

SEBC Retiree Healthcare Benefits Advisory Subcommittee (RHBAS)

June 26, 2023

Options to Reduce OPEB Liability

Reviewed at May 19 and June 5, 2023 RHBAS Meetings

• Funding Options

Option	Option Description	Other Considerations	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
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%		▪ \$10.4B	▪ 59.8% (42%)	▪ Taxpayers including current State employees and DE resident State retirees
2% additional funding (not previously modeled)	Assumes 2% of prior fiscal year state budget (\$95.4M based on \$4.7B budget for FY22); projected to grow at 3.6%		▪ \$10.5B	▪ 93.2% (75.4%)	▪ Taxpayers including current State employees and DE resident State retirees
3% additional funding (not previously modeled)	Assumes 3% of prior fiscal year state budget (\$143.1M based on \$4.7B budget for FY22); projected to grow at 3.6%		▪ \$10.5B	▪ 101.7% (83.9%)	▪ Taxpayers including current State employees and DE resident State retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

Reviewed at June 5, 2023
RHBAS Meeting

• Eligibility Changes

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	Taxpayers
Reduce Spousal State Share Subsidy to 50%	Applies only to future non-Medicare and Medicare retirees	<ul style="list-style-type: none"> ▪ Model A: Hire date after 1/1/2015 ▪ Model B: Hire date after 1/1/2025 ▪ Model C: Retirement date after 1/1/2025 	Model A: \$1.8B Model B: \$1.1B Model C: \$2.7B	Model A: 18.9% (1.1%) Model B: 18.5% (0.7%) Model C: 19.5% (1.7%)	Varies by model - current & future employees; future retirees
Increase the Graduated State Share based on Years of Service	Adjust State Share eligibility schedule to 20 years = 50%, 25 years = 75% and 30 years = 100%	<ul style="list-style-type: none"> ▪ Model A: Hire date after 1/1/2015 ▪ Model B: Hire date after 1/1/2025 ▪ Model C: Retirement date after 1/1/2025 	Model A: \$3.8B Model B: \$3.0B Model C: \$4.6B	Model A: 20.2% (2.4%) Model B: 19.7% (1.9%) Model C: 20.8% (3.0%)	Varies by model - current & future employees; future retirees
Eliminate Future Vested Retirees from eligibility for healthcare	Anyone who terms employment with State and is entitled to a future pension benefit will not have access to health coverage	<ul style="list-style-type: none"> ▪ Model A: Hire date after 1/1/2015 ▪ Model B: Hire date after 1/1/2025 ▪ Model C: Retirement date after 1/1/2025 	Model A: \$1.6B Model B: \$1.2B Model C: \$1.5B	Model A: 18.7% (0.9%) Model B: 18.5% (0.7%) Model C: 18.7% (0.9%)	Varies by model – current & former employees; future retirees
Increase minimum required age	Future retirees only State Police to age 55, All Other employees to age 60	<ul style="list-style-type: none"> ▪ Model A: Hire date after 1/1/2015 ▪ Model B: Hire date after 1/1/2025 ▪ Model C: Retirement date after 1/1/2025 	Model A: \$2.5B Model B: \$2.3B Model C: \$2.5B	Model A: 19.3% (1.5%) Model B: 19.2% (1.4%) Model C: 19.3% (1.5%)	Varies by model – current & former employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

Reviewed at June 5, 2023
RHBAS Meeting

• Benefit Design Options

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		\$0	17.8%	▪ Taxpayers
Move to HRA/Individual Marketplace, with 2% annual indexing of HRA	\$5,100 ³ annual HRA for each eligible member and 2% annual indexing ³	<ul style="list-style-type: none"> ▪ Model A: Hire date on/after 1/1/2015 ▪ Model B: Hire date on/after 1/1/2025 ▪ Model C: Retirement date on/after 1/1/2025 	Model A: \$10.9B Model B: \$10.0B Model C: \$13.1B	Model A: 27.2% (9.4%) Model B: 26.0% (8.2%) Model C: 30.4% (12.6%)	Varies by model - current & future employees; future retirees
Move to HRA/Individual Marketplace, with 4% annual indexing of HRA	\$5,100 ³ annual HRA for each eligible member and 4% annual indexing ³	<ul style="list-style-type: none"> ▪ Model A: Hire date on/after 1/1/2015 ▪ Model B: Hire date on/after 1/1/2025 ▪ Model C: Retirement date on/after 1/1/2025 	Model A: (\$0.6B) Model B: \$0.0B Model C: (\$0.6B)	Model A: 17.4% (0.4%) Model B: 17.8% (0.0%) Model C: 17.4% (0.4%)	Varies by model - current & future employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

