Document Submitted
By
Rebecca Scarborough

Public Comments to the RHBAS on June 5, 2023

My comments are directed specifically to the four legislators sitting on this committee and regard the reference in the tiny footnote on page 13 of the document "State Group Health Plan Medicare Supplement – Special Medicfill Plan Premiums," where a Medicare Advantage Plan is listed twice. This brought me to examine 29 Del Code 5202(d)(5) under double state share. I do not know when Medicare Advantage slipped into this document but trust you will amend the code to state a Medicare Supplement Plan.

I want to publicly thank Representative Bill Carson and the members of Joint Finance Committee for removing Section 101 from the epilogue language of the Governor's proposed budget bill, which in effect would have forced retirees into Medicare Advantage in spite of any forthcoming recommendations of the RHBAS. I also want to note that Representative Carson has introduced HB 152 to change the membership of the SEBC by removing the retiree appointed by the Governor and adding two retirees each appointed by the President Pro Temp of the Senate and the Speaker of the House, thus granting more decision-making power to the Legislature. I hope you will support this piece of legislation.

Thank you!

Rebecca Scarborough

Document Submitted

By

Bob Clarkin

Considering The State Employees Retirement (Pension Trust) Fund as Model for OPEB (Trust) Fund (Robert Clarkin, 6/6/2023)

The purpose of this document is to present an argument for modeling the struggling OPEB Trust Fund after the successful and highly regarded Pension Trust Fund. There is a lot here, so please bear with me and read the document through to the end. As you will see when you read through this document, the OPEB Trust Fund has the potential to be much more than a repository for annual Pay-Go funds. Properly administered and maintained, following the Pension Fund model, the OPEB Trust Fund has the potential to satisfy unfunded liability concerns and fund/eliminate, in whole or in part, the current Pay-Go problem. I am not a Pension Fund expert, so you will find that I have raised many unanswered questions throughout this document. However, there is Pension Fund expertise on the RHBAS. Secretary Geisenberger and Director Cade are Ex-Officio members of the Board of Pension Trustees, and David Craik is a former Pension Administrator.

The highly successful **State Employees Retirement (Pension Trust) Fund** is funded through a combination of active employee contributions plus faithful annual payment of the full Actuarially Required Contribution (ARC). The ARC is funded based on a percentage of active payroll that is calculated annually by an actuarial firm (Cheiron), approved by the Board of Pension Trustees, and included in the annual State budget. The State has also established a Post Retirement Increase Fund to address periodic pension increases. The financial practice is to calculate the full future actuarial cost of a pension increase and then fully fund the increase over, an occasionally less than, 5 years. Pension payments to eligible retirees are paid for with Retirement Fund Market Assets. The pension system does not have a Pay-Go component. These practices have lead to the following outcomes:

FY22 Actuarial Liability (FY22)	$12.3 billion
FY22 Actuarial Value of Assets	$10.8 billion
FY22 Unfunded Liability	$1.5 billion
FY22 Actuarial Funding Ratio	87.6%

The strengths of the Retirement Fund are as follows:

a. The independent Board of Pension Trustees administers and manages the Retirement Fund.
b. An annual valuation report determines the ARC.

c. The Board of Pension Trustees reviews the annual validation report and approves the ARC.
d. The Retirement Fund receives the ARC each fiscal year.
e. Pension increases are fully funded.
f. Pension disbursements (benefits and administrative costs) are paid for with Retirement Fund Market Assets (earned interest, dividends, capital gains, increase in market value, employer contributions, employee contributions.). There is no Pay-Go component.
g. Active employees contribute to the Retirement Fund through payroll deductions defined in the Delaware Code.

The weakness of the Retirement fund is:

a. Vulnerability to fluctuating short term financial market conditions.

On the other hand, the **OPEB (Trust) Fund** has been egregiously underfunded and has not realized its potential to reach a favorable actuarial funding ratio or produce market assets necessary to cover Pay-Go costs, in whole or in part. The Post Retirement Health Insurance Premium Fund, a forerunner of the OPEB Trust fund, was established on July 1, 2000. The Premium Fund was replaced by the OPEB Trust Fund on July 1, 2007. After 22 years of neglect and under funding, the FY22 Net Position of the OPEB Trust Fund ($582.7M) only covers 6.7% of the Unfunded Liability ($8.9B).

FY22 Actuarial Liability (FY22)	$8.9 billion
FY22 Actuarial Value of Assets	$582.7 million
FY22 Unfunded Liability	$8.4 billion
FY22 Actuarial Funding Ratio	6.7%

The strengths of the OPEB Trust Fund are as follows:

a. The independent Board of Pension Trustees administers and manages the OPEB Fund (no need to reinvent the wheel).
b. OPEB Fund assets are commingled with Retirement fund assets to maximize investment opportunities and outcomes (no need to reinvent the wheel).

The weaknesses of the OPEB Fund are as follows:

a. Under current OPEB Trust Fund liability funding mechanisms, the Market Value of the Trust Fund has not grown to a level necessary to satisfy unfunded liability and cover, in part or in whole, OPEB Pay-Go costs. Under these circumstances, why does the State have an OPEB Trust Fund? What is its purpose?
b. Funding rates for the various OPEB Fund funding mechanisms do not appear to be actuarily determined. How was the FY23 9.21% (Pay-Go) rate for retiree health insurance costs determined and approved prior to being placed into the budget bill? How was the 0.36% rate for the OPEB Fund determined and approved prior to being placed into the budget bill? How was the 1% carveout determined (actuarily or politically)?
c. Aggregation of revenues and costs across the entire GHIP results in funds being disbursed from the OPEB Fund for purposes other than payment of the State's premium for post-retirement health insurance for eligible retirees, as required by Delaware Code, Title 29, Chapter 52B, Section 5281. Consideration should be given to creating a separate and distinct OPEB GHIP.
d. Once established, healthcare and prescription premiums are not reviewed and revised, when necessary, on an annual basis. This results in the premiums becoming unaligned with costs and creates ever increasing deficits in under performing plans. Instead of revising premiums to avert deficits, the practice has been to address deficits by increasing rates by the same amount across all of the plans regardless of performance. This results in performing plans subsidizing under performing plans.
e. The ever increasing costs of healthcare and prescription drugs pose a serious challenge to the success of the OPEB Trust Fund in reaching a reasonable funding ratio and eliminating the current Pay-Go system.

