



State of Delaware Postretirement Health Plan

**GASB 74/75 Report
as of June 30, 2018
Measurement Date**

**Produced by Cheiron
Revised October 2018**

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Letter of Transmittal	i
Section I Board Summary	1
Section II Certification	3
Section III Determination of Discount Rate	4
Section IV Total OPEB Liability Sensitivity	5
Section V GASB 74 Reporting Information	6
Section VI GASB 75 Collective Information	10
 <u>Appendices</u>	
Appendix A Membership Information	13
Appendix B Actuarial Assumptions and Methods	14
Appendix C Summary of Plan Provisions	31
Appendix D Glossary of Terms	39

Letter of Transmittal

October 29, 2018

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

Dear Dave:

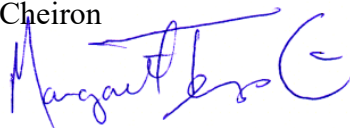
The purpose of this report is to provide accounting and financial reporting information under the Governmental Accounting Standards Board (GASB) Statement No. 74 for the Postretirement Health Plan provided by the State of Delaware (Plan) and under GASB No. 75 for the participating employers of the Plan in aggregate. This information includes:

- Determination of the discount rate as of June 30, 2018.
- Total OPEB liability sensitivity information.
- Note disclosures and required supplementary information under GASB 74 for the Plan.
- Determination of collective amounts under GASB 75.

This report provides GASB 74 and 75 information as of the June 30, 2018 measurement date. We will send schedules for the financial reporting of the individual participating employers under GASB 75 in a separate cover once we receive the actual contributions by employer.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,
Cheiron



Margaret Tempkin, FSA, EA, MAAA
Principal Consulting Actuary

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under Governmental Accounting Standards Board (GASB) Statement Nos. 74 for the Postretirement Health Plan provided by the State of Delaware and the information for the participating employers in the aggregate. This information includes:

- Determination of the discount rate as of June 30, 2018.
- Total OPEB liability sensitivity information.
- Note disclosures and required supplementary information under GASB 74 for the Plan.
- Determination of collective amounts under GASB 75.

This report does not include information on the allocation of the collective GASB 75 information for each of the separate participating employers. This information will be provided separately when the allocation of proportionate shares for each employer is available.

Highlights

The measurement date for the Postretirement Health Plan provided by the State of Delaware (Plan) contained in this report is June 30, 2018. This measurement date is used for the Plan’s GASB 74 reporting as of the June 30, 2018 reporting date and for the employers’ GASB 75 reporting as of the June 30, 2019 reporting date. Measurements are based on the fair value of assets as of June 30, 2018, and the total OPEB liability as of the valuation date June 30, 2017, updated to a June 30, 2018 measurement date.

The table below provides a summary of the key results during this measurement period for the Plan in total.

	Measurement Date	
	6/30/2018	6/30/2017
Net OPEB Liability	\$ 8,210,129,924	\$ 8,255,643,502
Deferred Outflows	0	0
Deferred Inflows	<u>1,136,089,335</u>	<u>980,130,723</u>
Net Impact on Statement of Net Position	\$ 9,346,219,259	\$ 9,235,774,225
OPEB Expense (\$ Amount)	\$ 335,069,298	\$ 388,899,456
OPEB Expense (% of Payroll)	16.33%	19.11%

The net OPEB liability (NOL) decreased approximately \$46 million during the measurement period. The change in NOL due to investment gains and losses are recognized into OPEB expense over five years, beginning in the year of occurrence. The change in NOL due to actuarial gains and losses as well as assumption changes are recognized over the average remaining

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION I – BOARD SUMMARY

service life, determined at the beginning of each measurement period, which is six years as of both the current and prior measurement period for the Plan. Unrecognized amounts are reported as deferred outflows of resources (DOR) and deferred inflows of resources (DIR).

At the June 30, 2018 measurement date, the State of Delaware and the other participating employers will, in aggregate, report a net OPEB liability (asset) of \$8,210,129,924 , deferred outflows of resources of \$ 0 and deferred inflows of resources of \$ 1,136,089,335 related to the Plan. Consequently, the net impact, equal to the NOL minus the DOR plus the DIR, on the aggregate of the participating employers' statements of net position due to the Plan would be \$9,346,219,259 [$\$9,346,219,259 = \$8,210,129,924 - \$ 0 + \$ 1,136,089,335$] as of the June 30, 2018 measurement date, increasing the aggregate net position of the participating employers.

