



State of Delaware

**Postretirement Health Plan
Actuarial Valuation Report
as of July 1, 2014**

Produced by [Cheiron](#)

December 2014

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Letter of Transmittal

December 24, 2014

Mr. David Craik
Pension Administrator
Delaware Public Employees Retirement System
860 Silver Lake Boulevard, Suite 1
Dover, Delaware 19904

Dear Dave:

As requested, we have performed an analysis of the Postretirement Health Plan provided by the State of Delaware as of July 1, 2014. The following report contains our findings and disclosures required by The Governmental Accounting Standards Board (GASB) standard.

The purpose of this report is to present the annual Post-Employment Benefits (OPEB) actuarial valuation of the State of Delaware. This report is for the use of the State of Delaware and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

In preparing our report, we relied on information (some oral and some written) supplied by the State of Delaware. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

Appendix A describes the participant data, assumptions, and methods used in calculating the figures throughout the report. Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with your office.

The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report.

This report does not reflect future changes in benefits, penalties or taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations. The report reflects an estimated cost for the temporary Transitional Reinsurance contribution.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion



David Craik
December 24, 2014
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contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This actuarial report was prepared for the State of Delaware for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Please do not hesitate to call should you have any questions.

Sincerely,
Cheiron



Margaret A. Tempkin, FSA, EA
Principal Consulting Actuary



John L. Colberg, FSA, EA
Principal Consulting Actuary

cc: Stephanie Scola
Kris Knight
Dawn Haw-Young

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION I
SUMMARY**

The State of Delaware has engaged Cheiron to provide an analysis of the Postretirement Health Benefit Plan's liabilities as of July 1, 2014. The primary purposes of performing this actuarial valuation are to:

- Determine the annual required contribution (ARC) and the net other postemployment benefit (OPEB) obligation (NOO) of the retiree health benefit under GASB Statements 43 and 45 and the current funding strategy;
- Provide disclosures for financial statements; and
- Provide projections for ARC, NOO and actuarial liabilities.

We have determined costs, liabilities and trends for the substantive plan using actuarial assumptions and methods that we consider reasonable.

GASB's OPEB Requirements

The Governmental Accounting Standards Board (GASB) has released Statement 43 regarding financial reporting for post-employment benefit plans other than pension plans and a companion Statement (number 45) regarding the employer accounting for these plans. Statement 43 is generally applicable where an entity has a separate trust or fund for OPEB benefits. We understand the System received approval that the trust used to fund future OPEB costs does qualify as a separate trust for GASB purposes. Statement 45, which was adopted in the fiscal year ending June 30, 2008, requires the Plan Sponsor to book the actuarial cost (net of employee and retiree contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions were less than this expense. Additional disclosures include a description of the plan, summary of significant accounting policies, contributions, and a statement of funding progress, along with the methods and assumptions used for those disclosures.

This report does not reflect any changes in postemployment benefit accounting requirements from newly proposed GASB Statements for OPEB plans. The proposed statements would be effective for the plan year ending June 30, 2017. All references and calculations with respect to GASB reflect current Statements No. 43 and 45.

Funding Policy

The State of Delaware currently pays for its post-employment health benefits on a pay-as-you-go (PAYGo) basis. We further understand that there are some assets set aside in a dedicated Trust to cover this liability.

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION I
SUMMARY**

Valuation Results

The table below presents the key results of the 2013 and 2014 valuations.

Table I-1 Summary of Key Valuation Results (\$ In Millions)		
	July 1, 2013	July 1, 2014
Actuarial Liability (AL)	\$ 5,987.6	\$ 5,945.8
Assets	<u>221.7</u>	<u>290.2</u>
Unfunded Actuarial Liability (UAL)	\$ 5,765.9	\$ 5,655.6
Fiscal Year Ending	June 30, 2014	June 30, 2015
Annual Required Contribution	\$ 406.7	\$ 404.4
Actual / <i>Expected</i> Contribution	202.6	188.1
Actual / <i>Expected</i> Net Benefit Payments	173.2	188.1
Actual / <i>Expected</i> Net OPEB Obligation	1,988.5	2,212.6

The figures provided in this report are highly sensitive to the assumptions used.

There were changes in assumptions since the prior valuation. These changes, together with other experience during the year, resulted in a decrease in AL of approximately \$303 million. More detail on the effects of these changes can be found in the valuation results section of this report.

Historical Trends

This chart shows the historical trend of assets and the actuarial liability for the State of Delaware’s Postretirement Health Plan. The first valuation complying with GASB 43 and 45 was performed in 2006. The reduction in actuarial liability in 2012 was primarily due to the Plan changes. The percentages above the grey bars represent the ratio of the market value of assets over the actuarial liability. The increase in funding ratio was due to favorable investment returns.

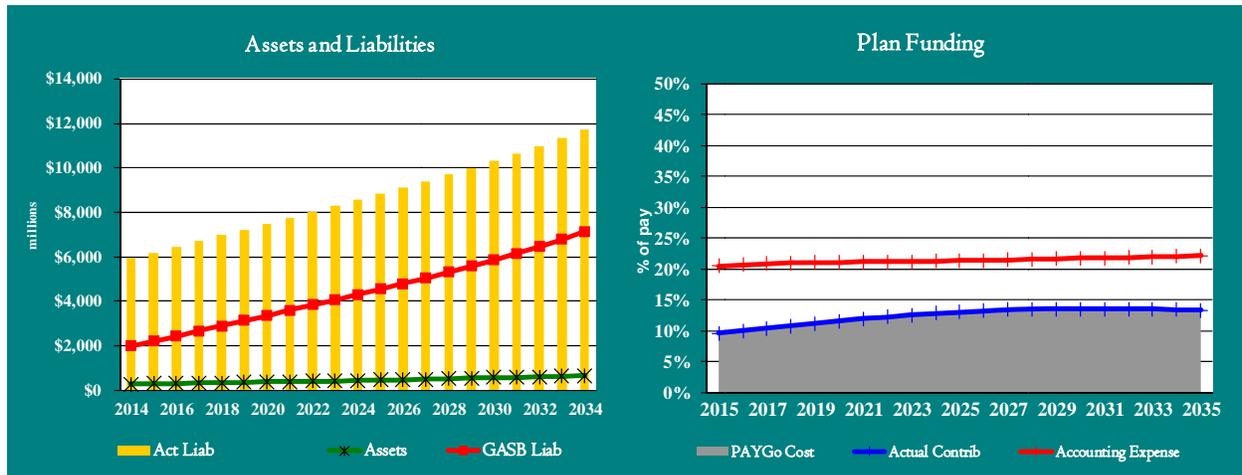


STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION I
SUMMARY**

Projected Trends

Looking beyond 2014, the expense and liability on the financial statements decrease under the PAYGo funding method, due to the nature of a closed plan. The charts below project the assets and liabilities and the funding costs for the next 20 years.



As the above left chart shows, the actuarial liability increases from \$5.9 billion to \$11.7 billion during the next 20 years. The red line on the same chart shows the liability appearing on the State’s financial statements, which is projected to increase to \$7.1 billion over the same time period. The green line shows the assets remaining relatively stable increasing to under \$700 million. The difference between the yellow bars and the green line results in the unfunded actuarial liability, which is projected to increase from \$5.7 billion today to \$11.1 billion over the 20-year period.

