

Delaware PERS



2024 OPEB Actuarial Valuation

November 25, 2024

Beth Mercer, FSA

Key Results – State OPEB - Current



(Dollar amounts in millions)	2023	2024
Actives Actuarial Liability (AL)	\$ 4,941	\$ 5,838
Inactive AL	<u>4,624</u>	<u>5,267</u>
Total AL	\$ 9,565	\$ 11,105
Market Value of Assets (MVA)	<u>687</u>	<u>957</u>
UAL (Total AL – MVA)	\$ 8,878	\$10,148
MVA Funded Ratio (MVA/AL)	7.2%	8.6%
Eligible Participant Counts		
Active	40,186	41,197
Eligible Terminated Vested (TV)	3,983	4,187
Eligible LTD	502	506
Inactives with Coverage	<u>33,893</u>	<u>33,683</u>
Total	78,564	79,573

Eligible Participants are those active employees or terminated vested in the State, Judges, or State Police Retirement Plans, as well as retirees, disableds, spouses, and surviving spouses with medical coverage. Liability for terminated vested and LTD participants is included with Inactive AL above.

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OPEB Changes Since 2023 Valuation



- 2024 participant data
 - Active counts increased by 2.5%
 - Inactive counts decreased by 0.6%
- There were some programming changes made in response to the actuarial audit
 - These changes had minimal impact on the liabilities
 - Otherwise, demographic assumptions were unchanged in 2024
- Discount rate for determining actuarial liability
 - Up from 3.65% to 3.94%, reducing liabilities
- Premium equivalent rates
 - Retiree contributions increased by 27% as of 7/1/2024, reducing liabilities

OPEB Changes Since 2023 Cont.



- 2024 valuation claim curves, and trends
 - Claims curves were updated using actual claims experience and participant data trended to 2024
 - Update trends consistent with the health care actuary's projections
 - Changes to the prescription drug landscape are driving much higher short-term trends, increasing liabilities

	Prior Valuation Assumed trends for 2024/2025	Healthcare Actuary's Assumed Trends for 2024/2025	Current Valuation's Trends for 2024/2025
Non-Medicare Eligible Medical	6.0%	8.0%	8.0%
Medicare Eligible Medical	5.0%	5.0%	5.0%
Non-Medicare Eligible Pharmacy	6.5%	14.0%	14.0%
Medicare Eligible Pharmacy	6.5%	10.0%	10.0%

Trends over Time



7/1/2016 Valuation

	Pre-65 Med	Post-65 Med	Pre-65 Rx	Post-65 Rx
7/1/2016	7.00%	4.00%	10.00%	10.00%
7/1/2017	6.80%	4.00%	9.60%	9.60%
7/1/2018	6.60%	4.00%	9.20%	9.20%
7/1/2019	6.40%	4.00%	8.80%	8.80%
7/1/2020	6.20%	4.00%	8.40%	8.40%
Ultimate 7/1/2033+	4.00%	4.00%	4.00%	4.00%

