



The State of Delaware

Options to Reduce OPEB Liability

RHBAS Meeting

May 8, 2023

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Current OPEB liability

OPEB Liability

Presented to RHBAS on 4/3/2023

Assuming No Changes in Plan Design, Eligibility or Funding

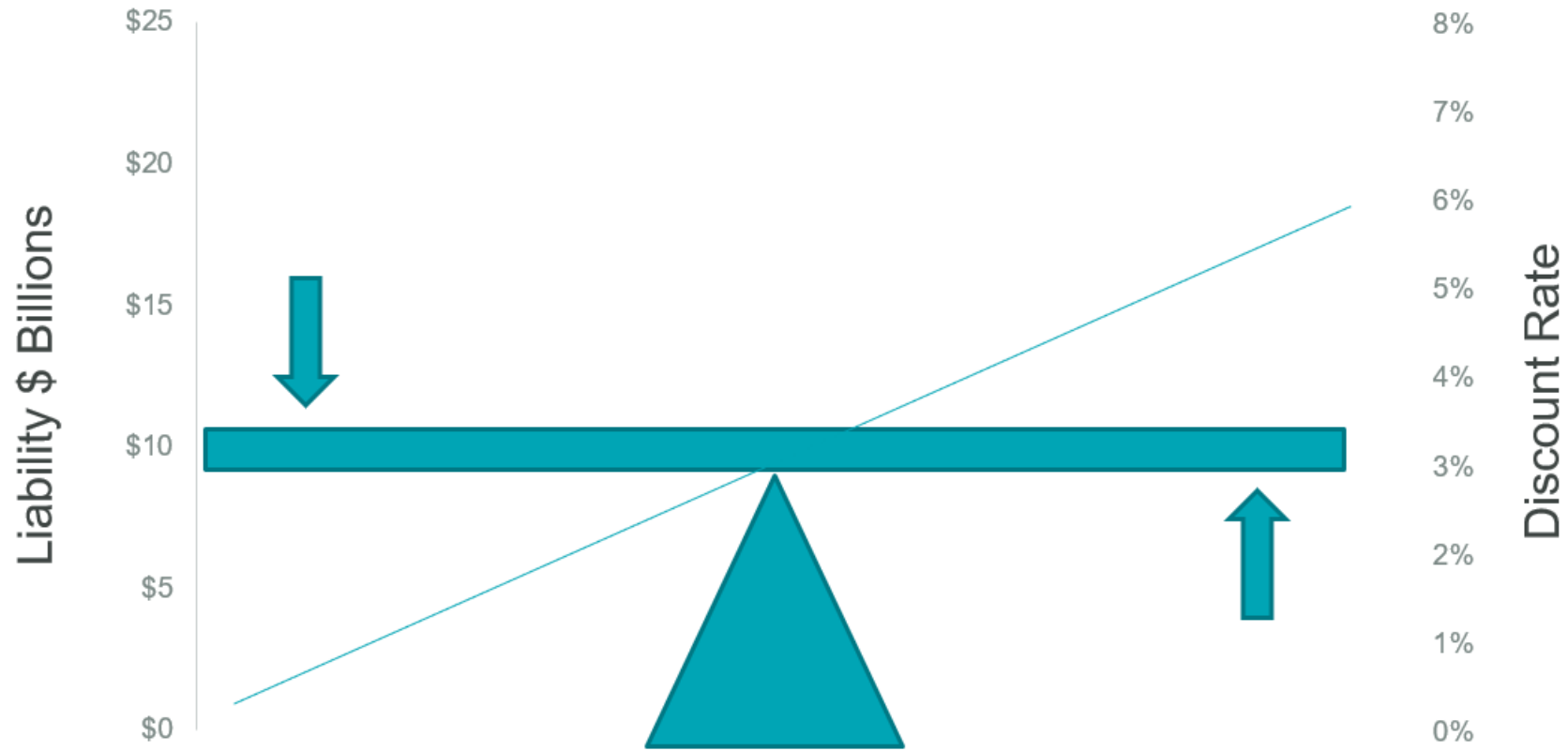
	At 7/1/2022 (in millions)	Estimates at 7/1/2042* (in millions)
Pre-Medicare	\$2,909	\$7,759
Medicare	<u>\$6,029</u>	<u>\$15,853</u>
Total Liabilities	\$8,938	\$23,612
Assets	\$583	\$2,911
Total Unfunded Liability	\$8,355	\$20,701
	At 7/1/2022 (in millions)	Estimates at 7/1/2042* (in millions)
Actives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