The chart on the right shows the projected annual costs. Benefit payments, net of retiree contributions, are shown by the grey area and increase from 9.5% of pay or \$188 million to 13.2% of pay or \$496 million. The blue line represents the State’s assumed contributions. Under PAYGo funding they match the net benefit payments; the ARC, shown by the red line, increases from 20.5% of pay or \$404 million in FY15 to 22.2% of pay or \$829 million in FYE35.

Please note that proposed GASB statements would materially alter the disclosures for fiscal years beginning after 2017. The changes from the proposed GASB statement are not reflected in the report.

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION II
ASSETS**

The Plan's last valuation of liabilities was performed as of July 1, 2013. Table II-1 below shows the reconciliation of assets for the fiscal year. This section reconciles to the assets of July 1, 2014 that were used to develop the FYE 2015 ARC.

Table II-1 Reconciliation of Assets (\$ in millions)		
Valuation Assets as of July 1, 2013	\$	221.7
Contributions for Fiscal Year *		
▪ State Contributions	\$	196.4
▪ Transfer from outside the system		6.2
▪ Retiree Contributions		<u>8.1</u>
Total Contributions	\$	210.7
Benefit Payments *		(173.3)
Expenses		
Investment Earnings		31.1
Valuation Assets as of July 1, 2014	\$	290.2

* Contributions for benefits and expenses were routed through the trust

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION III
VALUATION RESULTS**

This section of the report calculates the current and expected future contribution requirements under the City's funding policy. This valuation calculates contributions for FYE 2015. Information about the actuarial liabilities of the Plan as of July 1, 2014 is shown in Table III-1 below.

Table III-1 Actuarial Liability Pay-As-You-Go Funding (4.25% assumed discount) (\$ in millions)					
	State Employees	Judges	Closed State Police	Open State Police	Total
Actives	\$ 2,880.7	\$ 4.1	\$ 0.0	\$ 126.3	\$ 3,011.1
Retirees	<u>2,807.5</u>	<u>4.8</u>	<u>71.0</u>	<u>51.4</u>	<u>2,934.7</u>
Total	\$ 5,688.2	\$ 8.9	\$ 71.0	\$ 177.7	\$ 5,945.8
Assets*	\$ 278.2	\$ 0.0	\$ 3.0	\$ 9.0	\$ 290.2
UAL	\$ 5,410.0	\$ 8.9	\$ 68.0	\$ 168.7	\$ 5,655.6

* Assets allocated in proportion to liabilities

Please note, however, that GASB only requires disclosure of the above actuarial liability in the notes to financial statements and does not require immediate recognition of the entire liability on the balance sheet. GASB's requirement is to book the annual OPEB expense (the ARC adjusted for the difference between the amortization of the NOO and interest on the NOO), and the cumulative difference between the annual OPEB expense and actual contributions, beginning in the FYE June 30, 2008, as the NOO on the balance sheet.

The ARC consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the 30-year amortization of the unfunded actuarial liability (UAL). The UAL under pay-as-you-go funding will be larger than under actuarial funding. The entire ARC is not a new expense. Under the current funding method of pay-as-you-go (PAYGo), the State pays for the benefits currently provided to existing retirees. The difference between the actual contributions made (benefits provided) and the annual required contributions is the increase in expense on the financial statements of the State.

In Table III-2 below, we show the computed FY 2014 annual required contribution (ARC) under the State's funding policy and a 4.25% assumed discount rate.

Table III-2 GASB ARC – FY2014 Pay-As-You-Go Funding (4.25% assumed discount) (\$ in millions)					
	State Employees	Judges	Closed State Police	Open State Police	Total
Normal Cost	\$ 178.1	\$ 0.3	\$ 0.0	\$ 7.9	\$ 186.3
UAL Amortization	<u>208.7</u>	<u>0.3</u>	<u>2.6</u>	<u>6.5</u>	<u>218.1</u>
Total	\$ 386.8	\$ 0.6	\$ 2.6	\$ 14.4	\$ 404.4

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION III
VALUATION RESULTS**

Table III-3 shows the expected benefit payments and retiree contributions for the prior year and the next 15 years. In calculating the liabilities, we project these figures for the life of each existing participant.

Fiscal Year Ending June 30	Expected Net Benefit Payments	Fiscal Year Ending June 30	Expected Net Benefit Payments	Fiscal Year Ending June 30	Expected Net Benefit Payments
2015	\$ 188.1	2020	\$ 267.3	2025	\$ 353.2
2016	202.6	2021	285.1	2026	370.0
2017	217.6	2022	301.5	2027	386.8
2018	233.6	2023	319.1	2028	402.4
2019	250.0	2024	336.2	2029	416.0

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION III
VALUATION RESULTS**

Reconciliation

Table III-4 provides an estimate of the major factors contributing to the change in liability since the last actuarial valuation report (AVR).

Table III-4 Reconciliation of Actuarial Liability			
(\$ in millions)	Actuarial Accrued Liability July 1, 2014	Normal Cost June 30, 2015	Annual Required Contribution June 30, 2015
Expected Values for July 1, 2014 based on the 7/1/2013 AVR	\$ 6,248.9	\$ 192.0	\$ 424.2
<u>Changes due to:</u>			
Asset (Gain)/ Loss	N/A	N/A	(2.3)
Demographic (Gain)/Loss	165.8	8.6	6.4
Health Cost Assumptions (Gain)/Loss	(468.9)	(14.4)	(18.1)
Other Assumptions (Gain)/Loss	<u>0.00</u>	<u>0.00</u>	<u>(5.8)</u>
Total Changes	\$ (303.1)	\$ (5.8)	\$ (19.8)
July 1, 2014 valuation results based on the 7/1/2014 AVR	\$ 5,945.8	\$ 186.2	\$ 404.4

Below is a brief description of each of the above components:

- *Expected Values* refer to the change that would have occurred had experience matched all the assumptions between July 1, 2013 and July 1, 2014.
- *Demographic* changes refer to the change in actual current and potential future beneficiary data and elections from July 1, 2013 to July 1, 2014. There were more retirees than assumed electing medical coverage. The increase in liability due to the retirees was dampened by the active liability decrease.
- *Change in Health Cost Assumptions* refers to the change in actual claim curves compared to the expected claims based on the prior year claims. The decrease is due to the EGWP program actually coming in lower than assumed in the prior year.
- *Other Assumptions* changes refer to the changes in demographic assumptions as well as changes in economic assumptions other than those relating to health costs. There were no other assumption changes with this valuation.

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION IV
SENSITIVITY**

The liabilities and ARC produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the health care trend rates on the actuarial liability, the ARC, and the net expected benefit payments, using the 4.25% discount rate, to provide some measure of sensitivity.

Table IV-1 Actuarial Liability As of July 1, 2013 Pay-As-You-Go Funding (4.25% assumed discount)			
Health Care Trend Rate	- 1%	Base	+ 1%
Actuarial Liability			
Actives	\$ 2,593.4	\$ 3,011.1	\$ 3,492.6
Retirees	<u>2,641.0</u>	<u>2,934.7</u>	<u>3,285.2</u>
Total	\$ 5,234.4	\$ 5,945.8	\$ 6,777.8
Assets	<u>290.2</u>	<u>290.2</u>	<u>290.2</u>
UAL	\$ 4,944.2	\$ 5,655.6	\$ 6,487.6

Table IV-2 GASB ARC – FYE 2014 Pay-As-You-Go Funding (4.25% assumed discount)			
Health Care Trend Rate	- 1%	Base	+ 1%
Normal Cost	\$ 131.7	\$ 186.3	\$ 265.8
UAL Amortization	<u>190.6</u>	<u>218.1</u>	<u>250.3</u>
Total	\$ 322.3	\$ 404.4	\$ 516.1

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION V
ACTUARIAL FUNDING**

To have a system where the assets will eventually accumulate to the actuarial liability, meaning that the entire liability is funded, the State of Delaware may wish to begin funding this program on an actuarial basis by contributing the ARC. If the State were to establish a funding policy of contributing the ARC, the discount rate could be increased. Using a discount rate of 7.50% (matching the pension assumption) produces an unfunded liability of \$3.6 billion, rather than \$5.9 billion.

