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Documents Submitted by the Public to the State Employee Benefits Committee: Retiree Healthcare Benefits Advisory Subcommittee

Document Submitted

By

Bob Clarkin

PUBLIC COMMENTS FOR THE 12/20/2023 SEBC RETIREE HEALTHCARE BENEFITS ADVISORY SUBCOMMITTEE (RHBAS) MEETING - SUBMITTED BY ROBERT CLARKIN, 12/7/23

Please accept the following edits and suggestions for strengthening the 12/1/23 draft of the "Report on Retiree Healthcare Benefits Advisory Subcommittee".

Report Title Page

Edit Suggestion: The title of the report reads "Report **on** Retiree …." I think it should read "Report **of** Retiree …."

RHBAS Draft Report, Page 8

The second paragraph on page 8 reads as follows (red language has been added): "Subcommittee reviewed the net cost for retiree healthcare benefits (PayGo) and its percent of budget projected out until 2053, projected assets and liabilities with no additional trust fund contributions, and the projected assets and liabilities with trust fund contributions of an additional 1% **carve out of the previous annual** budget and 0.36% of payroll. The estimated liability for retiree health care benefits is currently $8.9B, of which $8.4B is presently unfunded. The net unfunded liability is expected to grow to $20.7B by 2042. **With the addition of the 1% carveout through SB175, the total actuarial liability is now expected to be reduced from $24B to $14B by 2042, with the unfunded liability decreasing to $8B and assets increasing to $6B. In order to continue on this positive track, it is imperative that Governors and Legislatures maintain the 1% carve out into the future.** These estimates assume no changes in how the State funds retiree healthcare, the existing plan design or eligibility, and are based on actuarial assumptions on how many employees will reach the necessary years of service to be eligible for retiree healthcare benefits".

Edit Suggestion: The words "carve out of the previous annual" should be inserted in the first sentence between "1%" and "budget" (inserted in red above).

Comment: During the 10/27/23 meeting of the Delaware Board of Pension Trustees, the Trustees received an overview of the FY 23 Cheiron OPEB Valuation Report by Margaret Tempkin. The report includes the first year of the 1% carve out, and because the carve out has been codified, it factors the carve out into future liability calculations.

Significantly, the Cheiron valuation report indicates, with the addition of the 1% carve out to the .36% OEC rate, the total actuarial liability has been reduced to $14B by 2042, with the unfunded liability decreasing to $8B and assets increasing to $6B.

Following Ms. Tempkin's presentation, Secretary Giesenberger commented on the importance of maintaining the 1% carve out over time by current and future Governors and Legislatures. As the carve out is actualized each year through language in the Budget Bill Epilogue, a simple majority vote can reduce or eliminate the carveout on any given year.

Suggestion: The following language should be added to the second paragraph on page 8: With the addition of the 1% carveout through SB175, the total actuarial liability is now expected to be reduced from $24B to $14B by 2042, with the unfunded liability decreasing to $8B and assets increasing to $6B. In order to continue on this positive track, it is imperative that Governors and Legislatures maintain the 1% carve out into the future (inserted in red above).

RHBAS Draft Report, Recommendations to the Governor and Legislature, Pages 13 and 14

Comment: During the 9/8/23 RHBAS Meeting, Secretary Geisenberger informed Subcommittee members that $101M was deposited into the OPEB Trust Fund from excess revenue made available through Section 16 Escheat - Special Funds of the FY22 Bond and Capital Improvement Act under SB200.

This is the largest single deposit ever made to the OPEB Trust Fund. Significantly, it is equivalent to a total of 2 years of 1% carve out contributions — it is equivalent to a total of 11 years of .36% OEC contributions — it is equivalent to a total of 4 years of the .25% incremental increases to the OEC contributions. Unfortunately, due to the timing of the deposit, impact of the $101M deposit on the current/long term OPEB liabilities and funding ratios are not included in the valuations presented in Appendix A to the draft report.

During the 9/27/23 RHBAS meeting, a motion was made by Representative Baumbach and seconded by Wayne Emsley to recommend that the state provide additional one-time contributions when circumstances such as one-time revenues or surpluses permit, similar to Section 16 Escheat - Special Funds of the FY22 Bond and Capital Improvement Act under SB200. Subcommittee members discussed the motion, and no vote took place.

At the 10/26/23 RHBAS meeting, the "Escheat" motion was not raised and Secretary Geisenberger requested that the "Escheat" motion be reintroduced during the 11/28/23 meeting. During the 11/28/23 meeting, the "Escheat" motion was not raised as a standalone recommendation to the Governor and the Legislature, it was rolled into a recommendation to the SEBC (see SEBC Recommendation #7, page 12).

Suggestion: Due to the significance of the recent 101M deposit, I would like to suggest that the Subcommittee reconsider the "Escheat" motion made by Representative Baumbach and add same to the recommendations to the Governor and Legislature: "Recommend that the state provide additional one-time contributions to the OPEB Trust Fund when circumstances such as one-time revenues or surpluses permit, similar to Section 16 Escheat - Special Funds of the FY22 Bond and Capital Improvement Act under SB200".

