

Document Submitted  
By  
Robert Clarkin

**Other Post Employment Benefits (OPEB) Trust Fund Overview and Analysis**  
**(Revised 5/2/2023), Robert Clarkin**

The OPEB Fund Trust (Trust) was established in 2001 by Delaware Code, Title 29, Section 5281 “(a) to which state appropriations and other employer contributions shall be deposited, and which earnings on investments, refunds and reimbursements shall be deposited upon receipt, and from which the State’s premiums as defined in 5202(b) of this title shall be paid, and any fees and expenses authorized by the Board shall be paid. **No money shall be disbursed from this fund except for the purposes of the payment of the State’s premiums for post-retirement insurance for employees retired under Chapters 55 and 56 of this title and Chapter 83 of Title 11,** (b) The amounts remaining in the trust, if any, after all premiums, fees, and expenses have been paid for any year shall be retained in such trust for future payments until all state liabilities for post-employment benefits have been satisfied.” The Trust is administered by the Delaware Public Employees’ Retirement System (DPERS) Board of Trustees and includes the Delaware Post-retirement Health Plan (**Plan**) and the Delaware Local Government OPEB Investment Trust (**Local Trust**).

**I. Plan Fiduciary Positions During FY22, Expressed in Thousands**

- a. The Net Position at the beginning of the year was \$650,251.
- b. Total Additions totaled \$187,124 and were comprised of \$273,412 in Contributions and (\$86,288) Net Investment Earnings.
- c. Total Deductions totaled \$254,639 and were comprised of \$254,504 in Benefits Payments and \$135 in Administrative Expenses.
- d. The Increase (Decrease) in Net Position was (\$67,515). The decrease was caused by the decrease in Net Investment Earnings.
- e. The Net Position at the end of the year was \$582,736.

**Source:** BDO FY22 Auditor Report of OPEB Fund Trust, Page 9, dated November 18, 2022.

**II. Plan Contributions**

Section 1 of House Bill 75 provides FY24 funding for a state employee pension rate of ~~22.62~~22.52%. The components of the rate are ~~12.05~~ 12.61% for pension liability, ~~9.21~~ 8.55% (times payroll) for retiree health insurance costs and 0.36% (times payroll) for the OPEB Fund. Section 1 of House Bill 76 appropriates \$50,997,200 (1% carveout of previous year’s operating budget) for the OPEB Fund.

The **red** items below (a through e) contribute to the operating funds within the Plan. These funds are dispersed to cover OPEB expenses. Any surplus funds remain in the Plan. The **blue** items below (f through i) contribute to the Fiduciary position of the Plan. They are not used to cover OPEB expenses.

- a. State General Fund Premium Share (8.55% times GF payroll).
- b. Retiree Premium Share (% set by Delaware Code).
- c. Trust Fund Operations (TFO), Trust Fund Capital (TFC), Appropriated Special Funds (ASF), and Non-Appropriated Special Funds (NSF, Includes Federal Funds) Premium Share (8.55% times TFO, TFC, ASF, and NSF payrolls).
- d. State of Delaware Entities and Affiliated Group Contributions.
- e. The following Refunds and Reimbursements: Medicare Retiree RX Program (EGWP) Direct Subsidy, Federal Reinsurance (Low Income Program Subsidies from Medicare for ACA-eligible Retirees), Prescription Drug Rebates (EGWP), Medicare Part D Coverage Gap Discount, Non-Medicare Retiree Share of Prescription Drug Rebates (Commercial).
- f. Beginning in FY23, 1% carveout of previous year's operating budget.
- g. Annual 0.36% (times GF payroll) Contribution.
- h. Annual 0.36% (times TFO, TFC, ASF and NSF payrolls) Contributions (?).
- i. Net Investment Earnings.

**Sources:** BDO FY21 Audit Report of Schedules of Employer Allocations and OPEB Amounts by Employer, Page 4, dated May 25, 2022. Final FY23 Operating Budget Act (SB250). FY23 One-Time Supplemental Bill (SB251). State of Delaware, DHR, Fund Equity Report, June 2022.

### **III. Other Post Employment Benefits (OPEB) Liability**

Due to changes to General Accounting Standards Board (GASB) standards and GASB Statements 74 and 75, bond rating organizations are looking more closely at OPEB Net Unfunded Liabilities when rating bonds. The State has an AAA bond rating and is concerned that the liability could negatively impact the rating.

- a. The FY22 OPEB Liability is \$8.9B and is projected to grow to \$23.6B by FY42, an increase of 165%.
- b. The FY22 OPEB Net Unfunded Liability (Liability minus Trust Fund Net Position) is \$8.4B and is projected to grow to 20.7B by FY42, an increase of 146%.
- c. The OPEB Trust Fund is valued at \$583M in FY22 and is projected to grow, assuming a 7.0% return on assets, to \$2.9B by FY42.
- d. The valuation of the OPEB Trust Fund determines the size of the Unfunded Liability.

- e. The Trust Fund is supported by an annual 0.36% (times payroll) contribution. During FY23, the contribution was \$8.3M ( $\$2,317,640 \times .0036$ ).
- f. A new FY23 1% set aside (carve out) of the prior year budget in the amount of \$48M was dedicated to the OPEB Trust Fund. Continuation of the 1% set aside during FY24 will amount to \$51M. Assuming a 7% annual return on assets, this combined set aside of \$99M will grow to \$492M in FY42, further reducing the OPEB Unfunded Liability.
- g. Continuing the 1% set aside through FY42, as well as additional dedicated and continuous funding, will have a significant impact on reducing the OPEB NET Unfunded Liability and, consequently, reducing rating organization concerns.

**Source:** Cheiron Postretirement Health Plan Actuarial Valuation Report as of July 1, 2022 dated November 2, 2022.

#### **IV. Sources of OPEB Trust Fund Operational Contributions**

- a. Total FY21 OPEB Trust Fund Operational Contributions were \$267,040,068.
- b. The State of Delaware Entities and Affiliated Entities listed below in **g** through **o** contributed a total of \$35,207,580 in funds other than State General Funds resulting in a contributions balance of \$231,832,488.
- c. 4,110.4 State positions funded with funds other than General Funds listed in **p** through **q** below contributed a total of \$29,493,168 resulting in a contributions balance of \$202,339,320.
- d. Non-Medicare and Medicare Retiree Premium Share contributions listed in **r** through **s** below totaled \$29,135,758 resulting in a contributions balance of \$173,203,562.
- e. Total FY21 OPEB contributions from State General Funds (the State Operating Budget) were \$173,203,562 (64.9%).
- f. Total FY21 OPEB contributions from funds **other than** State General funds were \$93,836,506 (35.1%).
- g. Charter School contributions were \$12,322,506.
- h. Delaware Agricultural Lands Preservation Foundation contributions were 7,741.
- i. Delaware Department of Transportation contributions from TFO and TFC funds were \$9,213,713.
- j. Delaware State Housing Authority contributions were \$33,025.
- k. Delaware State Library contributions were \$298,471.
- l. Delaware State University contributions were \$6,183,176.
- m. Delaware Solid Waste Authority contributions were \$800,770.
- n. Delaware State Education Authority contributions were \$8,553.
- o. University of Delaware contributions were \$6,339,625.

- p. 1,815.2 State positions funded with Appropriated Special Funds contributions were approximately \$13,024,523.
- q. 2,295.2 State positions funded with Non-Appropriated Special Funds (includes Federal Funds) contributions were approximately \$16,468,645.
- r. Non-Medicare eligible retiree premium share contributions were \$22,900,000.
- s. Medicare retiree premium share contributions were \$6,235,758.

**Sources:** BDO FY21 Audit Report of Schedules of Employer Allocations and OPEB Amounts by Employer, Page 4, dated May 25, 2022. Final FY23 Operating Budget Act (SB250). FY23 One-Time Supplemental Bill (SB251). State of Delaware, DHR, Fund Equity Report, June 2022. State of Delaware FY2022 Financial Analysis of Health/RC Plans - Paid Basis. RHBAS presentation, Page 5, dated March 6, 2023.