In addition to the change in overall liability, the ARC will also decrease. Thus, in order to fund on an actuarial basis, the State needs to contribute \$298.2 million, or \$110.1 million above the PAYGo cost.

If the State increases its contribution, but it is still less than the actuarially funded scenario, the discount rate will increase above the 4.25% discount rate, and the resulting liabilities and ARC payments will likely fall between the two discount rate scenarios presented in this report.

Table V-1 Actuarial Liability Actuarial Funding (7.50% assumed discount) (\$ in millions)					
	State Employees	Judges	Closed State Police	Open State Police	Total
Actives	\$ 1,702.8	\$ 2.8	\$ 0.0	\$ 73.0	\$ 1,778.6
Retirees	<u>2,020.1</u>	<u>3.5</u>	<u>52.2</u>	<u>34.8</u>	<u>2,110.6</u>
Total	\$ 3,722.9	\$ 6.3	\$ 52.2	\$ 107.8	\$ 3,889.2
Assets*	\$ 278.2	\$ 0	\$ 4.0	\$ 8.0	\$ 290.2
UAL**	\$ 3,444.7	\$ 6.3	\$ 48.2	\$ 99.8	\$ 3,599.0

* Assets allocated in proportion to liabilities

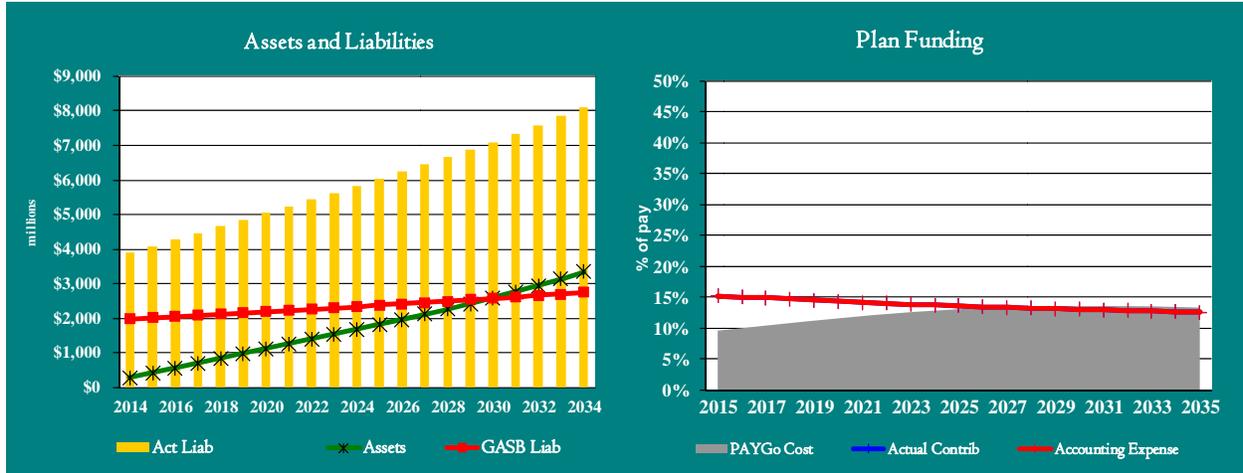
** Unfunded Actuarial Liability

Table V-2 GASB ARC – FY2014 Actuarial Funding (7.50% assumed discount) (\$ in millions)					
	State Employees	Judges	Closed State Police	Open State Police	Total
Normal Cost	\$ 83.6	\$ 0.1	\$ 0.0	\$ 3.6	\$ 87.3
UAL Amortization	<u>202.0</u>	<u>0.3</u>	<u>2.8</u>	<u>5.8</u>	<u>210.9</u>
Total	\$ 285.6	\$ 0.4	\$ 2.8	\$ 9.4	\$ 298.2

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

SECTION V
ACTUARIAL FUNDING

Looking beyond 2015, the charts below project the assets and liabilities and the funding costs for the next 20 years assuming the State amortizes the liability over an open 30-year period.



As the above left chart shows, the actuarial liability increases from \$3.9 billion to \$8.1 billion during the next 20 years. The red line on the same chart shows the liability appearing on the State’s financial statements, which is projected to remain fairly stable over the period. The green line shows the assets increasing from \$290 million to under \$3.3 billion. The difference between the yellow bars and the green line results in the unfunded actuarial liability, which is projected to increase from \$3.6 billion today to \$4.8 billion over the 20-year period.

The chart on the right shows the annual costs. Benefit payments, net of retiree contributions, are shown by the grey area and increase from 9.5% of pay or \$188 million to 13.2% of pay or \$496 million, the same as in the pay-as-you-go scenario. The blue line (which is covered by the red line) represents the State’s contribution and mirrors the ARC. Under actuarial funding (paying the full ARC and 7.50% discount) the GASB expense on the State’s financial statements remains relatively stable as a percentage of pay.

Please note that proposed GASB statements would materially alter the disclosures for fiscal years beginning after 2017. The changes from the proposed GASB statement are not reflected in the report.

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION V
ACTUARIAL FUNDING**

Below are the employer contributions, benefit payments, assets and NOO that we anticipate for the next 15 years under Actuarial Funding.

Table V-3 Expected Contributions, Expected Net Benefit Payments, Assets and NOO (\$ in millions)				
Fiscal Year Ending June 30	Expected Contributions	Expected Net Benefit Payments	Expected Assets	Expected NOO
2015	\$ 298.5	\$ 188.1	\$ 426	\$ 2,021
2016	305.2	202.6	565	2,054
2017	311.9	217.6	705	2,088
2018	318.4	233.6	846	2,122
2019	324.7	250.0	987	2,156
2020	331.1	267.3	1,127	2,192
2021	337.7	285.1	1,266	2,228
2022	344.6	301.5	1,405	2,264
2023	352.0	319.1	1,545	2,301
2024	359.7	336.2	1,685	2,339
2025	367.9	353.2	1,827	2,377
2026	376.5	370.0	1,971	2,416
2027	385.4	386.8	2,117	2,455
2028	394.7	402.4	2,268	2,495
2029	404.3	416.0	2,426	2,536

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION VI
ACCOUNTING DISCLOSURES**

Statement No. 43 and 45 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of other postemployment benefit information by governmental employers and plans in notes to financial statements and supplementary information.

In accordance with those statements, we have prepared the following disclosures:

Schedule of Funding Progress

The schedule of funding progress, Table VI-1, compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2014	\$ 290	\$ 5,946	\$ 5,656	4.9%	\$ 1,974	287%
7/1/2013	222	5,988	5,766	3.7	1,944	297
7/1/2012	163	5,805	5,641	2.8	1,885	299
7/1/2011	144	6,769	6,625	2.1	1,787	371
7/1/2010	104	5,884	5,780	1.8	1,798	321
7/1/2009	83	5,636	5,553	1.5	1,811	307
7/1/2008	79	5,489	5,410	1.4	1,770	306
7/1/2006	25	4,656	4,631	0.5	1,644	282

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION VI
ACCOUNTING DISCLOSURES**

Schedule of Employer Contributions

The schedule of employer contributions, Table VI-2, shows whether the employer has made contributions that are consistent with an actuarially sound method of funding the benefits to be provided.