For the measurement year ending June 30, 2018, the collective annual OPEB expense is \$335,069,298 or 16.33% of covered-employee payroll. This amount is not related to participating employers' contributions to the Plan, equal to \$ 224,624,264 during the measurement period, but instead represents the aggregate employer contributions plus the change in the net impact on the aggregate of the participating employers' statements of net position [$\$335,069,298 = \$ 224,624,264 + \$9,346,219,259 - \$9,235,774,225$]. Volatility in OPEB expense from year to year is to be expected. It will largely be driven by changes in the discount rate, but other changes (e.g., health care cost trends) can also have a significant impact. A breakdown of the components of the net collective OPEB expense is shown in Section VI of this report.

In addition to the information shown above, any contributions between the measurement date and the reporting date would be reported as deferred outflows to resources to offset the cash outflows reported.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION II – CERTIFICATION

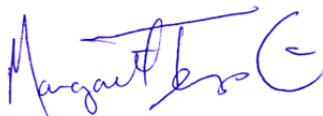
The purpose of this report is to provide accounting and financial reporting information under GASB No. 74 for the Postretirement Health Plan provided by the State of Delaware (Plan) and under GASB No. 75 for the participating employers of the Plan. This report is for the use of the Postretirement Health Plan provided by the State of Delaware, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

In preparing our report, we relied on information, some oral and some written, supplied by the Plan. 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 No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

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 that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board including the use of assumptions and methods for funding purposes that comply with the Actuarial Standards of Practice. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion 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 report was prepared for the Plan for the purposes described herein and for the use by the Plan and employer auditors in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.



Margaret A. Tempkin, FSA, MAAA
Principal Consulting Actuary



Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the total OPEB liability as of June 30, 2017 was 3.58%. The discount rate used to measure the total OPEB liability as of June 30, 2018 was 3.87%. Additional information about these rates is provided in Appendix B.

In developing the projection of cash flows used to determine the discount rate, we have assumed 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, 2018 measurement date is equal to the applicable rate of the 20-year obligation bond as described by the GASB statements.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION IV – TOTAL OPEB LIABILITY SENSITIVITY

The table below shows the total OPEB liability (TOL) amounts at discount rates equal to the rate used for measuring the TOL at the June 30, 2018 measurement date as well as plus and minus one percent from that rate.

Table IV - 1			
Total OPEB Liability Sensitivity at 6/30/2018 Measurement Date			
Discount Rate	2.87%	3.87%	4.87%
Valuation Collective Total OPEB Liability, 6/30/2017			
Actives	\$ 5,107,421,146	\$ 4,177,223,939	\$ 3,458,175,891
Retirees and Terminated Vesteds	<u>4,610,245,465</u>	<u>4,034,826,899</u>	<u>3,571,278,169</u>
Total	\$ 9,717,666,611	\$ 8,212,050,838	\$ 7,029,454,060
Service Cost (MOY)	374,865,086	282,844,993	215,854,723
Benefit Payments	(222,099,177)	(222,099,177)	(222,099,177)
Interest	281,073,716	318,970,642	342,184,168
Collective Total OPEB Liability, 6/30/2018	\$ 10,151,506,236	\$ 8,591,767,296	\$ 7,365,393,774

The table below shows the total OPEB liability (TOL) amounts at healthcare trend rates equal to the rate used for measuring the TOL at the June 30, 2018 measurement date as well as plus and minus one percent from that rate.

Table IV - 2			
Total OPEB Liability Sensitivity at 6/30/2018 Measurement Date			
Healthcare Trends	-1.00%	Baseline	1.00%
Valuation Collective Total OPEB Liability, 6/30/2017			
Actives	\$ 3,530,756,348	\$ 4,177,223,939	\$ 4,943,509,603
Retirees and Terminated Vesteds	<u>3,591,335,293</u>	<u>4,034,826,899</u>	<u>4,572,941,262</u>
Total	\$ 7,122,091,641	\$ 8,212,050,838	\$ 9,516,450,865
Service Cost (MOY)	196,957,636	282,844,993	410,825,889
Benefit Payments	(222,099,177)	(222,099,177)	(222,099,177)
Interest	275,143,076	318,970,642	371,903,846
Collective Total OPEB Liability, 6/30/2018	\$ 7,372,093,176	\$ 8,591,767,296	\$ 10,077,081,423

Net OPEB liability (NOL) sensitivity disclosures required under GASB No. 74 and No. 75 are developed based on this information in tables V-2 and V-3 in Section V of this report.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION V – GASB 74 REPORTING INFORMATION

Note Disclosures

The table below shows the changes in the total OPEB liability (TOL), the plan fiduciary net position (i.e., fair value of Plan assets) (FNP), and the net OPEB liability (NOL) during the measurement period ending on June 30, 2018.