7/1/2020 Valuation

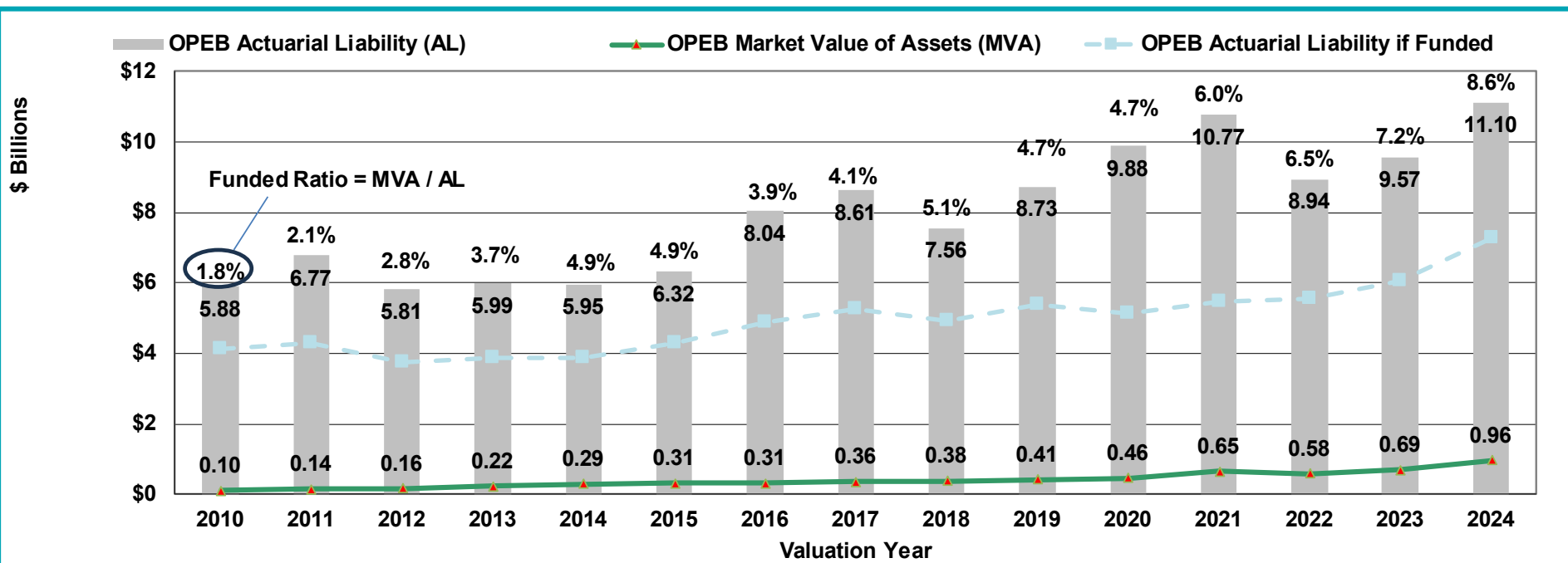
	Pre-65 Med	Post-65 Med	Pre-65 Rx	Post-65 Rx
7/1/2020	5.35%	4.00%	6.70%	6.70%
7/1/2021	5.28%	4.00%	6.55%	6.55%
7/1/2022	5.17%	3.97%	6.37%	6.37%
7/1/2023	5.07%	3.94%	6.19%	6.19%
7/1/2024	4.96%	3.91%	6.01%	6.01%
Ultimate 7/1/2039+	3.50%	3.50%	3.50%	3.50%

7/1/2024 Valuation

	Pre-65 Med	Post-65 Med	Pre-65 Rx	Post-65 Rx
7/1/2024	8.00%	5.00%	14.00%	10.00%
7/1/2025	8.00%	5.00%	11.00%	10.00%
7/1/2026	8.00%	5.00%	9.00%	9.00%
7/1/2027	7.50%	5.00%	7.50%	7.00%
7/1/2028	7.06%	4.98%	7.06%	6.65%
Ultimate 7/1/2044+	3.94%	3.94%	3.94%	3.94%

- The OPEB liability is sensitive to trend changes
 - A 1% increase or decrease in all years changes the liability by approximately 15%
- Short-term trends can be volatile and can be impacted by:
 - Changes in vendor contracts
 - Emerging drugs
 - New treatments and technology
 - Government regulations
 - Population changes
 - Infectious disease cycles
- Long-term trends are expected to eventually align with inflation and real GDP growth