Table VI-2 Schedule of Employer Contributions (\$ in millions)			
Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
2015	\$ 404.4	To be determined	To be determined
2014	406.7	50%	\$ 1,988.5
2013	397.8	52%	1,777.5
2012	490.5	38%	1,588.9
2011	488.1	37%	1,279.4
2010	480.0	36%	963.9
2009	516.2	31%	648.9
2008	464.6	38%	288.8

Table VI-3 below shows the development of the Net OPEB Obligation.

Table VI-3 Development of Net OPEB Obligation Pay-As-You-Go Funding (4.25% assumed discount) (\$ in millions)		
	June 30, 2014	Projected June 30, 2015
1. Net OPEB Obligation/(Asset) at beginning of fiscal year	\$ 1,777.5	\$ 1,988.5
2. Annual Required Contribution for FYE	\$ 406.7	\$ 404.4
3. Interest on Net OPEB Obligation/(Asset)	75.5	84.5
4. Adjustment to Annual Required Contribution	<u>68.6</u>	<u>76.7</u>
5. Annual OPEB Cost (2.) + (3.) - (4.)	\$ 413.6	\$ 412.2
6. Employer Contributions (Actual/Estimated)	\$ (202.6)	\$ (188.1)
7. Net OPEB Obligation/(Asset) at end of fiscal year (1.) + (5.) + (6.)	\$ 1,988.5	\$ 2,212.6

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**SECTION VI
ACCOUNTING DISCLOSURES**

We have also provided a *Note to Required Supplementary Information* for the financial statements in Table 16.

Table VI-4 Note to Required Supplementary Information	
The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.	
Valuation Date	July 1, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%
Rate of Salary Increases	3.25% (plus merit scale)
Ultimate Rate of Medical Inflation	4.25%

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Participant Data as of July 1, 2013

Census as of July 1, 2014					
	State Employees	Judges	Closed State Police	Open State Police	Total
Eligible Active Employees	35,812	55	0	695	36,562
Actives with coverage	29,475	49	0	636	30,160
Eligible Terminated Vesteds	1,930	0	0	12	1,942
Eligible LTDs	544	0	0	0	544
Retirees and Disableds with coverage	17,733	30	349	114	18,226
Beneficiaries with coverage	<u>2,074</u>	<u>13</u>	<u>94</u>	<u>4</u>	<u>2,185</u>
Total Inactives with coverage	19,807	43	443	118	20,411
Spouses with coverage	<u>7,558</u>	<u>25</u>	<u>265</u>	<u>90</u>	<u>7,938</u>
Total Inactives and Spouses with coverage	27,365	68	708	208	28,349
Total with coverage	56,840	117	708	844	58,509

Eligible Active Employees					
Age Group	State Employees	Judges	Closed State Police	Open State Police	Total
Under 25	850	0	0	24	874
25 to 30	3,134	0	0	84	3,218
30 to 35	3,675	0	0	106	3,781
35 to 40	3,930	0	0	122	4,052
40 to 45	4,557	2	0	142	4,701
45 to 50	5,105	6	0	141	5,252
50 to 55	5,422	9	0	76	5,507
55 to 60	4,824	9	0	0	4,833
60 to 65	3,023	14	0	0	3,037
<u>Over 65</u>	<u>1,292</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>1,307</u>
Total	35,812	55	0	695	36,562

Retirees, Disables and Beneficiaries with Coverage					
Age Group	State Employees	Judges	Closed State Police	Open State Police	Total
Under 50	165	0	0	15	180
50 to 55	374	0	0	41	415
55 to 60	1,183	0	18	52	1,253
60 to 65	2,768	3	71	10	2,852
65 to 70	4,490	8	122	0	4,620
70 to 75	3,704	7	93	0	3,804
75 to 80	2,708	11	69	0	2,788
80 to 85	2,131	5	38	0	2,174
85 to 90	1,406	4	23	0	1,433
<u>Over 90</u>	<u>878</u>	<u>5</u>	<u>9</u>	<u>0</u>	<u>892</u>
Total	19,807	43	443	118	20,411

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

**APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS**

New Entrant Population Statistics			
	State Employees	Judges	State Police
Average Age	37	46	28
Average Salary	\$ 38,486	\$ 183,656	\$50,984
% Blue PPO	35%	100%	35%
% Blue HMO/CDH	19%	0%	35%
% Aetna HMO/CDH	16%	0%	30%
% Nonelect	30%	0%	0%

Economic Assumptions

1. *Discount Rate:* 4.25% per year
2. *Salary Growth (for Normal Cost):* 3.25% per year
3. *Aggregate Payroll Growth for Amortization:* 3.25% per year
4. *Per Person Cost Trends:*

Date To Year Beginning July 1	Annual Increase		
	Pre-65 Medical	Post-65 Medical	Pharmacy
2015	8.00%	6.00%	8.00%
2016	7.71	5.87	7.71
2017	7.42	5.73	7.42
2018	7.13	5.60	7.13
2019	6.85	5.46	6.85
2020	6.56	5.33	6.56
2021	6.27	5.19	6.27
2022	5.98	5.06	5.98
2023	5.69	4.92	5.69
2024	5.40	4.79	5.40
2025	5.12	4.65	5.12
2026	4.83	4.52	4.83
2027	4.54	4.38	4.54
2028+	4.25	4.25	4.25

Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum are assumed to increase at the above trend rates.

STATE OF DELAWARE
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**APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS**

Demographic Assumptions

1. Rates of Retirement:

State Employees:

Early Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

- a) age 55 with 15 years of credited service
- b) 25 years of credited service

Hired before 1/1/2012: Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

- a) age 62 with five years of credited service
- b) age 60 with 15 years of credited service
- c) 30 years of credited service

Male Early Retirement Hired before 1/1/2012	
Age	Select
42 - 52	10.00%
52 - 59	5.00

Male Normal Retirement Hired before 1/1/2012		
Age	Select	Ultimate
<45	10.00%	0.00%
45 – 46	10.00	7.50
47 – 51	10.00	10.00
52	10.00	15.00
53	10.00	14.00
54	10.00	13.00
55	10.00	20.00
56 – 59	10.00	15.00
60 – 61	10.00	20.00
62	20.00	25.00
63 – 64	15.00	20.00
65	15.00	25.00
66 – 69	15.00	20.00
70	15.00	17.00
71	15.00	25.00
72 – 79	15.00	17.00
80+	100.00	100.00

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APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Female Early Retirement Hired before 1/1/2012	
Age	Select
<41	0.00%
42 – 59	10.00
60+	0.00

Female Normal Retirement Hired before 1/1/2012		
Age	Select	Ultimate
<45	10.00%	0.00%
45 – 49	10.00	6.00
50 – 51	20.00	6.00
52 – 53	20.00	8.00
54	20.00	11.00
55	20.00	15.00
56	20.00	11.00
57 – 58	20.00	15.00
59 – 61	20.00	20.00
62	20.00	25.00
63	20.00	20.00
64	30.00	20.00
65	28.00	20.00
66	26.00	20.00
67 – 69	15.00	20.00
70	15.00	21.00
71 – 79	15.00	20.00
80+	100.00	100.00