Table V - 1 Change in Net OPEB Liability			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2017	\$ 8,610,857,528	\$ 355,214,026	\$ 8,255,643,502
Changes for the year:			
Service cost (MOY)	306,561,986		306,561,986
Interest	309,767,289		309,767,289
Changes of benefits	0		0
Differences between expected and actual experience	0		0
Changes of assumptions	(413,320,330)		(413,320,330)
Contributions - employer		224,624,264	(224,624,264)
On behalf contributions		157,372	(157,372)
Contributions - retired members		-	0
Net investment income		23,829,306	(23,829,306)
Benefit payments	(222,099,177)	(222,099,177)	0
Administrative expense		(88,419)	88,419
Net changes	<u>(19,090,232)</u>	<u>26,423,346</u>	<u>(45,513,578)</u>
Balances at 6/30/2018	<u>\$ 8,591,767,296</u>	<u>\$ 381,637,372</u>	<u>\$ 8,210,129,924</u>

During the measurement year, the collective NOL decreased by approximately \$45.5 million. The service cost and interest cost increased the NOL by approximately \$616.3 million while contributions plus investment gains offset by administrative expenses decreased the NOL by approximately \$248.5 million. The on behalf contributions are reimbursements and or refunds, not provided by the State, which are deposited into the Trust.

There were no changes in benefits during the year. There was a change to the discount rate assumption during the measurement year, which decreased the TOL by approximately \$413.3 million.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION V – GASB 74 REPORTING INFORMATION

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the collective NOL to the discount rate.

Table V - 2			
Sensitivity of Net OPEB Liability to Changes in Discount Rate			
	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
Total OPEB Liability	\$ 10,151,506,236	\$ 8,591,767,296	\$ 7,365,393,774
Plan Fiduciary Net Position	<u>381,637,372</u>	<u>381,637,372</u>	<u>381,637,372</u>
Collective Net OPEB Liability	<u>\$ 9,769,868,864</u>	<u>\$ 8,210,129,924</u>	<u>\$ 6,983,756,402</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3.8%	4.4%	5.2%

A one percent decrease in the discount rate increases the TOL by approximately 18% and increases the collective NOL by approximately 19%. A one percent increase in the discount rate decreases the TOL by approximately 14% and decreases the collective NOL by approximately 15%.

Changes in the healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the collective NOL to the healthcare trends.

Table V - 3			
Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates			
	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 7,372,093,176	\$ 8,591,767,296	\$ 10,077,081,423
Plan Fiduciary Net Position	<u>381,637,372</u>	<u>381,637,372</u>	<u>381,637,372</u>
Collective Net OPEB Liability	<u>\$ 6,990,455,804</u>	<u>\$ 8,210,129,924</u>	<u>\$ 9,695,444,051</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.2%	4.4%	3.8%

A one percent decrease in the healthcare trends decreases the TOL by approximately 14% and decreases the collective NOL by approximately 15%. A one percent increase in the healthcare trends increases the TOL by approximately 17% and increases the collective NOL by approximately 18%.

STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE

SECTION V – GASB 74 REPORTING INFORMATION

Required Supplementary Information

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 74, and eventually will build up to 10 years of information.

The schedule below shows the changes in NOL and related ratios required by GASB.