#### **V. Sources of OPEB Revenues and Rebates That Offset OPEB Costs**

- a. Medicare Retiree RX Program (EGWP) Direct Subsidy of (\$458,861).
- b. Federal Reinsurance of \$19,073,018.
- c. Non-Medicare Retiree Share of Prescription Drug Rebates (Commercial) of \$10,044,891.
- d. Prescription Drug Rebates (EGWP) of \$48,339,011.
- e. Medicare Part D Coverage Gap Discount of \$27,811,296.
- f. Total Revenues and Rebates of \$104,809,355.
- g. As these funds are not included in the contributions in Section IV above, they do not appear to have been deposited in the OPEB Trust Fund as required by Delaware Code, Title 29, Section 5281 “(a) to which state appropriations and other employer contributions shall be deposited, and which earnings on investments, **refunds and reimbursements** shall be deposited upon receipt.”

**Source:** State of Delaware, DHR, Fund Equity Report, June 2022.

#### **VI. Total Contributions and Revenues/Rebates**

It appears that the Revenues and Rebates that accrue to the OPEB are used to offset GHIP costs and are not deposited into the OPEB Trust Fund. The following analysis accounts for these funds.

- a. Total FY21 OPEB Trust Fund Operational Contributions amount to \$267,040,068.
- b. Total Revenues and Rebates amount to \$104,809,355.
- c. Total OPEB Contributions, Revenues, and Rebates amount to \$371,849,423.

- d. Total FY21 OPEB contributions from State General Funds (the State Operating Budget) were **\$173,203,562 (46.6%)**.
- e. Total FY21 OPEB contributions from funds **other than** State General funds were **\$198,645,861 (53.4%)**.

**Sources:** BDO FY21 Audit Report of Schedules of Employer Allocations and OPEB Amounts by Employer, Page 4, dated May 25, 2022. Final FY23 Operating Budget Act (SB250). FY23 One-Time Supplemental Bill (SB251). State of Delaware, DHR, Fund Equity Report, June 2022. State of Delaware FY2022 Financial Analysis of Health/RC Plans - Paid Basis.

### **VII. Non-Medicare and Medicare Retiree FY22 Costs**

- a. Total Non-Medicare Retiree Medical paid claims amount to **\$88,436,575**.
  - b. Total Non-Medicare Medical administrative costs amount to **\$4,841,704**.
  - c. Total Non-Medicare Retiree capitation costs amount to **\$1,829,246**.
  - d. Total Non-Medicare Retiree Medical costs amount to **\$95,107,525** (a + b + c).
  - e. Total Non-Medicare Retiree RX paid claims amount to **\$30,278,944**.
  - f. Total non-Medicare Retiree RX administrative costs amount to **\$186,912**.
  - g. Total Non-Medicare Retiree RX rebates amount to **\$10,044,891 (this amount was subtracted from paid claims on the Paid Basis report)**.
  - h. Total Non-Medicare Retiree RX costs amount to **\$20,420,965** (e + f - g).
  - i. Total Non-Medicare Retiree operating costs amount to **\$301,028**.
  - j. Total Non-Medicare Retiree costs amount to **\$115,829,518** (d + h + i).
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- a. Total Medicare Medical paid claims amount to **\$60,239,633**.
  - b. Total Medicare Retiree Medical administration costs amount to **\$5,669,394**.
  - c. Total Medicare Retiree Medical costs amount to **\$65,909,027 ( a + b)**.
  - d. Total Medicare Retiree RX paid claims amount to **\$152,441,369**.
  - e. Total Medicare Retiree RX administration costs amount to **\$3,628,934**.
  - f. Total Medicare Retiree RX rebates and EGWP savings amount to **\$90,380,053 (this was subtracted from paid claims on the Paid Basis report)**.
  - g. Total Medicare Retiree RX costs amount to **\$65,690,250** (d + e - f).
  - h. Total Medicare Retiree operating costs amount to **\$1,228,029**.
  - i. Total Medicare Retiree costs amount to **\$132,827,306** (c + g + h).

**Source:** State of Delaware FY2022 Financial Analysis of Health/RC Plans - Paid Basis.

## VII. Applying Contribution Rates in VI Above To Costs

- a. Total Non-Medicare and Medicare Retiree medical costs amount to \$161,016,552.
- b. Total Non-Medicare and Medicare Retiree RX costs amount to \$86,111,215.
- c. Total Non-Medicare and Medicare Retiree operating costs are \$1,529,057.
- d. Total non-Medicare and Medicare Retiree RX rebates and EGWP savings about to \$100,424,944.
- e. Total Non-Medicare and Medicare Retiree costs amount to \$349,081,768.
- f. At 46.6%, Total Non-Medicare and Medicare Retiree costs covered by State General Funds amount to \$162,672,104. 3.4% of the FY22 \$4,771,492,200 State General Fund Operating Budget.
- g. At 53.4%, Total Non-Medicare and Medicare Retiree costs covered by funds other than State General Funds amount to \$186,409,664.

Source: State of Delaware FY2022 Financial Analysis of Health/RC Plans - Paid Basis.

## VIII. Funding and Benefit Options, 2021 Trust Fund Valuation, 2050 Projection

The optimum goal is to reach a minimum employer contribution level at least equal to the Actuarially Determined Contribution (ADC) associated with the explicit subsidy benefits. Funded Ratio = Trust Assets / Accrued Liabilities. The State should set a reasonably attainable goal to reach a XX% funding level and XX% ADC by XXXX year. During FY23, the .36% of Payroll Appropriation amounts to \$8.3M and the 1% of Budget Index Carveout amounts to \$48M, for a total ADC of \$56.3M (6.2% of the ADC in b. below).

An updated valuation should be calculated indicating the results of increasing the carveout to 2.0%, 3.0%, and 5.0%. Consideration should be given to combining the payroll appropriation and the carveout into a single funding mechanism and placing it into the Delaware Code.

- a. Baseline, \$842 Total Benefits, \$2,466 ADC, \$37,022 Accrued Liabilities, \$4,626 Trust Assets, 12.50% Funded Ratio, 2.16% Discount Rate.
- b. Baseline + .36% of Payroll Appropriation + 1% of Budget Index Carveout, \$842 Total Benefits, \$910 ADC, \$19,094 Accrued Liabilities, \$10,874 Trust Assets, 56.90% Funded Ratio, 7.00% Discount Rate.
- c. Baseline + Appropriation + Carveout + Eliminate Future Terminated Vesteds, \$798 Total Benefits, \$837 ADC, \$18,153 Accrued Liabilities, \$10,874 Trust Assets, 59.90% Funded Ratio, 7.00% Discount Rate.

- d. **Baseline + Appropriation + Carveout + Reduce Spousal Subsidy for Future Retirees**, \$730 Total Benefits, \$675 ADC, \$15,979 Accrued Liabilities, \$10,874 Trust Assets, 68.10% Funded Ratio, 7.00% Discount Rate.
- e. **Baseline + Appropriation + Carveout + Graduated State Share Based on YOS**, \$842 Total Benefits, \$659 ADC, \$15,874 Accrued Liabilities, \$10,874 Trust Assets, 68.50% Funded Ratio, 7.00% Discount Rate.
- f. **Baseline + Appropriation + Carveout + Minimum Required Age 60/55**, \$727 Total Benefits, \$601 ADC, \$15,444 Accrued Liabilities, \$10,874 Trust Assets, 70.40% Funding Ratio, 7.00% Discount Rate.