Hired on or after 1/1/2012: Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

- a) age 65 with 10 years of credited service
- b) age 60 with 20 years of credited service
- c) 30 years of credited service

Unisex Early Retirement Hired on or after 1/1/2012	
Age	Select
<41	0.00%
42 – 59	10.00
60+	0.00

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Unisex Normal Retirement		
Hire after 1/1/2012		
Age	Select	Ultimate
<42	0.00%	0.00%
42 – 53	20.00	10.00
55 – 59	5.00	10.00
60 – 64	10.00	10.00
65	30.00	30.00
66 – 79	20.00	20.00
80+	100.00	100.00

Judges:

Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

- a) age 65 with 12 years of credited service
- b) 24 years of credited service

Normal Retirement		
Age	Select	Ultimate
< 55	40.00%	0.00%
55-61	40.00	30.00
62-69	50.00	40.00
70 +	100.00	100.00

Closed State Police:

Age-based Select and Ultimate table as follows:

Age	Select	Ultimate
<41	25.00%	0.00%
41-49	25.00	12.50
50-54	50.00	15.00
55-59	50.00	75.00
60+	50.00	100.00

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Open State Police:

Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

- a) age 55
- b) 20 years of credited service

Normal Retirement		
Age	Select	Ultimate
<37	14.45%	0.00%
37-49	14.45	9.35
50-54	14.45	11.48
55-59	14.45	63.75
60+	14.45	100.00

2. Rate of Withdrawal:

State Employees:

10-year Select (age- and service-based) & Ultimate (age-based) tables

Age											
Select:	0	1	2	3	4	5	6	7	8	9	Ultimate
<35	20%	15%	12%	10%	8%	8%	5%	5%	4%	4%	3%
35-39	18	15	10	10	7	6	5	5	4	4	3
40-54	13	13	10	7	6	5	5	5	4	4	3
55-59	12	12	10	8	6	5	5	5	4	4	3
60-65	12	12	10	10	6	5	5	5	4	4	3
>65	12	12	10	14	6	5	5	5	4	4	3

Judges:

None

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**APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS**

Closed State Police:

Service-based Select and Ultimate table as follows:

Service	Rate
0	8.00%
1-2	2.50
3	2.25
4-5	2.00
6	1.75
7	1.50
8	1.25
9	1.00
Ultimate	1.00

Open State Police:

10-year Select & Ultimate tables (service-based). Table applies until eligibility for retirement is reached.

Service	Rate
Select: 0	8.00%
1	2.50
2	2.50
3	2.25
4	2.00
5	2.00
6	1.75
7	1.50
8	1.25
9	1.00
Ultimate	1.00

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3. Rate of Mortality:

State Employees:

a. Healthy Inactive Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA

Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Inactive Mortality		
Age	Male	Female
40	0.10%	0.06%
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47
65	1.03	0.90
70	1.77	1.56
75	3.06	2.49
80	5.54	4.13

b. Healthy Active Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA

Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Active Mortality		
Age	Male	Female
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47

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c. Disabled Inactive Mortality

2011 PBGC Disabled Mortality Tables, 50% Social Security Disabled / 50% Non-Social Security Disabled.

Rates of Disabled Inactive Mortality		
Age	Male	Female
40	1.97%	1.06%
45	2.22	1.24
50	2.51	1.47
55	2.88	1.79
60	3.33	2.21
65	3.91	2.77
70	4.78	3.39
75	6.39	4.54
80	8.93	6.46

Judges:

a. Healthy Inactive Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA

Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Inactive Mortality		
Age	Male	Female
40	0.10%	0.06%
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47
65	1.03	0.90
70	1.77	1.56
75	3.06	2.49
80	5.54	4.13

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b. Healthy Active Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA

Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Active Mortality		
Age	Male	Female
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47

c. Disabled Inactive Mortality

2011 PBGC Disabled Mortality Tables, 50% Social Security Disabled / 50% Non-Social Security Disabled.

Rates of Disabled Inactive Mortality		
Age	Male	Female
40	1.97%	1.06%
45	2.22	1.24
50	2.51	1.47
55	2.88	1.79
60	3.33	2.21
65	3.91	2.77
70	4.78	3.39
75	6.39	4.54
80	8.93	6.46

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Closed State Police and Open State Police:

a. Healthy Inactive Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA

Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Inactive Mortality		
Age	Male	Female
40	0.10%	0.06%
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47
65	1.03	0.90
70	1.77	1.56
75	3.06	2.49
80	5.54	4.13

b. Healthy Active Mortality

Male: RP-2000 Mortality Table Projected to 2015 using Scale AA

Female: RP-2000 Mortality Table Projected to 2015 using Scale AA

Rates of Healthy Active Mortality		
Age	Male	Female
20	0.03%	0.02%
25	0.03	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.12	0.09
50	0.16	0.13
55	0.27	0.24
60	0.53	0.47

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c. Disabled Inactive Mortality

2011 PBGC Disabled Mortality Tables, 50% Social Security Disabled / 50% Non-Social Security Disabled.

Rates of Disabled Inactive Mortality		
Age	Male	Female
40	1.97%	1.06%
45	2.22	1.24
50	2.51	1.47
55	2.88	1.79
60	3.33	2.21
65	3.91	2.77
70	4.78	3.39
75	6.39	4.54
80	8.93	6.46

- 4. Percent of Retirees Electing Coverage:** For employees who currently have medical coverage, 95% of employees are assumed to elect coverage at retirement if they have 20 or more years of service and 80% if they have less than 20 years of service. These employees are assumed to remain in their current plan.

For employees who do not currently have medical coverage, 50% of employees are assumed to elect medical coverage in the comprehensive plan prior to retirement, and then will follow the election percentages above.

40% of current and future terminated vested employees are assumed to elect coverage.

100% of LTD participants are assumed to elect coverage.

- 5. Family Composition:** 50% of employees will elect spouse coverage at retirement.
- 6. Dependent Age:** For current active employees, males are assumed to be 3 years older than female spouses. For current retirees, actual spouse date of birth was used.

STATE OF DELAWARE
POSTRETIREMENT HEALTH VALUATION AS OF JULY 1, 2014

APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

1. Average Monthly Claims and Expense Assumptions: The following claim and expense assumptions are applicable to the 12-month period beginning July 1, 2014. Subsequent years' costs are based on the trended first year cost adjusted with trends listed above. Due to the small enrollment on the BCBS CDH Gold Plan, claims experience was blended with the Bluecare HMO and the combined claims curve was used for both plans. Similarly, the experience of the Aetna CDH Gold Plan was combined with the Aetna HMO, and the combined claims curve was used for both plans.

As of January 1, 2013, the State is enrolled in an EGWP plan for the post Medicare Pharmacy. The post Medicare Pharmacy claims were developed using claims experience from July 1, 2013 – June 30, 2014 in order to capture the savings realized by moving to an EGWP.