Sharing the RHBAS December Report with Retirees

Approximately 131,000 retirees and active employees have a compelling interest in the work of the RHBAS and the 12/23 Report.

In order to foster transparency and universal awareness, I believe it is imperative that the RHBAS take affirmative steps to inform all current retirees, including all pre-65 retirees and Medicare eligible retirees, as well as all active employees hired prior to 1/1/25, of the recommendations contained in the RHBAS 12/23 Report to the Governor and Legislature.

During August, I received the first mailing of the new "Retiree Healthcare Newsletter" from the Office of Pensions. This newsletter should serve as the vehicle for informing retirees of the RHBAS recommendations. The newsletter should present an executive summary of the recommendations and list links to the full report and the RHBAS website.

The Office of Pensions also mails a similar newsletter to active employees. A special edition of this newsletter should serve as the vehicle for informing active employees of the RHBAS recommendations.

In order to reach out to the maximum number of retirees and active employees, the mailings should include retirees and active employees from/at school districts, DTCC, and affiliated employers (U of D, Del State, Charter Schools, etc.).

Some Background Information for Future Consideration by the Subcommittee

The recent deposit of $101M into the OPEB Trust Fund was made available by the following language (in red) added to Section 16 Escheat - Special Funds of the FY22 Bond and Capital Improvement Act under SB200: "Amounts in the "Escheat-Special Fund" account on June 30, 2021 shall be allocated to a reserve fund for extraordinary escheat claims. **Any reserve fund balance deemed in excess of amounts necessary to satisfy such claims shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. 19 C. § 5281".**

This language was removed from, and replaced with the language in red, Section 16 Escheat - Special Funds FY23 Bond Bill under HB475 as follows: "Any reserve fund balance deemed by the Secretary of Finance to be in excess of amounts necessary to satisfy such claims ~~shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281~~ **shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure and/or maritime terminal facility development pursuant to 13 29 Del. C., 87, Subchapter II".**

This new lFY23 language was mirrored in Section 12 Escheat - Special Funds FY24 Bond Bill under SB160.

Suggestion: The FY22 language should be added to the Escheat Section of the FY25 Bond Bill. The language in the FY23 Bond Bill that replaced the language in the FY22 Bond Bill should be removed from the FY25 Bond Bill.

Bond Bill Escheat Section Language, FY21 - FY24

FY24 Bond Bill - SB160

Section 12. Escheat – Special Funds. For Fiscal Year ~~2023~~ 2024, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2023~~ 2024 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat-Special Fund". The Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2024~~ 2025 ~~Joint Committee on Capital Improvements~~ among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29 Del.C.§5281. Amounts in the"Escheat-Special Fund" account on June30, ~~2022~~ 2023 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed by the Secretary of Finance to be in excess of amounts necessary to satisfy such claims shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure and/or maritime terminal facility development pursuant to 29 Del.C., 87, Subchapter II.

FY23 Bond Bill - HB475

Section 16. Escheat – Special Funds. For Fiscal Year ~~2022~~ 2023, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2022~~ 2023 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat - Special Fund". The Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2023~~ 2024 Joint Committee on Capital Improvements among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281. Amounts in the "Escheat-Special Fund" account on June 30, ~~2021~~ 2022 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed by the Secretary of Finance to be in excess of amounts necessary to satisfy such claims ~~shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281~~ shall be expended with the mutual concurrence of the Director of the Office of Management and Budget, the Secretary of Finance and the Co-Chairs of the Joint Committee on Capital Improvements for Construction Market Pressure and/or maritime terminal facility development pursuant to 13 29 Del. C., 87, Subchapter II.

FY22 Bond Bill - SB200

Section 16. Escheat – Special Funds. For Fiscal Year ~~2021~~ 2022, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2021~~ 2022 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat - Special Fund". The ~~Joint Legislative Committee on the Capital Improvement Program~~ Joint Committee on Capital Improvements shall allocate these additional receipts as part of the Fiscal Year ~~2022~~ 2023 ~~Joint Legislative Committee on the Capital Improvement Act~~ Joint Committee on Capital Improvements among the following funds: (a) The K-12 Construction Fund; (b) The Debt Reduction Fund; and (c) The Other Post-Employment Benefits Fund as established by 29

Del. C. § 5281._ Amounts in the "Escheat-Special Fund" account on June 30, 2021 shall be allocated to a reserve fund for extraordinary escheat claims. Any reserve fund balance deemed in excess of amounts necessary to satisfy such claims shall be transferred by the Secretary of Finance to the Other Post-Employment Benefits Fund as established by 29 Del. 19 C. § 5281.

