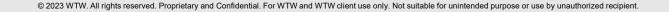
## The State of Delaware

Options to Reduce OPEB Liability

**RHBAS** Meeting

April 17, 2023



ANTAA

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#### Current OPEB liability



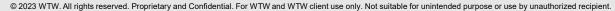
# **OPEB** Liability

#### Assuming No Changes in Plan Design, Eligibility or Funding

	At 7/1/2022 (in millions)	Estimates at 7/1/2042* (in millions)
Pre-Medicare	\$2,909	\$7,759
Medicare	<u>\$6,029</u>	<u>\$15,853</u>
Total Liabilities	\$8,938	\$23,612
Assets	\$583	\$2,911
Total Unfunded Liability	\$8,355	\$20,701
	At 7/1/2022 (in millions)	Estimates at 7/1/2042* (in millions)
Actives and New Actives		
Actives and New Actives Retirees	(in millions)	(in millions)
	(in millions) \$4,641	(in millions) \$14,096
Retirees	(in millions) \$4,641 <u>\$4,297</u>	(in millions) \$14,096 <u>\$9,516</u>

\* 2042 Projections include Actuarially Estimated New Hires After 7/1/2022 Source: Actuarial Estimates Produced by Cheiron. (<u>https://cheiron.us/cheironHome/</u>)

### Options to reduce OPEB liability





## Options to reduce OPEB liability

- Retiree Benefit Study Committee (RBSC) previously evaluated options to address the State's OPEB liability, grouped into three categories:
  - Increased funding
  - Eligibility changes
  - Plan design/benefit delivery
- The RBSC concluded that combining options from each bucket will have the greatest impact on the OPEB liability while potentially minimizing negative disruption to any one cohort
- The following pages provide a recap the options evaluated by the RBSC across each of the three buckets not intended to be exhaustive list of options, but rather a starting point for further exploration and consideration by the Retiree Healthcare Benefits Advisory Committee
- For each option, the chart shows magnitude of OPEB liability reduction, estimated funded ratio by 2052, and impacted cohorts
- OPEB liability reduction ranges are based on latest OPEB liability figures from State of Delaware Postretirement Health Plan Actuarial Valuation Report as of July 1, 2022 (produced by Cheiron November 2022)<sup>1</sup>
  - No additional changes made to July 1, 2022 report inputs and assumptions, including census

<sup>&</sup>lt;sup>1</sup> https://open.omb.delaware.gov/FinancialReports/HealthFundReports/FY2022-HealthFundReport.pdf

**OPEB liability reduction key (as of 7/1/2022)** \$ = <\$1B reduction \$\$ = \$1B - \$2B reduction \$\$\$ = >\$2B reduction

## Options to reduce OPEB liability

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction <sup>1</sup>	2052 Approx. Funded Ratio <sup>1</sup>	Impacted Cohorts
Baseline	Do nothing		<ul> <li>N/A</li> </ul>	<ul> <li>N/A</li> </ul>	• N/A
Funding Options					
1% additional funding	Assumes 1% of prior fiscal year state budget (\$47.7M based on \$4.7B budget for FY22); projected to grow at 3.6%		• \$	• 60%	<ul> <li>Taxpayers</li> </ul>
2% additional funding (not previously modeled)	Assumes 2% of prior fiscal year state budget (\$95.4M based on \$4.7B budget for FY22); projected to grow at 3.6%		• \$	• 93%	<ul> <li>Taxpayers</li> </ul>
3% additional funding (not previously modeled)	Assumes 2% of prior fiscal year state budget (\$143.1M based on \$4.7B budget for FY22); projected to grow at 3.6%		• \$\$\$	<ul><li>101%</li></ul>	<ul> <li>Taxpayers</li> </ul>

<sup>1</sup> Estimated; modeling provided by Cheiron



**OPEB liability reduction key (as of 7/1/2022)** \$ = <\$1B reduction \$\$ = \$1B - \$2B reduction \$\$\$ = >\$2B reduction

## Options to reduce OPEB liability

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction <sup>1</sup>	2052 Approx. Funded Ratio <sup>1</sup>	Impacted Cohorts
Baseline	Do nothing		<ul> <li>N/A</li> </ul>	<ul> <li>N/A</li> </ul>	<ul> <li>N/A</li> </ul>
Eligibility changes					
Reduce Spousal State Share Subsidy to 50%	Future retirees only		• \$	• 19%	<ul><li>Actives</li><li>Future new hires</li></ul>
Increase the Graduated State Share based on Years of Service	State Share eligibility schedule for those hired since 1/1/2012 to 20 years = 50%, 25 years = 75% and 30 years = 100%		• \$	• 20%	<ul><li>Actives</li><li>Future new hires</li></ul>
Eliminate Future Vested Retirees from eligibility for healthcare	Anyone who terms employment with State and is entitled to a future pension benefit will not have access to health coverage		• \$	• 18%	<ul><li>Actives</li><li>Future new hires</li></ul>
Increase minimum required age	Future retirees only State Police age 55, All Other age 60		• \$	• 21%	<ul><li>Actives</li><li>Future new hires</li></ul>

<sup>1</sup> Estimated; modeling provided by Cheiron



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## Options to reduce OPEB liability

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction <sup>1</sup>	2052 Approx. Funded Ratio <sup>1</sup>	Impacted Cohorts
Baseline	Do nothing		<ul> <li>N/A</li> </ul>	• N/A	<ul> <li>N/A</li> </ul>
Benefit changes					
Move to HRA/Individual Marketplace, with indexing of HRA	\$5,100 annual HRA for each eligible member and 2% annual indexing	<ul> <li>\$5,100 with 2% indexing previously modeled for RBSC; consider alternative HRA amount and indexing options</li> </ul>	- \$\$\$	• 35%	<ul> <li>Actives</li> <li>Future new hires</li> <li>Retirees</li> </ul>
Move to Highmark Group Medicare Advantage (MA)	Move to previously approved Highmark Group MA (\$0 premium medical); maintain current Employer Group Waiver Plan (EGWP) for Rx coverage	<ul> <li>Potential need to rebid coverage and/or obtain updated quote</li> </ul>	- \$\$\$	• 25%	<ul> <li>Actives</li> <li>Future new hires</li> <li>Retirees</li> </ul>

<sup>1</sup> Estimated; modeling provided by Cheiron



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## Options to reduce OPEB liability

- Additional options for future consideration and not previously modeled by the RBSC (unless noted) include, but are not limited to:
  - Move to HRA/Individual Marketplace, no indexing of HRA (previously modeled for RBSC)
  - Grandfather/no change for current retirees, future retirees move to Highmark Group MA
  - Grandfather/no change for current retirees, future retirees move to HRA/Individual Marketplace with or without indexing of HRA
  - Maintain Medicfill with plan design changes (i.e., increased member cost sharing)
  - Maintain Medicfill with increased retiree contribution share
  - Offer both Group MA (that closely mirrors Medicfill) and HRA/Individual Marketplace
  - Rate groups on their own experience
  - Target plan design and contribution changes for pre-65 retirees
- Additional analyses required for each of these options to assess feasibility and potential OPEB liability impacts