**Source:** Department of Finance Presentation to the Retirement Benefit Study Committee on November 29, 2021.

### **IX. Reset of Medicare and Non-Medicare Retiree Premiums**

- a. The FY22 Medicare Retiree average Medicfill/RX premium per month amounted to \$460.07. The average cost per month amounted to \$385.50 (\$74.57 less than the average premium). This resulted in a net income of \$25,692,641.
- b. The FY22 Non-Medicare Retiree average Medical/RX premium per month amounted to \$1,082.38. The average cost per month amounted to \$1,456.98 (\$374.60 more than the average premium). This resulted in a net income of (\$29,780,216).
- c. During FY22, total Employer Contributions to the OPEB Trust Fund amounted to \$273,280,000. Total Benefit Payments amounted to \$254,504,000, resulting in an operational balance of \$18,776,000.
- d. The Medicare Retiree premium should be lowered to \$385.50, freeing \$25,692,641 in OPEB Trust Fund operational funds. These funds, along with \$4,087,575 in available operational balance funds, should be used to reset the Non-Medicare Retiree premiums in order to eliminate the \$29,780,216 shortfall. The reset should be accomplished in such a manner as to not increase the Non-Medicare Retiree premium share.

**Source:** State of Delaware FY2022 Financial Analysis of Health/RC Plans - Paid Basis. BDO FY22 Auditor Report of OPEB Fund Trust, Page 9, dated November 18, 2022.



**X. Establish an Active Employee Monthly OPEB Contribution Similar to the Pension Contribution**

- a. During my 36 years of state employment, I contributed to the Pension Trust Fund on a monthly basis. During my final year of employment (2008), \$80.34 (3%) was deducted from my monthly salary as a “RegPenCd”. This was my contribution towards funding the long-term viability of my pension.
- b. A similar OPEB Trust Fund deduction should be established to contribute to the long-term viability of OPEB medical/RX benefits. These funds could be included in the ADC.

**Source:** Payroll Direct Deposit Advice, 12/19/2008.

**XI. Delaware Public School District and Delaware Technical Community College OPEB Contributions**

- a. Delaware Public School Districts, though partially funded with local school district and federal funds, and Delaware Technical Community College, though supported with tuition and contractual funds, do not make fair share employer contributions to the OPEB Trust Fund.
- b. The State of Delaware appears to cover these costs with General Funds. These funds are included in the total FY21 OPEB contributions from State General Funds (the State Operating Budget) amounting to **\$173,203,562** in Section IV.
- c. As per the Fitch Bond Rating Report dated February 9, 2022: “As is the case with pension system contributions, the state pays school district OPEB, contributing to the high liability”.

Document Submitted  
By  
Barbara Philbin  
on Behalf of  
Nancy Colley

I am reading this comment for Nancy Colley who is coping with a sleep condition that makes it difficult for her to communicate verbally.

My name is Nancy Colley. I am a retired Advance Practice Nurse and former Nursing Program Director from the Division of Developmental Disability Services. Prior to this I was a nurse and then a nursing instructor for five years at the Nursing School of Wilmington now no longer in existence.

I am now 78 and live in a Senior Living Facility in Independent Living. Presently I have heart failure, kidney failure, hypothyroidism, diabetes, hypertension, Parkinson disease and am on more medications than I can count. I am also a breast cancer survivor.

Age takes its toll, subcommittee member. I am not telling you this, not to make you feel sorry for me, but because I am terrified the State will abandon not only me, but many other in worse condition, those that are forgotten, and move us as quickly as it can into a Medicare Advantage Plan without any reservations. Now I am at peace with our present Medicfill and hope it continues.

Subcommittee members It is of the utmost importance that you remember the forgotten. There are those like me that remain very capable and do our best to help those who are not as fortunate. We can handle our own insurance but cannot visualize a future fighting for services. We are capable of communicating with all the residents; but many are not and these are the forgotten ones that we do not talk about; especially the ones with Dementia and so many others including the many who are falling and breaking bones and being sent to nursing homes. It is a very sad situation.

So Committee members I urge you to think about how these retired state employees will cope with change when you make your final recommendations. So many now asleep in the lobby of the Nursing Home—those who do not know how to participate in activities, can't figure out what is going on, lack advocates and just are not capable of dealing with the complexities of a Medicare Advantage plan with preauthorizations, let alone in and out of networks. Don't only focus on the younger and more capable retirees like me in your conversations, despite our challenges, but also those who are frail and sick without the supports they need. Again, it is a very sad situation and too often they are forgotten.

So speaking for myself as well as the many who are forgotten, please Subcommittee members Grandfather us in and take Medicare Advantage Only off the table. Thank you.

Document Submitted  
By  
Mary Graham

Dear Chair, Vice Chairs and Members of the RHBAS,

The attached Supplement One to retirees' Presentation of 3/22/23 shows the historical erratic funding of OPEB assets and how that history points to codification of enhanced funding (at least 1% of prior year budget). We expect to mention this at tomorrow's RHBAS meeting and ask that it be included in the public record for tomorrow's meeting.

We are also very concerned that the Committee is still being presented with inadequate, misleading or unclear financial information - particularly because very important WTW or DOF slides lack clarity as to assumptions, source and methodology. That includes most notably:

(a) The persistent slide that pops up like a prairie dog showing the Medicare retirement benefit as 2/3 of the cause of the unfunded liability and pre-Medicare as 1/3, or said differently, giving a ratio of 2:1 for contribution to the liability (Medicare to PreMedicare). This would lead you to believe that Medicfill is "the problem." See *again* top half of first data slide of Options to Reduce Liability in tomorrow's WTW package:

<https://dhr.delaware.gov/benefits/sebc/documents/rhba-subcommittee-2023/0508-opeb-options.pdf#page=4>); and

(b) The persistent WTW slide that gives a "\$" yelp rating (< \$1B) for the impact of 1% enhanced funding, which would lead you to believe that proper funding has minor impact and is not the place to start. See <https://dhr.delaware.gov/benefits/sebc/documents/rhba-subcommittee-2023/0508-opeb-options.pdf#page=7>

**As to (a):** we know that the relative costs of Medicare to Pre-Medicare have been close to 1:1 for years (see attached "Ratio-Costs" slide prepared by Steve LePage), and we have seen nothing to suggest that would change. **If the relative costs are always 1:1, they don't magically shift to 2:1 impact on liability.** Note that the source at the bottom of the persistent WTW slide is this link: <https://cheiron.us/cheironHome/>

*I invite you to click on that linked purported source. It speaks for itself.* Since WTW as your consultant is presenting this slide as giving you data you should rely on, they should be able to explain to you (and us) how the data given can be found at that "source" (or in the Cheiron audit reports which WTW

mentioned when we first challenged this slide). And tell you what assumptions are going into the slide. We believe that this part of the WTW slide giving a 2:1 ratio is wrong. If WTW disagrees, they should explain why and provide specific data in support without any smoke.

*From everything in our original presentation and the attached, the problem is not Medicfill.*

**As to (b):** our Slide 3 (of attached supplemental presentation) addresses the issue of the impact of codified enhanced funding in more detail. The WTW slide does not explain its assumptions, which appear to assume that 1% funding is not codified (its \* statement is confusing - is it proposing codification, without its effect being reflected in their data?), or that the State will not keep up with "pay-go," i.e. it will raid the assets for operating costs, or both. Getting that information is critical to everyone's assessment of options and to the credibility of the Committee's work.

*We believe from the data we have seen and generated that codification of enhanced funding for OPEB assets is the critical place to start and that it needs to be at least at the level of 1%. But until better and credible data is provided, it is hard to know to what extent more would actually be helpful or what should be considered in addition by way of eligibility changes.*

We ask again that the RHBAS insist on credible, transparent information from DOF and WTW giving assumptions, real sources and methodology. The information should allow for consideration of the financial impact of distinct options without assuming up front that all three legs of the Secretary's stool have be in the picture from a financial standpoint. That has not been proven to the RBSC or this Committee. To the contrary, it appears that "Plan Design" changes (i.e. Medicare Advantage and HRAs) are far from needed from a finance standpoint and that Medicare Advantage, as well apparently as many HRA plans, would actually have less impact at making progress with the unfunded OPEB liability (if any at all) than the other options on the table of codified enhanced asset funding and eligibility changes.

