



Actuarial Analysis Of GET Program



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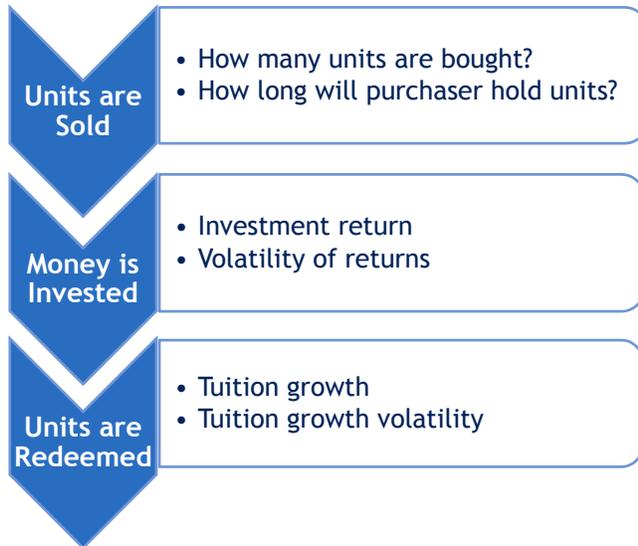
June 28, 2012

Highlights

- Snapshot of current contracts' funded status
 - Currently funded at about 80 percent of future obligations
- Full funding plan adopted last year
 - Expected full funding in 2029
 - Large unit price increase for enrollment period ending June 30, 2012
 - Uncertain effect on future unit sales
- Check-in on first year of experience since plan adopted
 - Unit sales on track
 - Tuition growth slightly better than expected
 - Asset returns slightly worse than expected (through April 2012)
 - Overall, positive sign that adopted plan can work
- Ongoing risk outlook
 - Probability of state contributions - 2.4 percent over next 50 years
 - One in four chance of funded status dropping below 50 percent
 - Continue to monitor full funding plan and risks
- *All analysis in this presentation excludes the impact of differential tuition*



Program Basics And Key Assumptions



Estimated June 30, 2012, Status Of Current Contracts

| | |
|---------------------------------|-----------------|
| Present Value of Obligations | \$2.833 billion |
| Present Value of Fund | \$2.306 billion |
| Snapshot Funded Status* | 81.4 percent |
| Snapshot Unfunded Obligations** | \$527 million |

*Ratio of Fund Value to Obligations.

**Amount of obligations not currently covered by Fund Value.

- Preliminary June 30, 2012, results
 - Based on June 30, 2011, valuation data
 - Estimated as of June 30, 2012, with known experience
 - See 2012 Valuation in August for final results

Key Assumptions

| Key Assumptions | |
|---|----------------|
| Investment Returns | 6.32% per year |
| Tuition Growth (Excludes Differential Tuition) | |
| 2012-13 | 16% |
| 2013-14 | 12% |
| 2014-15 | 10% |
| 2015-16 | 10% |
| 2016-17 | 8% |
| 2017 + | 5.5% |



Funded Status Tells Part of Story For Open Program

- GET currently open to new purchasers
- Snapshot funded status only partially applicable for open program
- Current funded status plus projection of open program tells whole story (includes future purchases)
- Two types of analysis useful for ongoing program
 - Best estimate projection of program
 - Risk analysis of actual events occurring differently than assumed



Full Funding Plan Adopted To Address Current Funding Shortfall

- GET Committee adopted a plan in 2011 for full funding
 - Included a one-time 30-year amortization in the unit price to cover past losses
 - Expected 100 percent funded status in 2029
 - Expected 115 percent long-term funded status
 - Keep reserve for adverse experience
 - Largest price increase in program's history
 - For enrollment period ending June 30, 2012
 - Program's past year experience important to assess ongoing viability of full funding plan

Full Funding Plan Adopted Last Year On Track

- Results of past year experience
 - Unit sales close to estimate - approximately 920,000 versus estimated 883,000
 - Short-term investment and tuition experience roughly offsetting (through April)
 - Projected 2012 funded status approximately equal to estimate from last year

| Full Funding Plan Check-In | | | | | | |
|----------------------------|------------|---------------|----------|------------|-------------------|----------------|
| Fiscal Year | Unit Price | Funded Status | | Units Sold | Investment Return | Tuition Growth |
| 2010 | \$117 | 69.8% | Actual | 2,697,696 | 20.5% | 19.0% |
| 2011 | \$163 | 80.3% | Expected | 883,000 | 6.3% | 18.0% |
| | | | Actual | 920,000* | 3.42%** | 16.0% |
| 2012 Expected | \$170 | 81.5% | | | | |
| 2012 Actual | TBD | 81.4% | | | | |

*Actual sales of 773,000 as of June 15 projected to June 30.