Comparison of State Employee Pension Plan vs. OPEB as of June 30, 2022.

	Pension	OPEB
Actuarial Liability	$12.3 billion	$8.9 billion
Actuarial Value of Assets	$10.8 billion	$582.7 million
Unfunded Liability	$1.5 billion	$8.3 billion
Actuarial Funding Ratio	87.6%	6.7%
State % of Payroll Rate	13.55%	
Pay-Go		8.89%
OPEB Trust		0.36%
Active Employee % Payroll Deduction	3% - 5%	

	Pension	OPEB
Non-Medicare and Medicare Retiree Premium Share Contributions		Various Premium Share %'s
Effective FY23		
Carve Out of Previous Year Operating Budget		1%

The State Employees' Retirement Fund is Governed by Delaware Code, Title 29 - State Government, Subchapter III - Financing and Administration.

Let's first take a detailed look at the structure, processes, and outcomes of the State Employees' Retirement (Pension) Fund.

Section 5541 - Establishment of Fund. There shall be established a State Employees' Retirement Fund, hereinafter referred to as "Fund", to which state appropriations and other employer contributions shall be deposited monthly and to which employee contributions shall be deposited upon deduction from the employee's paycheck and to which earnings on investments, any other contributions, gifts, donations, grants, refunds and reimbursements shall be deposited upon receipt and from which benefits shall be paid and fees and expenses authorized by the Board shall be paid. Subject to the Internal Revenue code, the assets of the Trust will be commingled in the Delaware Public Employee's Retirement System as provided for by Section 8308 of this title. The assets of the Trust are held in trust and may not be used for or diverted to any purpose other than the exclusive benefit of the employees and their beneficiaries.

Please Note: The Pension Trust Fund was established in 1996. How was the pension funded prior to the Trust Fund? How long did it take to build the assets of the Trust Fund in order to reach at least an 85% funding ratio?

Section 5542 - Board of Pension Trustees. The Board of Pension Trustees, established by Section 8308 of this title, shall be responsible for the general administration of the chapter in accordance with Chapter 83 of the title.

Please Note: This language is similar to the OPEB Trust Fund language found at Title 29, Chapter 52B, Section 5282 (a) and (b).

Section 5543 - Employee Contributions. (a)(1) Effective January 1, 1998, employer contributions to the fund shall be 3% of the total annual compensation in excess of $6,000 provided however, that post-2011 employees will pay an employee contribution rate of 5% of total annual compensation in excess of $6,00. In no event shall total compensation during any calendar year in excess of $6,000 be exempt from compensation.

Question: Could retiree premium share contributions fulfill this requirement and/ or should active employees also contribute?

Section 5544 - Actuarial Valuations and Appropriations. (a) The actuary shall prepare an actuarial valuation of the assets and liabilities of the funds as of June 30, each year. On the basis of reasonable actuarial assumptions and tables approved by the Board, the actuary shall determine the normal cost required to meet the actuarial cost of current service and the unfunded actuarial accrued liability.

Please Note: This language is similar to the OPEB Trust Fund language found at Title 29, Chapter 52B, Section 5283 (a) and (b).

(b) The State's appropriation to the funds for Fiscal Year 2008, and for each fiscal year thereafter, shall be the percentage of covered payroll approved by the Board on the basis of the most recent actuarial valuation, and shall be equal the sum of the normal cost plus the payment required to implement the provisions of subsection (c) of the section plus the payment required to amortize the unfunded actuarial accrued liability using an open amortization period of 20 years. For plan amendments effective after Fiscal Year 2007 the unfunded actuarial accrued liability for such amendments shall be amortized over an open amortization period of 20 years. The amortization payment shall be an amount computed as a level percentage of the prospective total covered payroll over the remainder of the amortization period, with the prospective total covered payroll to be determined on the basis of a growth rate, as determined by the Board, compounded annually. Except as provided in subsection (c) of this section, all funds appropriated to this subsection shall be deposited into the fund established be Section 5541 of this title.

Please Note: Similar language should be added to reinforce the OPEB Trust Fund language found at Title 29, Chapter 52B, Section 5283 (a) and (b).

(c) (1) In order to provide a fund for post retirement increases, the State shall include in its annual appropriation payments equal to 2.33% of covered payroll, subject to the limitations in Section 5548(a)(2) of this title. Beginning with the Fiscal

Year 1994 budget, .70% of covered payroll shall be appropriated: in Fiscal Year 1995, 1.11% of covered payroll shall be appropriated; in Fiscal Year 1996, 1.52% of covered payroll shall be appropriated; in Fiscal year 1997, 1.93% of covered payroll shall be appropriated; in Fiscal Year 1998 and each fiscal year thereafter 2.33% of covered payroll shall be appropriated. Funds appropriated to implement this subsection shall be deposited into the Post Retirement Fund established by Section 5548 of this title.

Question: **Is this a model for dealing with projected annual increases in retiree medical and prescription costs?**

(2) In order to provide a fund for post retirement health insurance premiums, the State shall include in its annual appropriation payments the sum of the anticipated cost of the State's post retirement health insurance premiums for that year, plus the greater of 5.00% of the normal cost or the difference of 2.00% of covered payroll less the amount appropriated for the normal cost and unfunded actuarial accrued liability in subsection (b) of this section. Funds appropriated to implement this subsection shall be deposited into the OPEB Fund established by Section 5281 of this title.

Please Note (Very Important): **This does not appear to be happening. Need to see calculations pertinent to FY22 and FY23. Is this related to or separate from the current 0.36% OPEB rate?**

Please Note (Very Important): **As evidenced by Parts (d) through (t) of Section 5544, it is an important Pension Trust Fund governance practice to update and codify the amortization period for the unfunded liability, as well as other items, on an annual basis. This practice is not followed by the OPEB Trust Fund. Much emphasis is placed on the long term OPEB liability. The Pension Fund appears to take necessary steps to solve for the current unfunded liability which, in turn, addresses the long term unfunded liability. Only Parts (d) and (t) are included below.**

(d) (1) The State's obligation to State Employees Pension Trust Fund, the State Judiciary Retirement Fund, and the State Police Retirement Fund to implement provisions of Section 5532(a) of this title shall be the payment required to amortize the unfunded accrued liability over 5 years from January1, 1994. (2) The State's obligation to the Special Pension Fund authorized by 61 Del. Laws, c. 455, to implement the provisions of Section 5532(a) of this title in Fiscal Year 1994, shall be the lump sum actuarial liability of the benefits granted.