Thank you.  
Respectfully,

Mary Graham  
Steven LePage  
Robert Clarkin  
Karen Peterson

**SUPPLEMENT ONE TO PRESENTATION TO RHBAS OF  
FOUR STATE RETIREES ON FINANCES:  
ERRATIC HISTORICAL DELAWARE FUNDING FOR  
OPEB POINTS TO SOLUTION OF CODIFIED  
ENHANCED FUNDING**

May 8, 2023

Robert J. Clarkin (Retired State Employee)  
Steven LePage (Retired State Employee, USAF Veteran)  
Karen E. Peterson (Retired State Employee, Retired State Senator)  
Mary B. Graham (Presenter, Spouse of Retired UD Professor)

# DELAWARE'S HISTORIC FUNDING FOR OPEB - HIGHLY ERRATIC

**Graphs in our RHBAS presentation of 3/22/23 show erratic historical funding for OPEB assets (i.e. OPEB equity portion) by budget bills: (a) percents of payroll (graphed as percentages)\*; and (b) recent 1% of (prior-year) budget funding (graphed as dollars).**

- Secretary of DOF has now provided us information on *all* sources of funding over twenty years (i.e. beyond budget bill funding).
- Totality of information paints even more erratic funding picture. No wonder OPEB liability has grown. See slides 4-12 below. *The promised Medicare Supplement benefit is not the problem – it's the insufficient, unstable funding for retiree healthcare!*

## **UNTIL DELAWARE CODIFIES AND STABILIZES FUNDING OF OPEB, THE LIABILITY CONCERN FOR FUTURE HEALTHCARE WILL PERSIST**

- Codification of enhanced funding, even 1%, allows for favorable 7% interest rate
- Big impact on unfunded OPEB liability. *More impact than Medicare (Dis)Advantage which has no impact on substantial liability for non-Medicare retiree benefit. And MA by itself does not get the 7% rate. (See RBSC 8/30/21 WTW presentation Slide 17 showing how relatively less effective MA is at impacting unfunded liability.)*

\*Percentages of payroll in original slide 21 for FY2007-2011 have been corrected. The new slide, also containing additional earlier years, only emphasizes the instability of un-codified funding.



**You ask: If codification of enhanced funding for OPEB assets is so helpful, how can WTW give only one yelp “\$” rating for 1% funding (one \$ means impact < \$1B in 2052)?**

- **Is WTW’s rating smoke?**
- *Think about it.* Suppose you assume only \$47M (current carveout for 2023) each year of enhanced 1% funding, i.e. no growth in state budget. Even with 0% interest, by 2044, accumulated assets from that would be \$1.034B (i.e. \$47M x 22 yrs = \$1.034B). So something is off with WTW yelp ratings.
- *Assume instead,* yearly budget increase of 3.6% (State’s assumption) and 7% interest rate after 2 years (*per* Secretary DOF). Result of codified 1% enhanced funding for OPEB assets is some \$6.8B at 2052. If include growth of existing assets already in fund, result is some \$10B (back of the napkin).
- **So what’s behind the smoke?** Likely WTW not assuming (a) codification or (b) that funding for assets stays in assets, *e.g.* yearly “pay-go” payments don’t keep up with healthcare costs and assets are raided. **If they disagree, “SHOW THEIR WORK,” as math professors say. Including assumptions.**

**WTW AND DOF SHOULD BE TRANSPARENT ABOUT ASSUMPTIONS AND METHODOLOGY. THE RHBAS SHOULD INSIST ON CLEAR, DISTINCT PROJECTIONS WITH NO HIDDEN ASSUMPTIONS. OR ITS WORK WILL BE SUBJECT TO LEGITIMATE CRITICISM.**

## Other Post-Employment Benefits (OPEB) Funding Sources

1. OPEB Contributions Table FY2002 – FY2024\*
2. Delaware Funding Of OPEB Equity: % of Payroll
3. Delaware Funding Of OPEB Equity: Dollars From % Of Payroll
4. Delaware Funding Of OPEB Equity: Budget Carveout Contributions
5. Delaware Funding Of OPEB Equity: Escheat Unclaimed Property Contributions
6. Delaware Funding Of OPEB Equity: Healthcare Savings Contributions
7. Delaware Funding Of OPEB Equity: Medicare Part D Contributions
8. Delaware Funding Of OPEB Equity: Low Income Sub Program Contributions

NOTE: \*Table information is based on budget bill allocations, actual data and Trust Fund receipts for FY 2002 through FY 2022 as provided by the Department of Finance. For FY2023 & FY2024, only the information on budget bill allocations is available. Charts and Graphs are based on all this information.