**Actual investment returns through April 30, projected to June 30.

Full Funding Plan Expected To Weather Cash Flow Stress

- Still expect 100 percent funded status in 2029
- Cash flow stress in 2012 - 2031 as more units expected to be used than sold
 - Still expect positive cash flows in all years



Full Funding Plan Expected To Weather Cash Flow Stress

| Full Funding Plan Projection (If All Assumptions are Realized) | | | | | | | |
|--|---------------|--------|----------------------|----------------------|----------------|----------------------|---------------|
| <i>(Dollars in Millions)</i> | | | | | | | |
| Fiscal Year | Funded Status | Price* | Number of Units Sold | Number of Units Used | BOY Fund Value | BOY Obligation Value | Net Cash Flow |
| 2011 | 80% | \$163 | 920,000 | 784,945 | \$2,125 | \$2,645 | \$140 |
| 2012 | 81% | 169 | 852,458 | 959,141 | 2,309 | 2,835 | 166 |
| 2013 | 83% | 179 | 840,194 | 1,375,504 | 2,477 | 3,003 | 111 |
| 2014 | 83% | 188 | 867,566 | 1,444,036 | 2,590 | 3,115 | 100 |
| 2015 | 84% | 198 | 875,922 | 1,483,231 | 2,693 | 3,215 | 86 |
| 2016 | 84% | 209 | 882,947 | 1,413,771 | 2,785 | 3,300 | 94 |
| 2017 | 85% | 220 | 891,803 | 1,518,926 | 2,886 | 3,392 | 77 |
| 2018 | 86% | 232 | 899,583 | 1,543,848 | 2,971 | 3,465 | 73 |
| 2019 | 87% | 245 | 906,516 | 1,546,087 | 3,053 | 3,531 | 72 |
| 2020 | 87% | 258 | 915,359 | 1,447,055 | 3,136 | 3,594 | 94 |
| 2021 | 88% | 272 | 923,537 | 1,470,451 | 3,242 | 3,676 | 91 |
| 2022 | 89% | 287 | 931,231 | 1,482,507 | 3,347 | 3,752 | 89 |
| 2023 | 90% | 302 | 940,850 | 1,482,717 | 3,452 | 3,822 | 90 |
| 2024 | 92% | 319 | 947,954 | 1,469,970 | 3,560 | 3,891 | 95 |
| 2025 | 93% | 336 | 957,085 | 1,449,515 | 3,676 | 3,959 | 103 |
| 2026 | 94% | 354 | 982,722 | 1,435,276 | 3,801 | 4,030 | 114 |
| 2027 | 96% | 373 | 991,869 | 1,398,279 | 3,941 | 4,108 | 130 |
| 2028 | 98% | 393 | 1,001,145 | 1,335,126 | 4,099 | 4,195 | 158 |
| 2029 | 100% | 415 | 1,008,895 | 1,239,107 | 4,288 | 4,302 | 202 |
| 2030 | 102% | 437 | 1,018,764 | 1,139,259 | 4,522 | 4,445 | 254 |
| 2031 | 104% | 461 | 1,027,399 | 1,054,138 | 4,811 | 4,631 | 309 |
| 2032 | 106% | \$486 | 1,036,603 | 991,967 | \$5,157 | \$4,861 | \$361 |

* Shown in dollars (not in millions).

Full Funding Plan Can Vary From Expectations

- Expected full funding plan will not occur exactly as expected
- Can program handle significant adverse deviations?
 - Assume annual tuition growth can vary from -13.7 percent to 24.7 percent
 - Assume annual investment returns can vary from -22.5 percent to 45.7 percent
 - Assume annual unit sales can vary from 0 to 4 million units

| Solvency Report Card | | | | |
|---|---------|-----------|----------|-------------|
| Category | Value | Score | Grade | Weight |
| Probability of State Contributions | 2.4% | 84 | B | 25% |
| Worst Case 50-Year State Contributions (Millions) | \$3,561 | 89 | B | 25% |
| Average Funded Status | 114% | 99 | A | 20% |
| Probability of Funded Status Under 50% | 24.4% | 52 | F | 20% |
| Average Annual Change in Premium Level | 1.31% | 94 | A | 10% |
| Total Solvency Score | | 83 | B | 100% |

- Ongoing risk management process
 - Risks can change
 - Continue to monitor and evaluate program's risks

Summary

- Long-term funding target of 115 percent funded
- Plan currently about 80 percent funded
- A full funding plan is in place
 - A large unit price increase occurred for the current enrollment period
 - The first year's experience has been on track with plan
 - On an expected basis, the plan will lead to full funding in 2029
- Ongoing risk management
 - Plan will not occur exactly as expected
 - Continue to monitor & evaluate
- *All analysis in this presentation excludes the impacts of differential tuition*
 - *Will be covered in next presentation*

Questions

- Q & A

