

# SEBC Retiree Healthcare Benefits Advisory Subcommittee (RHBAS)

August 24, 2023 Revised August 25, 2023

# Options to Reduce OPEB Liability

Reviewed at August 10, 2023  
RHBAS Meeting

## • Summary Table

Category	Option Description: ***See appendix slides for additional assumptions and details***	2052 Approx. Funded Ratio <sup>1,2</sup>	Hire After 1/1/2015 (Model A)	Hire After 1/1/2025 (Model B)	Retire After 1/1/2025 (Model C)
Funding:	<ul style="list-style-type: none"> <li>Baseline: State Funding Rate of Payroll at 0.36%</li> <li>Increase State funding rate of payroll to OPEB from 0.36% to 1%</li> <li>Increase State funding rate of payroll to OPEB from 0.36% to 10% gradually over 10 years</li> <li>Baseline Plus 1% Carve-Out (accomplished through SB 175)</li> <li>Baseline Plus 2% Carve-Out</li> <li>Baseline Plus 3% Carve-Out</li> </ul>	17.8% 25.5% (7.7%) N/A (131.6%) 59.8% (42.0%) 93.2% (75.4%) 101.7% (83.9%)			
Eligibility:	<ul style="list-style-type: none"> <li>50% Spousal Share</li> <li>Increase the Graduated State Share based on Years of Service</li> <li>Eliminate Future Vested Retirees from Eligibility for Healthcare</li> <li>Increase minimum required age</li> </ul>		18.9% (1.1%) 20.2% (2.4%) 18.7% (0.9%) 19.3% (1.5%)	18.5% (0.7%) 19.7% (1.9%) 18.5% (0.7%) 19.2% (1.4%)	19.5% (1.7%) 20.8% (3.0%) 18.7% (0.9%) 19.3% (1.5%)
Benefit Design:	<ul style="list-style-type: none"> <li>Move to HRA/Individual Marketplace, with 2% annual indexing of HRA</li> <li>Move to HRA/Individual Marketplace, with 4% annual indexing of HRA</li> <li>Offer Medigap Supplement Plan similar to existing Special Medicfill Plan with 10% pensioner share<sup>3</sup></li> <li>Offer Medigap Supplement Plan similar to existing Special Medicfill Plan with 15% pensioner share<sup>3</sup></li> <li>Offer a MA Plan similar to the formerly proposed Highmark BCBS Delaware Freedom Blue PPO</li> <li>Offer a choice between a Medigap Supplement Plan or a MA Plan with 15% pensioner share for MS</li> <li>Offer a choice between a Medigap Supplement Plan or a MA Plan with graduated age requirements</li> </ul>		27.2% (9.4%) 17.4% (0.4%) 18.5% (0.7%) 19.1% (1.3%) 23.2% (5.4%) Not modeled Not modeled	26.0% (8.2%) 17.8% (0.0%) 18.4% (0.6%) 19.1% (1.3%) 22.7% (4.9%) Not modeled Not modeled	30.4% (12.6%) 17.4% (0.4%) 18.5% (0.7%) 19.4% (1.6%) 25.5% (7.7%) 20.0% (2.2%) 22.8% (5.0%)

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# Options to Reduce OPEB Liability

Reviewed at August 10, 2023  
RHBAS Meeting

## • Summary Table – Option Combinations

Category	Option Description:	2052 Approx. OPEB Reduction	Hire After 1/1/2015 (Model A)	Hire After 1/1/2025 (Model B)	Retire After 1/1/2025 (Model C)
Combo 1:	<ul style="list-style-type: none"> <li>• Baseline: State Funding Rate of Payroll at 0.36%</li> <li>• Funding: 1% Carve-Out</li> <li>• Eligibility: Reduce Spousal State Share Subsidy to 50%</li> <li>• Benefit Design: 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</li> </ul>	\$11.9B			64.1%
Combo 2:	<ul style="list-style-type: none"> <li>• Funding: 1% Carve-Out and increase State funding rate of payroll to OPEB from 0.36% to 0.5% beginning July 1, 2024 and an additional 0.5% each fiscal year thereafter until reaching a 10% funding level or ADC</li> <li>• Eligibility: Reduce Spousal State Share Subsidy to 50% AND Eliminate vested retirees from eligibility for healthcare</li> <li>• Benefit design: 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 service at time of retirement</li> </ul>	\$14.7B (B) \$14.7B (C)		80.8%	84.2%