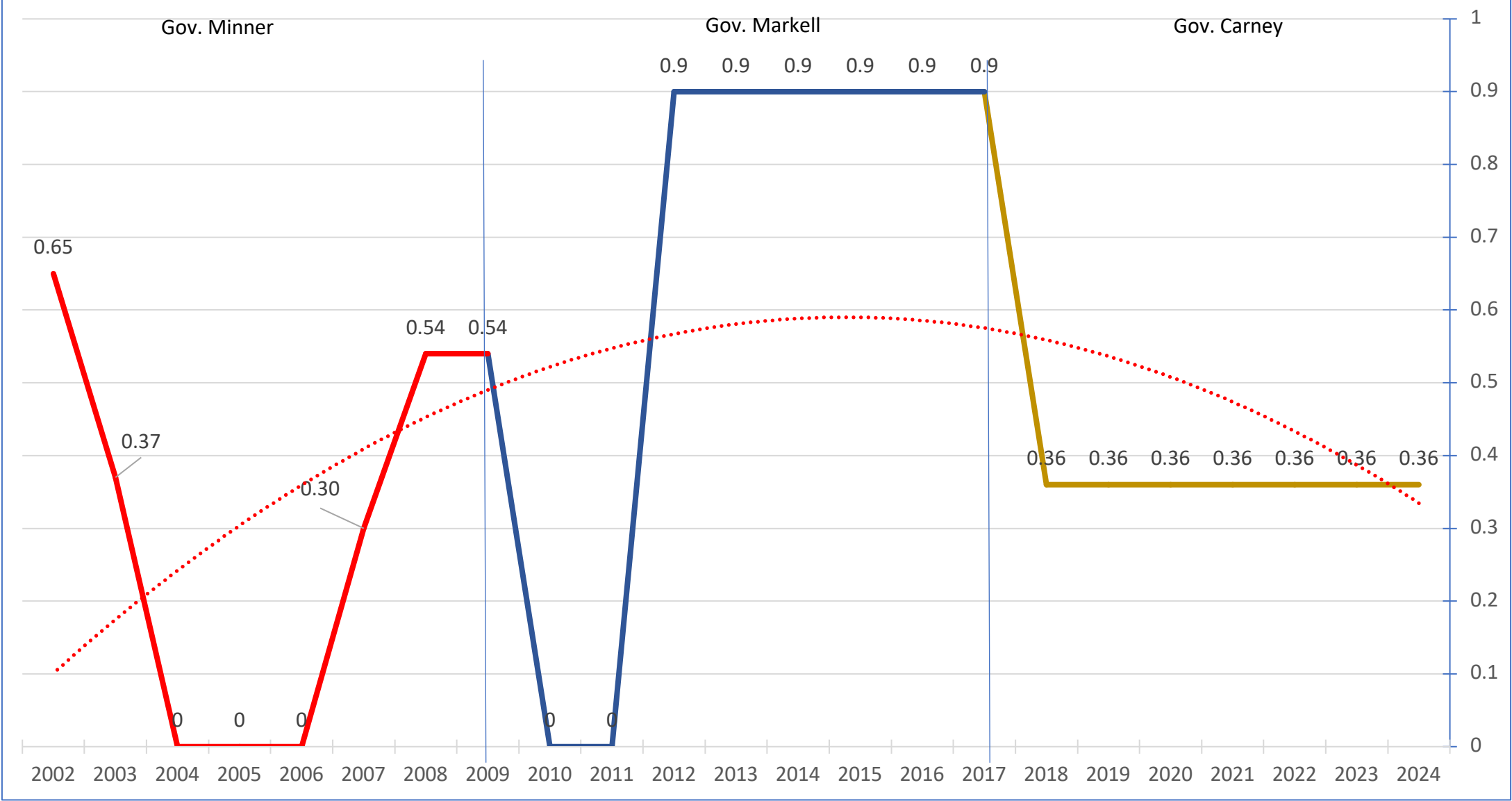
# OPEB Contributions FY2002 - FY2024\*

		Health Care**		Medicare	Low Income	Budget	
<b>Year</b>	<b>As a % of Payroll</b>	<b>Prog Savings</b>	<b>Escheat</b>	<b>Part D</b>	<b>Sub Prog</b>	<b>Carveout</b>	<b>Total</b>
FY02	\$ 8,541,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,541,000
FY03	\$ 954,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 954,000
FY04	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY06	\$ -	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000
FY07	\$ 5,190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,190,000
FY08	\$ 9,329,607	\$ 30,500,000	\$ -	\$ -	\$ -	\$ -	\$ 39,829,607
FY09	\$ 9,218,503	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,218,503
FY10	\$ -	\$ -	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000
FY11	\$ -	\$ -	\$ 10,000,000	\$ 9,694,955	\$ -	\$ -	\$ 19,694,955
FY12	\$ 16,821,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,821,807
FY13	\$ 16,763,645	\$ -	\$ 3,608,329	\$ 11,233,122	\$ 55,860	\$ -	\$ 31,660,956
FY14	\$ 17,069,422	\$ -	\$ -	\$ 6,127,932	\$ 124,958	\$ -	\$ 23,322,313
FY15	\$ 17,380,391	\$ -	\$ -	\$ -	\$ 123,993	\$ -	\$ 17,504,383
FY16	\$ 17,583,169	\$ (8,765,492)	\$ -	\$ -	\$ 153,422	\$ -	\$ 8,971,099
FY17	\$ 18,037,913	\$ -	\$ -	\$ -	\$ 158,291	\$ -	\$ 18,196,204
FY18	\$ 7,315,573	\$ -	\$ -	\$ -	\$ 157,372	\$ -	\$ 7,472,946
FY19	\$ 7,698,405	\$ -	\$ -	\$ -	\$ 144,999	\$ -	\$ 7,843,404
FY20	\$ 7,981,142	\$ -	\$ -	\$ -	\$ 158,972	\$ -	\$ 8,140,114
FY21	\$ 8,112,921	\$ -	\$ -	\$ -	\$ 144,887	\$ -	\$ 8,257,808
FY22	\$ 8,624,666	\$ -	\$ -	\$ -	\$ 132,480	\$ -	\$ 8,757,147
FY23	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,061,000	\$ 47,061,000
FY24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,913,300	\$ 49,913,300
<b>Total</b>	<b>\$ 176,622,165</b>	<b>\$ 21,734,508</b>	<b>\$ 33,608,329</b>	<b>\$ 27,056,009</b>	<b>\$ 1,355,235</b>	<b>\$ 96,974,300</b>	<b>\$ 357,350,546</b>

**NOTE:** \*FY2002-FY2022 Data acquired from the Department of Finance. FY2023-FY2024 Budget Carveouts added from Budget Bills.

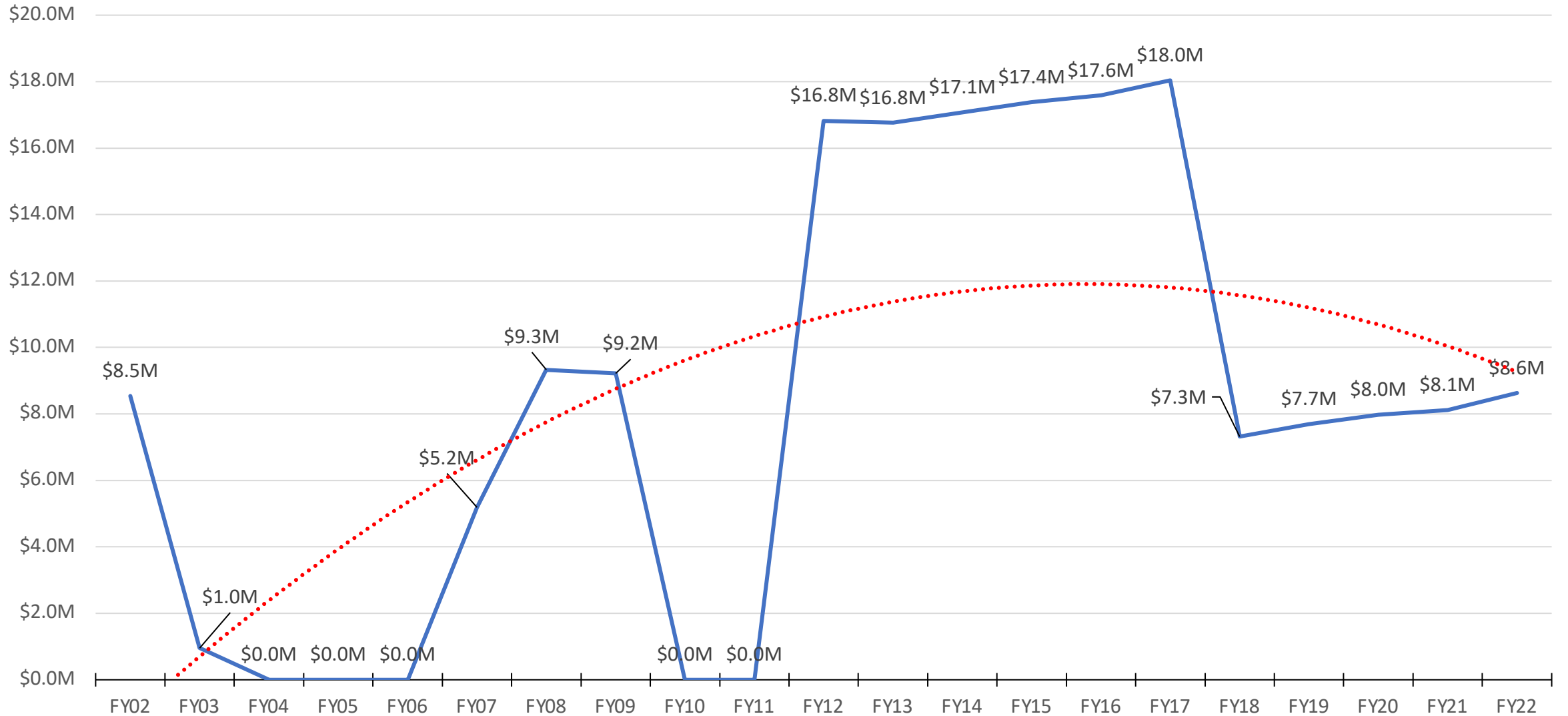
\*\*Unclear to us what the Health Care Savings Program represents as a source of funding/contributions.

