

State of Delaware
Other Postemployment Benefits (OPEB) Fund Trust

Schedules of Employer Allocations and OPEB Amounts by Employer

As of and for the Year Ended June 30, 2020

State of Delaware
OPEB Fund Trust

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Independent Auditor's Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2020, and the related notes. We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense (specified column totals) included in the accompanying schedule of OEPB amounts by employer of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2020, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these schedule of employer allocations and the specified column totals included in the schedule of OEPB amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and the specified column totals included in the schedule of OEPB amounts by employer are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of OEPB amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of OEPB amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of OEPB amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column totals included in the schedule of OEPB amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net OEPB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OEPB expense for the total of all participating entities for the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year



ended June 30, 2020, and our report thereon, dated November 17, 2020, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of Delaware Public Employees' Retirement System management, the Board of Pension Trustees, State of Delaware Other Postemployment Benefits (OPEB) Fund Trust employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2021 on our consideration of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust's internal control over financial reporting and compliance.

BDO USA, LLP

Wilmington, DE
May 21, 2021

State of Delaware
OPEB Fund Trust
Schedule of Employer Allocations
As of and for the year ended June 30, 2020

| Reporting Unit | Employer Contributions | | Employer's Proportionate Share |
|---|------------------------|--------------------|--------------------------------|
| | | 2020 | 2020 |
| <i>State of Delaware Entities:</i> | | | |
| Academia Antonia Alonso | \$ | 446,202 | 0.1615 % |
| Academy of Dover Charter School | | 176,936 | 0.0640 % |
| Campus Community School | | 240,144 | 0.0869 % |
| Charter School of New Castle | | 526,854 | 0.1907 % |
| Delaware Agricultural Lands Preservation Foundation | | 12,279 | 0.0044 % |
| Delaware Department of Transportation | | 9,539,114 | 3.4520 % |
| Delaware Military Academy Charter School | | 408,373 | 0.1478 % |
| Delaware State Housing Authority | | 35,762 | 0.0129 % |
| Delaware State Lottery | | 320,927 | 0.1161 % |
| Delaware State University | | 6,450,367 | 2.3343 % |
| Design Thinking Academy | | 2,471 | 0.0009 % |
| Early College High School at DSU | | 204,946 | 0.0742 % |
| East Side Charter School | | 446,327 | 0.1615 % |
| First State Military Academy | | 310,816 | 0.1125 % |
| First State Montessori Academy | | 458,317 | 0.1659 % |
| Freire Charter School | | 326,973 | 0.1183 % |
| Gateway Lab School | | 251,692 | 0.0911 % |
| General Government (State of DE) | | 239,347,666 | 86.6146 % |
| Great Oaks Charter School | | 334,451 | 0.1210 % |
| Kuumba Academy Charter School | | 573,927 | 0.2077 % |
| Las Americas Aspira Academy | | 802,196 | 0.2903 % |
| MOT Charter School | | 930,234 | 0.3366 % |
| Newark Charter School | | 2,112,504 | 0.7645 % |
| Odyssey Charter School | | 1,472,800 | 0.5330 % |
| Positive Outcomes Charter School | | 210,104 | 0.0760 % |
| Providence Creek Academy Charter School | | 365,996 | 0.1325 % |
| Sussex Academy | | 587,869 | 0.2127 % |
| Sussex Montessor Charter School | | 4,742 | 0.0017 % |
| The Charter School of Wilmington | | 682,304 | 0.2469 % |
| Thomas A. Edison Charter School | | 506,463 | 0.1833 % |
| State of Delaware Entities Sub-Total | | 268,089,756 | 97.0158 % |
| <i>Affiliated Entities:</i> | | | |
| Delaware Solid Waste Authority | | 749,554 | 0.2712 % |
| Delaware State Education Association | | 9,008 | 0.0033 % |
| University of Delaware | | 7,487,979 | 2.7097 % |
| Total | \$ | 276,336,297 | 100.0000 % |

