

Alabama PACT

Tuition Payments Increase Discussion

May 2025

April 2025

Alabama PACT Board

Sherman Actuarial Services, LLC (SAS) was retained to report on the funding status and projected cash flows of PACT as of March 31, 2025 assuming various scenarios regarding increasing the payments to schools for the coming school year.

Assumptions and Methods

The study is based on the same actuarial assumptions as was used for the September 30, 2024.


Purpose of This Report

This report is prepared for the PACT Board. It is expected that this report will be used to assist the Board in determining the amount of increase in the adjusted 2010 tuition rates payable to schools on behalf of plan beneficiaries. Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without the written consent of SAS.

Qualifications

Daniel Sherman is an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries. He served as the actuary to the Alabama PACT plan for eighteen years, and is the current actuary for the Texas, and West Virginia prepaid tuition programs. He meets the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions concerning it.

SHERMAN ACTUARIAL SERVICES, LLC



Daniel Sherman, ASA, MAAA
CEO and Consulting Actuary

Potential Increase in PACT rates for 2025-26

The table below is a summary of the results showing the total costs to maintain the program as of March 31, 2025, including an increase in PACT rates of 3%. To develop the expected Tuition and Fees payments by PACT, we modified the WAT assumptions to include an assumed 3% increase in actual Tuition rates by all schools for 2025-26. At 12 credit hours per semester 4 schools had tuition rates greater than the PACT rates.

	September 30, 2024 Annual Valuation	March 31, 2025 Valuation
Assets		
a. Market Value of Assets	205,247,150	192,497,501
b. Present Value of future contract purchaser payments	182,939	125,720
c. Administrative Expenses	(2,423,663)	(2,217,112)
d. Present Value of Education Trust Fund payments	0	0
e. Subtotal (a + b + c + d)	203,006,426	190,406,108
Liabilities		
f. Present Value of tuition and cancellation payments	51,545,533	43,135,624
Funded Status		
g. Reserve (e – f)	151,460,893	147,270,485
h. Funded Ratio	380.6%	424.7%

Projected Cash Flow
March 31, 2025 Valuation
(millions)

Fiscal Year	Benefit Payments	Contract Holder Payments	Education Trust Fund Payments	Admin Expenses	Income	EOY Assets
3/31/2025						\$ 192,500
10/01/24 - 09/30/25	-\$ 3,200	\$ 100	\$ 0	-\$ 263	\$ 4,363	193,500
10/01/25 - 09/30/26	-16,300	0	0	-525	7,425	184,100
10/01/26 - 09/30/27	-12,000	0	0	-525	5,725	177,300
10/01/27 - 09/30/28	-7,900	0	0	-400	4,700	173,700
10/01/28 - 09/30/29	-4,900	0	0	-300	3,500	172,000
10/01/29 - 09/30/30	-1,400	0	0	-200	3,400	173,800
10/01/30 - 09/30/31	-500	0	0	-100	3,500	176,700
10/01/31 - 09/30/32	-200	0	0	-100	3,500	179,900
Total	-\$ 46,400	\$ 100	\$ 0	-\$ 2,413		

The sum of the values may not match the total shown due to rounding.

Assumptions

- Settlement
- WAT: 4-Year Alabama schools \$6,491 Out-of-State and Private \$5,277, Technical and Community Colleges \$2,358
- Tuition Inflation at 3% for 2025-26, 0% thereafter
- Normal Cancellation rates

The table below is a summary of the results showing the total costs to maintain the program as of March 31, 2025, including an increase in PACT rates of 4%. To develop the expected Tuition and Fees payments by PACT, we modified the WAT assumptions to include an assumed 4% increase in actual Tuition rates by all schools for 2025-26. At 12 credit hours per semester 4 schools had tuition rates greater than the PACT rates.

	September 30, 2024 Annual Valuation	March 31, 2025 Valuation
Assets		
a. Market Value of Assets	205,247,150	192,497,501
b. Present Value of future contract purchaser payments	182,939	125,720
c. Administrative Expenses	(2,423,663)	(2,217,112)
d. Present Value of Education Trust Fund payments	0	0
e. Subtotal (a + b + c + d)	203,006,426	190,406,108
Liabilities		
f. Present Value of tuition and cancellation payments	51,545,533	43,516,014
Funded Status		
g. Reserve (e – f)	151,460,893	146,890,095
h. Funded Ratio	380.6%	421.2%

Projected Cash Flow
March 31, 2025 Valuation
(millions)

Fiscal Year	Benefit Payments	Contract Holder Payments	Education Trust Fund Payments	Admin Expenses	Income	EOY Assets
3/31/2025						\$ 192,500
10/01/24 - 09/30/25	-\$ 3,300	\$ 100	\$ 0	-\$ 263	\$ 4,463	193,500
10/01/25 - 09/30/26	-16,400	0	0	-525	7,325	183,900
10/01/26 - 09/30/27	-12,100	0	0	-525	5,725	177,000
10/01/27 - 09/30/28	-8,000	0	0	-400	4,800	173,400
10/01/28 - 09/30/29	-4,900	0	0	-300	3,300	171,500
10/01/29 - 09/30/30	-1,400	0	0	-200	3,500	173,400
10/01/30 - 09/30/31	-500	0	0	-100	3,400	176,200
10/01/31 - 09/30/32	-200	0	0	-100	3,600	179,500
Total	-\$ 46,800	\$ 100	\$ 0	-\$ 2,413		

The sum of the values may not match the total shown due to rounding.

Assumptions

- Settlement
- WAT: 4-Year Alabama schools \$6,491 Out-of-State and Private \$5,277, Technical and Community Colleges \$2,358
- Tuition Inflation at 3% for 2025-26, 0% thereafter
- Normal Cancellation rates