# Delaware Funding Of OPEB Equity: % of Payroll\*



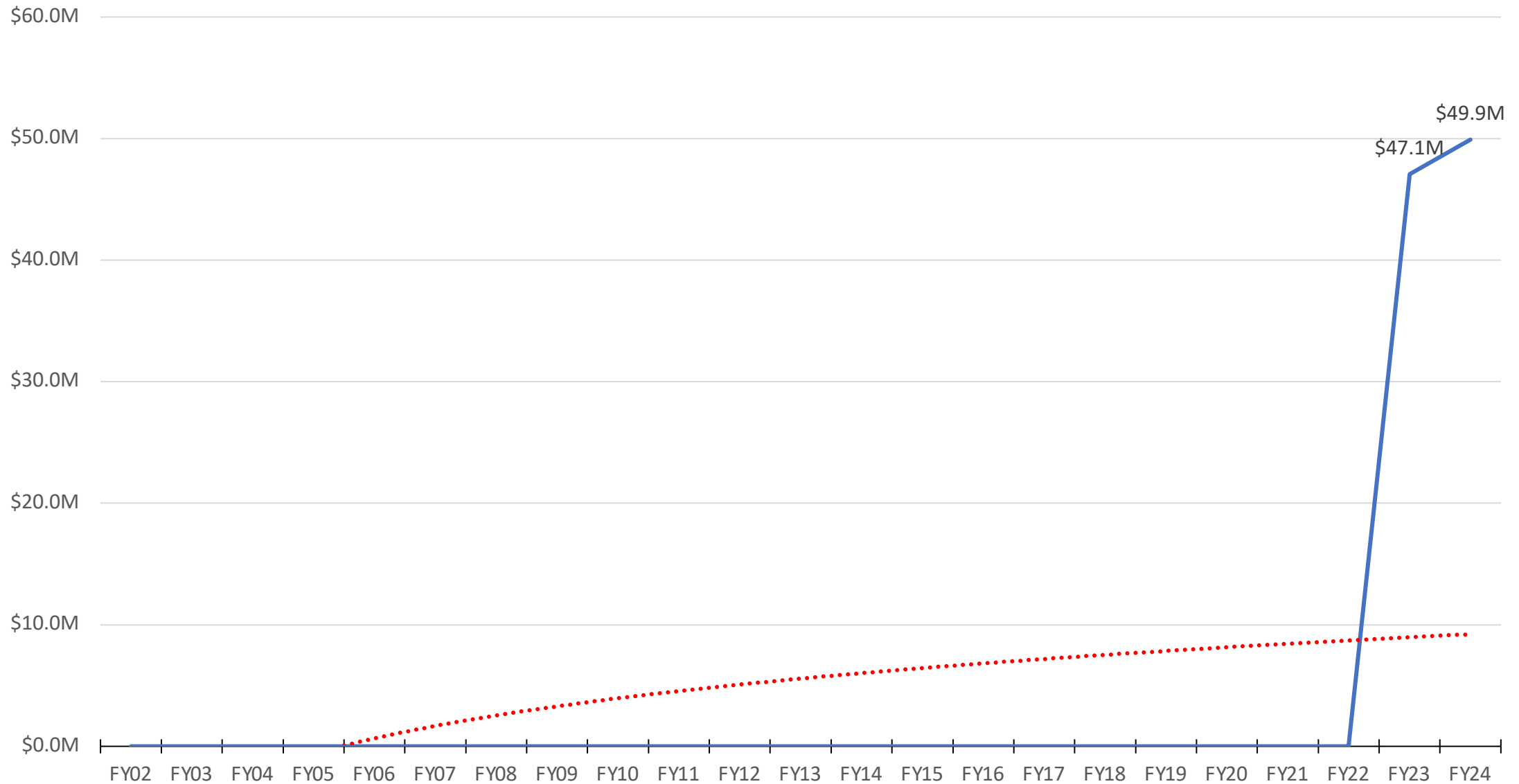
\*This corrects the percentages for FY2007-2011 from original slide 21 of Retirees' presentation and adds data provided by DOF.

## Delaware Funding Of OPEB Equity: Dollars From % Of Payroll\*

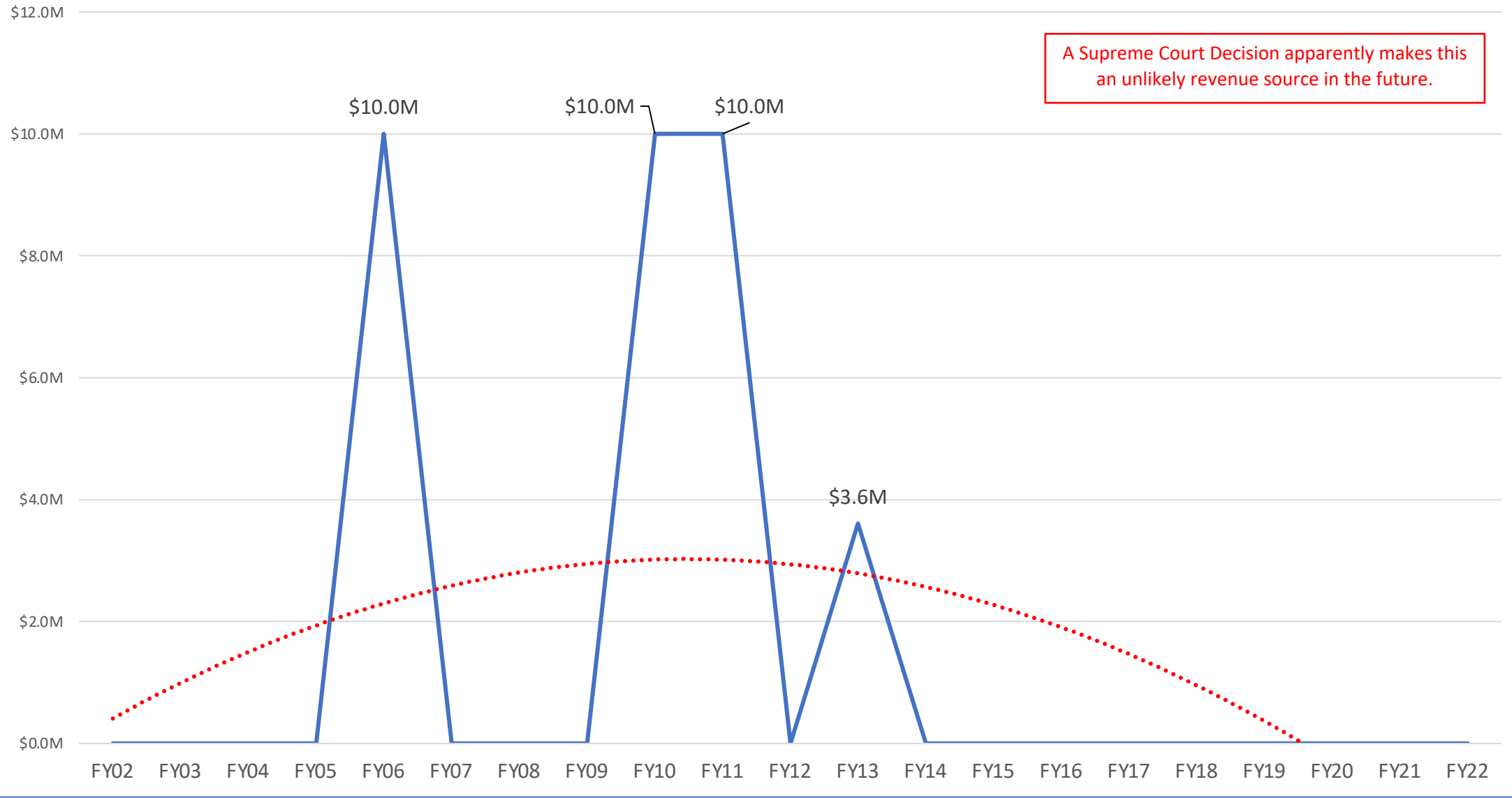


\* Our slide disagrees from the DOF 4/3/23 slide for 2016. DOF apparently reduced the % of payroll dollar amount by the amount of the deficit in healthcare claims versus premiums. We do not believe such a set-off is appropriate for purposes of showing actual funding from specific sources.