See accompanying notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

State of Delaware
OPEB Fund Trust
Schedule of OPEB Amounts by Employer
As of and for the year ended June 30, 2020

| Reporting Unit | Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | | OPEB Expense | | |
|---|--------------------------------|--|--------------------|-----------------------|--------------------------------------|--|--------------------|--|-----------------------|-------------------------------------|--------------------------------|-----------------------|-----------------------------|
| | Net OPEB Liability | Expected and Actual Experience Differences | Assumption Changes | Changes in Proportion | Total Deferred Outflows of Resources | Expected and Actual Experience Differences | Assumption Changes | Projected and Actual Plan Investment Differences | Changes in Proportion | Total Deferred Inflows of Resources | Employer's Proportionate Share | Changes in Proportion | Total Employer OPEB Expense |
| <i>State of Delaware Entities:</i> | | | | | | | | | | | | | |
| Academia Antonia Alonso | \$ 16,812,387 | \$ 488,158 | \$ 2,843,023 | \$ 6,248,264 | \$ 9,579,445 | \$ 1,155,673 | \$ 956,187 | \$ 18,677 | \$ — | \$ 2,130,537 | \$ 981,094 | \$ 1,634,878 | \$ 2,615,972 |
| Academy of Dover Charter School | 6,666,753 | 193,573 | 1,127,367 | 836,055 | 2,156,995 | 458,269 | 379,165 | 7,406 | 434,925 | 1,279,765 | 389,041 | (6,156) | 382,885 |
| Campus Community School | 9,048,366 | 262,725 | 1,530,105 | 274,126 | 2,066,956 | 621,979 | 514,616 | 10,052 | 1,111,991 | 2,258,638 | 528,021 | (219,877) | 308,144 |
| Charter School of New Castle | 19,851,272 | 576,394 | 3,356,907 | 688,048 | 4,621,349 | 1,364,564 | 1,129,020 | 22,053 | 1,311,593 | 3,827,230 | 1,158,429 | (52,333) | 1,106,096 |
| Delaware Agricultural Lands Preservation Foundation | 462,655 | 13,433 | 78,236 | 26,196 | 117,865 | 31,803 | 26,313 | 514 | 60,626 | 119,256 | 26,998 | (6,470) | 20,528 |
| Delaware Department of Transportation | 359,423,037 | 10,436,068 | 60,779,463 | 1,710,244 | 72,925,775 | 24,706,523 | 20,441,810 | 399,288 | 1,610,730 | 47,158,351 | 20,974,277 | 6,665 | 20,980,942 |
| Delaware Military Academy Charter School | 15,387,048 | 446,772 | 2,601,994 | 364,557 | 3,413,323 | 1,057,696 | 875,122 | 17,094 | 153,914 | 2,103,826 | 897,917 | 95,657 | 993,574 |
| Delaware State Housing Authority | 1,347,483 | 39,125 | 227,863 | — | 266,988 | 92,625 | 76,637 | 1,497 | 1,160,222 | 1,330,981 | 78,633 | (365,656) | (287,023) |
| Delaware State Lottery | 12,092,186 | 351,104 | 2,044,823 | 73,116 | 2,469,043 | 831,210 | 687,730 | 13,433 | 704,732 | 2,237,105 | 705,644 | (191,114) | 514,530 |
| Delaware State University | 243,042,539 | 7,056,889 | 41,099,188 | — | 48,156,077 | 16,706,598 | 13,822,791 | 269,999 | 6,013,874 | 36,813,262 | 14,182,846 | (1,940,014) | 12,242,832 |
| Design Thinking Academy | 93,095 | 2,703 | 15,743 | 3,001,109 | 3,019,555 | 6,399 | 5,295 | 103 | 7,456,895 | 7,468,692 | 5,433 | (511,683) | (506,250) |
| Early College High School at DSU | 7,722,138 | 224,217 | 1,305,836 | 1,359,441 | 2,889,494 | 530,815 | 439,189 | 8,579 | 206,177 | 1,184,760 | 450,629 | 435,758 | 886,387 |
| East Side Charter School | 16,817,090 | 488,294 | 2,843,818 | 949,006 | 4,281,118 | 1,155,997 | 956,454 | 18,682 | 994,024 | 3,125,157 | 981,368 | 65,463 | 1,046,831 |
| First State Military Academy | 11,711,185 | 340,041 | 1,980,395 | 3,438,993 | 5,759,429 | 805,020 | 666,061 | 13,010 | — | 1,484,091 | 683,411 | 1,123,611 | 1,807,022 |
| First State Montessori Academy | 17,268,868 | 501,412 | 2,920,215 | 4,041,077 | 7,462,704 | 1,187,052 | 982,149 | 19,184 | — | 2,188,385 | 1,007,732 | 1,377,036 | 2,384,768 |
| Freire Charter School | 12,319,956 | 357,717 | 2,083,340 | 4,094,550 | 6,535,607 | 846,866 | 700,685 | 13,686 | — | 1,561,237 | 718,936 | 1,246,405 | 1,965,341 |
| Gateway Lab School | 9,483,478 | 275,359 | 1,603,683 | 530,542 | 2,409,584 | 651,889 | 539,363 | 10,535 | 359,896 | 1,561,683 | 553,412 | 34,878 | 588,290 |
| General Government (State of DE)* | 9,018,349,673 | 261,853,300 | 1,525,028,717 | 20,136,362 | 1,807,018,379 | 619,915,933 | 512,909,219 | 10,018,603 | 36,025,634 | 1,178,869,389 | 526,269,455 | (7,871,201) | 518,398,254 |

