\$10,336,777	\$540,313	\$1,030,592

Appendix B

Scenario 6 – Discount Rate Decreasing 1% for Five Years then Increasing 1% for Five Years

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years under scenario 6 of the additional discount rate sensitivity scenarios. Rate of return in future years is floored at 0%.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(48.35%)	(\$1,245)	79%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$108,100	\$4,684,243
2026	70,138	\$292,314	\$369,304	\$27,511	\$196,932	\$4,776,675
2027	66,497	\$273,757	\$372,986	\$25,383	\$153,346	\$4,805,409
2028	62,877	\$255,163	\$381,048	\$25,583	\$106,576	\$4,760,517
2029	59,291	\$236,820	\$385,114	\$22,272	\$58,615	\$4,648,566
2030	55,720	\$218,893	\$400,575	\$21,294	\$17,215	\$4,462,805
2031	52,198	\$201,450	\$414,877	\$32,138	\$16,016	\$4,233,255
2032	48,723	\$184,548	\$428,940	\$22,943	\$50,885	\$4,016,806
2033	45,306	\$168,235	\$441,964	\$23,029	\$86,671	\$3,806,720
2034	41,962	\$152,579	\$453,720	\$23,071	\$118,080	\$3,600,587
2035	38,697	\$137,649	\$463,650	\$23,053	\$145,241	\$3,396,774
2045	13,176	\$36,168	\$398,802	\$15,932	\$22,423	\$305,277
2055	2,859	\$6,043	\$178,923	\$6,081	(\$133,701)	(\$3,037,164)
2065	448	\$752	\$53,078	\$3,282	(\$279,754)	(\$6,196,694)
2075	60	\$82	\$10,166	\$2,632	(\$463,375)	(\$10,224,894)
2085	9	\$5	\$862	\$1,260	(\$366,362)	(\$15,974,250)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	(\$10,248,021)
Present Value as of June 30, 2025	\$2,574,822	\$8,030,009	\$422,859	(\$315,411)

Appendix B

Scenario 7 – Discount Rate Decreased 3%

The tables below contain information about the margin, funded status, and expected cash flows for the next 60 years under scenario 7 of the additional discount rate sensitivity scenarios.

Main Results

Margin as Percentage of the Present Value of Premiums	Margin (\$ in Millions)	Funded Status
(105.69%)	(\$2,951)	61%

Projected Cash Flows and Fund Balance Over the Next 60 Years (\$ in Thousands)

Calendar Year ¹	Lives	Expected Premiums	Expected Claims	Expenses	Investment Earnings	Fund Balance ²
						\$4,633,011
2025	73,947	\$142,205	\$184,080	\$14,992	\$40,118	\$4,616,262
2026	70,138	\$292,314	\$369,304	\$27,511	\$79,867	\$4,591,629
2027	66,497	\$273,757	\$372,986	\$25,383	\$79,279	\$4,546,295
2028	62,877	\$255,163	\$381,048	\$25,583	\$78,257	\$4,473,083
2029	59,291	\$236,820	\$385,114	\$22,272	\$76,817	\$4,379,335
2030	55,720	\$218,893	\$400,575	\$21,294	\$74,894	\$4,251,252
2031	52,198	\$201,450	\$414,877	\$32,138	\$72,293	\$4,077,980
2032	48,723	\$184,548	\$428,940	\$22,943	\$69,059	\$3,879,705
2033	45,306	\$168,235	\$441,964	\$23,029	\$65,331	\$3,648,278
2034	41,962	\$152,579	\$453,720	\$23,071	\$61,040	\$3,385,106
2035	38,697	\$137,649	\$463,650	\$23,053	\$56,215	\$3,092,266
2045	13,176	\$36,168	\$398,802	\$15,932	(\$8,784)	(\$699,033)
2055	2,859	\$6,043	\$178,923	\$6,081	(\$63,843)	(\$3,800,292)
2065	448	\$752	\$53,078	\$3,282	(\$96,897)	(\$5,661,116)
2075	60	\$82	\$10,166	\$2,632	(\$120,968)	(\$7,039,660)
2085	9	\$5	\$862	\$1,260	(\$72,300)	(\$8,372,164)

(1) Cash flows for 2025 and 2085 are for six months only.

(2) Fund balances are as of the end of the calendar year, except for the opening balance (as of June 30, 2025) and the last projected fund balance (as of June 30, 2085).

Total Sum of All Cash Flows and Present Values (\$ in Thousands)

	Expected Premiums	Expected Claims	Expenses	Investment Earnings
Total Sum of Cash Flows	\$3,192,967	\$12,884,352	\$667,855	(\$2,645,935)
Present Value as of June 30, 2025	\$2,792,103	\$9,863,434	\$512,659	(\$827,014)

Appendix C – Valuation Model and Assumptions

Model

Projection results are based on the 75,769 in-force participants as of June 30, 2025. The CalPERS LTC Program consists of facility-only and comprehensive coverage options and includes a variety of elimination periods, benefit periods, and inflation coverage combinations. A summary of in-force policies and coverages has been included in Appendix D. The projection results reflect output from a First Principles Model based on the policy benefits in the program.

The First Principles modeling is the standard approach in the industry for modeling long-term care insurance. This approach includes more detailed modeling of claim incidence, claim termination, and utilization. The First Principles Model tracks policyholder status: policyholders are classified as “active”, “disabled”, or “terminated” (due to lapsation, death, or benefit expiration). In addition to tracking policyholder status, the First Principles Model projects a policyholder’s claim status as they continue to remain on claim, terminate, or recover back into the healthy population, while accounting for the policy’s remaining benefits. This detailed tracking of lives status allows first principles models to more accurately project when benefits will be exhausted and to more accurately reflect the claim payment patterns based on the claim termination and the utilization assumption.

Important statistics such as the number of new and open claims, the amount of claim terminations (often distinguished between death, recovery, and exhaustion), and the split of the population between disabled and healthy lives can be easily tracked using the information available in the First Principles model. These statistics offer increased transparency on what is driving deviations in experience, e.g., higher/lower-than-assumed claim incidence or longer/shorter-than-expected claim persistence. The ability to directly compare these figures against emerging experience is beneficial. Used together with sensitivity testing, the additional information accessible in the First Principles model allows for better insight into the CalPERS Program and the impacts of different assumption changes on its projected development.

