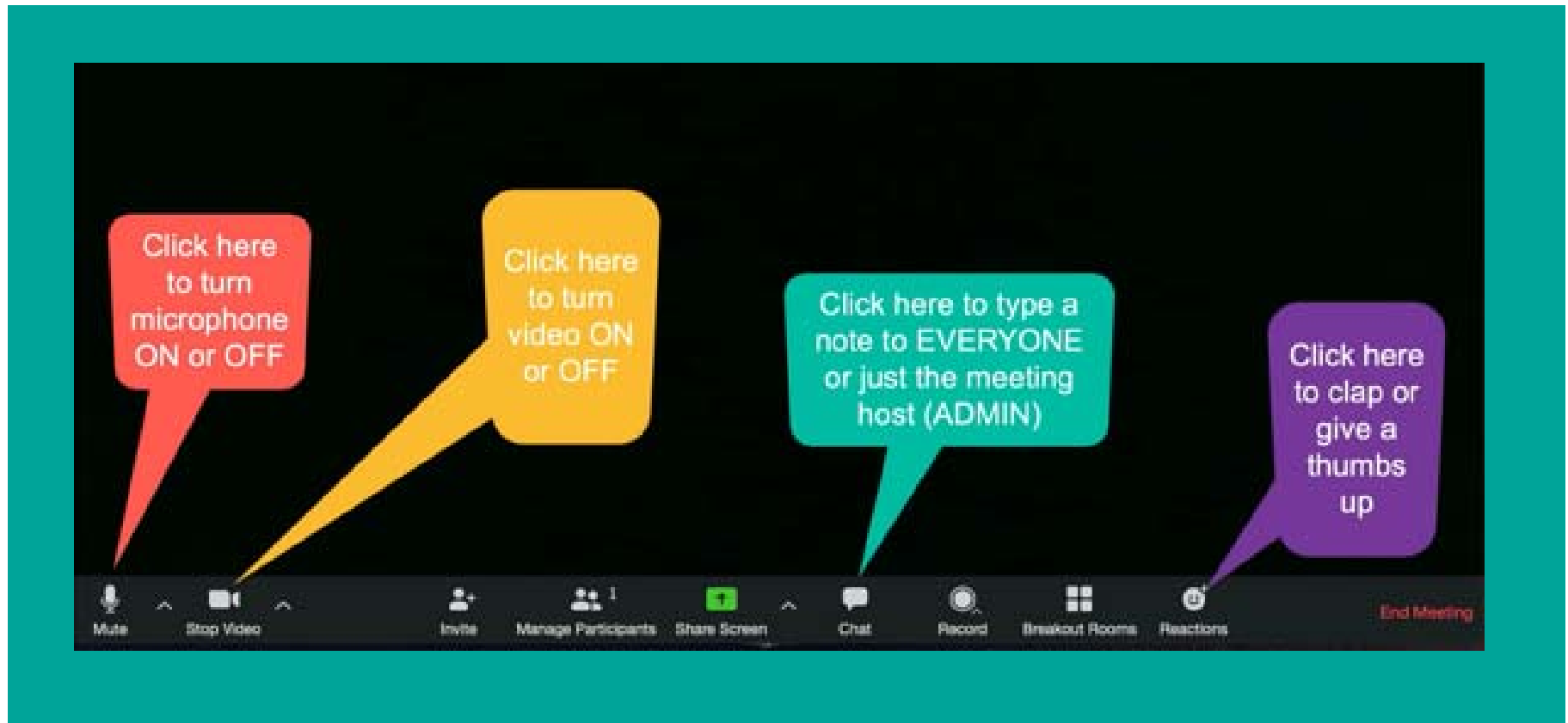




Long-Term Services and Supports Trust Commission Meeting

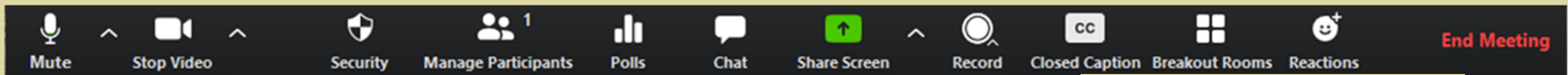
August 4, 2020

Zoom Controls



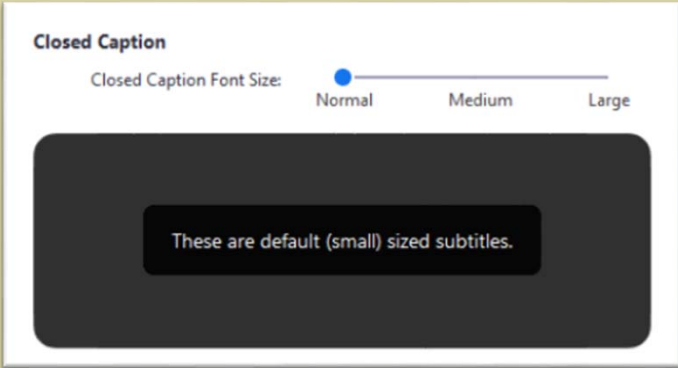
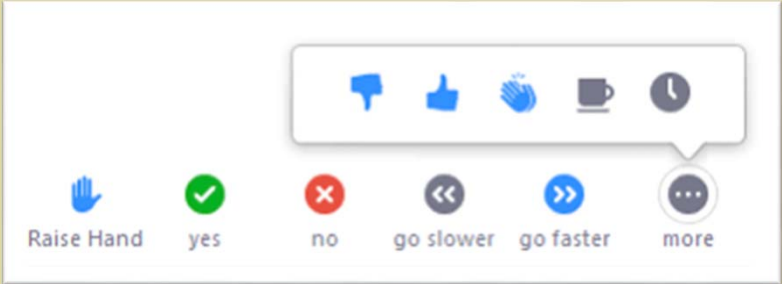
Sample Poll

Zoom Controls



Raise Hand and other non-verbal cues

Toggle closed captions on/off



Meeting Guidelines

Commission Members

- Please turn on video
- Stay muted unless talking
- Encourage active participation
- Raise hand to speak if necessary
- Participate in polls

Observers

- Please keep video off
- Please mute audio
- Please observe, but don't interact with meeting
- Okay to participate in polls
- Sign up in Chat tool if you wish to comment.

Welcome and Introductions



- Commission member introductions
 - Name and organization/representation
 - Word of the day is ...

Meeting Goals



- Review draft foundational principles, charter, and bylaws
- Discuss opt-out and opt-in options
- Review draft actuarial analysis part 1
- Establish process to address
 - Coverage for individuals who become disabled before age 18
 - Requirements to be a qualified individual
- Review and approve proposed report formats
- Establish and initiate Investment Strategy Subcommittee
- Establish agenda for next meeting in September

Consent Agenda

- Commission minutes from 4/30/2020

Unfinished Business

Foundational Principles, Bylaws,
Charter

Foundational Principles

LTSS Trust Poll of Top Three Draft Foundational Principles Commission Members



Foundational Principles - Feedback