Schedule continues on next page

| Reporting Unit | Deferred Outflows of Resources | | | | Deferred Inflows of Resources | | | | | OPEB Expense | | | |
|---|--------------------------------|--|-------------------------|-----------------------|--------------------------------------|--|-----------------------|--|-----------------------|-------------------------------------|--------------------------------|-----------------------|-----------------------------|
| | Net OPEB Liability | Expected and Actual Experience Differences | Assumption Changes | Changes in Proportion | Total Deferred Outflows of Resources | Expected and Actual Experience Differences | Assumption Changes | Projected and Actual Plan Investment Differences | Changes in Proportion | Total Deferred Inflows of Resources | Employer's Proportionate Share | Changes in Proportion | Total Employer OPEB Expense |
| Great Oaks Charter School | 12,601,724 | 365,899 | 2,130,988 | 4,208,603 | 6,705,490 | 866,235 | 716,710 | 13,999 | — | 1,596,944 | 735,379 | 1,259,766 | 1,995,145 |
| Kuumba Academy Charter School | 21,624,913 | 627,893 | 3,656,835 | 2,721,317 | 7,006,045 | 1,486,484 | 1,229,894 | 24,023 | — | 2,740,401 | 1,261,931 | 870,063 | 2,131,994 |
| Las Americas Aspira Academy | 30,225,825 | 877,625 | 5,111,273 | 6,490,133 | 12,479,031 | 2,077,705 | 1,719,062 | 33,578 | — | 3,830,345 | 1,763,840 | 1,855,167 | 3,619,007 |
| MOT Charter School | 35,050,159 | 1,017,703 | 5,927,082 | 5,143,881 | 12,088,666 | 2,409,327 | 1,993,441 | 38,938 | — | 4,441,706 | 2,045,366 | 1,626,725 | 3,672,091 |
| Newark Charter School | 79,596,777 | 2,311,141 | 13,460,043 | 7,221,653 | 22,992,837 | 5,471,435 | 4,526,984 | 88,425 | — | 10,086,844 | 4,644,902 | 2,168,847 | 6,813,749 |
| Odyssey Charter School | 55,493,437 | 1,611,286 | 9,384,099 | 14,108,231 | 25,103,616 | 3,814,585 | 3,156,131 | 61,648 | — | 7,032,364 | 3,238,342 | 4,096,343 | 7,334,685 |
| Positive Outcomes Charter School | 7,916,464 | 229,859 | 1,338,697 | 279,588 | 1,848,144 | 544,173 | 450,241 | 8,795 | 1,826 | 1,005,035 | 461,968 | 103,223 | 565,191 |
| Providence Creek Academy Charter School | 13,790,328 | 400,411 | 2,331,984 | 308,296 | 3,040,691 | 947,939 | 784,310 | 15,320 | 1,017,261 | 2,764,830 | 804,740 | (140,924) | 663,816 |
| Sussex Academy | 22,150,238 | 643,146 | 3,745,669 | 3,653,463 | 8,042,278 | 1,522,594 | 1,259,772 | 24,607 | — | 2,806,973 | 1,292,586 | 1,027,792 | 2,320,378 |
| Sussex Montessori Charter School | 178,690 | 5,188 | 30,217 | 133,537 | 168,942 | 12,283 | 10,163 | 199 | — | 22,645 | 10,428 | 26,707 | 37,135 |