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

# Options to Reduce OPEB Liability

Reviewed at August 10, 2023  
RHBAS Meeting

## • Summary Table – Option Combinations

Category	Option Description:	2052 Approx. OPEB Reduction	Hire After 1/1/2015 (Model A)	Hire After 1/1/2025 (Model B)	Retire After 1/1/2025 (Model C)
Combo 3:	<ul style="list-style-type: none"> <li>Baseline: State Funding Rate of Payroll at 0.36%</li> <li>Funding: 1% Carve-Out</li> <li>Benefit Design: Offer a choice between a Medigap Supplement Low Plan similar to Plan L offering 85% State Share and 15% Pensioner share and a Medigap Supplement High Plan similar to Plan N as a buy-up plan with the Pensioner share being 15% of the Low Plan plus the additional premium above 85% of the Low Plan State Share for retirees with 20+ years of service at time of retirement.</li> </ul>	\$13.0B (B) \$13.9B (C)		67.9%	71.5%
Combo 4:	<ul style="list-style-type: none"> <li>Baseline: State Funding Rate of Payroll at 0.36%</li> <li>Funding: 1% Carve-Out</li> <li>Benefit Design: 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. Assumes 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.</li> </ul> <p>*Special Medicfill Plan similar to Medigap F except Medigap F does not include coverage for private duty nursing and coverage outside of the U.S. is limited to a foreign travel emergency benefit under Medigap Plan F (80% up to lifetime max of \$50k) vs. the Medicfill plan, which does not limit coverage to emergency situations and includes coverage for inpatient services as long as it would have been covered by Medicare within the U.S.</p>	\$11.8B (B) \$12.4B (C)		63.9%	65.9%

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

# Options to Reduce OPEB Liability

## • Summary Table – Option Combinations

Category	Option Description:	2052 Approx. OPEB Reduction	Hire After 1/1/2015 (Model A)	Hire After 1/1/2025 (Model B)	Retire After 1/1/2025 (Model C)
Combo 5:	<ul style="list-style-type: none"> <li>• Baseline: State Funding Rate of Payroll at 0.36%</li> <li>• Funding: 1% Carve-Out</li> <li>• Benefit Design: Offer a choice between a Medigap Supplement Low Plan similar to Plan N offering 85% State Share and 15% Pensioner share and a Medigap Supplement High Plan similar to Plan G as a buy-up plan with the Pensioner share being 15% of the Low Plan plus the additional premium above 85% of the Low Plan State Share for retirees with 20+ years of service at time of retirement.</li> </ul>	\$12.1(B) \$12.6(C)		64.7%	66.6%
Combo 6:	<ul style="list-style-type: none"> <li>• Funding: 1% Carve-Out and increase State funding rate of payroll to OPEB from 0.36% to 0.50% beginning July 1, 2024 and an additional 0.25% each fiscal year thereafter until reaching a 10% funding level or ADC</li> <li>• Eligibility: Reduce Spousal State Share Subsidy to 50% AND Eliminate vested retirees from eligibility for healthcare</li> <li>• Benefit design: 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 service at time of retirement</li> </ul>	\$14.7B (B) \$14.7B (C)		79.9%	79.8%

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

# Options to Reduce OPEB Liability

## • Summary Table – Option Combinations

Category	Option Description:	2052 Approx. OPEB Reduction	Hire After 1/1/2015 (Model A)	Hire After 1/1/2025 (Model B)	Retire After 1/1/2025 (Model C)
Combo 7:	<ul style="list-style-type: none"> <li>• Baseline: State Funding Rate of Payroll at 0.36%</li> <li>• Funding: 1% Carve-Out</li> <li>• Benefit Design: Double the pre-Medicare retiree contributions for the non-Medicare health plans for retirees on or after January 1, 2025</li> </ul>	\$11.1B (C)			61.6%
Combo 8:	<ul style="list-style-type: none"> <li>• Baseline: State Funding Rate of Payroll at 0.36%</li> <li>• <del>Funding: 1% Carve-Out</del></li> <li>• Benefit Design: Current design</li> <li>• Eligibility: Increase the Graduated State Share based on Years of Service Adjust State Share eligibility schedule to 20 years = 50%, 22.5 years = 75% and 25 years = 100%</li> </ul>	\$1.3B (A) \$0.9B (B) \$1.6B (C)	18.6%	18.3%	18.8%

# RHBAS Scheduled Meetings

- August 24 – 10am to 1pm at Delaware Department of Insurance
- September 8 – 1pm to 4pm at Delaware Department of Insurance
- September 28 – 1pm to 4pm – Physical Location To Be Determined