To shorten this document, Parts (e) through (s) are not included.

(t) (1) The State's obligation to State Employees Pension Trust Fund, the State Judiciary Retirement Fund, and the New State Police Retirement Fund to implement provisions of Section 5532(r) of this title shall be funded through the appropriation contained in the fiscal Year 2023 One-Time Supplemental Appropriations Act for "Post Retirement Increase Supplement - FY23". (2) The State's obligation to the Special Pension Fund authorized by Volume 61, Chapter 455, Laws of Delaware, to implement the provisions of Section 5532(r) of this title shall be treated as an actuarial loss during the next actuarial valuation process of the Special Pension Fund.

Section 5545 - Full Actuarial Funding. No laws establishing special pensions, whether they be service pensions, disability pensions, survivors pensions or otherwise, shall be enacted by the General Assembly unless, at the time of enactment, an appropriation is passed that provides full actuarial funding for such special pensions.

Section 5548 - Establishment of Post Retirement Benefit Fund. (a) (1) There shall be established a State Post Retirement Benefit Fund, hereafter referred to as the "Post Retirement Fund", separate and distinct from the funds established under Sections 5541 and 5601 of this title, Section 8393 of Title 11, to which state appropriations and other employer contributions shall be deposited monthly, and to which earnings on investments, refunds and reimbursements shall be deposited upon receipt, and from which such post retirement benefits as the General Assembly may hereafter legislate shall be paid and any fees and expanses authorized by the Board shall be paid. No money shall be disbursed from this fund except for the purpose of providing funding for post retirement increases for employees retired under this chapter; Chapter 56 of this title; Chapter 83 of Title 11.

(2) The board of Pension Trustees shall review the balance in the Post Retirement Fund at the end of each year and make any recommendations for adjustments in the funding rate for the succeeding fiscal year to ensure that the rate be sufficient to fund post retirement increases authorized under this section.

Question: Is this a model for dealing with projected annual increases in retiree medical and prescription costs?

(b) (1) In the event that the General Assembly shall introduce legislation proposing post retirement increases, the Board of Pension Trustees shall review each proposal to determine if sufficient funds are projected to be available in the Post Retirement fund to provide the funding necessary to fund the increase granted by the General Assembly. In addition, any pension increases granted shall not be substantively automatic. If the Board determines that insufficient funds will be available to fund the increase, the Board shall notify the Governor and the General Assembly that an additional appropriation will be required in order to provide the post retirement increase being proposed.

(2) Any monthly service, disability, and survivor pension based on former service or disability pension that was effective 20 years or more prior to the date of the pension increase and is payable upon the state oof the increase, shall be increased greater than any pension that was effective less than 20 years prior to the state of the pension increase.

Section 5549 - Payment of Benefits. Benefits shall be due and payable under this chapter only to the extent provided in this chapter, and neither the State nor the State Employees' Pension Plan shall be liable for any amount in excess of such sums.

Section 5550 - Establishment of Post Retirement Health Insurance Premium Fund. Repealed by 76 Del. Laws, Chapter 70, Section 6, effective July 1, 2007 (This law established the OPEB Trust Fund).

Repealed Section 5550 - Establishment of Post Retirement Health Insurance Premium Fund. There shall be established a State Post Retirement Health Insurance Premium Fund, separate and distinct from the funds established under Section 5541 of this chapter to which state appropriations and other employer contributions shall be deposited, and to who ch earnings on investments, refunds, and reimbursements shall be deposited upon receipt, and from which the state's premiums as defined in Section 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 purpose of payment of the State's premiums for post retirement health insurance for employees retired under this Chapter of the Delaware Code.

Amend Section 5544©, Chapter 55, Title 29, Delaware Code by redesigning said subsection as new subsection (c)(1) and by adding a new subsection designated as subsection (c)(2) to read as follows:

(c)(2) In order to provide a fund for post retirement health insurance premiums, the state shall include in its annual appropriation payments the sum of the anticipated cost of the State's post retirement health insurance premiums for that year, plus the greater of 5.00% of the normal cost or the differences of 2.00% of covered payroll less the amount appropriated for the normal cost and unfunded actuarial accrued

liability in subsection (b) off this section. funds appropriated to implement this subsection shall be deposited into the Post Retirement Health Insurance Premium fund established by Section 5550 of this title.

Synopsis: This act shall be effective July 1, 2000. This Act provides a mechanism for funding the State's post retirement health insurance premiums for the employees retired under the State Employees' plan. The appropriation resulting from this process will be accounted for in a separate Post Retirement Health Insurance Premium fund managed by the Board and commingled with other pension funds for investment purposes.

<u>Questions:</u> Why was the Post Retirement Health Insurance Premium Fund repealed and replaced by the OPEB Trust Fund? Was this an acknowledgement that the Premium Fund was not adequate to met OPEB liabilities and Pay-Go costs? Was there a balance of funds in the Premium Fund that were transferred to the OPEB Trust Fund? What planning process lead to the establishment of the OPEB Trust Fund? What were its expectations back on July 1, 2007?