- Regarding “Be modern, innovative, and entrepreneurial” - focus on solutions that are not rooted in tradition or “all the other agencies do it this way” but focused on how to bring solutions that are meaningful and reflect technology and needs of current and future participants is important.
- Suggest adding something about working with beneficiaries to make sure there is a broad range of services
- Suggest including that beneficiaries have the right to the type of care they receive

Foundational Principles - Questions



- Does 'all Washingtonians' include undocumented people who will pay into the LTSS Trust fund through their jobs?

Bylaws – Feedback

- Add a person to the Commission who is an unpaid family caregiver or someone who served in that position in the past year or so.
- Change the Amendments Procedure section. Unless there is an emergency situation or a simple housekeeping item, a two week advance notice is not enough time before taking a vote on a proposed change. Any substantive change in Bylaws should be fully discussed and considered with questions answered before a vote is taken.

Charter



- No feedback or questions received

New Business

Reports, Actuarial Analysis, Coverage
Options, Qualified Individuals,
Investment Strategy Subcommittee

Reports

1. Administrative Expenses Report, due 11/15/2020
2. Commission Report, due 1/1/2021

Actuarial Analysis

OSA Overview, Opt-out/in, Review
Draft Actuarial Analysis,
Implications and Next Steps

Actuarial Analysis: OSA Overview

Presentation to:

LTSS Trust Commission

Luke Masselink, Senior Actuary, ASA, EA, MAAA

$$\int x^2 \sqrt{x^2 \pm a^2} dx = \frac{x}{6} (2x^2 \pm a^2) \sqrt{x^2 \pm a^2} - \frac{a^2}{8} \ln|x + \sqrt{x^2 \pm a^2}| + C$$

August 4, 2020



Office of the State Actuary

"Supporting financial security for generations."