Appendix C

Assumptions

Morbidity

There are three separate morbidity assumptions. The first assumption is the claim incidence rate, which determines the probability that an individual will go on claim at a given time. The second assumption is the claim termination rate, which is the probability that an individual will terminate their claim from one month to the next. Total claim terminations (excluding benefit exhaustions) can be split into disabled death and recovery using the claim recovery assumption. The third assumption is the claim utilization rate, which determines what percentage of the maximum benefit allowance a policyholder will use while on claim.

Claim Incidence Rates

The incidence study for the June 30, 2025 valuation uses claim and exposure information as of June 30, 2025, filtered for years 2012 to 2024 and policy duration 10+, excluding 2015, 2020, and 2021. The study calculates active lives exposure for the study timeframe, crediting a full year exposure in the year when a policy goes on claim. Milliman Guidelines rates are used as the initial expected basis. Additional actual-to-expected adjustment factors are applied to reflect CalPERS' actual claim experience and the key characteristics of the experience variations during the study timeframe. CalPERS experience receives full credibility in areas with 271 or more claims. Otherwise, CalPERS experience receives partial or zero credibility. There is no morbidity improvement assumed in this valuation.

The claim incidence rates capture the following experience variations:

- Gender: Male or Female
- Attained Age at Claim
- Initial Site of Care: Home Health Care, Assisted Living Facility, or Nursing Home
- Policy Type: Comprehensive / Facility-only / Partnership, and Inflation / Non-Inflation
- Marital Status: Married or Single
- Benefit Period
- Underwriting Type and Policy Duration

Claim Termination Rates

The claim termination study for the June 30, 2025 valuation uses claim and exposure information as of June 30, 2025, filtered for years 2013 to 2024, excluding 2020 and 2021. The study calculated on-claim exposure for the study timeframe. Milliman Guidelines rates are converted to force of decrement when used as the initial expected basis. Additional actual-to-expected adjustment factors are applied to reflect CalPERS' actual claim experience and the key characteristics of the experience variations during the study timeframe. CalPERS experience receives full credibility in areas with 271 or more claim terminations. Otherwise, CalPERS experience receives partial or zero credibility.

The claim termination rates capture the following experience variations:

- Gender: Male or Female
- Claim Incurred Age Groups: 0-64, 65-74, 75-84, 85-89, or 90+
- Claim Initial Site of Care: Home Health Care, Assisted Living Facility, or Nursing Home
- Number of Months on Claim (Claim duration)
- Benefit Period: Lifetime vs Non-Lifetime
- Policy Type: Comprehensive, Facility-Only, or Partnership
- Marital Status: Married or Single

Appendix C

Assumptions (continued)

Claim Recovery Rates

The claim recovery assumption is used to split claim terminations into recoveries and disabled mortality. If a life recovers from a claim, it returns to the active status and has a probability to enter claim again in the future. Disabled mortality is projected by using total claim termination minus claim recovery. The claim recovery study for this valuation uses the Milliman Guidelines rates as the expected basis. Approximate simplification was made on the Guidelines rates to accommodate CalPERS' model structure and date volume. Additional actual-to-expected adjustment factors are applied to reflect CalPERS' actual claim experience and the key characteristics of the experience variations during the study timeframe. The adjustment factors are developed based on experience during 2013 to 2024, excluding 2020 and 2021. The recovery assumption reflects experience variations by claim initial site of care, claim incurred age groups, and claim duration.

Claim Utilization Rates

The baseline claim utilization rates are developed using CalPERS' total claim data as of June 30, 2025, excluding data after December 31, 2024. The adjustment factors for the claim utilization assumption are developed based on experience during years 2015 to 2024. The assumption structure captures utilization rate variations by claims' initial site of care, Maximum Daily Benefit (MDB) range, product series, benefit period, and yearly increase trend.

The study calculates the maximum benefit allowance based on the historical claim data. Historical maximum benefit allowance and actual claim payment information are used to develop utilization rates varying by MDB range and site of care. Adjustment factors are developed to reflect key characteristics of experience variations as well as the cost-of-care level at the valuation date. The study includes annual trend factors to project future long-term patterns of year-to-year changes based on the historical and recent year trends in the data. Ceilings are set in the study on how much the rates can increase in the future projection periods. Utilization rates for existing open claims are based on the recent data of each individual claim if there are 180 days or more of exposure, while also reflecting the annual trend in future projection years.

Active Mortality

The active mortality study for the June 30, 2025 valuation uses the program's mortality and exposure data as of June 30, 2025, filtered for years 2013 to 2024 excluding 2020 and 2021, and policy duration 15+. The study calculates active lives exposure for the study timeframe, crediting a full year exposure to an individual at the age of death. The study uses SOA IAM 2012 as the initial expected basis and then applies actual-to-expected adjustment factors to reflect CalPERS' actual experience variations for early policy durations, gender, attained age groups, and marital status. CalPERS experience receives full credibility in areas with 271 or more active mortality. Otherwise, CalPERS experience receives partial or zero credibility.

A mortality improvement assumption is applied to active lives using 100% of SOA Projection Scale G2. Mortality in 2018 is considered the average mortality level during the study period and the cumulative improvement from 2018 to the valuation year is accounted for in the projection.

Appendix C

Assumptions (continued)

Lapse

The lapse study for the June 30, 2025 valuation uses the program's lapse and exposure data as of June 30, 2025, excluding data after March 31, 2021. Experience after March 2021 and shock lapse data during historical rate increase timeframes were excluded from the study to mitigate distortion in the experience data. Policy terminations due to death or expiration of benefit are not included in this study. When a policy lapses, it receives a full year exposure at the duration of lapse. Due to the relatively low level of baseline lapse experience in the recent years, adjustment factors are applied to the final lapse rates to bring the assumption in line with recent experience. Lapse rates vary by issue age group and policy duration.

Expenses

This valuation reflects the following expense assumptions:

- The third-party administrator (TPA) cost assumptions reflect the terms in the updated contract with the program's TPA illumifin, with inflation assumed for future years after the contract period.
- The fees for the aging-in-place program of the contracted timeframe are included in the expense projection with offset in the claim projection assuming the liability savings would fully offset the fees.
- CalPERS operating expenses are projected based on expense cashflows during fiscal year 2024-25 with inflation assumed for future years. Projected operating expenses are assumed to decrease in 2040 by the ratio of the current in-force count to the prior year's in-force count. This is intended to reflect that eventually as the Program's population declines, expenses would decline as well. Additional bank transaction fees are projected based on a percentage of cashflow amount with annual inflation.
- An option for participants to pay premiums with credit card has been available since 2014. Credit card fees are assumed as a percentage of total premium cashflow, with annual increases accounting for inflation.