<u>III. State Employee Pension Rate</u>

a. **<u>FY24.</u>** Section 1 of House Bill 75 proposes funding for a state employee pension rate of ~~22.62~~ <u>22.52%</u> . The components of the rate are ~~12.05~~ <u>12.61%</u> for pension liability, ~~9.21~~ <u>8.55%</u> for retiree health insurance costs and <u>0.36%</u> for the OPEB Fund and <u>1.00</u> percent for the Post-Retirement Increase (PRI) Fund. Section 1 of this Act provides funding for a judicial pension rate of ~~15.77~~ <u>15.45</u> percent. Section 1 of this Act provides funding for a New State Police pension rate of ~~32.29~~ <u>32.81</u> percent.

b. **<u>FY23.</u>** Section 1 of Senate Bill 250 provides funding for a state employee pension rate of ~~23.80~~ <u>22.62%</u> . The components of the rate are ~~13.55~~ <u>12.05%</u> for pension liability, ~~8.89~~ <u>9.21%</u> for retiree health insurance costs and <u>0.36%</u> for the OPEB Fund and <u>1.00</u> percent for the Post-Retirement Increase (PRI) Fund. Section 1 of this Act provides funding for a judicial pension rate of ~~22.65~~ <u>15.77</u> percent. Section 1 of this Act provides funding for a New State Police pension rate of ~~30.38~~ <u>32.39</u> percent.

c. **<u>FY22.</u>** Section 1 of House Bill 250 provides funding for a state employee pension rate of ~~22.95~~ <u>23.80%</u> . The components of the rate are ~~13.43~~ <u>13.55%</u> for pension liability, ~~9.16~~ <u>8.89%</u> for retiree health insurance costs and <u>0.36%</u> for the OPEB Fund and <u>1.00</u> percent for the Post-Retirement Increase (PRI) Fund. Section 1 of this Act provides funding for a judicial pension rate of ~~21.36~~ <u>22.65</u> percent. Section 1 of this Act provides funding for a New State Police pension rate of ~~29.04~~ <u>30.38</u> percent.

Please Note: Unlike OPEB funding, the pension does not have a Pay-Go component. The single pension rate (Actuarially Determined Contribution which eliminates the need for a separate Pay-Go rate) is determined by an actuary and presented to the Board for approval.

Question: Why are the state employee pension rates in the Budget Acts higher than the rates approved by the Board in Section IV below?

IV. Cheiron Recommended Employer Contribution Rates and Board of Pension Trustees Approval

1. **FY24.** Actuarially Determined Contribution (ADC) 11.71%, Entry Age Normal Cost 6.25%, UAL Amortization Payment 5.16%, Administrative Expense 0.30%). Approved by Board of Pension Trustees, October 28, 2022.
2.
3. **FY23.** Actuarially Determined Contribution (ADC) 11.15%, Entry Age Normal Cost 6.27%, UAL Amortization Payment 4.58%, Administrative Expense 0.30%). Approved by Board of Pension Trustees, October 21, 2021.

4. **FY22.** Actuarially Determined Contribution (ADC) 12.45%, Entry Age Normal Cost 6.13%, UAL Amortization Payment 6.02%, Administrative Expense 0.30%).. Approved by Board of Pension Trustees, October 30, 2020.

5. **FY07** Actuarially Determined Contribution (ADC) 6.26%, Normal Cost Contribution 6.85%, Unfunded Actuarial Liability Contribution (0.94%), Administrative Expense 0.35%). Approved by Board of Pension Trustees, October 30, 2006.

6. **FY06** Actuarially Determined Contribution (ADC) 6.69%, Normal Cost Contribution 7.35%, Unfunded Actuarial Liability Contribution (1.01%), Administrative Expense 0.35%). Approved by Board of Pension Trustees, October 30, 2005.

7. Covered Payroll of Active Members on June 30, 2022 was $2,354,147,300.

8. Covered Payroll of Active Members on June 30, 2021 was $2,238,615,700.

9. Covered Payroll of Active Members on June 30, 2006 was $1,589,185,200.

10. Covered Payroll of Active Members on June 30, 2005 was $1,471,930,700.

Question: What is the definition of "covered payroll? Is it just General Fund Payroll, or does it include Appropriated Special Funds, Non-appropriated Special Funds (including Federal Funds), Trust Fund Operations, Trust Fund Capital, Public School District, DTCC, and affiliated group payrolls?

Cheiron Recommended Employer Contribution Rates and Board of Pension Trustees Approval

	FY06	FY07	FY22	FY23	FY24
Entry Age Normal Cost	7.35%	6.85%	6.13%	6.27%	6.25%
UAL Amortization Payment	(1.01%)	(0.94%)	6.02%	4.58%	5.16%
Administrative Expense	0.35%	0.35%	0.30%	0.30%	0.30%
Total Actuarially Determined Contribution (ADC)	6.69%	6.26%	12.45%	11.15%	11.71%
Date Approved By Board	11/30/05	11/30/06	11/30/20	11/21/21	11/28/22
Pension Liability Rate in Budget Act	6.12%	6.69%	13.55%	12.05%	12.61%

Source: FY06, FY 21, and FY 22 Cheiron Actuarial Valuation Reports. Board of Pension Trustee Meeting Minutes.

V. Market Values (Green) and Board Summary of Principal Plan Results (Blue) as of June 30, 2022 (Based on Most Recent Cheiron Valuation)

a. **The Net Position at the beginning of the year was $12,851,073,200.**
b. **Total Additions totaled ($1,293,419,800) and were comprised of $85,416,200 in Member Contributions, $287,124,400 in State (Employer) Contributions, $14,601,500 in AD Hoc State Contributions, $12,051,900 in PRI Transfers, and ($1,692,613,800) in Investment Return.**
c. **Total Deductions totaled $754,458,300 and were comprised of $748,399,600 in Benefits Payments and $6,058,700 in Administrative Expenses.**
d. **The Increase (Decrease) in Net Position was ($2,047,878,100). The decrease was caused by the decrease in Net Investment Earnings (this is not typical).**

e. **The Net Position at the end of the year was $10,803,195,100.**
f. **The Actuarial Liability (AL) was $12,314,515,600.**
g. **The Actuarial Value of Assets (AVA) was $10,793,496,500.**
h. **The Unfunded Actuarial Liability (UAL) was $1,521,019,100.**
i. **The Funded Ratio AVA Basis (AVA/AL) was 87.6%.**
j. **The Funded Ratio MVA Basis (MVA/AL) was 87.7%.**
k. **The Present Value of Accrued Benefits (PVAB) was $11,008,441,300.**
l. **The Market Value of Assets (MVA) was $10,803,195,100.**
m. **The Unfunded PVAB was $205,246,200.**
n. **The Accrued Benefit Fund Ratio (MVA/PVAB) was 98.1%.**

Please Note: Due to the affect of the Covid pandemic on financial markets. the fund experienced an unusually large loss of investment returns during FY22 and an unusually large gain during FY21. Data for FY20, a more typical year, is included below. Data is also included below for FY06, the earliest year available on the Pension website.