Agenda

- Office of the State Actuary's (OSA's) role in supporting the LTSS Trust Program
- Background and key takeaways for today's updated actuarial analysis
- Key next steps
- No action required by the Commission today

OSA to Assist with the Commission's Report

- January 1, 2021 LTSS Trust Commission report
 - Commission provides recommendations on whether and how to extend coverage to individuals who became disabled before the age of 18
 - Includes impact on the financial status and solvency of the trust
 - Analysis on coverage extension to be delivered in Milliman's final report (October)
- OSA shall provide any recommendations to the Commission and Legislature on actions necessary to maintain trust solvency
- Commission to consult with OSA on development of an actuarial report to monitor and project program solvency and financial status

OSA Makes Recommendations to Maintain Trust Solvency

- Starting January 1, 2024, perform biennial valuations of the LTSS Trust Program
- Make recommendations on actions necessary to maintain trust solvency
 - Includes the Commission, Council, and Legislature
 - Including options to adjust the benefit unit and/or approved services
- Make recommendations to the Pension Funding Council on changes to the premium rate
- Provide cash-flow projections to Washington State Investment Board to assist in asset allocation policy for the trust fund
- OSA intends to build internal expertise as well as rely on external consultants to support the needs of the program

Additional Analysis Needed Prior to 2024

- OSA contracted with Milliman, who performed the feasibility study, to update analysis of the LTSS Trust Program reflecting current law
- Some program provisions did not match what was assumed in the feasibility study
 - Examples: Opt-out provision, daily benefit amount, and future benefit growth
- Current law does not specifically define each benefit provision
 - Analysis includes assumed definition of provisions where necessary
 - Analysis also includes scenarios with alternate definitions for consideration
- Analysis provides updated premium rate
 - Including analysis on how the premium rate changes when demographic and economic assumptions vary from baseline assumptions
- More analysis is coming October 1
 - Milliman's final report will include additional analysis, including extending coverage to individuals who became disabled before the age of 18

High-Level Key Takeaways

- Current law defined, and limited, the premium rate to 0.58%
- Clarifying current law program provisions is an important first step
- Passage of SJR8212 materially changes solvency projections
 - Ability to invest contributions in equity market decreases expected premium rate
 - Increases risk exposure
- Actual experience occurring differently than assumed can lead to a wide range of premium rates
 - Wage growth
 - Growth of benefit unit

What are Key Next Steps for the LTSS Trust Program?

- Increasing understanding of LTSS Trust Program solvency would benefit from...
 - Clarifying current program terms
 - Establishing risk management framework
 - Finalizing investment policy
- Additional analysis to re-measure program solvency consistent with these policies will be required
- Caution expanding benefits until more analysis is done reflecting the items above

Questions? Please Contact: The Office of the State Actuary
leg.wa.gov/OSA; state.actuary@leg.wa.gov
360-786-6140, PO Box 40914, Olympia, WA 98504
Presenter: Luke Masselink, Senior Actuary

Thank You



Office of the State Actuary

"Supporting financial security for generations."

August 4, 2020

Private Insurance Opt-out and Self-employed Opt-in

- Foundational principle of social insurance: everyone pays in, everyone benefits
- Significant risk for LTSS Trust: allowing voluntary membership in plan
 - Legislative intent at earlier stage, modeled by Milliman in 2018, was grandfathered opt-in – not a risk to Trust solvency
 - *Prospective* opt-out and opt-in pose risks
 - Undermines risk pool (adverse selection) → upward pressure on premium rate
 - Unpredictability in amount of adverse selection makes rate-setting challenging
 - Incentivizes non-participation by high-income workers → upward pressure on rate
 - Opt out / Opt in put administrative burden on ESD
 - Consumer protection challenge: do workers really have equivalent coverage? (OIC)
 - Opt out/ Opt in will leave many Washingtonians unprotected by LTSS Trust