FY21 Bond Bill - SB242

Section 19. Escheat - Special Funds. For Fiscal Year ~~2020~~ 2021, in which General Fund deposits equal the threshold established in 29 Del. C. § 6102(s) and the Fiscal Year ~~2020~~ 2021 Operating Budget Act, the Secretary of Finance shall transfer all additional receipts received to a holding account entitled "Escheat - Special Fund". The Joint Legislative Committee on the Capital Improvement Program shall allocate these additional receipts as part of the Fiscal Year ~~2021~~ 2022 Joint Legislative Committee on the Capital Improvement Act among the following funds: The K-12 Construction Fund; The Debt Reduction Fund; and The Other Post-Employment Benefits Fund as established by 29 Del. C. § 5281.

Document Submitted
By
Gerry Turkel

December 6, 2023

To: Members of the Retiree Healthcare Advisory Subcommittee (RHBAS)
From: Gerald (Gerry) Turkel, PhD
gmturkel@udel.edu
Re: Comments on “Report on Retiree Healthcare Benefits” (Draft, 11/21/23)

I believe that the draft report provides a reasonably good overview of the RHBAS’s activities, the information it has gathered in fulfilling its charges, and its recommendations. There are a number of issues, however that raise concerns.

In the first paragraph (p. 3) of “Report Background,” the report states that “under current State pensioner healthcare plans, vesting schedules, and funding models, the OPED trust fund is underfunded and unsustainable.” In making this claim, it is not clear whether the recent funding, including the 1% carveout and the one-time infusion, are included. Also, it seems to me that there needs to be some definition of “underfunded.” This is, as I understand it, based on a required change in accounting practices. This should be stated in the report.

Cheiron is mentioned for the first time (p. 4) without any rationale for how it was selected. As I recall, it was pointed out during one of the public comments that Cheiron does the overwhelming amount of its work for insurance companies and, as a result, there is at least an appearance of bias/conflict of interest in the materials that it prepared. This was borne out in particular with regard to its analysis of retiree health insurance plans provided by states.

On page 5, the report specifies “concerns frequently expressed in public comments” regarding Medicare Advantage. While the tone of the report captures the deep dissatisfaction expressed with Medicare Advantage, it does not state that these “concerns” are based on data gathered and presented to the subcommittee. Especially egregious, in my opinion, is the statement on “the possibility of co-pays, deductability, cost sharing, and co-insurance fees.” Also egregious is the statement “Their belief that Medicare Advantage plans make their profits by delaying and denying medical care to participants.” Contrary to the report’s characterizations, these “concerns” are not matters of “possibility” or “belief,” but are based on studies and facts that were provided to the subcommittee. The report would benefit by presenting them as factually based claims.

On page 6 under “Task 3,” the report states “that the fiscal implication of implementing the existing Medicare Supplement plan is approximately $7 million per month as compared to the Medicare Advantage plan.” This requires further explanation, especially in terms of the differences in coverage and the potential costs to retirees that these differences would entail under Medicare Advantage.

It is significant that on the top of p. 7, the report recognizes that “the premiums set for Medicare retirees exceeds the plan’s costs for these participants, while the premiums for non-Medicare plan participants do not cover the plan's costs." Given this, where do the fiscal problems actually lie?

The remainder of the report is straightforward and the tables in the Appendix are clear and informative.

Document Submitted
By
Janet Smith

Hello,

I am responding to the draft regarding whether the promises were made for our health care after retirement. Picture this: **YOUR** 80 year old Mom worked for the state of Delaware for 30 years before retiring in 2006 and had been told this was a “robust and well-funded healthcare benefit package” and she would never need to worry about health care for the rest of her life. In 2023, she learns that every year this health care package is at the discretion of the governor and General Assembly and it can be changed, and that this could occur every year. How would you feel? Would you be saying “that’s not fair”? What is to say the Governor and General Assembly could decide that they would no longer provide insurance for “YOUR LOVED ONE” I strongly recommend that the motion be defeated or amended to state that it should pertain “to individuals who are hired after the date on which such a bill passes the state legislature”, so future employees would know coming in, and NOT those who have already retired. Thank you for you consideration of this matter!

Janet Smith

2006 Retiree from the State of Delaware

Document Submitted
By
Nancy King

Dear Legislators and Governor,

On August 10, the RHBAS passed the following motion unanimously except for the three state officials who report to Governor Carney, who voted Not Voting. "C]urrent Medicare eligible and pre-Medicare State Retirees and State employees who retire prior to 1/1/2025, shall be entitled to Special Medicfill/Rx benefits (or a substantially equivalent Medicare Supplement with prescription plan) with no changes to the State Share percentage of payments when they are Medicare eligible.

I am a retired professor emeritus, living in New Mexico. I have dealt with catastrophic illness both in Delaware, and after, when I moved to NM. It is vitally important that the State of Delaware and UD retain original Medicare which is far better in terms of actual health care than ANY advantage plan. The drug benefits are delivered at the whim of the current company, Silver Script, which made an arbitrary decision that my generic thyroid was no longer a level one drug so my cost rose from $32,00 to $120.00. I appealed by phone and letter to no avail. Health care should be affordable and decisions should not be arbitrary.

I am grateful that UD supports my health care but I have to say the coverage continues to decline as costs rise. The best way to keep down health costs is to provide preventative care and to make reasonable decisions as to what drugs cost.

Sincerely,
Nancy King, PhD