Under age 65: Healthy Retirees & All Dependents

<u>Age</u>	<u>Blue PPO</u>		<u>Bluecare HMO/CDH</u>		<u>Aetna HMO/CDH</u>		<u>Pharmacy</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40	\$287	\$538	\$299	\$561	\$259	\$486	\$76	\$112
45	\$350	\$547	\$365	\$571	\$316	\$494	\$102	\$137
50	\$456	\$626	\$476	\$653	\$413	\$566	\$141	\$180
55	\$596	\$725	\$622	\$756	\$539	\$655	\$188	\$232
60	\$778	\$858	\$811	\$895	\$703	\$775	\$242	\$283
64	\$976	\$1,005	\$1,018	\$1,048	\$882	\$908	\$282	\$308

Age 65 & Over: Healthy Retirees & All Dependents

<u>Age</u>	<u>Blue PPO</u>		<u>Bluecare HMO/CDH</u>		<u>Aetna HMO/CDH</u>		<u>Pharmacy</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
65	\$130	\$139	\$130	\$139	\$130	\$139	\$159	\$170
70	\$160	\$159	\$160	\$159	\$160	\$159	\$182	\$183
75	\$191	\$179	\$191	\$179	\$191	\$179	\$194	\$192
80	\$213	\$191	\$213	\$191	\$213	\$191	\$199	\$194
85	\$222	\$193	\$222	\$193	\$222	\$193	\$196	\$189

STATE OF DELAWARE
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APPENDIX A
PARTICIPANT DATA, ASSUMPTIONS AND METHODS

Disabled Retirees

<u>Age</u>	<u>Blue PPO</u>		<u>Bluecare HMO/CDH</u>		<u>Aetna HMO/CDH</u>		<u>Pharmacy</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40	\$197	\$384	\$203	\$396	\$183	\$357	\$80	\$118
45	\$245	\$396	\$253	\$408	\$228	\$369	\$108	\$144
50	\$324	\$448	\$335	\$462	\$302	\$417	\$149	\$190
55	\$424	\$501	\$437	\$518	\$395	\$466	\$199	\$245
60	\$551	\$603	\$568	\$622	\$512	\$561	\$256	\$298
64	\$679	\$706	\$701	\$728	\$631	\$656	\$297	\$325
65	\$196	\$209	\$196	\$209	\$196	\$209	\$239	\$255
70	\$240	\$239	\$240	\$239	\$240	\$239	\$273	\$275
75	\$287	\$269	\$287	\$269	\$287	\$269	\$291	\$288
80	\$319	\$286	\$319	\$286	\$319	\$286	\$298	\$291
85	\$333	\$289	\$333	\$289	\$333	\$289	\$295	\$283

2. **Medicare Part D Subsidy:** Effective January 1, 2013 the subsidy is no longer applicable as the State is enrolled in an EGWP.
3. **Medicare Part B Premiums:** Assumed that Medicare eligible retirees pay the Medicare Part B premiums.
4. **Medicare Eligibility:**
 Future retirees: Age 65+ = 100.00%.
 Current retirees: under 65 = those known to be eligible for Medicare will remain eligible,
 Age 65+ = 100.00%.
5. **Annual Limits:** Assumed to increase at the same rate as trend.
6. **Lifetime Maximums:** Are assumed to have no financial impact.
7. **Geography:** Implicitly assumed to remain the same as current retirees.

Methodology

The Entry Age Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the System until termination or retirement. A rolling 30-year amortization period was used under the pay-as-you-go funding scenario.

A normal cost rate is determined for a typical new entrant. This rate is determined by taking the value, as of age at entry into a plan in the Program, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

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PARTICIPANT DATA, ASSUMPTIONS AND METHODS

The claims costs were developed using actual July 1, 2012 to June 30, 2013 retiree experience paid through March 31, 2014, and on projected incurred claims provided by the State's health care actuary for the period July 1, 2013 to June 30, 2014 based on claims paid through March 31, 2014. Claims were trended from FYE 2013 to FYE 2014 at 8.5% for non-Medicare medical, 6.5% for Medicare medical, and 9.0% for pharmacy and from FYE 2014 to FYE 2015 at 6.5%, 5.5%, and 6% respectively. From this data, we developed per person per month (PPPM) costs and then adjusted those using age curves. Claims costs include a 4.3% load for expenses, based on the State health care actuary's projected expenses.

Changes Since Last Valuation

The claim curves were updated to reflect current experience.

STATE OF DELAWARE
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APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Eligibility:

State Employees: Hired prior to January 1, 2012

Normal Retirement:

Eligibility: (i) age 62 with five years of credited service; or (ii) age 60 with 15 years of credited service; or (iii) any age with 30 years of credited service.

Early Retirement:

Eligibility: (i) age 55 with 15 years of credited service; or (ii) any age with 25 years of credited service.

State Employees: Hired on or after January 1, 2012

Normal Retirement:

Eligibility: (i) age 65 with 10 years of credited service; or (ii) age 60 with 20 years of credited service; or (iii) any age with 30 years of credited service.

Early Retirement:

Eligibility: (i) age 55 with 15 years of credited service; or (ii) any age with 25 years of credited service.

Judges:

Normal Retirement:

Judges appointed before July 1, 1980:

Eligibility: (i) age 65 with 12 years of service as a judge; or (ii) any age with 24 years of service; or (iii) involuntarily retired after 22 years of service as a judge.

Judges appointed after June 30, 1980:

Eligibility: (i) age 62 with 12 years of service as a judge; or (ii) any age with 24 years of service; or (iii) involuntarily retired after 22 years of service as a judge.

Closed State Police:

Normal Retirement:

Age 55 or 20 years of credited service.

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APPENDIX B
SUBSTANTIVE PLAN PROVISIONS

Open State Police:

Normal Retirement:

Eligibility: (i) Must be employed at 55 with ten years of credited service; or (ii) any age with 20 years of credited service; or (iii) 10 years of credited service when age plus service equals 75.

All vested participants in the groups above are eligible to pick up coverage at commencement of their vested pension benefit.

Spouse coverage is available under any of the plan options with the state paying the same percentage as the retiree. Surviving spouses are eligible to coverage after the retiree's death.

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**APPENDIX B
SUBSTANTIVE PLAN PROVISIONS**

Benefits:

Delaware NME Plans			
Provider Network:	First State Basic	BlueCross BlueShield PPO	BlueCross BlueShield CDH
<u>In-Network (INN) Benefits</u>			
Copays (Do not apply to DC ¹ or OOP max)			
Office Visit (OV)-Primary Care(PCP)	\$20	\$15	Deductible + Coinsurance
OV - Specialist Care Provider (SCP)	\$40	\$25	Deductible + Coinsurance
Urgent Care (UC)	\$25	\$25	Deductible + Coinsurance
Hospital Emergency Room (ER)	Deductible + Coinsurance	\$150	Deductible + Coinsurance
Outpatient Surgery	Deductible + Coinsurance	0% member cost share	Deductible + Coinsurance
Hospital Inpatient	Deductible + Coinsurance	\$100 per day; max \$200 per visit	Deductible + Coinsurance
Deductible (Individual / Family)	\$500 / \$1,000	\$0	\$1,500 / \$3,000
Coinsurance	10%	0%	10%
Coinsurance Limit - Excl. Deductible (Individual / Family)	\$1,500 / \$3,000	None	\$3,000 / \$6,000
<u>Benefits Out-of-Network (OON)</u>			
Deductible (Individual / Family)	\$1,000 / \$2,000	\$300 / \$600	\$1,500 / \$3,000
Coinsurance	30%	20%	30%
Out-of-Pocket (OOP) Max (Individ / Family)	\$3,000 / \$6,000	\$1,500 / \$3,000	\$6,000 / \$12,000
<u>Lifetime Max (INN/OON)</u>	None	None	None
<u>Prescription Drug</u>			
30 Day Supply - Tier I/Tier II/Tier III Copay	\$8.50 / \$20 / \$45	\$8.50 / \$20 / \$45	\$8.50 / \$20 / \$45
90 Day Supply - Tier I/Tier II/Tier III Copay	\$17 / \$40 / \$90	\$17 / \$40 / \$90	\$17 / \$40 / \$90
<u>Detail Benefits</u>			
Mental Health (MH) / Substance Abuse (SA):			
-Per Visit	Deductible + Coinsurance	\$15	Deductible + Coinsurance
-Inpatient	Deductible + Coinsurance	\$100 copay / day; max \$200	Deductible + Coinsurance
-Per Year Outpatient \$ Maximum	None	None	None
-Per Lifetime Maximum	None	None	None
Rehabilitation (i.e., speech, occup. physical):	determined by medical necessity	medical necessity	determined by medical necessity
Chiropractors:	30 visit max per year	\$25; 30 visit max per year	30 visit max per year
Transplants:	Covered at OON cost share when member does not use Blue Distinction Center	Covered at OON cost share when member does not use Blue Distinction Center	Covered at OON cost share when member does not use Blue Distinction Center
Laboratory:	Deductible + Coinsurance	\$5 for labs; \$15 for imaging services	Deductible + Coinsurance
Durable Medical Equipment	Deductible + Coinsurance	0% member cost share	Deductible + Coinsurance
Preventive Care:	Covered at 100%	\$15 / visit; \$5 for labs	Covered at 100%