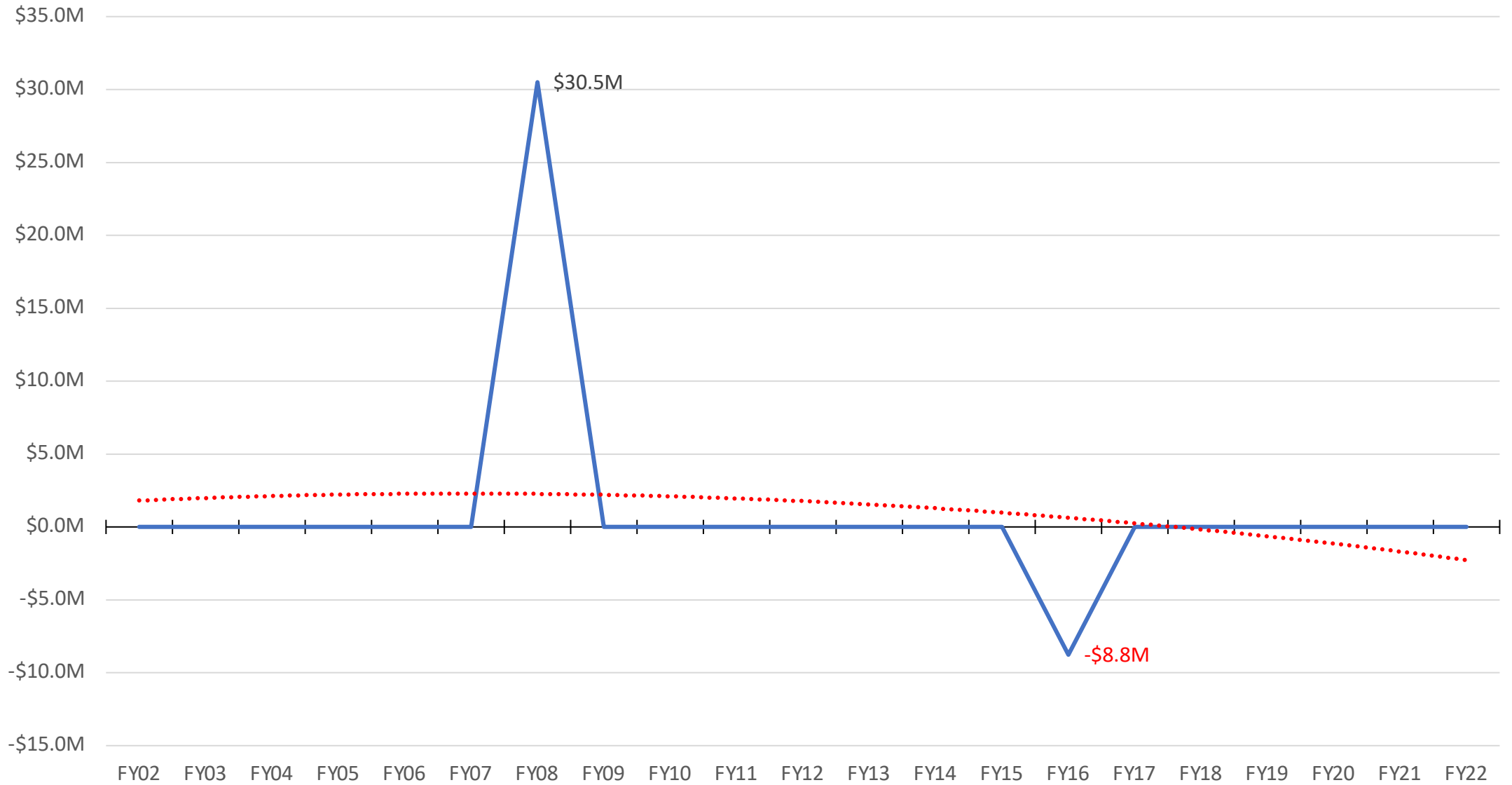
Delaware Funding Of OPEB Equity: Budget Carveout (millions)



# Delaware Funding Of OPEB Equity: Escheat-Unclaimed Property



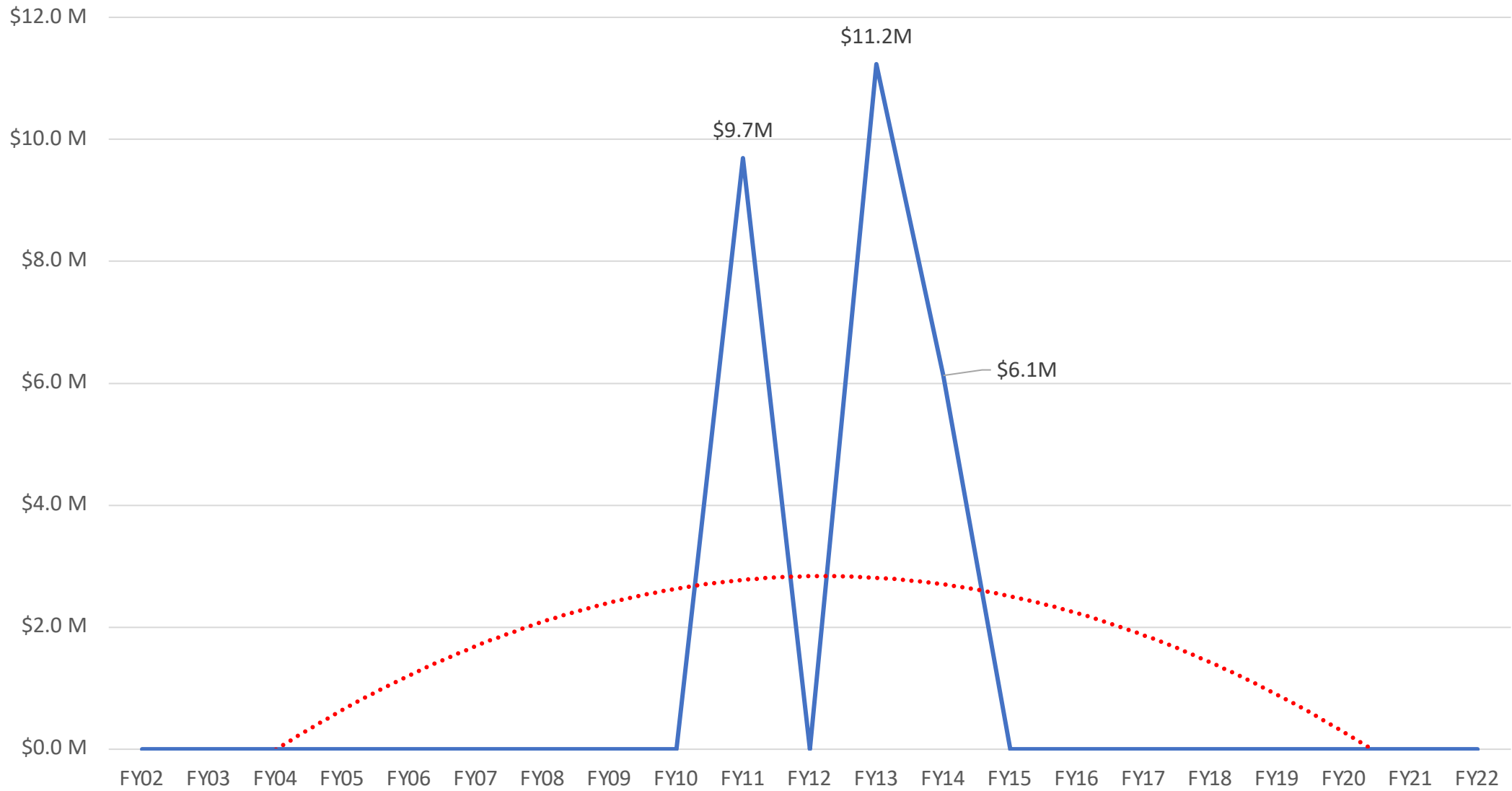
# Delaware Funding Of OPEB Equity: Healthcare Program Savings\*