ESD Responsibility: Exemptions



October 1, 2021- December 31, 2022 – ESD will accept exemption applications

- “Exempt employee” means someone who has been granted a premium assessment exemption by ESD (SSB 6267).
- Only employees who are eighteen years of age or older may apply for an exemption.
- Individuals must apply for the exemption and attest that they have long-term care insurance.
- ESD is not required to verify attestations.
- Exemptions begin the quarter following approval.
 - Employees are not entitled to any refunds of premiums taken prior to approval.
- Exempt employees are responsible for providing written notification to their employers.
 - Failure to notify does not entitle an employee to a premium refund.
 - After notification to the employer, employers are responsible to refund premiums deducted after the notification.
- Exempt employees are permanently ineligible for coverage and can never become a qualified individual or an eligible beneficiary.
- Rulemaking regarding exemptions – Phase One (June, 2020 through April, 2021)

ESD Responsibility: Self-Employed Individuals Opting in



Beginning January 1, 2022, self-employed individuals may opt in to participate in the LTSS program

- Self-employed individuals must file a notice of election with ESD.
- Election of coverage for self-employed individuals is not time limited. They can opt in at any time.
- Self-employed individuals who opt in are considered employers or employees as defined in RCW 50A.05.010 (PFML statute).
- Once a self-employed individual opts in:
 - Assessment of premiums will begin the quarter immediately following the notice of election (will be clarified in rule).
 - They will be a “qualified individual” after meeting the duration of payment requirements.
- Election of coverage may be withdrawn by the self-employed individual.
- Coverage may be canceled if required payments and reports are not made.
- Rulemaking regarding self-employed individuals – Phase Two (September, 2020 through September, 2021)

Milliman Presentation

Implications and Next Steps

- If ESJR 8212 passes:
 - Determine margin needed (in dialogue with OSA)
 - Recommend package of program parameters that keeps projected cost below that margin's threshold premium rate
- If ESJR 8212 fails and shortfall projected:
 - Recommend program parameters that on a net basis:
 - Lower projected program cost
 - Raise projected program revenue (including guardrails around opt-out & opt-in)
- Long-term consideration: intergenerational equity

Break



Coverage for Individuals Who Become Disabled Before the Age of 18

- Establish process for gathering stakeholder input and developing recommendations

Requirements to be a Qualified Individual

- Establish process for developing options for Commission recommendation
 - “regarding the establishment of criteria for determining that an individual has met the requirements to be a qualified individual” as established in the statute
- “Qualified individual”:
 - Someone who has worked and contributed to the Trust for sufficient duration and is therefore vested in the Trust
- Statute specifies two paths to vested status:
 - *Total of 10 years without interruption of 5 or more consecutive years*
 - *3 years within last 6 years*

Investment Strategy Subcommittee

- Membership defined by statute
- Order asset allocation study by September

The Investment Strategy Subcommittee is established pursuant to RCW 50B.04.030(6). The subcommittee includes:

- 1. The following members from the Commission as voting members:*
 - a. Two members from each of the two largest caucuses of the House of Representatives, appointed by the speaker of the House of Representatives;*
 - b. Two members from each of the two largest caucuses of the Senate, appointed by the President of the Senate;*
 - c. The Commissioner of the Employment Security Department, or the Commissioner's designee;*
 - d. The Secretary of the Department of Social and Health Services, or the Secretary's designee;*
- 2. Four members appointed by the Governor who are considered experienced and qualified in the field of investment as non-voting members.*

Public Comment

- Please indicate your interest in making a public comment in the Chat tool
- Each person has 2 minutes to address the Commission
- The Commission receives input, but does not generally respond to comments
- Please unmute and turn on your video when recognized by the Chair or the facilitator

Set Agenda for September Meeting



- Tentative dates of Commission meetings through 2020
 - September 30
 - October 20, 23 or 28
 - November 18, 23, or December 3
- Potential topics for September meeting
 - Tribal participation in the LTSS Trust
 - Approve Commission Charter and Bylaws
 - Approve LTSS Trust Foundational Principles
 - Discuss and provide feedback on the draft actuarial analysis part 2
 - Discuss and provide feedback on the draft Administrative Expenses Report
 - Review and provide feedback on options for the January Commission report to the Legislature and executive agencies

Wrap-Up

- Review action items
- Is there anything you need to support your work as Commissioners?

Thank You