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

# Appendix



# Options to Reduce OPEB Liability

Reviewed at May 19 and June 5, 2023 RHBAS Meetings

## • Funding Options

Option	Option Description	Other Considerations	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	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%		▪ \$0.4B	▪ \$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%		▪ \$2.8B	▪ \$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%		▪ \$3.6B	▪ \$10.5B	▪ 101.7% (83.9%)	▪ Taxpayers including current State employees and DE resident State retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> 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. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%		▪ \$0	▪ \$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"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$0.1B Model B: \$0.0B Model C: \$1.0B	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"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$0.2B Model B: \$0.0B Model C: \$1.3B	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"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$0.1B Model B: \$0.0B Model C: \$0.1B	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"> <li>▪ Model A: Hire date after 1/1/2015</li> <li>▪ Model B: Hire date after 1/1/2025</li> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	Model A: \$0.1B Model B: \$0.0B Model C: \$1.2B	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

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> 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. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%			\$0	17.8%	<ul style="list-style-type: none"> <li>▪ Taxpayers</li> </ul>
Move to HRA/Individual Marketplace, with 2% annual indexing of HRA	\$5,100 <sup>3</sup> annual HRA for each eligible member and 2% annual indexing <sup>3</sup>	<ul style="list-style-type: none"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: \$0.4B Model B: \$0.0B Model C: \$2.0B	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 <sup>3</sup> annual HRA for each eligible member and 4% annual indexing <sup>3</sup>	<ul style="list-style-type: none"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: <b>(\$0.2B)</b> Model B: \$0.0B Model C: <b>(\$0.1B)</b>	Model A: <b>(\$0.6B)</b> Model B: \$0.0B Model C: <b>(\$0.6B)</b>	Model A: 17.4% <b>(0.4%)</b> Model B: 17.8% (0.0%) Model C: 17.4% <b>(0.4%)</b>	Varies by model - current & future employees; future retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

<sup>3</sup> Previously published as \$4,900 on June 5, 2023

# Options to Reduce OPEB Liability

Reviewed at June 26, 2023  
RHBAS Meeting

## • Benefit Design Options

Option	Option Description	Additional Assumption Details	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2022 OPEB Liability Reduction <sup>1,2</sup>	2022 Approx. Funded Ratio <sup>1,2</sup>	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 <sup>3</sup>	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"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: \$0.0B Model B: \$0.0B Model C: \$0.0B	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 <sup>3</sup>	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"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: \$0.0B Model B: \$0.0B Model C: \$0.4B	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

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

<sup>3</sup> Modeling and actuarial assumptions use the existing Special Medicfill Medicare Supplement plan design.

# Options to Reduce OPEB Liability

Reviewed at June 26, 2023  
RHBAS Meeting

## • Benefit Design Options

Option	Option Description	Additional Assumption Details	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%			▪ \$0	▪ 17.8%	▪ 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"> <li>▪ Model A: Hire date on/after 1/1/2015</li> <li>▪ Model B: Hire date on/after 1/1/2025</li> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	Model A: \$0.2B Model B: \$0.0B Model C: \$2.0B	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

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# Options to Reduce OPEB Liability

Reviewed at June 26, 2023  
RHBAS Meeting

## • Other Funding Options

Option	Option Description	Other Considerations	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	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%			▪ \$0.1B	▪ \$1.1B	▪ 25.5% (7.7%)	▪ Taxpayers

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# Options to Reduce OPEB Liability

Reviewed at June 26, 2023  
RHBAS Meeting

## • Eligibility and Benefit Design Option Combination

Option	Option Description	Additional Assumption Details	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	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 <sup>3</sup> 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"> <li>▪ Model C: Retirement date on/after 1/1/2025</li> <li>▪ 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:</li> </ul>	▪ Model C: \$0.6B	▪ Model C: \$3.6B	▪ Model C: 20.0% (2.2%)	▪ Current & future employees; future retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

<sup>3</sup> Modeling and actuarial assumptions use the existing Special Medicfill Medicare Supplement plan design.

# Options to Reduce OPEB Liability

Reviewed at June 26, 2023  
RHBAS Meeting

## • Eligibility and Benefit Design Option

Option	Option Description	Other Considerations	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	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 <sup>3</sup> or a Medicare Advantage Plan (MA) similar to the formerly proposed Highmark BCBS Delaware Freedom Blue PPO.	<ul style="list-style-type: none"> <li>• All current retirees after 7/1/2012 and who are 65 years old/Medicare eligible – pay 5% and state pays 95%.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>NOTE: MA available to all retirees with 5% pensioner share.</p>	<ul style="list-style-type: none"> <li>▪ Model C: Retirement date after 1/1/2025</li> </ul>	<ul style="list-style-type: none"> <li>▪ Model C: \$1.2B</li> </ul>	<ul style="list-style-type: none"> <li>▪ Model C: \$6.9B</li> </ul>	<ul style="list-style-type: none"> <li>▪ Model C: 22.8% (5%)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Current &amp; future employees; future retirees</li> </ul>

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

<sup>3</sup> Modeling and actuarial assumptions use the existing Special Medicfill Medicare Supplement plan design.