Discount Rate

The 4.75% discount rate used in this valuation was initially established based on the target asset allocation adopted by the Investment Committee of the board in March 2021. In September 2024, the board approved a new target asset allocation. The Capital Market Assumptions in 2024 supported the discount rate in place. Updated Capital Market Assumptions in 2025 were also reviewed and were found to support the existing discount rate.

Appendix C

Assumptions (continued)

Rate Increase Related Assumptions

A rate increase may prompt healthier participants to lapse or reduce benefits to lower the impact of the rate increase. Therefore, the total risk pool can become less healthy after a rate increase. Higher risk may be assumed by applying an anti-selection assumption for participants that remained in the program or that did not convert to less expensive policies.

The current claim incidence assumption was developed based on the experience data from the recent decade, excluding 2020 and 2021. A large portion of this data reflected the elevated level of claim incidence subsequent to the 2012 stabilization plan and subsequent to the 2021 premium increase plan. In addition, the selected experience data timeframe reflected the influence from previous rate increases for inflation versus non-inflation policies and lifetime versus non-lifetime policies. As such, the current claim incidence assumption is considered to represent a sufficient baseline level of incidence at the valuation date, and the anti-selection assumptions related to the previous years' rate increases are no longer applied.

This valuation reflects the 10% premium rate increase each year for two years started in 2025 for non-partnership policies, and the 6.7% premium rate increase each year for three years started in 2025 for partnership policies. For these rate increases, this valuation assumes the shock lapses in 2025 and 2026 in total are 1.0% of the population. Anti-selection factors are applied to the claim incidence assumption by assuming the shock lapse population has 80% less claim incidence risk compared to the plan average. This effect is assumed to grade down over 10 years.

Appendix D – Summary of In-force Policies

Summary of In-force Policies Included in the 6/30/2025 Projection

Product Series	Plan Type	HHC	ALF	Benefit Period	Elimination Period	Inflation	Underwriting Type	Policy Count	Annualized Premium
LTC1	Comprehensive	50% HHC	50% ALF	2 Year	90	Inflation	LF	134	491,047
LTC1	Comprehensive	50% HHC	50% ALF	2 Year	90	Inflation	MGI	61	187,934
LTC1	Comprehensive	50% HHC	50% ALF	2 Year	90	Inflation	SF	66	233,875
LTC1	Comprehensive	50% HHC	50% ALF	2 Year	90	No Inflation	LF	2,579	5,589,799
LTC1	Comprehensive	50% HHC	50% ALF	2 Year	90	No Inflation	MGI	1,141	2,267,510
LTC1	Comprehensive	50% HHC	50% ALF	2 Year	90	No Inflation	SF	1,046	2,071,049
LTC1	Comprehensive	50% HHC	50% ALF	3 Year	90	Inflation	LF	798	4,664,915
LTC1	Comprehensive	50% HHC	50% ALF	3 Year	90	Inflation	MGI	477	2,237,476
LTC1	Comprehensive	50% HHC	50% ALF	3 Year	90	Inflation	SF	373	1,870,074
LTC1	Comprehensive	50% HHC	50% ALF	3 Year	90	No Inflation	LF	3,032	9,859,067
LTC1	Comprehensive	50% HHC	50% ALF	3 Year	90	No Inflation	MGI	1,334	3,780,943
LTC1	Comprehensive	50% HHC	50% ALF	3 Year	90	No Inflation	SF	1,186	3,212,851
LTC1	Comprehensive	50% HHC	50% ALF	6 Year	90	Inflation	LF	587	3,984,498
LTC1	Comprehensive	50% HHC	50% ALF	6 Year	90	Inflation	MGI	587	3,257,103
LTC1	Comprehensive	50% HHC	50% ALF	6 Year	90	Inflation	SF	397	2,408,685
LTC1	Comprehensive	50% HHC	50% ALF	6 Year	90	No Inflation	LF	5,929	20,611,154
LTC1	Comprehensive	50% HHC	50% ALF	6 Year	90	No Inflation	MGI	4,003	12,683,154
LTC1	Comprehensive	50% HHC	50% ALF	6 Year	90	No Inflation	SF	3,328	10,326,025
LTC1	Comprehensive	50% HHC	50% ALF	10 Year	90	No Inflation	LF	3,083	16,421,963
LTC1	Comprehensive	50% HHC	50% ALF	10 Year	90	No Inflation	MGI	1,536	7,793,540
LTC1	Comprehensive	50% HHC	50% ALF	10 Year	90	No Inflation	SF	1,356	6,722,282
LTC1	Comprehensive	50% HHC	50% ALF	Lifetime	90	Inflation	LF	2,992	32,424,249
LTC1	Comprehensive	50% HHC	50% ALF	Lifetime	90	Inflation	MGI	3,393	29,174,241
LTC1	Comprehensive	50% HHC	50% ALF	Lifetime	90	Inflation	SF	2,150	19,834,380
LTC1	Comprehensive	50% HHC	50% ALF	Lifetime	90	No Inflation	LF	1,503	8,158,438
LTC1	Comprehensive	50% HHC	50% ALF	Lifetime	90	No Inflation	MGI	1,508	7,163,543
LTC1	Comprehensive	50% HHC	50% ALF	Lifetime	90	No Inflation	SF	1,072	4,786,875
LTC1	Comprehensive	50% HHC	50% ALF	In-Nonforfeiture	90	Inflation	LF	4	0
LTC1	Comprehensive	50% HHC	50% ALF	In-Nonforfeiture	90	Inflation	MGI	2	0
LTC1	Comprehensive	50% HHC	50% ALF	In-Nonforfeiture	90	No Inflation	LF	3	0
LTC1	Comprehensive	50% HHC	50% ALF	In-Nonforfeiture	90	No Inflation	SF	1	0
LTC1	Facilities Only		50% ALF	2 Year	90	Inflation	LF	32	86,953
LTC1	Facilities Only		50% ALF	2 Year	90	Inflation	MGI	10	34,330
LTC1	Facilities Only		50% ALF	2 Year	90	Inflation	SF	15	38,789
LTC1	Facilities Only		50% ALF	2 Year	90	No Inflation	LF	928	1,762,312
LTC1	Facilities Only		50% ALF	2 Year	90	No Inflation	MGI	253	432,792
LTC1	Facilities Only		50% ALF	2 Year	90	No Inflation	SF	299	450,876
LTC1	Facilities Only		50% ALF	3 Year	90	Inflation	LF	184	873,379
LTC1	Facilities Only		50% ALF	3 Year	90	Inflation	MGI	123	474,312
LTC1	Facilities Only		50% ALF	3 Year	90	Inflation	SF	107	418,161
LTC1	Facilities Only		50% ALF	3 Year	90	No Inflation	LF	1,192	3,137,476
LTC1	Facilities Only		50% ALF	3 Year	90	No Inflation	MGI	400	871,899
LTC1	Facilities Only		50% ALF	3 Year	90	No Inflation	SF	405	924,012
LTC1	Facilities Only		50% ALF	6 Year	90	Inflation	LF	74	466,908
LTC1	Facilities Only		50% ALF	6 Year	90	Inflation	MGI	38	198,949
LTC1	Facilities Only		50% ALF	6 Year	90	Inflation	SF	59	330,829
LTC1	Facilities Only		50% ALF	6 Year	90	No Inflation	LF	1,448	4,558,862
LTC1	Facilities Only		50% ALF	6 Year	90	No Inflation	MGI	467	1,266,938
LTC1	Facilities Only		50% ALF	6 Year	90	No Inflation	SF	520	1,274,230