Please Note (a through d above): Total Additions other than Investment Returns totaled $372,540,600 and were comprised of $85,416,200 (22.9%) in Member Contributions and $287,124,400 (77.1%) in State (Employer) Contributions. Total Deductions totaled $754,458,300 and were comprised of $748,399,600 (99.2%) in Benefits Payments and $6,058,700 (0.8%) in Administrative Expenses. $381,917,700 (50.6%) in Deductions were covered by Pension Fund assets.

Please Note (f through n above): Actuarial Liability and Funded Ratios are determined on an annual rather than a long term basis.

Please Note: Need these same Market Value and Board Summary of Principal Results tables for the OPEB Trust Fund as of June 30, 2022, June 30, 2007, and June 30, 2006 — the Cheiron OPEB Valuation Reports do not include these tables.

Source: FY22 Cheiron Actuarial Valuation Report issued January 1, 2023.

VI. Market Values (Green) and Board Summary of Principal Plan Results Blue) as of June 30, 2021

a. **The Net Position at the beginning of the year was $9,638,828,400.**
b. **Total Additions totaled $3,918,548,000 and were comprised of $77,008,500 in Member Contributions, $269,466,500 in State (Employer) Contributions, and $3,572,073,000 in Investment Return.**

c. **Total Deductions totaled $706,649,500 and were comprised of $700,649,500 in Benefits Payments and $5,653,700 in Administrative Expenses.**
d. **The Increase (Decrease) in Net Position was $3,212,244,800. This exceptional increase was caused by the exceptional increase in Net Investment Earnings (this is not typical).**
e. **The Net Position at the end of the year was $12,851,073,200.**
f. **The Actuarial Liability (AL) was $11,700,492,200.**
g. **The Actuarial Value of Assets (AVA) was $10,428,560,900.**
h. **The Unfunded Actuarial Liability (UAL) was $1,271,931,300.**
i. **The Funded Ratio AVA Basis (AVA/AL) was 89.1%.**
j. **The Funded Ratio MVA Basis (MVA/AL) was 121.8%.**
k. **The Present Value of Accrued Benefits (PVAB) was $10,549,103,500.**
l. **The Market Value of Assets (MVA) was $12,851,073,200.**
m. **The Unfunded PVAB was ($2,302,969,700).**
n. **The Accrued Benefit Fund Ratio (MVA/PVAB) was 121.8%.**

Please Note (a through d above): Total Additions other than Investment Returns totaled $346,475,000 and were comprised of $77,008,500 (22.2%) in Member Contributions and $269,466,500 (77.8%) in State (Employer) Contributions. Total Deductions totaled $706,649,500 and were comprised of $700,649,500 (99.2%) in Benefits Payments and $5,653,700 (0.8%) in Administrative Expenses. $360,174,500 (51.0%) in Deductions were covered by Pension Fund assets.

Source: FY21 Cheiron Actuarial Valuation Report issued January 20, 2022.

VII. Market Values (Green)and Board Summary of Principal Plan Results (Blue) as of June 30, 2020

a. **The Net Position at the beginning of the year was $9,116,517,300.**
b. **Total Additions totaled $1,203,745,700 and were comprised of $74,166,700 in Member Contributions, $257,838,100 in State (Employer) Contributions, $5,650,100 in PRI Transfers and $866,090,800 in Investment Return (this is typical).**
c. **Total Deductions totaled $681,434,600 and were comprised of $675,380,100 in Benefits Payments and $6,054,500 in Administrative Expenses.**
d. **The Increase (Decrease) in Net Position was $522,311,100.**
e. **The Net Position at the end of the year was $9,638,828,400.**
f. **The Actuarial Liability (AL) was $11,137,981,600.**
g. **The Actuarial Value of Assets (AVA) was $9,528,170,100.**

h. The Unfunded Actuarial Liability (UAL) was $1,609,811,500.
i. The Funded Ratio AVA Basis (AVA/AL) was 85.5%.
j. The Funded Ratio MVA Basis (MVA/AL) was 86.5%.
k. The Present Value of Accrued Benefits (PVAB) was $10,002,662,000.
l. The Market Value of Assets (MVA) was $9,638,828,400.
m. The Unfunded PVAB was $363,833,600.
n. The Accrued Benefit Fund Ratio (MVA/PVAB) was 96.4%.

Please Note (a through d above): Total Additions other than Investment Returns totaled $337,654,900 and were comprised of $74,166,700 (22.0%) in Member Contributions, $257,838,100 (76.3%) in State (Employer) Contributions, and $5,650,100 (1.7%) in PRI Transfers. Total Deductions totaled $681,434,600 and were comprised of $675,380,100 (99.1%) in Benefits Payments and $6,054,500 (0.9%) in Administrative Expenses. $381,917,700 (50.6%) in Deductions were covered by Pension Fund assets.

Source: FY21 Cheiron Actuarial Valuation Report issued February 19, 2021.

VIII. Market Values (Green) and Board Summary of Principal Plan Results (Blue) as of June 30, 2006 (Based on Oldest Available Cheiron Valuation)

a. The Net Position at the beginning of the year was $5,608,509,000.
b. Total Additions totaled $837,126,600 and were comprised of $41,138,800 in Member Contributions, $91,013,300 in State (Employer) Contributions, $38,305,700 in PRI Transfers, and $666,668,800 Investment Return.
c. Total Deductions totaled $312,491,700 and were comprised of $307,979,900 in Benefits Payments and $4,511,800 in Administrative Expenses.
d. The Increase (Decrease) in Net Position was $524,634,900.
e. The Net Position at the end of the year was $6,133,143,900.
f. The Actuarial Accrued Liability (AAL) was $5,901,072,200.
g. The Actuarial Value of Assets (AVA) was $5,998,745,700.
h. The Unfunded Actuarial Accrued Liability (UAAL) was ($97,673,500).
i. The Funded Ratio AVA Basis (AVA/AAL) was 101.7%.
j. The Funded Ratio MVA Basis (MVA/AAL) was 103.9%.
k. The Present Value of Accrued Benefits (PVAB) was $4,877,351,800.
l. The Market Value of Assets (MVA) was $6,133,143,900.
m. The Unfunded PVAB was ($1,255,792,100).
n. The Accrued Benefit Fund Ratio (MVA/PVAB) was 125.7%.