| The Charter School of Wilmington | 25,708,431 | 746,460 | 4,347,369 | 60,418 | 5,154,247 | 1,767,182 | 1,462,140 | 28,560 | 1,347,078 | 4,604,960 | 1,500,226 | (310,020) | 1,190,206 |
| Thomas A. Edison Charter School | 19,082,936 | 554,085 | 3,226,979 | 222,256 | 4,003,320 | 1,311,750 | 1,085,322 | 21,200 | 518,078 | 2,936,350 | 1,113,593 | (29,593) | 1,084,000 |
| Previously Closed Entities** | — | — | — | — | — | — | — | — | 10,883,405 | 10,883,405 | — | (3,756,924) | (3,756,924) |
| State of Delaware Entities Sub-Total | 10,101,319,131 | 293,297,980 | 1,708,161,951 | 92,323,062 | 2,093,782,993 | 694,358,603 | 574,501,976 | 11,221,687 | 71,372,881 | 1,351,455,147 | 589,466,577 | 3,653,019 | 593,119,596 |
| <i>Affiliated Entities:</i> | | | | | | | | | | | | | |
| Delaware Solid Waste Authority | 28,242,339 | 820,034 | 4,775,860 | 350,476 | 5,946,370 | 1,941,361 | 1,606,254 | 31,375 | 1,965,277 | 5,544,267 | 1,648,093 | (246,145) | 1,401,948 |
| Delaware State Education Association | 339,435 | 9,856 | 57,399 | 51,830 | 119,085 | 23,332 | 19,305 | 377 | 123,147 | 166,161 | 19,808 | (33,784) | (13,976) |
| University of Delaware | 282,138,585 | 8,192,066 | 47,710,441 | 6,652,148 | 62,554,655 | 19,394,037 | 16,046,337 | 313,432 | 25,916,211 | 61,670,017 | 16,464,312 | (3,373,090) | 13,091,222 |
| Total | \$ 10,412,039,490 | \$ 302,319,936 | \$ 1,760,705,651 | \$ 99,377,516 | \$ 2,162,403,103 | \$ 715,717,333 | \$ 592,173,872 | \$ 11,566,871 | \$ 99,377,516 | \$ 1,418,835,592 | \$ 607,598,790 | \$ — | \$ 607,598,790 |

*Previously Closed Entities include Delaware Academy of Public Safety Charter, Delaware College Prep Academy, The Delaware MET, Delaware Stem Academy, and Prestige Academy, charter schools that were closed from 2016-2018. These entities will remain on the schedule until the amortization of Change in Proportion is complete.

See accompanying notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

State of Delaware

OPEB Fund Trust

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

Note 1: Description of the Plan

The State of Delaware's Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined-benefit plan established in Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. The Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. Additional financial and actuarial information with respect to the Plan may be found in the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust Financial Statements available online at <https://open.omb.delaware.gov/Financials.shtml>.