<u>Abbreviation</u>	<u>Description</u>
ALF	Assisted Living Facility
HHC	Home Health Care
LF U/W	Long Form Underwriting
MGI U/W	Modified Guaranteed Issue Underwriting
SF U/W	Short Form Underwriting

Appendix D

Summary of In-force Policies Included in the 6/30/2025 Projection (LTC1 Continued)

Product Series	Plan Type	HHC	ALF	Benefit Period	Elimination Period	Inflation	Underwriting Type	Policy Count	Annualized Premium
LTC1	Facilities Only		50% ALF	10 Year	90	No Inflation	LF	652	2,987,759
LTC1	Facilities Only		50% ALF	10 Year	90	No Inflation	MGI	226	964,628
LTC1	Facilities Only		50% ALF	10 Year	90	No Inflation	SF	254	1,024,433
LTC1	Facilities Only		50% ALF	Lifetime	90	Inflation	LF	421	3,888,969
LTC1	Facilities Only		50% ALF	Lifetime	90	Inflation	MGI	247	1,768,755
LTC1	Facilities Only		50% ALF	Lifetime	90	Inflation	SF	295	2,156,467
LTC1	Facilities Only		50% ALF	Lifetime	90	No Inflation	LF	275	1,314,399
LTC1	Facilities Only		50% ALF	Lifetime	90	No Inflation	MGI	166	604,013
LTC1	Facilities Only		50% ALF	Lifetime	90	No Inflation	SF	136	506,773
LTC1	Facilities Only		50% ALF	In-Nonforfeiture	90	Inflation	LF	1	0
LTC1	Facilities Only		50% ALF	In-Nonforfeiture	90	No Inflation	LF	3	0
LTC1	Partnership	50% HHC	50% ALF	6 Mo	30	Inflation	LF	122	120,807
LTC1	Partnership	50% HHC	50% ALF	6 Mo	30	Inflation	MGI	46	30,809
LTC1	Partnership	50% HHC	50% ALF	6 Mo	30	Inflation	SF	40	27,237
LTC1	Partnership	50% HHC	50% ALF	1 Year	30	Inflation	LF	452	805,945
LTC1	Partnership	50% HHC	50% ALF	1 Year	30	Inflation	MGI	182	230,967
LTC1	Partnership	50% HHC	50% ALF	1 Year	30	Inflation	SF	215	259,821
LTC1	Partnership	50% HHC	50% ALF	2 Year	30	Inflation	LF	743	2,050,589
LTC1	Partnership	50% HHC	50% ALF	2 Year	30	Inflation	MGI	294	606,917
LTC1	Partnership	50% HHC	50% ALF	2 Year	30	Inflation	SF	358	692,010
LTC1	Partnership	50% HHC	50% ALF	In-Nonforfeiture	30	Inflation	LF	68	0
LTC1	Partnership	50% HHC	50% ALF	In-Nonforfeiture	30	Inflation	MGI	54	0
LTC1	Partnership	50% HHC	50% ALF	In-Nonforfeiture	30	Inflation	SF	10	0
LTC1 Subtotal								57,475	259,859,976

Abbreviation	Description
ALF	Assisted Living Facility
HHC	Home Health Care
LF U/W	Long Form Underwriting
MGI U/W	Modified Guaranteed Issue Underwriting
SF U/W	Short Form Underwriting