³ Previously published as \$4,900 on June 5, 2023

Options to Reduce OPEB Liability

• Benefit Design Options

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
Offer a Medigap Supplement Plan similar to existing Special Medicfill Plan	Reduce State Share from 95% to 90% and increase Pensioner Share from 5% to 10% for retirees with 20 years of State Service at time of retirement	<ul style="list-style-type: none"> ▪ Model A: Hire date on/after 1/1/2015 ▪ Model B: Hire date on/after 1/1/2025 ▪ Model C: Retirement date on/after 1/1/2025 	Model A: \$1.1B Model B: \$1.0B Model C: \$1.1B	Model A: 18.5%(0.7%) Model B: 18.4%(0.6%) Model C: 18.5%(0.7%)	Varies by model - current & future employees; future retirees
Offer a Medigap Supplement Plan similar to existing Special Medicfill Plan	Reduce State Share from 95% to 85% and increase Pensioner Share from 5% to 15% for retirees with 20 years of State Service at time of retirement	<ul style="list-style-type: none"> ▪ Model A: Hire date on/after 1/1/2015 ▪ Model B: Hire date on/after 1/1/2025 ▪ Model C: Retirement date on/after 1/1/2025 	Model A: \$2.1B Model B: \$2.1B Model C: \$2.6B	Model A: 19.1%(1.3%) Model B: 19.1%(1.3%) Model C: 19.4%(1.6%)	Varies by model - current & future employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

• Benefit Design Options

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		<ul style="list-style-type: none"> ▪ \$0 	<ul style="list-style-type: none"> ▪ 17.8% 	<ul style="list-style-type: none"> ▪ Taxpayers
Offer a Medicare Advantage Plan similar to the formerly proposed Highmark BCBS Delaware Freedom Blue PPO	State Share remains at 95% Pensioner Share at 5% for retirees with 20 years of State Service at time of retirement	<ul style="list-style-type: none"> ▪ Model A: Hire date on/after 1/1/2015 ▪ Model B: Hire date on/after 1/1/2025 ▪ Model C: Retirement date on/after 1/1/2025 	Model A: \$7.4B Model B: \$6.8B Model C: \$9.5B	Model A: 23.2%(5.4%) Model B: 22.7%(4.9%) Model C: 25.5%(7.7%)	Varies by model - current & future employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

• Other Funding Options

Option	Option Description	Other Considerations	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
Increase State funding rate of payroll to OPEB from 0.36% to 1%			▪ \$1.1B	▪ 25.5% (7.7%)	▪ Taxpayers

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

• Eligibility and Benefit Design Option Combination

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		<ul style="list-style-type: none"> \$0 	<ul style="list-style-type: none"> 17.8% 	<ul style="list-style-type: none"> Taxpayers
Offer a choice between a Medigap Supplement Plan similar to existing Special Medicfill Plan or a Medicare Advantage Plan similar to the formerly proposed Highmark BCBS Delaware Freedom Blue PPO	For the Medigap Supplement Plan, reduce State Share from 95% to 85% and increase pensioner share from 5% to 15% for retirees with 20 years of State service at the time of retirement. For the Medicare Advantage Plan, State Share remains at 95% and pensioner share at 5% for retirees with 20 years of State service at the time of retirement	<ul style="list-style-type: none"> Model C: Retirement date on/after 1/1/2025 That 90% of retirees enroll in Medigap plan paying 15% of Medigap plan and 10% of retirees enroll in MA paying 5% of the MA plan: 	<ul style="list-style-type: none"> Model C: \$3.6B 	<ul style="list-style-type: none"> Model C: 20.0% (2.2%) 	<ul style="list-style-type: none"> Current & future employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