# Options to Reduce OPEB Liability

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## • Funding, Eligibility and Benefit Design Option Combination (Example 1)

Option	Option Description	Additional Assumption Details	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Baseline	State Funding Rate of Payroll at 0.36%			▪ \$0	▪ 17.8%	▪ Taxpayers
Funding: 1% Additional Funding	Assumes 1% of prior fiscal year state budget (\$47.7M based on \$4.7B budget for FY22); projected to grow at 3.6%	<ul style="list-style-type: none"> <li>▪ Model C: Retirement date on/after 1/1/2025</li> </ul>	▪ Model C: \$1.6B	▪ Model C: \$11.9B	▪ Model C: 64.1% (46.3%)	Future employees; future retirees
Eligibility:	Reduce Spousal State Share Subsidy to 50% for Spouses when Retirement date on/after 1/1/2025	<ul style="list-style-type: none"> <li>▪ 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</li> </ul>				
Plan Design:	Offer a Medigap Supplement Plan similar to existing Special Medicfill Plan					

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# Options to Reduce OPEB Liability

Reviewed at July 10, 2023  
RHBAS Meeting

## • Other Funding Options

Option	Option Description	Additional Assumption Details	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
No Baseline and no 1% carveout	Does not include 1% carveout or 0.36% of payroll					
Increase State funding rate of payroll to OPEB from 0.36% to 1% beginning July 1, 2024 and an additional 1% each fiscal year thereafter until reaching a 10% funding level.	OPEB OEC Rate: FY24 = 0.36% (\$281.5M) FY25 = 0.5% (\$322.1M) FY26 = 2.0% (\$372.5M) FY27 = 3.0% (\$423.4M) FY28 = 4.0% (\$476.4M) FY29 = 5.0% (\$531.5M) FY30 = 6.0% (\$590.1M) FY31 = 7.0% (\$651.6M) FY32 = 8.0% (\$715.6M) FY33 = 9.0% (\$783.4M) FY34 = 10.0% (\$849.6M) FY35 = 10.0% (\$883.4M)		▪ \$3.6B	▪ \$10.6B	▪ 131.6%	▪ Taxpayers including current State employees and DE resident State retirees

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# Options to Reduce OPEB Liability

Reviewed at July 20, 2023  
RHBAS Meeting

## • Funding, Eligibility and Benefit Design Option Combination (Example 2)

Option	Option Description	Additional Assumption Details	Approx. 2025 OPEB Liability Reduction <sup>1,2</sup>	Approx. 2052 OPEB Liability Reduction <sup>1,2</sup>	2052 Approx. Funded Ratio <sup>1,2</sup>	Impacted Cohorts
Funding:	Assumes 1% of prior fiscal year state budget (\$47.7M based on \$4.7B budget for FY22); projected to grow at 3.6% AND Increase State funding rate of payroll to OPEB from 0.36% to 0.5% beginning July 1, 2024 and an additional 0.5% each fiscal year thereafter until reaching a 10% funding level or ADC.	<ul style="list-style-type: none"> <li>Model B: Hire date after 1/1/25</li> </ul>	<ul style="list-style-type: none"> <li>Model B: \$2.2B</li> </ul>	<ul style="list-style-type: none"> <li>Model B: \$14.7B</li> </ul>	<ul style="list-style-type: none"> <li>Model B: 80.8%</li> </ul> <p>NOTE:</p> <ul style="list-style-type: none"> <li>Reach ADC in 2041</li> <li>When ADC is reached, paygo contributions stop</li> </ul>	Future employees; future retirees
Eligibility:	Reduce Spousal State Share Subsidy to 50% for Spouses for new hires on/after 1/1/25 AND Eliminate vested retirees from eligibility for healthcare for new hires on/after 1/1/25.					
Plan Design:	Reduce State Share from 95% to 85% and increase Pensioner share from 5% to 15% for retirees with 20+ years of service for new hires on/after 1/1/2025.					

<sup>1</sup> Includes 0.36% payroll contribution

<sup>2</sup> Estimated; modeling provided by Cheiron

# 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
<b>OPEB (Prefund Health)</b>	<b>0.36%</b>	<b>\$180</b>	<b>\$0</b>
<b>Retiree Health (PayGo)</b>	<b>9.21%</b>	<b>\$4,605</b>	<b>Based on elections</b>
Medicare, FICA, WC, UI	9.31%	\$4,655	\$3,732
<b>Total OEC's</b>	<b>31.93%</b>	<b>\$15,965</b>	<b>\$5,052 or \$5,932</b>