Appendix D

Summary of In-force Policies Included in the 6/30/2025 Projection

Product Series	Plan Type	HHC	ALF	Benefit Period	Elimination Period	Inflation	Underwriting Type	Policy Count	Annualized Premium
LTC2	Comprehensive	50% HHC	70% ALF	2 Year	90	Inflation	LF	25	93,485
LTC2	Comprehensive	50% HHC	70% ALF	2 Year	90	No Inflation	LF	565	1,176,588
LTC2	Comprehensive	50% HHC	70% ALF	2 Year	90	No Inflation	MGI	8	25,521
LTC2	Comprehensive	50% HHC	70% ALF	2 Year	90	No Inflation	SF	3	5,248
LTC2	Comprehensive	50% HHC	70% ALF	3 Year	90	Inflation	LF	146	1,054,296
LTC2	Comprehensive	50% HHC	70% ALF	3 Year	90	Inflation	MGI	1	8,458
LTC2	Comprehensive	50% HHC	70% ALF	3 Year	90	Inflation	SF	1	13,253
LTC2	Comprehensive	50% HHC	70% ALF	3 Year	90	No Inflation	LF	910	2,755,249
LTC2	Comprehensive	50% HHC	70% ALF	3 Year	90	No Inflation	MGI	10	37,098
LTC2	Comprehensive	50% HHC	70% ALF	3 Year	90	No Inflation	SF	6	15,278
LTC2	Comprehensive	50% HHC	70% ALF	6 Year	90	Inflation	LF	8	53,908
LTC2	Comprehensive	50% HHC	70% ALF	6 Year	90	No Inflation	LF	1,017	3,877,314
LTC2	Comprehensive	50% HHC	70% ALF	6 Year	90	No Inflation	MGI	14	57,114
LTC2	Comprehensive	50% HHC	70% ALF	6 Year	90	No Inflation	SF	16	65,437
LTC2	Comprehensive	50% HHC	70% ALF	10 Year	90	No Inflation	LF	636	3,186,906
LTC2	Comprehensive	50% HHC	70% ALF	10 Year	90	No Inflation	MGI	4	23,863
LTC2	Comprehensive	50% HHC	70% ALF	10 Year	90	No Inflation	SF	3	17,115
LTC2	Comprehensive	50% HHC	70% ALF	Lifetime	90	Inflation	LF	461	5,250,550
LTC2	Comprehensive	50% HHC	70% ALF	Lifetime	90	Inflation	MGI	3	45,891
LTC2	Comprehensive	50% HHC	70% ALF	Lifetime	90	Inflation	SF	6	62,543
LTC2	Comprehensive	50% HHC	70% ALF	Lifetime	90	No Inflation	LF	442	2,560,839
LTC2	Comprehensive	50% HHC	70% ALF	Lifetime	90	No Inflation	MGI	6	29,868
LTC2	Facilities Only		70% ALF	2 Year	90	Inflation	LF	5	21,360
LTC2	Facilities Only		70% ALF	2 Year	90	No Inflation	LF	114	205,779
LTC2	Facilities Only		70% ALF	3 Year	90	Inflation	LF	20	105,684
LTC2	Facilities Only		70% ALF	3 Year	90	No Inflation	LF	196	497,893
LTC2	Facilities Only		70% ALF	6 Year	90	Inflation	LF	3	19,453
LTC2	Facilities Only		70% ALF	6 Year	90	No Inflation	LF	145	419,175
LTC2	Facilities Only		70% ALF	10 Year	90	No Inflation	LF	92	335,965
LTC2	Facilities Only		70% ALF	10 Year	90	No Inflation	MGI	1	6,849
LTC2	Facilities Only		70% ALF	Lifetime	90	Inflation	LF	57	391,477
LTC2	Facilities Only		70% ALF	Lifetime	90	Inflation	MGI	1	18,786
LTC2	Facilities Only		70% ALF	Lifetime	90	No Inflation	LF	25	104,807
LTC2	Partnership	50% HHC	70% ALF	6 Mo	30	Inflation	LF	38	36,361
LTC2	Partnership	50% HHC	70% ALF	1 Year	30	Inflation	LF	60	116,273
LTC2	Partnership	50% HHC	70% ALF	2 Year	30	Inflation	LF	78	250,300
LTC2 Subtotal								5,126	22,945,985

Abbreviation	Description
ALF	Assisted Living Facility
HHC	Home Health Care
LF U/W	Long Form Underwriting
MGI U/W	Modified Guaranteed Issue Underwriting
SF U/W	Short Form Underwriting

Appendix D

Summary of In-force Policies Included in the 6/30/2025 Projection

Product Series	Plan Type	HHC	ALF	Benefit Period	Elimination Period	Inflation	Underwriting Type	Policy Count	Annualized Premium
LTC3	Comprehensive	70% HHC	70% ALF	2 Year	90	Inflation	LF	428	1,085,519
LTC3	Comprehensive	70% HHC	70% ALF	2 Year	90	Inflation	MGI	58	105,591
LTC3	Comprehensive	70% HHC	70% ALF	2 Year	90	Inflation	SF	52	103,192
LTC3	Comprehensive	70% HHC	70% ALF	2 Year	90	No Inflation	LF	749	1,479,387
LTC3	Comprehensive	70% HHC	70% ALF	2 Year	90	No Inflation	MGI	127	205,325
LTC3	Comprehensive	70% HHC	70% ALF	2 Year	90	No Inflation	SF	128	182,943
LTC3	Comprehensive	70% HHC	70% ALF	3 Year	90	Inflation	LF	927	3,593,611
LTC3	Comprehensive	70% HHC	70% ALF	3 Year	90	Inflation	MGI	154	419,161
LTC3	Comprehensive	70% HHC	70% ALF	3 Year	90	Inflation	SF	165	469,764
LTC3	Comprehensive	70% HHC	70% ALF	3 Year	90	No Inflation	LF	1,058	2,387,318
LTC3	Comprehensive	70% HHC	70% ALF	3 Year	90	No Inflation	MGI	121	188,280
LTC3	Comprehensive	70% HHC	70% ALF	3 Year	90	No Inflation	SF	131	167,693
LTC3	Comprehensive	70% HHC	70% ALF	6 Year	90	Inflation	LF	977	4,923,617
LTC3	Comprehensive	70% HHC	70% ALF	6 Year	90	Inflation	MGI	203	792,000
LTC3	Comprehensive	70% HHC	70% ALF	6 Year	90	Inflation	SF	166	705,766
LTC3	Comprehensive	70% HHC	70% ALF	6 Year	90	No Inflation	LF	1,796	5,409,284
LTC3	Comprehensive	70% HHC	70% ALF	6 Year	90	No Inflation	MGI	403	934,225
LTC3	Comprehensive	70% HHC	70% ALF	6 Year	90	No Inflation	SF	327	729,628
LTC3	Comprehensive	70% HHC	70% ALF	10 Year	90	No Inflation	LF	5	22,486
LTC3	Comprehensive	70% HHC	70% ALF	Lifetime	90	Inflation	LF	680	4,958,302
LTC3	Comprehensive	70% HHC	70% ALF	Lifetime	90	Inflation	MGI	5	49,159
LTC3	Comprehensive	70% HHC	70% ALF	Lifetime	90	Inflation	SF	3	24,088
LTC3	Comprehensive	70% HHC	70% ALF	Lifetime	90	No Inflation	LF	762	3,529,260
LTC3	Comprehensive	70% HHC	70% ALF	Lifetime	90	No Inflation	MGI	14	68,962
LTC3	Comprehensive	70% HHC	70% ALF	Lifetime	90	No Inflation	SF	8	20,588
LTC3	Comprehensive	70% HHC	70% ALF	In-Nonforfeiture	90	No Inflation	LF	118	0
LTC3	Comprehensive	70% HHC	70% ALF	In-Nonforfeiture	90	No Inflation	MGI	9	0
LTC3	Comprehensive	70% HHC	70% ALF	In-Nonforfeiture	90	No Inflation	SF	16	0
LTC3	Facilities Only		70% ALF	2 Year	90	Inflation	LF	76	160,578
LTC3	Facilities Only		70% ALF	2 Year	90	Inflation	MGI	5	8,220
LTC3	Facilities Only		70% ALF	2 Year	90	Inflation	SF	12	17,557
LTC3	Facilities Only		70% ALF	2 Year	90	No Inflation	LF	149	229,077
LTC3	Facilities Only		70% ALF	2 Year	90	No Inflation	MGI	22	18,423
LTC3	Facilities Only		70% ALF	2 Year	90	No Inflation	SF	37	39,994
LTC3	Facilities Only		70% ALF	3 Year	90	Inflation	LF	150	512,188
LTC3	Facilities Only		70% ALF	3 Year	90	Inflation	MGI	24	60,316
LTC3	Facilities Only		70% ALF	3 Year	90	Inflation	SF	41	103,908
LTC3	Facilities Only		70% ALF	3 Year	90	No Inflation	LF	186	355,692
LTC3	Facilities Only		70% ALF	3 Year	90	No Inflation	MGI	21	27,761
LTC3	Facilities Only		70% ALF	3 Year	90	No Inflation	SF	43	39,114
LTC3	Facilities Only		70% ALF	6 Year	90	Inflation	LF	88	392,914
LTC3	Facilities Only		70% ALF	6 Year	90	Inflation	MGI	8	30,279
LTC3	Facilities Only		70% ALF	6 Year	90	Inflation	SF	10	33,535
LTC3	Facilities Only		70% ALF	6 Year	90	No Inflation	LF	246	674,653
LTC3	Facilities Only		70% ALF	6 Year	90	No Inflation	MGI	22	32,035
LTC3	Facilities Only		70% ALF	6 Year	90	No Inflation	SF	27	65,870
LTC3	Facilities Only		70% ALF	Lifetime	90	Inflation	LF	87	420,082
LTC3	Facilities Only		70% ALF	Lifetime	90	Inflation	MGI	1	3,178
LTC3	Facilities Only		70% ALF	Lifetime	90	No Inflation	LF	109	382,196
LTC3	Facilities Only		70% ALF	In-Nonforfeiture	90	No Inflation	LF	13	0
LTC3	Facilities Only		70% ALF	In-Nonforfeiture	90	No Inflation	MGI	1	0
LTC3	Facilities Only		70% ALF	In-Nonforfeiture	90	No Inflation	SF	3	0
LTC3	Partnership	70% HHC	70% ALF	6 Mo	30	Inflation	LF	7	12,150
LTC3	Partnership	70% HHC	70% ALF	1 Year	30	Inflation	LF	31	76,172
LTC3	Partnership	70% HHC	70% ALF	2 Year	30	Inflation	LF	43	176,350
LTC3 Subtotal								11,052	36,427,392