Blue Cross Blue Shield First State Basic – This Plan provides the freedom of choice you experience with a Preferred Provider Organization (PPO) that allows you to receive both in- and out-of-network benefits.

In-network services will have a deductible of \$500 per individual and \$1000 per family. The Plan will then pay at 90% of the Blue Cross Blue Shield allowable charge. There is also a coinsurance limit of \$1500 per individual and \$3000 per family, and once this is met the Plan will pay at 100% of the allowable charge. Therefore, total out-of-pocket costs will be \$2000 per individual and \$4000 per family, plus any copays and non-covered charges. Please note that pharmacy benefit expenses do not accumulate toward meeting the deductible or coinsurance amounts.

Out-of-network services will be subject to a deductible of \$1000 per individual and \$2000 per family and then the Plan will pay at 70% of the allowable charge. The out-of-network coinsurance limit is set at \$3000 per individual and \$6000 per family, after which services are paid at 100%. Out-of-pocket costs for non-network services will total \$4000 for individual and \$8000 for family, plus any non-covered charges. The in-network and out-of-network deductibles and coinsurance limits are integrated; out-of-network costs can be applied towards the in-network deductible and coinsurance limit and vice versa. Please note that pharmacy benefit expenses do not accumulate toward meeting the deductible or coinsurance amounts.

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**APPENDIX B
SUBSTANTIVE PLAN PROVISIONS**

Delaware NME Plans cont.

Provider Network:	BlueCross BlueShield HMO	Aetna HMO	Aetna CDH
In-Network (INN) Benefits			
Copays (Do not apply to DC ¹ or OOP max)			
Office Visit (OV)-Primary Care(PCP)	\$15	\$10	Deductible + Coinsurance
OV - Specialist Care Provider (SCP)	\$20	\$20	Deductible + Coinsurance
Urgent Care (UC)	\$20	\$20	Deductible + Coinsurance
Hospital Emergency Room (ER)	\$150	\$150	Deductible + Coinsurance
Outpatient Surgery	\$30 / day at ambulatory surgical centers	\$30 / day at ambulatory surgical centers	Deductible + Coinsurance
Hospital Inpatient	\$100 per day; max \$200 per visit	\$100 per day; max \$200 per visit	Deductible + Coinsurance
Deductible (Individual / Family)	\$0	\$0	\$1,500 / \$3,000
Coinsurance	0%	0%	10%
Coinsurance Limit - Excl. Deductible (Individual / Family)	None	None	\$3,000 / \$6,000
Benefits Out-of-Network (OON)			
Deductible (Individual / Family)	Emergency Services Only	Emergency Services Only	\$1,500 / \$3,000
Coinsurance	N/A	N/A	30%
Out-of-Pocket (OOP) Max (Individ / Family)	N/A	N/A	\$6,000 / \$12,000
Lifetime Max (INN/OON)	None	None	None
Prescription Drug			
30 Day Supply - Tier I/Tier II/Tier III Copay	\$8.50 / \$20 / \$45	\$8.50 / \$20 / \$45	\$8.50 / \$20 / \$45
90 Day Supply - Tier I/Tier II/Tier III Copay	\$17 / \$40 / \$90	\$17 / \$40 / \$90	\$17 / \$40 / \$90
Detail Benefits			
Mental Health (MH) / Substance Abuse (SA):			
-Per Visit	\$15	\$20	Deductible + Coinsurance
-Inpatient	\$100 copay / day; max \$200	\$100 copay / day; max \$200	Deductible + Coinsurance
-Per Year Outpatient \$ Maximum	None	None	None
-Per Lifetime Maximum	None	None	None
Rehabilitation (i.e., speech, occup. physical):	condition; ST & OT limited to 60 days	per condition; ST 45 days per incidence	determined by medical necessity
Chiropractors:	days per acute condition	charge)	30 visit max per year
Transplants:	Higher member cost share when member does not use Blue Distinction Center	Higher member cost share when member does not use Blue Distinction Center	Covered at OON cost share when member does not use Blue Distinction Center
Laboratory:	\$5 for labs; \$15 / \$25 for imaging services	\$5 for labs; \$15 / \$25 for imaging services; \$20 / diagnostic services	Deductible + Coinsurance
Durable Medical Equipment	20% coinsurance	20% coinsurance	Deductible + Coinsurance
Preventive Care:	\$10 - \$25 / visit; \$5 for labs	\$10 / visit	Covered at 100%

Preventive services are covered in-network at 100% of the allowable charge and are not subject to a deductible or coinsurance. Preventive services are covered out-of-network at 70% of the allowable charge and are not subject to a deductible or coinsurance.

Blue Cross Blue Shield Blue Care – Blue Care is Blue Cross Blue Shield’s HMO-Managed Care plan in which each member selects a primary care physician (PCP) to coordinate his/her health care needs. Blue Care members have access to the BCBS of Delaware provider network for covered services with a PCP referral and the BCBS nationwide network for emergency care. Blue Care also includes coverage for services such as: outpatient, inpatient, prenatal and postnatal care, emergency, mental healthcare, lab, x-ray, vision, chiropractic and many others. This plan covers only emergency services out-of-network.

Blue Cross Blue Shield Comprehensive Preferred Provider Organization (PPO) Plan – This plan provides the freedom of choice that you experience with a traditional comprehensive plan. When participants obtain services in-network, they pay a small copay/coinsurance with no deductible, but they may also use an out-of-network provider to obtain benefits at a reduced level.

The plan provides an expansive national network of participating providers. If the member uses out-of-network providers, they must meet a \$300 per person/\$600 per family plan year deductible unless otherwise noted. The coinsurance maximum is \$1,500 per person/\$3000 per family (excluding the deductible) per plan year. The coinsurance maximum applies to medical services only. Copayments for prescription medication are not applied to the out-of-pocket maximum.

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Blue Cross Blue Shield CDH Gold – BCBSD’s CDH Gold Plan offers many of the features of a Preferred Provider Organization (PPO) plan with the added advantage of a State-funded Health Reimbursement Account (HRA).