Please Note (a through d above): Total Additions other than Investment Returns totaled $170,457,800 and were comprised of $41,138,800 (24.1%) in Member Contributions, $91,013,300 (53.4%) in State (Employer) Contributions, and $38,305,700 (22.4%) in PRI Transfers. Total Deductions totaled $312,491,700 and were comprised of $307,979,900 (98.6%) in Benefits Payments and $4,511,800 (1.4%) in Administrative Expenses. $142,033,900 (45.5%) in Deductions were covered by Pension Fund assets.

Source: FY22 Cheiron Actuarial Valuation Report issued April 11, 2006.

Summary of Sections V Through VII with Addition of FY18 and FY19

Pension Trust Fund Market Values

In Millions	FY06	FY18	FY19	FY20	FY21	FY22
Beginning Net Position	5,608.5	8,513.8	9,028.4	9,116.5	9,638.8	12,851.0
Total Additions	837.1	1,149.3	756.1	1,203.7	3,918.5	(1,293.4)
Member Contributions	41.1	64.3	69.6	74.1	77.0	85.4
State (Employer) Contributions	91.0	206.9	256.4	257.8	269.5	287.1
Ad Hoc State Contributions	0	0	0	0	0	14.6
PRI Transfers	38.3	10.6	10.9	5.7	0	12.1
Investment Return	666.7	867.5	419.2	866.1	3,572.0	(1,692.6)
Total Deductions	312.5	634.7	668.1	681.4	706.3	754.5
Benefits Payments	308.0	628.9	662.1	675.4	700.6	748.4
Administrative Expenses	4.5	5.8	6.0	6.0	5.7	6.1
Ending Net Position	6,133.1	9,028.4	9,116.5	9,638.8	12,851.0	10,803.2
Increase In Net Position	524.6	514.6	88.1	522.3	3,212.2	(2,047.8)

Board Summary of Principal Plan Results

In Millions	FY06	FY18	FY19	FY20	FY21	FY22
Actuarial Liability (AL)	5,901.1	10,413.1	10,772.3	11,138.0	11,700.5	12,314.5
Actuarial Value of Assets (AVA)	5,998.7	8,951.0	9,211.3	9,528.2	10,428.6	10,793.5
Unfunded Actuarial Liability (UAL)	(97.7)	1,462.2	1,560.9	1,609.8	1,271.9	1,521.0
Funded Ratio AVA Basis (AVA/AL)	101.7%	86.0%	85.5%	85.5%	89.1%	87.6%
Funded Ratio MVA Basis (MVA/ AL)	103.9%	86.7%	84.6%	86.5%	121.8%	87.7%
Present Value of Accrued Benefits (PVAB)	4,877.4	9,282.9	9,594.8	10,002.7	10,549.1	11,008.4
Market Value of Assets (MVA)	6,133.1	9,028.4	9,116.5	9,638.8	12,851.1	10,803.2
Unfunded PVAB	(1,255.8)	254.5	478.3	363.8	(2,303.0)	205.2
Accrued Benefit Fund Ration (MVA/PVAB)	125.7%	97.3%	95.0%	96.4%	121.8%	98.1%
Actuarially Determined Contribution (ADC)	6.69% (FY07)	10.42%	11.83%	11.96%	12.33%	12.45%

IX. Sources of Pension Fund Employer Contributions

a. Total FY21 Pension Trust Fund Employer Contributions were $269,466,553.
b. The State of Delaware General Government contributions (GF, ASF, NSF) were $232,564,554.
c. Charter School contributions were $12,873,207.
d. Delaware Agricultural Lands Preservation Foundation contributions were 8,087.
e. Delaware Department of Transportation contributions from TFO and TFC funds were $9,625,479.
f. Delaware State Housing Authority contributions were $34,501.

g. Delaware State Lottery contributions were $311,810.
h. Delaware State University contributions were $6,459,505.
i. Delaware Solid Waste Authority contributions were $831,960.
j. Delaware State Education Association contributions were $8,873.
k. University of Delaware contributions were $6,748,577.

PLEASE NOTE (Very Important): Total FY21 OPEB Trust Fund Employer (Pay-Go) Contributions were $267,040,068. Total FY21 Pension Trust Fund Employer Contributions were $269,466,553. The list of employers is identical. See Appendix at page 24.

Sources: BDO FY21 Audit Report of Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Page 6, dated May 25, 2022.

Now that we have a basic understanding of the structure, processes, and outcomes of the Pension Trust Fund, let's take a detailed look at the structure, processes, and outcomes of the Post-employment Benefits (OPEB Trust) Fund established by 76 Del. Laws, Chapter 70, Section 6, effective July 1, 2007

X. The Other Post-employment Benefits Fund is Governed by Delaware Code, Title 29 - State Government, Chapter 52B.

Section 5281 - Establishment of fund. (a) There shall be established an OPEB Fund, a trust fund, separate and distinct from the funds established under Sections 5541 and 5601 of this title and Section 8393 of Title 11, to which state appropriations and other employer contributions shall be deposited, and to which earnings on investments, **refunds and reimbursements** shall be deposited upon receipt, and from which the State's premiums as defined in Section 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 purpose of payment of the State's premiums for post-retirement health insurance for employees retired under Chapters 55 and 56 of this title and Chapter 83 of Title 11.**

Please Note: Contrary to this Section, Medicare Part D refunds and reimbursements do not appear to be deposited in the OPEB Trust Fund. Why/How are OPEB Medicare Part D prescription costs and rebates/reimbursements/ subsidies processed outside of the Trust Fund? Why/How are OPEB Medicare Part

D copays processed outside of the Trust fund? (What effect will the Federal Inflation Reduction Act have on Medicare Part D benefits and costs?)

Please Note: **Contrary to this Section, aggregation of revenues and costs across the entire GHIP results in funds being disbursed from the fund for purposes other than payment of the state's premium for post-retirement health insurance for eligible retirees. To alleviate this deviation from Section 5281, consideration should be given to creating a separate and distinct OPEB GHIP.**

Please Note: **Contrary to this Section, during previous Fiscal Years, there were GHIP surpluses which were carried forward and accumulated in a GHIP Fund Equity Account. These funds have been used to cover GHIP deficits that occurred during subsequent Fiscal Years. A portion of these funds were OPEB funds which should have been returned to the OPEB Trust Fund. These funds should not be used to cover GHIP deficits other than OPEB plan deficits.**

(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 form future payments until all state liabilities for post-employment health insurance premium benefits have been satisfied.