<u>Abbreviation</u>	<u>Description</u>
ALF	Assisted Living Facility
HHC	Home Health Care
LF U/W	Long Form Underwriting
MGI U/W	Modified Guaranteed Issue Underwriting
SF U/W	Short Form Underwriting

Appendix D

Summary of In-force Policies Included in 6/30/2025 Projection

Product Series	Plan Type	HHC	ALF	Benefit Period	Elimination Period	Inflation	Underwriting Type	Policy Count	Annualized Premium
LTC4	Comprehensive	100% HHC	100% ALF	2 Year	90	Inflation	LF	175	612,662
LTC4	Comprehensive	100% HHC	100% ALF	2 Year	90	No Inflation	LF	136	406,998
LTC4	Comprehensive	100% HHC	100% ALF	3 Year	90	Inflation	LF	548	2,665,349
LTC4	Comprehensive	100% HHC	100% ALF	3 Year	90	No Inflation	LF	326	1,144,413
LTC4	Comprehensive	100% HHC	100% ALF	3 Year	90	No Inflation	MGI	1	1,372
LTC4	Comprehensive	100% HHC	100% ALF	6 Year	90	Inflation	LF	384	2,291,460
LTC4	Comprehensive	100% HHC	100% ALF	6 Year	90	No Inflation	LF	146	707,402
LTC4	Comprehensive	100% HHC	100% ALF	10 Year	90	Inflation	LF	213	1,458,377
LTC4	Comprehensive	100% HHC	100% ALF	10 Year	90	No Inflation	LF	125	619,944
LTC4	Comprehensive	100% HHC	100% ALF	In-Nonforfeiture	90	No Inflation	LF	28	0
LTC4	Partnership	100% HHC	100% ALF	6 Mo	30	Inflation	LF	5	14,188
LTC4	Partnership	100% HHC	100% ALF	1 Year	30	Inflation	LF	10	40,920
LTC4	Partnership	100% HHC	100% ALF	2 Year	30	Inflation	LF	17	137,350
LTC4	Partnership	100% HHC	100% ALF	In-Nonforfeiture	30	No Inflation	LF	2	0
LTC4 Subtotal								2,116	10,100,434
Grand Total								75,769	329,333,788

<u>Abbreviation</u>	<u>Description</u>
ALF	Assisted Living Facility
HHC	Home Health Care
LF U/W	Long Form Underwriting
MGI U/W	Modified Guaranteed Issue Underwriting
SF U/W	Short Form Underwriting

Appendix E – Demographic Information

Data

We relied on the in-force data and claim information supplied by the third-party administrator (TPA) illumifin and have evaluated that data for reasonableness and consistency. The principal materials we used were provided by the TPA and internal financial reports and included:

1. Data extracts from TPA's administrative system
2. Financial statements

The Actuarial Valuation considers the quantitative and demographic characteristics of covered participants, including active participants and on-claim participants. This section presents a summary of significant statistical data for these participant groups. Future plan costs are affected by attained age, years in plan, and benefits chosen. In this year's valuation, there were 75,769 in-force participants averaging an attained age of 78 years and a policy duration of 26 years.