The plan includes a \$1,500 deductible for employee only (Individual) coverage and \$3,000 for Family coverage. The HRA pays the first \$1,250 in deductible expenses for Individuals and \$2,500 for Families. The member is financially responsible for the remaining in-network deductible (\$250 for Individuals and \$500 for Families). When the deductible is satisfied, in-network healthcare services are paid at 90%, with an in-network coinsurance maximum (excluding the deductible) of \$3,000 for Individuals and \$6,000 for Families. There is a separate out-of-network deductible of \$1,500 for employee only (Individual) coverage and \$3,000 for Family coverage. When the deductible is satisfied, out-of-network healthcare services are paid at 70 percent, with an out-of-network coinsurance maximum of \$6,000 for Individuals and \$12,000 for Families.

In addition, preventive care services are covered at 100% and are not subject to a deductible or coinsurance. Prescriptions are provided through the prescription benefits manager, Express Scripts, and prescription copays are not applicable to the medical deductible or out-of-pocket maximum.

Aetna – Access and Choice. Aetna’s HMO offers all the advantages of a national health plan and local customer service. Members choose any primary care physician (PCP) from a broad network. Aetna’s HMO plan offers direct access for emergency and urgent care, routine OB/GYN care, and a host of health, wellness and educational programs. This plan covers only emergency services out-of-network.

Aetna – Aetna’s CDH Gold Plan offers many of the features of a Preferred Provider Organization (PPO) plan with the added advantage of a State-funded Health Reimbursement Account (HRA).

The plan includes a \$1,500 deductible for employee only (Individual) coverage and \$3,000 for Family coverage. The HRA pays the first \$1,250 in deductible expenses for Individuals and \$2,500 for Families. The member is financially responsible for the remaining in-network deductible (\$250 for Individuals and \$500 for Families). When the deductible is satisfied, in-network healthcare services are paid at 90%, with an in-network coinsurance maximum of \$3,000 for Individuals and \$6,000 for Families. There is a separate out-of-network deductible of \$1,500 for employee only (Individual) coverage and \$3,000 for Family coverage. When the deductible is satisfied, out-of-network healthcare services are paid at 70%, with an out-of-network coinsurance maximum of \$6,000 for Individuals and \$12,000 for Families.

In addition, preventive care services are covered at 100% and are not subject to a deductible or coinsurance. Prescriptions are provided through the prescription benefits manager, Express Scripts, and prescription copays are not applicable to the medical deductible or out-of-pocket maximum.

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SUBSTANTIVE PLAN PROVISIONS**

Special Medicfill Medicare Supplement (Administered by Blue Cross Blue Shield of Delaware) - This plan supplements Medicare. Unless otherwise indicated on the Benefits Highlights pages in the Open Enrollment booklet, benefits will be paid as noted only after Medicare pays its full amount. **Note:** Delaware Law mandates that the member, spouse and eligible dependents, elect Medicare Parts A & B when eligible.

Express Scripts Prescription Coverage – When you enroll in a healthcare plan you will automatically be enrolled in the prescription drug plan managed by Express Scripts. The only exception is the Special Medicfill plan without prescription coverage for those pensioners who have chosen to enroll in Medicare Part D for their prescription coverage. The Coordination of Benefits (COB) policy also applies to prescription coverage. If your spouse or dependents have other health coverage that is primary (pays first), the prescription coverage provided through the State’s plan for the spouse or dependents will become secondary.

2014 Prescription Copay Rates			
State of Delaware Prescription Coverage	Tier 1 Generic	Tier 2 Preferred	Tier 3 Non-Preferred
30-DAY Supply	\$ 8.50	\$20.00	\$45.00
90-DAY Supply	\$17.00	\$40.00	\$90.00
“Preferred” = Formulary			

Current Retiree Contributions:

If hired prior to 07/01/1991 or are on disability retirement, no contributions are required. If hired on or after 07/01/1991 (and not retired on disability), contributions depend on years of service, as shown in the table below:

Years of Service	Percent of State Share Paid by State
Less than 10	0%
10-14	50%
15-19	75%
20 or more	100%

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**APPENDIX B
SUBSTANTIVE PLAN PROVISIONS**

House Bill number 81 established a fixed cost share effective July 1, 2012 for the different health insurance plans offered by the State for regular officers or employees of the State and their dependents, and a fixed cost share for pensioners and their dependents who are not eligible for federal Medicare. The State share is listed below:

Medical Plan Type	State Share Percent of Premium Paid by State
Basic	96.00%
Consumer-Directed	95.00%
HMO	93.50%
Comprehensive PPO	86.75%

Future Retiree Contributions:

If hired prior to 07/01/1991 or are on disability retirement, no contributions are required. If hired on or after 07/01/1991 (and not retired on disability) and before January 1, 2007, contributions depend on years of service, as shown in the table below:

Years of Service	Percent of State Share Paid by State
Less than 10	0%
10-14	50%
15-19	75%
20 or more	100%

If hired on or after January 1, 2007 (and not retired on disability), contributions depend on years of service, as shown in the table below:

Years of Service	Percent of State Share Paid by State
Less than 15	0%
15-17.5	50%
17.5-19	75%
20 or more	100%

Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay in addition to their percentage above, an additional 5% of the Medicare supplement offered by the State.

**APPENDIX C
GLOSSARY OF TERMS**

1. Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

2. Actuarial Cost Method

A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

3. Actuarial Gain (Loss)

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

4. Actuarial Liability

The portion of the actuarial present value of projected benefits which will not be paid by future normal costs; it represents the value of the past normal costs with interest to the valuation date.

5. Actuarial Present Value (Present Value)

The value as of a given date of a future amount or series of payments; the actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\frac{\text{Amount}}{\$100} \times \frac{\text{Probability of Payment}}{(1 - .01)} \times \frac{1/}{(1+\text{Discount Rate})} \frac{1/}{1/(1+.1)} = \frac{\text{Present Value}}{\$90}$$

6. Actuarial Valuation

The determination, as of a specified date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

7. Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

**APPENDIX C
GLOSSARY OF TERMS**

8. Amortization Payment

The portion of the pension plan contribution which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

9. Entry Age Normal Actuarial Cost Method

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

10. Normal Cost

That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

11. Unfunded Actuarial Liability

The excess of the actuarial liability over the actuarial value of assets.

12. Funded Percentage

The ratio of the actuarial value of assets to the actuarial liabilities..

13. Mortality Table

A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

14. Discount Rate

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

15. Medical Trend

The assumed increase in dollar related values in the future due to the increase in the cost of health care.

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APPENDIX D
ABBREVIATION LIST

Actuarial Liability (AL)
Actuarial Valuation Report (AVR)
Annual Required Contribution (ARC)
Coordination of Benefits (COB)
Deductible and Coinsurance (DC)
Durable Medical Equipment (DME)
Employee Assistance Program (EAP)
Employee Benefits Division (EBD)
Fiscal Year Ending (FYE)
Governmental Accounting Standards Board (GASB)
Hospital Emergency Room (ER)
In-Network (INN)
Inpatient (IP)
Medicare Eligible (ME)
Net Other Postemployment Benefit (NOO)
Non-Medicare Eligible (NME)
Not Applicable (NA)
Office Visit (OV)
Other Postemployment Benefit (OPEB)
Out-of-Network (OON)
Out-of-Pocket (OOP)
Outpatient (OP)
Pay-as-you-go (PAYGo)
Per Person Per Month (PPPM)
Pharmacy (Rx)
Preferred Provider Organization (PPO)
Primary Care Physician (PCP)
Specialist Care Provider (SCP)
Summary Plan Description (SPD)
Unfunded Actuarial Accrued Liability (UAAL)
Unfunded Actuarial Liability (UAL)
Urgent Care (UC)