The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees', New State Police, Judiciary and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' Pension Plan. Those employers are Delaware State University, Delaware State Housing Authority, Delaware Charter Schools, University of Delaware, Delaware Solid Waste Authority, and the Delaware State Education Association. The participant's cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, and administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

State of Delaware
OPEB Fund Trust

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

Membership data is as follows:

| | June 30, 2020^a |
|--|--------------------------------------|
| Retirees and Beneficiaries Receiving Benefits: | 22,863 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 3,907 |
| Active Eligible Plan Members | <u>38,497</u> |
| Total Members | <u>65,267</u> |

^a Based on census data as of July 1, 2019

Note 2: Basis of Presentation

The Schedules of Employer Allocations and OPEB Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the Plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or the participating employers. The accompanying schedules have been prepared in conformity with United States generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Note 3: Allocation Methodology

The amounts assigned to each employer in the Schedule of OPEB Amounts by Participating Employer is each employer's proportionate share of the Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense (the Collective OPEB Amounts) determined in accordance with the Governmental Accounting Standards Boards Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Management has elected to allocate the employer's proportionate shares of the Collective OPEB Amounts based on the percentage of actual employer contributions during the period July 1, 2019 through June 30, 2020.

Note 4: Collective Net OPEB Liability and Actuarial Information

The components of the collective net OPEB liability of the participating employers are as follows (expressed in thousands):

State of Delaware
OPEB Fund Trust

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

| | June 30, 2020 |
|-------------------------------|----------------------|
| Total OPEB Liability | \$ 10,876,443 |
| Fiduciary Net Position | (464,404) |
| Net OPEB Liability | \$ 10,412,039 |

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

| <i>Actuarial assumptions:</i> | June 30, 2020 |
|-------------------------------|----------------------|
| Discount rate | 2.21% |
| Projected salary increases | 3.25% + Merit |
| Healthcare cost trend rates | 5.6% |

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the RP-2014 Total Dataset Employee Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5 percent at the beginning of the current measurement period and 2.21 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2020 measurement date

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollar amounts expressed in thousands):

| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
|-------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Collective Net OPEB Liability | \$ 12,481,090 | \$ 10,412,039 | \$ 8,795,458 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates (dollar amounts in thousands):

| | 1% Decrease (4.6%) | Healthcare Trend (5.6%) | 1% Increase (6.6%) |
|-------------------------------|-------------------------------|--|-------------------------------|
| Collective Net OPEB Liability | \$ 9,770,190 | \$ 10,412,039 | \$ 11,391,012 |

Note 5: Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources are amortized into OPEB expense over a six-year closed period beginning the year in which the difference occurs, except for differences in projected and actual investment returns which are amortized over a five-year period. The cumulative amounts of collective net deferred outflows (inflows) of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

State of Delaware
OPEB Fund Trust

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

| Year ending June 30: | |
|----------------------|-------------|
| 2021 | \$ (18,999) |
| 2022 | (14,912) |
| 2023 | 179,937 |
| 2024 | 247,016 |
| 2025 | 350,526 |

Note 6: Collective OPEB Expense

The components of collective OPEB expense for the year ending June 30, 2020 are as follows (expressed in thousands):

| | |
|---|------------|
| Service Cost | \$ 360,746 |
| Interest Cost | 294,999 |
| Contributions | (159) |
| Administrative Expenses | 208 |
| Expected Return on Assets | (29,196) |
| Recognition of deferred outflows and inflows of resources: | |
| Differences between projected and actual earnings on plan investments | (6,551) |
| Differences between liability gains and losses | (118,465) |
| Changes in assumptions with regards to factors or other inputs in the measurement of total OPEB liability | 106,017 |
| OPEB Expense | \$ 607,599 |

Note 7: Risk and Uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. While the Trust’s investment portfolio has a long-term strategy, it experienced increased volatility and significant fluctuations in fair value since June 30, 2020. Such changes in market value, possible changes to the actuarial assumptions used in determining the net OPEB liability, such as discount rates and rates of retirement and termination as a result of the COVID-19

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OPEB Fund Trust

Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

outbreak may result in significant changes to the health care cost trends, total amount of liability, deferred inflows, deferred outflows, and OPEB expense to be allocated to participating employers in future periods. However, the actual impact, if any, cannot be determined at this time.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards*

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of employer allocations and the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense as of and for the year ended June 30, 2020 (specified column totals), included in the schedule of OPEB amounts by employer of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust (the Trust) (hereafter collectively referred to as the Schedules) and the related notes and have issued our report thereon dated May 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedules will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedules amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 21, 2021