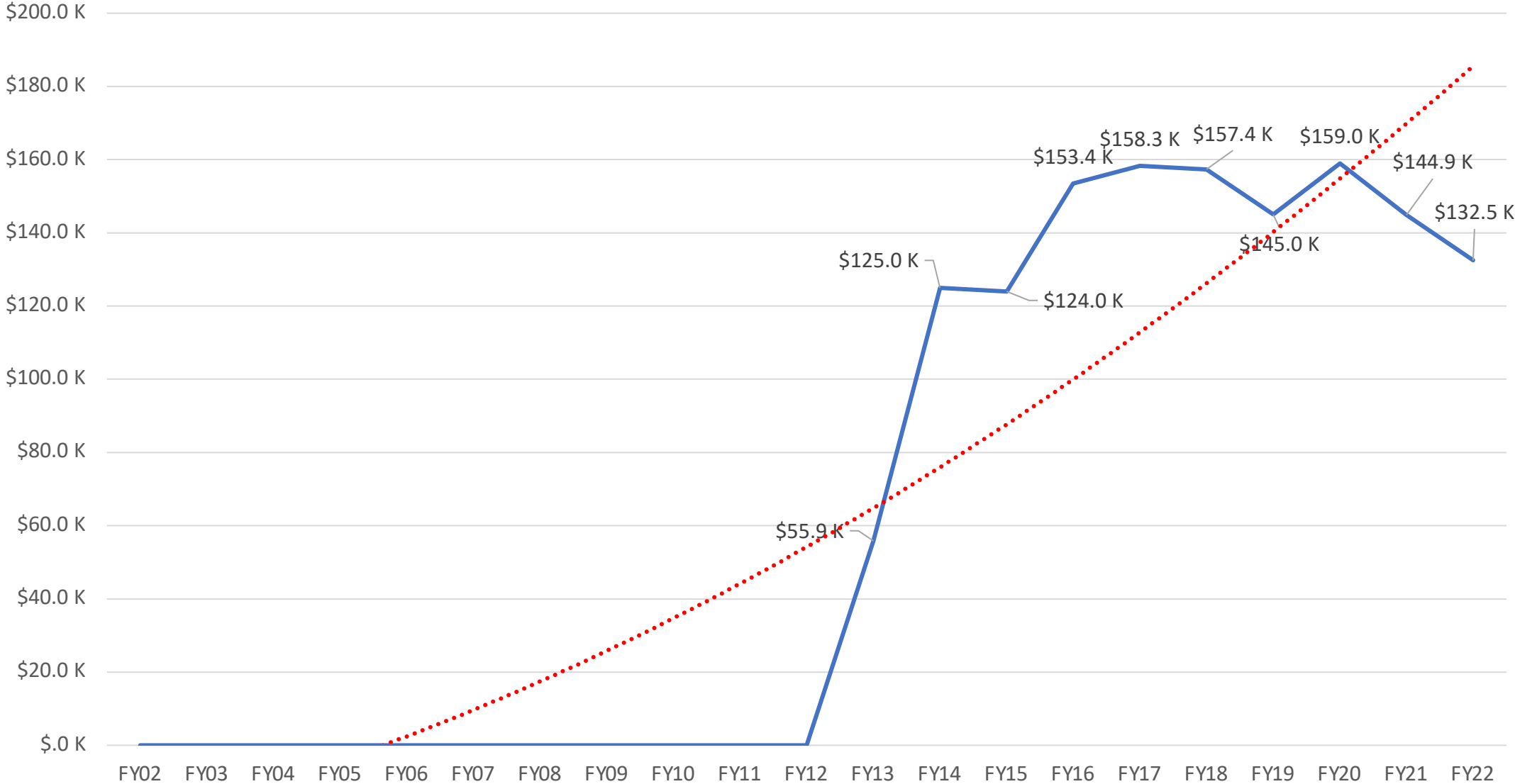
\*Unclear to us what the Health Care Savings Program represents as a source of funding/contributions



# Delaware Funding Of OPEB Equity: Medicare Part D (millions)



Delaware Funding Of OPEB Equity: Low Income Sub Program (thousands)



## Ratio of Medicare/Non-Medicare Costs 2015-2022

Non-Medicare Retirees	2015	2016	2017	2018	2019	2020	2021	2022
Medical Total Program Costs	\$78,190,649	\$79,570,299	\$86,877,995	\$89,627,036	\$93,612,323	\$101,356,425	\$102,856,205	\$95,107,526
RX Total Program Costs	\$22,583,276	\$21,565,012	\$20,470,999	\$19,112,682	\$21,551,595	\$22,655,476	\$24,037,380	\$20,420,965
Operational Costs	\$931,315	\$216,451	\$255,253	\$227,787	\$225,499	\$272,232	\$278,175	\$301,028
<b>Total Costs</b>	<b>\$101,705,240</b>	<b>\$101,351,762</b>	<b>\$107,604,247</b>	<b>\$108,967,505</b>	<b>\$115,389,417</b>	<b>\$124,284,133</b>	<b>\$127,171,760</b>	<b>\$115,829,519</b>
Non-Medicare Retiree Cost Share (8%)	\$8,136,419	\$8,108,141	\$8,608,340	\$8,717,400	\$9,231,153	\$9,942,731	\$10,173,741	\$9,266,362
State Cost Share (92%)	\$93,568,821	\$93,243,621	\$98,995,907	\$100,250,105	\$106,158,264	\$114,341,402	\$116,998,019	\$106,563,157
Medicare Retirees	2015	2016	2017	2018	2019	2020	2021	2022
Medical Total Program Costs	\$46,178,511	\$56,305,512	\$60,511,368	\$61,758,352	\$65,879,694	\$57,529,818	\$60,949,455	\$65,909,026
RX Total Program Costs	\$62,394,418	\$57,005,136	\$55,090,895	\$61,580,115	\$68,663,309	\$76,529,731	\$74,876,940	\$65,690,250
Operational Expenses	\$1,479,326	\$923,206	\$1,027,104	\$949,172	\$929,373	\$1,117,892	\$1,178,487	\$1,228,029
<b>Total Costs</b>	<b>\$110,052,255</b>	<b>\$114,233,854</b>	<b>\$116,629,367</b>	<b>\$124,287,639</b>	<b>\$135,472,376</b>	<b>\$135,177,441</b>	<b>\$137,004,882</b>	<b>\$132,827,305</b>
Medicare Retiree Cost Share (5%)	\$5,502,613	\$5,711,693	\$5,831,468	\$6,214,382	\$6,773,619	\$6,758,872	\$6,850,244	\$6,641,365
State Cost Share (95%)	\$104,549,642	\$108,522,161	\$110,797,899	\$118,073,257	\$128,698,757	\$128,418,569	\$130,154,638	\$126,185,940
Total State Cost	2015	2016	2017	2018	2019	2020	2021	2022
Total Cost To State (after retiree contributions)	\$198,118,463	\$201,765,782	\$209,793,806	\$218,323,362	\$234,857,021	\$242,759,971	\$247,152,657	\$232,749,097
STATE EXPENSE RATIO	2015	2016	2017	2018	2019	2020	2021	2022
Ratio State Cost Medicare/Non-Medicare (after retiree contributions)	53 : 47	54 : 46	53 : 47	54 : 46	55 : 45	53 : 47	53 : 47	54 : 46

WTW GHIP Data; Retiree Cost % from WTW 3-27-2023 Slide 17

<https://dhr.delaware.gov/benefits/sebc/documents/rhba-subcommittee-2023/0327-medicare-marketplace-overview.pdf#page=18>

Prepared by MBG & SRL - 04-15-2023