In-force Participants as of 6/30/2025 - Demographics and Policy Benefits

The following distributions of all in-force participants as of June 30, 2025 are included in Appendix E:

- By benefit period and elimination period
- By issue-age and attained-age
- By gender
- By coverage
- By inflation option
- By marriage status at issue
- By premium mode
- By underwriting type
- By product series

Appendix E

Distributions of In-force Participants as of 6/30/2025

By Benefit Period and Elimination Period

Benefit Period	Elimination Period	Policy Count	Percent	Annualized Premium	Percent
6 Month	30 Day	258	0%	241,553	0%
1 Year	30 Day	950	1%	1,530,097	0%
2 Year	30 Day	1,533	2%	3,913,515	1%
In-Nonforfeiture	30 Day	134	0%	0	0%
2 Year	90 Day	9,438	12%	19,830,714	6%
3 Year	90 Day	14,797	20%	48,947,716	15%
6 Year	90 Day	23,443	31%	83,582,403	25%
10 Year	90 Day	8,186	11%	41,586,109	13%
Lifetime	90 Day	16,828	22%	129,701,680	39%
In-Nonforfeiture	90 Day	202	0%	0	0%
Total		75,769	100%	329,333,788	100%

By Issue-Age Band and Gender

Issue-Age Band	Policy Count				Annualized Premium			
	Females	Males	Total	Percent	Females	Males	Total	Percent
< 30	301	159	460	1%	685,045	382,489	1,067,534	0%
30-39	2,971	1,685	4,656	6%	8,664,795	4,831,338	13,496,133	4%
40-44	4,202	2,194	6,396	8%	14,410,567	7,560,099	21,970,666	7%
45-49	7,868	4,113	11,981	16%	30,451,035	15,944,337	46,395,372	14%
50-54	11,469	6,322	17,791	23%	47,562,544	26,481,165	74,043,709	22%
55-59	11,408	6,681	18,089	24%	52,277,707	30,521,906	82,799,613	25%
60-64	7,089	4,438	11,527	15%	36,423,105	22,749,477	59,172,582	18%
65-69	2,522	1,455	3,977	5%	15,197,076	8,374,152	23,571,227	7%
70-74	573	204	777	1%	4,164,026	1,413,746	5,577,772	2%
75-79	82	26	108	0%	760,138	341,272	1,101,409	0%
80-84	6	1	7	0%	137,769	0	137,769	0%
85-89	0	0	0	0%	0	0	0	0%
90-94	0	0	0	0%	0	0	0	0%
95+	0	0	0	0%	0	0	0	0%
Total	48,491	27,278	75,769	100%	210,733,807	118,599,981	329,333,788	100%

By Attained Age and Gender

Attained-Age Band	Policy Count				Annualized Premium			
	Females	Males	Total	Percent	Females	Males	Total	Percent
< 30	3	2	5	0%	4,990	3,567	8,558	0%
30-39	27	18	45	0%	39,473	25,037	64,510	0%
40-44	38	27	65	0%	85,860	68,896	154,755	0%
45-49	131	65	196	0%	340,647	157,172	497,819	0%
50-54	351	183	534	1%	897,614	486,617	1,384,232	0%
55-59	830	518	1,348	2%	2,363,379	1,434,215	3,797,593	1%
60-64	2,021	1,152	3,173	4%	6,240,692	3,647,136	9,887,828	3%
65-69	3,918	2,132	6,050	8%	13,201,134	7,186,053	20,387,187	6%
70-74	7,190	3,818	11,008	15%	27,252,179	14,687,192	41,939,371	13%
75-79	11,083	6,344	17,427	23%	46,245,752	26,527,390	72,773,141	22%
80-84	10,558	6,207	16,765	22%	47,483,484	28,464,184	75,947,667	23%
85-89	7,270	4,251	11,521	15%	36,084,834	21,412,077	57,496,911	17%
90-94	3,696	2,051	5,747	8%	20,899,962	11,309,430	32,209,392	10%
95+	1,375	510	1,885	2%	9,593,807	3,191,016	12,784,823	4%
Total	48,491	27,278	75,769	100%	210,733,807	118,599,981	329,333,788	100%

Appendix E

Distributions of In-force Participants as of 6/30/2025 (continued)

By Plan Type

Plan Type	Policy Count	Percent	Annualized Premium	Percent
Partnership (Comprehensive)	2,875	4%	5,685,165	2%
Comprehensive	61,624	81%	285,095,620	87%
Facilities Only	11,270	15%	38,553,003	12%
Total	75,769	100%	329,333,788	100%

By Inflation

Inflation	Policy Count	Percent	Annualized Premium	Percent
No Inflation	52,892	70%	179,003,825	54%
Inflation	22,877	30%	150,329,962	46%
Total	75,769	100%	329,333,788	100%

By Marriage Status at Time of Issue

Marital Status	Gender	Policy Count	Percent	Annualized Premium	Percent
Married	F	33,320	44%	141,781,065	43%
Married	M	22,663	30%	97,291,326	30%
Single	F	15,171	20%	68,952,742	21%
Single	M	4,615	6%	21,308,655	6%
Total		75,769	100%	329,333,788	100%

By Premium Mode

Premium Mode	Policy Count	Percent	Annualized Premium	Percent
Monthly	57,149	75%	253,946,905	77%
Quarterly	14,353	19%	55,566,987	17%
Semi-Annually	2,460	3%	11,179,844	3%
Annually	1,807	2%	8,640,051	3%
Total	75,769	100%	329,333,788	100%

By Underwriting Type

Underwriting Type	Policy Count	Percent	Annualized Premium	Percent
LF	43,082	57%	187,653,051	57%
MGI	17,795	23%	79,228,489	24%
SF	14,892	20%	62,452,248	19%
Total	75,769	100%	329,333,788	100%

By Product Series

Product Series	Policy Count	Percent	Annualized Premium	Percent
LTC 1	57,475	76%	259,859,976	79%
LTC 2	5,126	7%	22,945,985	7%
LTC 3	11,052	15%	36,427,392	11%
LTC 4	2,116	3%	10,100,434	3%
Total	75,769	100%	329,333,788	100%

Appendix E

Participant and Claim Changes between 6/30/2024 and 6/30/2025

Participant Changes

	Count
In-force Policies as of 6/30/2024	80,153
New Policies	0
Reinstatements	18
Active Lives Mortality	(1,446)
Disabled Lives Mortality	(1,951)
Benefit Exhaustion	(146)
Lapse	(859)
In-force Policies as of 6/30/2025	75,769

Claim Changes

	Count
Open Claims as of 6/30/2024	6,548
New Claims	2,248
On-claim Deaths	(1,936)
Claim Recoveries	(292)
Exhaustion of Benefits	(145)
Open Claims as of 6/30/2025	6,423

Appendix F – Glossary of Actuarial Terms

Glossary of Actuarial Terms

Anti-Selection - Individuals who let their policies lapse because of special events (see “Shock Lapses”) are usually in better health. A participant does not normally drop their coverage if they anticipate that they will soon have a claim. As a result of this participant decision process, individuals who retain their policies are often, on average, in worse health than those who lapse them. This phenomenon is called anti-selection.