• Eligibility and Benefit Design Option

Option	Option Description	Other Considerations	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
Offer a choice between a Medigap Supplement Plan similar to existing Special Medicfill Plan or a Medicare Advantage Plan (MA) similar to the formerly proposed Highmark BCBS Delaware Freedom Blue PPO.	<ul style="list-style-type: none"> • All current retirees after 7/1/2012 and who are 65 years old/Medicare eligible – pay 5% and state pays 95%. • Retire on or after 1/1/25 and at least 60 years old but not yet 65 – when they become Medicare eligible, pay current 5% plus 25% of state share if they choose the Medigap plan. • Retire on or after 1/1/25 and at least 55 but not yet age 60 –when they become Medicare eligible, pay current 5% plus 50% of state share if they choose a Medigap plan. • Retire on or after 1/1/25 and at least 50 but not yet age 55 - when they become Medicare eligible, pay current 5% plus 75% of state share if they choose a Medigap plan. • Retire on or after 1/1/25 and less than 50 years of age – when they become Medicare eligible, pay current 5% plus 95% of state share if they chose a Medigap plan. <p>NOTE: MA available to all retirees with 5% pensioner share.</p>	<ul style="list-style-type: none"> ▪ Model C: Retirement date after 1/1/2025 	<ul style="list-style-type: none"> ▪ Model C: \$6.9B 	<ul style="list-style-type: none"> ▪ 22.8%(5.0%) 	<ul style="list-style-type: none"> ▪ Current & future employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

Options to Reduce OPEB Liability

• Funding, Eligibility and Benefit Design Option Combination

Option	Option Description	Additional Assumption Details	Approx. 2052 OPEB Liability Reduction ^{1,2}	2052 Approx. Funded Ratio ^{1,2}	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ 17.8%	▪ Taxpayers
Funding: 1% Additional Funding Eligibility: Plan Design:	Assumes 1% of prior fiscal year state budget (\$47.7M based on \$4.7B budget for FY22); projected to grow at 3.6% Reduce Spousal State Share Subsidy to 50% for Spouses when Retirement date on/after 1/1/2025 Offer a Medigap Supplement Plan similar to existing Special Medicfill Plan	<ul style="list-style-type: none"> ▪ Model C: Retirement date on/after 1/1/2025 ▪ Reduce State Share from 95% to 90% and increase Pensioner Share from 5% to 10% for retirees with 20 years of State Service at time of retirement 	▪ Model C: \$11.9B	▪ Model C: 64.1%(46.3%)	Future employees; future retirees

¹ Includes 0.36% payroll contribution

² Estimated; modeling provided by Cheiron

RHBAS Work Plan for Remaining Meetings

- June 26 – Discussion of actions to be modeled in combination
- July 10 - Modeling combinations/ start discussing recommendations
- July 20 - Recommendation discussion/additional public comment time
- August 10 - Recommendation vote
- August 24 - Draft report presented/additional public comment time
- September ? - Report discussion
- September ? - Approve report

***This schedule is an outline and is subject to change**

Appendix

Other Employment Costs

Contributions paid based on the employee's pay assuming \$50,000 annual salary

Type of Contribution	FY23 Employer Rate	State of Delaware Pays	Employee Pays
Pension Contribution	11.15%	\$5,575	\$1,320 or \$2,200
Disability Insurance Program	0.90%	\$450	\$0
Post Retirement Increase	1.00%	\$500	\$0
OPEB (Prefund Health)	0.36%	\$180	\$0
Retiree Health (PayGo)	9.21%	\$4,605	Based on elections
Medicare, FICA, WC, UI	9.31%	\$4,655	\$3,732
Total OEC's	31.93%	\$15,965	\$5,052 or \$5,932

Options to Reduce OPEB Liability

Illustrative rate sheet for
Medigap plan based on age at
retirement – Slide 9

Type of Coverage	Age at Retirement on or after January 1, 2025	Total Cost	State Share	Pensioner Share
Individual Medigap Supplement	Age 65+ ¹ (Retiree pays 5% cost share)	\$459.38	\$436.42	\$22.96
Individual Medigap Supplement	Age 60-up to 65 (Retiree pays 25% state share + 5% cost share)	\$459.38	\$327.32	\$132.06
Individual Medigap Supplement	Age 55-up to 60 (Retiree pays 50% state share + 5% cost share)	\$459.38	\$218.21	\$241.17
Individual Medigap Supplement	Age 50-up to 55 (Retiree pays 75% state share + 5% cost share)	\$459.38	\$109.11	\$350.27
Individual Medigap Supplement	Less than age 50 (Retiree pays 100% premium)	\$459.38	\$0.00	\$459.38

¹ Applies to current retirees after 7/1/2012