(c) This chapter is replacing Section 5550 of this title in its entirety.

(d) The trust shall be an irrevocable trust exempt from federal income tax under Section 115 of the Internal Revenue Code (26 U.S.C. Section 115) and subject to the financial reporting, disclosure and actuarial requirements of Government Accounting Standards Board Statements 43 and 45 or any subsequent Government Accounting Standards Board updates or statements that may be applicable.

Section 5282 - Management of the OPEB Fund. **(a) The Board shall serve as the Board of Trustees for the OPEB Fund, shall adopt a trust agreement for the OPEB Fund (and may amend the trust agreement from time to time), shall take all actions necessary and appropriate to establish and maintain the OPEB Fund, and shall have control and management of the OPEB Fund and may utilize its powers pursuant to this chapter and Section 8308 of the title in the administration of the OPEB Fund.**

Please Note: **Clearly, the Board retains control and management of the OPEB Fund, not the SEBC. All SEBC actions impacting the OPEB Fund should require Board approval. The role and authority of the SEBC needs to be revisited.**

Legislative oversight and approval of SEBC actions affecting the OPEB Trust Fund and OPEB benefits should be codified.

(b) The Board shall take the actions necessary and appropriate to establish and maintain the OPEB Fund as a trust that is exempt from taxation under Internal Revenue Code Section 115 (26 U.S.C. Section 115). **The trust shall be maintained and administered by the Board to provide payments for retiree insurance for medical care** in compliance with Internal Revenue code Section 105 (26 U.S.C. Section 105) and with this chapter.

Please Note: Again, the Board retains control and management of the OPEB Fund, not the SEBC. All SEBC actions impacting the OPEB Fund should require Board approval.

(c) The State shall indemnify a board member in the additional duties contained in this chapter pertaining to the administration and management of the OPEB Fund or to sit on a committee of the Board who was a party or is threatened to be made apart to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the board member is or was a board member against expense (including attorneys' fees if the attorney General determines that the Attorney General may not provide representation), judgements, fines and amounts paid in settlement actually and reasonably incurred by the board member in connection with such action, suit or proceeding, if the board member acted in good faith in a matter the board member reasonably believed to be in the interest of the State and with respect to any criminal action or proceeding had no reasonable cause to believe that board members own conduct was unlawful. Expenses incurred in defending a civil, administrative or investigative action, suit or proceeding shall be paid by the State in advance final disposition of such action, suit or proceeding if: (1) Initially authorized by a majority vote of the board exclusive of the member or members to be indemnified unless more than a majority of the board shall also be parties to the same action, suit or proceeding, in which instance, such authorization shall be by the governor of the State; and (2) Such board member agrees to repay such amount if it is ultimately determined by the Board to the governor, as the case may be, pursuant to paragraph (c)(1) of this section that such member is not entitled to indemnification under this section.

Section 5283 - Actuarial Valuations. (a) The actuary shall prepare an actuarial valuation of the assets and liabilities of the OPEB Fund as of June 30, each year. On the basis of reasonable actuarial assumptions and tables approved by the Board, the actuary shall determine: (1) The State's annual required contribution for payment of the State's premiums for post retirement insurance for employees under Chapters

55 and 56 of this title and Chapter 83 of Title 11; (2) any unfunded actuarial liability.

<u>Please Note (Important):</u> It appears that Section 5283(a) above was never put into practice. This is standard Pension Trust Fund practice and has lead, over time, to the strength of the Pension Trust Fund. <u>A review of calendar year 2022 Board meeting minutes does not indicate that the Board approved the State's annual required contribution for payment of the State's premiums for post retirement insurance for eligible retirees and any unfunded actuarial liability.</u> An annual Cheiron valuation report was presented at the June 30, 2022 meeting, but the minutes do not reflect that an annual required contribution was presented or approved.

(b) It is not anticipated that distributions will be made from this fund until the State's annual required contribution, as determined in subsection (a) of this section, has been appropriated in a given fiscal year.

<u>Please Note (Important):</u> Because Section 5283(a) is not in practice, 5283(b) is not being followed.

<u>Questions (Very Important):</u> Section 1 of House Bill 75 provides FY24 funding for a state employee pension rate of ~~22.62~~ <u>22.52%</u> . The components of the rate are ~~12.05~~ <u>12.61%</u> for pension liability, ~~9.21~~ <u>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.</u> How was the FY24 8.55% (Pay-Go) rate for retiree health insurance costs determined and approved prior to being placed into the Bill? How was the 0.36% rate for the OPEB Fund determined and approved prior to being placed into the Bill? How was the 1% carveout determined (actuarily or politically)?

<u>XI. Other Post Employment Benefits (OPEB) Liability</u>

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 <u>$8.9B</u> and is projected to grow to <u>$23.6B</u> 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 x .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.

Please Note: Under current OPEB Trust Fund liability funding mechanisms, the Market Value of the Trust Fund has not grown to a level necessary to satisfy unfunded liability and cover, in whole or in part, OPEB Pay-Go costs.

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

XII. OPEB Trust Fund 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.

Please Note: The Post Retirement Health Insurance Premium Fund was established on July 1, 2000. The Premium Fund was replaced by the OPEB Trust Fund on July 1, 2007. After 22 years of neglect and under funding, the FY22 Net Position of the OPEB Trust Fund ($5.8M) only covers 6.7% of the Unfunded Liability ($8.9B).

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

XII. Cheiron Reconciliation of Assets Table (as of July 1, 2022) That Was Used to Develop the FY 2023 OPEB ARC.

Reconciliation of Assets	$ In Millions
Valuation Assets as of July 1, 2012	$650.3
Contributions for Fiscal Year	
State Contributions	$273.3
Transfer from Outside the System	$0.1
Other Contributions	$0.0
Total Contributions	$273.4
Benefit Payments	$254.5
Expenses	$0.1
Investment Earnings	($86.4)
Valuation Assets as of July 1, 2022	$582.7

Source: Cheiron Postretirement Health Plan Actuarial Valuation Report (page 6) as of July 1, 2022, dated November 2, 2022.

