



CalPERS Long-Term Care Policyholder Rate Increase FAQ

Why is CalPERS raising Long-Term Care rates?

The CalPERS Long-Term Care Fund is facing a shortfall due to lower than expected investment returns and an adjustment in actuarial assumptions. Given this shortfall, rate increases are necessary to cover the projected future costs of providing benefits to policyholders.

How can CalPERS increase rates in the middle of a pandemic?

We recognize this is an exceedingly difficult time, especially during the continued uncertainty caused by COVID-19 and its impact on seniors and caregivers. We have spent months comprehensively exploring numerous options and consulting with state and national experts. We are only taking this action because there is no viable alternative. Higher rates are necessary to maintain the program's sustainability and protect the benefits of policyholders for whom it provides critical care.

When will the increase be effective and how much will it be?

The rate adjustments will be phased in over two years. A 52% increase will take effect no earlier than November 2021 and if necessary, a second increase of up to 25% will take effect no earlier than fall 2022.

Why is the rate increase so significant?

The CalPERS Long-Term Care Fund is 69% funded and faces a shortfall of approximately \$2.1 billion.

What is CalPERS doing to increase the fund's investment returns?

CalPERS is engaging an external manager with expertise in Long-Term Care fund investing to improve investment returns in a low-interest rate environment. The CalPERS Board of Administration approved a change to its mix of investments in March 2021.

What if I cannot afford the new rates?

We will offer a benefit package that will allow you to avoid the 52% rate increase. The customized offer will be sent to you at least 60 days in advance of your rate increase. If you do not accept the offer, the rate increase will take effect on your next billing due date no earlier than November 2021.

What benefit design options are available to avoid the 2021 52% increase?

We have developed benefit design options, that if accepted, will allow you avoid the rate increase. The options include:

- **Reducing the duration of your benefit.** This option would shorten the benefit period of your policy.*
- **Reducing the daily benefit amount.** This option would decrease the amount that you will be reimbursed when you qualify for benefits and receive eligible long-term care services.
- **Reducing Inflation Protection.** This would allow you to give up this optional benefit but maintain the higher daily benefit amount you have accrued over the years.

* *If you choose a policy with less than a one-year benefit period, it may not be tax-qualified. We recommend you consult your tax advisor if you have questions regarding the tax favored status of this coverage.*

If I convert my policy in 2021 to avoid the 52% increase, will I still be subject to the potential 25% increase in 2022?

Yes. However, if this second change is needed, you will have another opportunity to adjust your benefits. You will receive a letter explaining your options at least 60 days in advance of your rate increase. The letter will include the opportunity to further amend your long-term care benefit package in place of that rate increase.

If I reduce my benefits, can I increase them later?

Not necessarily. You can apply for an increase in benefits available for your policy, but it is important to understand that you may be subject to medical underwriting. This means your full medical history could be reevaluated, a face to face assessment may be required, and your application for an increase in coverage could be declined. If approved, you would begin paying the increased premium for the added coverage you obtained.

Will there be future rate increases? If I accept this one will I get another one?

It is possible. CalPERS cannot guarantee future rates. However, as was the case in this instance, we would consider every possible alternative to minimize or prevent future increases.

I am currently receiving long-term care benefits from CalPERS, does this rate increase impact me or my benefits?

No. The rate changes do not affect you if you are currently receiving long-term care benefits. However, if you get better and no longer need long-term care services, you would be subject to the rate increase at that time.

How can I cancel my plan and get my money back?

You may cancel your coverage at any time; however, we are not able to provide a refund of premiums. We strongly recommend that you evaluate all your options before canceling your coverage. If you choose to cancel your long-term care policy, please mail a written request, with your signature, to the following address:

LTCG/CalPERS Long-Term Care Program
P.O. Box 64902
St. Paul, MN 55164-0902

Who can I contact if I have questions about the rate increase options?

In August 2021, our third-party administrator LTCG will be able to address your options. If you have additional questions regarding the rate increase and your options, please contact the LTCG Call Center, Monday through Friday, 8:00 a.m. – 5:00 p.m. (Pacific Time) at (888) 877-4934.

Who can I contact if I have general questions about my Long-Term Care policy?

For general questions regarding your long-term care policy, please contact the LTCG Call Center, Monday through Friday, 8:00 a.m. – 5:00 p.m. (Pacific Time) at (800) 982-1775.