* 2042 Projections include Actuarially Estimated New Hires After 7/1/2022

Source: Actuarial Estimates Produced by Cheiron. (<https://cheiron.us/cheironHome/>)

Options to reduce OPEB liability

Discount Rate vs Liability



OPEB Funding Option for FY24

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

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction ¹	2052 Approx. Funded Ratio ¹	Impacted Cohorts
Baseline	Do nothing		▪ N/A	▪ N/A	▪ 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%	<ul style="list-style-type: none"> ▪ Discount rate increases to 5.64%, then 7% beginning 2036. ▪ Continue annual 0.36% payroll contribution 	▪ \$	▪ 60%	▪ Taxpayers

Propose codifying a 1% prior fiscal year state budget contribution

¹ Estimated; modeling provided by Cheiron

OPEB Eligibility Options

OPEB liability reduction key (as of 7/1/2022)

\$ = <\$1B reduction

\$\$ = \$1B - \$2B reduction

\$\$\$ = >\$2B reduction

Option	Option Description	Other Considerations	Approx. OPEB Liability Reduction ¹	2052 Approx. Funded Ratio ¹	Potential Impacted Cohorts
Baseline	Do nothing		▪ N/A	▪ N/A	▪ N/A
Eligibility changes					
Reduce Spousal State Share Subsidy to 50%	Applies to future non-Medicare and Medicare retirees	<ul style="list-style-type: none"> ▪ Does not include active employee spousal state share or current retirees ▪ Consider effective date of 1/1/2025 	▪ \$	▪ 19%	<ul style="list-style-type: none"> ▪ Current & future employees ▪ Future retirees
Increase the Graduated State Share based on Years of Service	Adjust State Share eligibility schedule for those hired since 1/1/2012 to 20 years = 50%, 25 years = 75% and 30 years = 100%	<ul style="list-style-type: none"> ▪ Consider effective date of 1/1/2025 	▪ \$	▪ 20%	<ul style="list-style-type: none"> ▪ Future retirees
Eliminate Future Vested Retirees from eligibility for healthcare	Anyone who terminates employment with State and is entitled to a future pension benefit will not have access to health coverage	<ul style="list-style-type: none"> ▪ Consider effective date of 1/1/2025 ▪ Applies to all former employees not drawing a pension benefit as of effective date 	▪ \$	▪ 18%	<ul style="list-style-type: none"> ▪ Current & former employees
Increase minimum required age	Future retirees only State Police age 55, All Other age 60	<ul style="list-style-type: none"> ▪ Consider effective date of 1/1/2025 ▪ Clarify if minimum age applies regardless of years of service 	▪ \$	▪ 21%	<ul style="list-style-type: none"> ▪ Current employees ▪ Future retirees

¹ Estimated; modeling provided by Cheiron

Potential Path Forward for May 19, 2023 RHBAS Meeting

- Review OPEB Actuary projected impact to OPEB liability for the four eligibility changes from prior slide
 - Assume no changes to the current Medicare Special Medicfill Supplement plan or Prescription Drug plan
- Resume discussion on potential OPEB modeling that includes a combination of eligibility changes with plan design changes
 - 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 (using proposed Highmark MA) and HRA/Individual Marketplace
 - Grandfather/no change for current retirees, future retirees move to Group MA (using proposed Highmark MA)
 - Grandfather/no change for current retirees, future retirees move to HRA/Individual Marketplace with or without indexing of HRA
 - Rate groups on their own experience
 - Target plan design and contribution changes for pre-65 retirees