XIII. Cheiron Summary of Key Valuation Results Table (as of July 1, 2022).

Summary of Key Valuation Results		$ In Millions	
Discount Rate		2.16%	3.54%
		July 1, 2021	July 1, 2022
Actuarial Liability (AL)	a	$10,773.3	$8,938.0
Assets	b	$650.3	$582.7
Unfunded Actuarial Liability (UAL)	c	$10,123.0	$8,355.3
Funding Ratio (b / a)		6.0%	6.5%

Summary of Key Valuation Results		$ In Millions	
Fiscal Year Ending		**June 30, 2022**	**June 30, 2023**
Annual Required Contribution (ARC)	**d**	$784.3	$646.3
Actual / *Expected* Contribution *	**e**	$273.4	$305.3
Actual / *Expected* Net Benefits Payments	**f**	$254.5	$248.9
Items Below Were Calculated From Table Entries			
Actual / *Expected* Net Contributions (e - f)		$18.9	$56.4
ARC Minus Contributions (d - e)		$510.9	$341.0
Contributions As % of ARC (e / d)		34.9%	47.2%
Contributions Required To Reach 85% Funding Ratio (d X .85)	**g**	$666.7	$549.4
85% Funding Ratio Shortage (g - e)		$393.3	$244.1

* The expected contribution of $305.3 million for the period ending June 30, 2023 includes $47.7 million in one-time payments (1% carveout) plus 0.36% of covered payroll plus $248.9 million of net benefit payments.

Please Note: **Unlike the valuation results prepared for and presented to the Board of Pension Trustees, the OPEB valuation results do not include a covered payroll percentage necessary to satisfy the ARC. The Pension Fund operates on a single employer contribution based on a covered payroll percentage. The OPEB Fund operates on three contributions: an employer Pay-Go percentage contribution, a covered payroll percentage contribution, and a carve out. Consideration should be given to combining the OPEB contributions into a single employer contribution.**

Source: Cheiron Postretirement Health Plan Actuarial Valuation Report (page 2) as of July 1, 2022, dated November 2, 202

Appendix

I. Detailed Data Supplementing Information on Pages 16 and 17.

Employer Contributions		OPEB	Pension
FY21 Total Employer Contributions From BDO Schedule of Employer Allocations	a	$267,040,068	$269,466,553
FY21 Total Employer Contributions From Cheiron Valuation Report		$267,040,000	$269,466,500
Contributions From State of Delaware Entities and Affiliated Entities			
Charter Schools		$12,322,506	$12,873,207
Delaware Agricultural Lands Preservation Foundation		$7,741	$8,087
Delaware Dept of Transportation (TFO & TFC Funds)		$9,213,713	$9,625,479
Delaware State Housing Authority		$33,025	$34,501
Delaware State Lottery		$298,471	$311,810
Delaware State University		$6,183,176	$6,459,505
Delaware Solid Waste Authority		$800,770	$831,960
Delaware State Education Authority		$8,553	$8,873
University of Delaware		6,339,625	$6,748,577
Total *	b	$35,207,580	$36,901,999
Contributions From State of Delaware (GF, ASF, NSF) Funds (a - b)		$231,832,488	$232,564,554

Employer Contributions		OPEB	Pension
Contributiions by 1,806.8 FTE's Funded with Appropriated Special Funds		$13,286,320	$13,328,275
Contributions by 2,102.1 FTE's Funded with Non-Appropriated Special Funds (Includes Federal Funds)		$15,458,590	$15,507,405
Total FTE's Funded with Other Than General Funds	c	$28,774,910	$28,835,680
Total Contributions From General Funds (State Operating Budget [a - (b+c)] **		$203,057,578 (76.0%)	$202,728,874 (75.6%)
Total Contributions From Other Than General (State Operating Budget) Funds (b+c)		$63,982,490 (24.0%)	$65,737,679 (24.4%)
Market Value of Assets - 6/30/2020			$9,638,828,400
Member Contributions ***			$77,008,500
State Contributions			$269,466,500
PRI Transfers			$0
Investment Returns ****			$3,572,073,000
Total Additions			$3,918,548,000
Benefit Payments			$700,649,500
Administrative Expenses			$5,653,700
Total Deductions			$706,303,200
Market Value of Assets - 6/30/2021			$12,851,073,200
Gain/Lose			$3,212,244,800

Employer Contributions		OPEB	Pension
Net Position - 6/30/20		$464,404,000	
State Contributions *****		$267,040,000	
Transfer of Assets from Outside the Trust		$145,000	
Investment Income ****		$172,331,000	
Total Additions		$439,516,000	
Benefit Payments		$253,520,000	
Administrative Expenses		$149,000	
Total Deductions		253,669,000	
Net Position - 6/30/2021		$650,251,000	
Gain/Lose		$185,847,000	
Non-Medicare Retiree Premium Share		$22,900,000	
Medicare Retiree Premium Share		$6,235,758	
Total ******		$29,135,758	

*** Please Note (Very Important): Delaware Public School Districts, though partially funded with local school district and federals 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. 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 $203,057,578 in Section I above. 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".**

** Please Note (Very Important): The State maintains that the State share of Medicfill/RX costs is, on average, 95%. It is actually 71% (76.0 GF contribution minus 5% retiree contribution). The State share of the current and future unfunded liability is also overstated by approximately 29%.

*** Please Note (Very Important): 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. A similar OPEB Trust Fund deduction should be established to contribute to the long-term viability of OPEB medical/RX benefits. These contributions, along with retiree premium share contributions, should be included in the ARC.

**** Please Note: FY21 was an exceptional year for investment earnings.

***** Please Note (Very Important): Is the 0.36% OPEB Trust Fund allocation included in the State Contributions total? Why is it not a separate line item on BDO Financial Statements? Hopefully, it is deposited in the OPED Fund as required by the Delaware Code.

****** Please Note (Very Important): For some reason (I hope I am wrong here), retiree OPEB premium share contributions in the amount of $29,135,758 do not appear to have been deposited in the OPEB Trust Fund as required by the Delaware Code. The $77,008,500 in active employee pension contributions were deposited in the Pension Trust Fund.