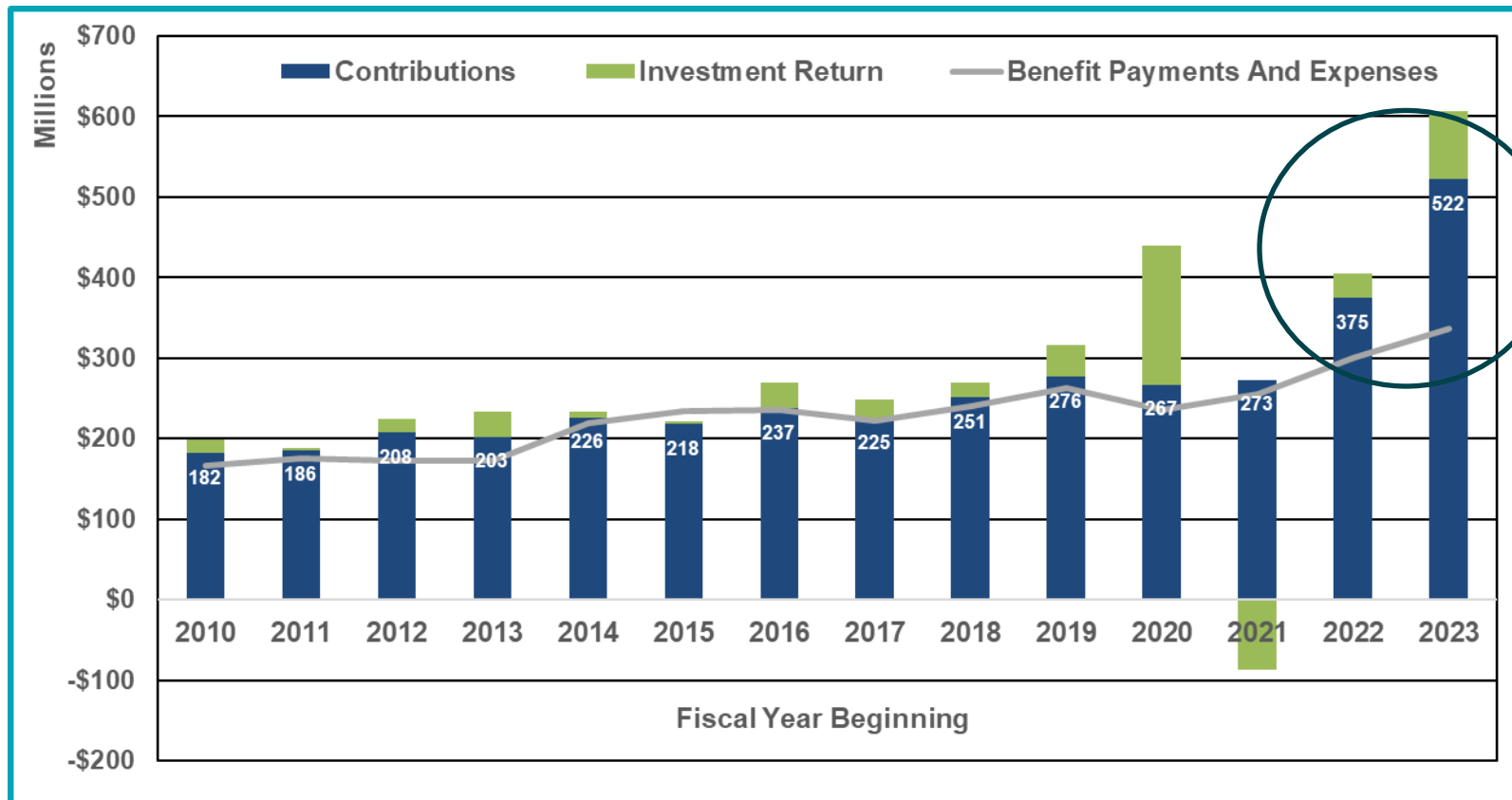
OPEB Historical Review – Assets & Liabilities



Discount Rate	5.00%	4.25%	4.25%	4.25%	4.25%	4.25%	3.75%	3.58%	3.87%	3.50%	2.21%	2.16%	3.54%	3.65%	3.94%
Funding Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.20%	7.20%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

- The funded ratio of the plan increased from 1.8% as of 7/1/2010 to 8.6% as of 7/1/2024.
- The improved funded ratio is due to the changes in the funding policy and ongoing efforts fund the plan.

OPEB – Historical Review - Contributions



- Historically, contributions were closer to the pay as you go cost.
- In the past few years, the implemented funding policy has exceeded the pay as you go costs and is increasing the market value of assets and funding ratio.
- The additional changes to the funding policy will continue to improve the funded status of the plan.

Required Disclosures



The purpose of this presentation is to present the annual OPEB actuarial valuation of the Delaware State Employees' Retirement System.

In preparing our presentation, we relied on information, some oral and some written, supplied by the Delaware State Employees' Retirement System. This information includes, but is not limited to, the plan provisions, membership data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

We hereby certify that this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the Delaware State Employees' Retirement Board for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

The actuarial assumptions, data, and methods are those used in the preparation of the latest actuarial valuation reports prepared for these plans as of June 30, 2024.

The assumptions reflect our understanding of the likely future experience of the Plans, and the assumptions as a whole represent our best estimate for the future experience of the Plans. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the Plan could vary from our results.

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- Actuarial Liability (AL)
 - Liability amount that is the funding target
 - Liability measure taking into account benefits accrued to date plus recognition of expected future salary increases
- Market Value of Assets (MVA)
 - Value shown on financial statements - “fair value”
- Funded Ratios
 - MVA Funded Ratio: Ratio of MVA to AL