



Actuarial Update on GET

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Presentation to GET Legislative Advisory Committee



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Highlights

- Ninety-four percent funded status at June 30, 2013
- Full funding plan remains on schedule
- 2013-14 unit price unchanged at \$172
- Improved risk profile since last measurement
- Supporting analysis in *2013 Price-Setting Analysis Letter* and *GET Actuarial Valuation Report*



Funded Status Of Current Contracts

Funded Status Summary (Dollars in Millions)	
Present Value of Future Obligations	\$2,716
Present Value of Fund	\$2,557
Funded Status	94.1%
Reserve/(Deficit)	(\$160)

- Measured at June 30, 2013
- Funded status improved from last measurement due to lower assumed tuition growth in response to enacted 2013-15 Budget and higher than expected investment returns
- Excludes the impacts of differential tuition

Projection Of Current And Future Contracts

Projection of Current and Future Contracts (If All Assumptions are Realized) (Dollars in Millions)					
Fiscal Year	Funded Status	Units Sold	BOY* Fund Value	BOY* Obligation Value	Net Cash Flow
2013	94%	787,215	\$2,557	\$2,716	\$111
2014	95%	877,243	2,689	2,823	113
2015	96%	886,809	2,830	2,935	97
2016	98%	898,047	2,955	3,028	78
2017	99%	904,397	3,064	3,101	74
2018	100%	912,719	3,170	3,166	75
2019	102%	922,882	3,278	3,229	92
2020	103%	929,078	3,403	3,303	105
2021	105%	937,339	3,543	3,387	108
2022	106%	947,522	3,688	3,468	113
2023	108%	954,496	3,840	3,550	122
2024	110%	963,550	4,003	3,635	134
2025	112%	972,246	4,179	3,725	149
2026	114%	982,939	4,372	3,823	161
2027	117%	991,264	4,580	3,928	180
2028	119%	999,647	4,810	4,043	207
2029	121%	1,008,193	5,069	4,177	247
2030	124%	1,018,861	5,371	4,341	289
2031	126%	1,027,937	5,720	4,539	336
2032	128%	1,035,729	6,119	4,773	380
2033	130%	1,045,790	6,566	5,039	425
2034	132%	1,054,827	\$7,063	\$5,338	\$470

*Beginning of Year.

- Full funding expected in 2018
- Funded status of 115 percent recommended for adequate future reserve
- More units expected to be redeemed than sold until 2030
- Net cash flow, including investment income, expected to remain positive
- Results will vary to the extent future experience varies from assumptions

Key Assumptions

Key Assumptions	
Annual Investment Return	5.50%
Annual Tuition Growth	
2013-14	0.0%
2014-15	0.0%
2015-16	8.1%
2016-17	8.1%
2017-18	8.1%
2018-19	8.1%
2019-20	6.5%
2020-21	6.5%
2021-22	6.5%
2022-23	6.5%
2023-24	6.5%
2024-25+	5.5%
Average Annual Unit Sales*	947,906

*Over next 20 years.

- Investment return assumption lowered from 5.98 to 5.50 percent
- Short-term tuition growth assumptions consistent with enacted 2013-15 Budget
- Assumptions reviewed and updated annually

Full Funding Plan Remains On Track

- After two years of experience, full funding plan adopted in 2011 remains on track
- 1,503,962 units sold during 2011-12 enrollment period
- 1,038,773 units sold during most recent enrollment period
 - 845,000 units expected for the year under 30-year amortization schedule



2013-14 Unit Price Unchanged At \$172

GET Unit Price Information		
Category	2012-13 Enrollment	2013-14 Enrollment
Unit Price		
Expected Cost	\$127.66	\$126.42
Expenses	5.33	5.45
Reserve	19.95	19.78
Amortization	19.73	20.82
Total Unit Price	\$172.00	\$172.00

Note: Totals may not agree due to rounding.

- **Expected Cost** - covers the expected cost of future tuition and certain administrative expenses
- **Expenses** - covers the GET program's annual operating expenses
- **Reserve** - covers unexpected future costs such as higher than expected tuition growth or lower than expected investment returns
- **Amortization** - an optional component that covers unexpected past costs from significant program or policy changes. In 2011, GET committee established a one-time 30-year amortization of the unfunded liability measured at June 30, 2011.

Risk Analysis

- Program's on-going success depends on maintaining delicate balance between risk and affordability
- "Risk" represents risk state will need to make contributions to program
- "Affordability" represents the affordability of future GET units
- Improving one risk typically increases the risk of the other



Key Risk Metrics

Key Risk Metrics — Current Guidelines		
Risk Category	2012	2013
Probability of Insolvency over 50 Years	1.0%	0.1%
Probability of Funded Status Under 50% over 50 years*	21.7%	6.0%
Probability of Purchaser Experiencing Negative Return**	3.0%	3.9%
Probability of Average Annual Sales Below 750,000	18.3%	16.9%
Average Expected Annual Units Sold (Next 20 Years)	936,803	947,906

* Probability of funded status below 50 percent over consecutive years is less than the probability of funded status below 50 percent in a single year.

** 2013-14 enrollment cohort only.

- Improvement in all key risk metrics except one
- Chance of purchaser experiencing negative ROR increased because amortization component increased as a percentage of total unit price
- Solvency risk over next 50 years back to 2009 levels
- Risk analysis assumes program remains open under current price-setting guidelines

Solvency Report Card

Solvency Report Card				
Category	Value	Score	Grade	Weight
Probability of State Contributions	0.1%	100	A	25%
Worst Case 50-Year State Contributions (Millions)	\$759	98	A	25%
Average Funded Status	145%	100	A	20%
Probability of Funded Status Under 50%	6.0%	89	B	20%
Average Annual Change in Premium Level	0.89%	96	A	10%
Total Solvency Score		97	A	100%

- Solvency Report Card improved from B to A
- Worst case 50-year state contributions reduced by nearly 60 percent
- See 2009 GET Solvency Study for more information on development and use of solvency report cards

Summary

- Plan currently 94 percent funded
- Long-term funding target of 115 percent recommended
- Full funding plan on track after two years of experience
- Program's obligations and risks can change quickly
- Future experience can vary from expectations
- On-going monitoring and risk management recommended