Base Case - The results of a projection using the “best estimate” assumptions in the LTC valuation. All sensitivity projections are done relative to this base case.

Benefit Period - This is the period of time that an insured would receive benefits if the full maximum daily benefit amount was paid each day an insured is on claim. If less than the maximum daily benefit amount was paid, the length of time that a claimant would receive benefits would be greater than this time period.

Claim Incidence - The probability of a policyholder incurring a claim is referred to as claim incidence. In this valuation, only an eligible claim that satisfied the elimination period is considered a claim incidence or an open claim.

Claim Termination - The probability that an existing claim will cease is referred to as claim termination.

Comprehensive Plan - A plan that covers home health care in addition to care in a nursing home and/or an assisted living facility.

Conversion - The voluntary decision to switch or reduce coverage, sometimes as the result of a specific event such as a premium rate increase.

Credible - A statistical measure of the degree to which data is considered reliable for predictive purposes. Credibility increases as a block of business grows and as more data accumulates over time.

Margin Percentage – Can be also described as the surplus/deficit as a percentage of the present value of future premiums. This is a calculation that determines the degree to which the current fund value is insufficient to pay future benefits, expressed as a percentage of the present value of future premiums. A negative margin, which means it is a deficit, is an estimate of what one-time rate increase would be needed to bring the Program back to the target margin level. If the current fund value is more than enough to pay future benefits, the surplus is represented by a positive number. In formula terms:

{Current Fund Balance + Present Value of Premiums - Present Value of Benefits and Expenses} / Present Value of Premiums

Discount Rate - An interest rate used to determine present values. For CalPERS, the discount rate is set equal to the expected investment earnings rate.

Policy Duration - The amount of time, typically measured in years from the issue date of the policy. Policy duration is sometimes referred to as policy year.

Appendix F

Glossary of Actuarial Terms (continued)

Elimination Period - The period of time in which the participant pays for care before benefits are paid from insurance proceeds.

First Principles Model - A model that uses fundamental concepts and assumptions to project cash flows. First principles model calculations tend to use more granular assumptions and track policyholder status and transitions more closely than a comparable claim cost model does.

Facility-Only Plan - A type of plan that pays for care in a nursing home or assisted living facility, but not for care at home or in the community.

Funded Status - Method of expressing the current financial status of the Program, which is consistent with the CalPERS pension plan financial status measurements. In general, the funded status is the assets divided by the accrued liability, or reserves. For long-term care insurance, the accrued liability is equal to the present value of future benefits and expenses less the present value of future premiums. This definition is consistent with a statutory gross premium valuation reserve for LTC insurance. In this context, a breakeven position is a ratio of 100%. In formula terms:

Fund Balance / {Present Value of Benefits and Expenses - Present Value of Premiums}

Incidence - The number of participants that start a claim as a percentage of the participants that could start a claim over a specified time period (i.e., probability of claim).

Incurred But Not Reported (IBNR) - an estimate of the liability for claim-generating events that have taken place but have not yet been reported.

Inflation Coverage - An optional feature that increases the amount of available benefits over time to protect a participant against rising health care costs. The CalPERS inflation coverage offers four different levels of automatic inflation protection: 3 or 5 percent simple, and 3 or 5 percent compound.

LTC1, LTC2, LTC3, LTC4 - Four different long-term care insurance plans sold to CalPERS participants. The main differences between the plans are the percentages of daily benefit for Home Health Care (HHC) and Assisted Living Facility (ALF) care available at the time of claim in comparison to the Nursing Home (NH) coverage for comprehensive policies. A summary of those benefits and the initial issue year is shown below:

LTC1 (1995) - NH (100%) / ALF (50%) / HHC (50%)
LTC2 (2003) - NH (100%) / ALF (70%) / HHC (50%)
LTC3 (2005) - NH (100%) / ALF (70%) / HHC (70%)
LTC4 (2014) - NH (100%) / ALF (100%) / HHC (100%)

MDB / DBA – Maximum daily benefit, or daily benefit amount. This is the maximum dollar amount limit that the LTC policy would reimburse for eligible services each day, or alternatively is used to calculate other benefit limit amounts such as the monthly or total coverage amount.

Model - An actuarial tool used to project future cash flows including premiums, claims, investment returns, and expenses.

Appendix F

Glossary of Actuarial Terms (continued)

Morbidity - The generic term for the various assumptions underlying the expected/projected claims of a block of business.

Mortality - The rate of death.

Partnership Plan - A collaboration or “partnership” between the state government, insurance companies, and state residents who buy long-term care Partnership policies. The purpose of the Partnership Program is to encourage individuals to purchase LTC coverage and save the state money by increasing the private funding of LTC services, thereby reducing Medicaid payments for LTC. The advantage of the partnership plan for a participant is that once their insurance coverage is exhausted, their assets in an amount equal to the amount of insurance coverage used are protected when qualifying for Medicaid payments for LTC.

Present Value - A calculation that expresses future cash flows in a current cash equivalent amount based on assumed future rates of return (the discount rate).

Selection Factors - Factors used to adjust attained age or ultimate morbidity to levels reflecting recent underwriting/issue, generally reducing the projected claims associated with those policies. Different selection factors are also used for the mortality assumption.

Shock Lapses - An insurance phenomenon where individuals have a higher chance to allow their policies to lapse/terminate due to a specific event such as a premium rate increase.

Terminations - The policies that are no longer active due to death, voluntary lapse, or any other reason.

Underwriting Type - Underwriting is the process of evaluating and selecting risks to be insured. Three types of underwriting were utilized at various times by CalPERS:

- Modified Guaranteed Issue (MGI) - limited underwriting for younger applicants active in the workforce
- Short Form (SF) - simplified application process with limited medical evaluation for younger applicants.
- Long Form (LF) - considered “full underwriting” due to the comprehensive nature of the medical questions asked and the associated underwriting process.

CalPERS only uses the long form of application for underwriting since 2002.

Voluntary Lapsation - Occurs when a participant chooses to voluntarily terminate their policy rather than terminate due to death or limitations on renewing contained within the policy itself.

Benefit Exhaustion – Occurs when an individual has collected the maximum amount of benefits in the policy’s benefit pool. The policy terminates when the benefit pool is exhausted.

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