Table V - 4 Schedule of Changes in Net OPEB Liability and Related Ratios		
	FYE 2018	FYE 2017
<u>Total OPEB Liability</u>		
Service cost (MOY)	\$ 306,561,986	\$ 340,455,591
Interest (includes interest on service cost)	309,767,289	269,204,357
Changes of benefit terms	0	0
Differences between expected and actual experience	0	0
Changes of assumptions	(413,320,330)	(1,156,541,128)
Benefit payments, including refunds of member contributions	(222,099,177)	(236,332,293)
Net change in total OPEB liability	\$ (19,090,232)	\$ (783,213,473)
Total OPEB liability - beginning	8,610,857,528	9,394,071,001
Total OPEB liability - ending	\$ 8,591,767,296	\$ 8,610,857,528
<u>Plan fiduciary net position</u>		
Contributions - employer	\$ 224,624,264	\$ 237,221,663
On behalf contributions	157,372	158,291
Contributions - retired members	-	11,980,789
Net investment income	23,829,306	32,297,536
Benefit payments, including refunds of member contributions	(222,099,177)	(236,332,293)
Administrative expense	(88,419)	(86,529)
Net change in plan fiduciary net position	\$ 26,423,346	\$ 45,239,457
Plan fiduciary net position - beginning	355,214,026	309,974,569
Plan fiduciary net position - ending	\$ 381,637,372	\$ 355,214,026
Net OPEB liability - ending	\$ 8,210,129,924	\$ 8,255,643,502
Plan fiduciary net position as a percentage of the total OPEB liability	4.44%	4.13%
Covered employee payroll	\$ 2,052,135,467	\$ 2,035,244,237
Net OPEB liability as a percentage of covered employee payroll	400.08%	405.63%

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION V – GASB 74 REPORTING INFORMATION

The Plan is not currently being pre-funded, so there is no actuarially determined contribution. An actuarially determined contribution is a target or recommended contribution to the defined benefit OPEB plan for the reporting period, determined conformity with Actuarial Standards of Practice based on the most recent measurement available when the contributions for the reporting period was adopted. The Annual Required Contribution (ARC) determined under GASB 45 is not necessarily a recommended contribution consistent with Actuarial Standards of Practice. If the Plan decides to pre-fund the liabilities, we would be happy to work with the Plan to develop an appropriate actuarially determined contribution.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION VI – GASB 75 COLLECTIVE AMOUNTS

Employers that participate in the Plan are required to implement GASB 75 for their first fiscal year that commenced after June 15, 2017. The amounts reported as of their fiscal year end (their reporting date) must be based on a measurement date no more than 12 months and one day prior to their reporting date. For employers with a reporting date of June 30, their 2018 disclosures can be based on either the June 30, 2017 or 2018 measurement dates. We understand that all of the employers have elected to implement GASB 75 based on the 2017 measurement date for their 2018 reporting date. As a result, the GASB 75 schedules in this section will be used for 2019 employer reporting.

Because the Plan is a cost-sharing multiple-employer OPEB plan, each employer participating in the Plan must reflect a portion of the collective net OPEB liability, OPEB expense, deferred outflows, and deferred inflows in their financial statements. This section develops the collective amounts that are based on the aggregate of the employers and are then allocated to participating employers.

The impact of experience gains or losses and assumption changes on the TOL are recognized in expense over the average expected remaining service life of all active and inactive members of the Plan. As of the measurement date, this recognition period was six years.

During the year, there were no experience gains or losses.

There was a change in discount rate assumptions from 2017 to 2018, leading to a decrease in the TOL of approximately \$413.3 million. With the unrecognized gain from last year's discount rate change, the total deferred inflow is \$1,377.1 million. Approximately \$261.6 million of those gains are recognized as a decrease in the OPEB expense in the current year and an identical amount will be recognized in each of the next four years with \$68.9 million recognized in 2023, resulting in a deferred inflow of resources as of June 30, 2018 of approximately \$1,115.5 million.

The impact of investment gains or losses is recognized over a period of five years for all plans. During the measurement year, there was an investment gain of approximately \$10.5 million. With the unrecognized investment gain from last year, there is a total deferred inflow of \$26.8 million. Approximately \$6.2 million of those gains are recognized in the current year and an identical amount will be recognized in each of the next three years with \$2.1 million recognized in 2022, resulting in a deferred inflow of resources as of June 30, 2018 of approximately \$20.6 million.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION VI – GASB 75 COLLECTIVE AMOUNTS

The table below summarizes the current balances of deferred outflows and deferred inflows of resources related to the Plan along with the net recognition over the next five years and the total recognition thereafter, if any.

Table VI - 1		
Schedule of Deferred Inflows and Outflows of Resources as of June 30, 2018 Measurement Date		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ -
Changes in assumptions	0	1,115,461,026
Net difference between projected and actual earnings on OPEB plan investments	0	20,628,309
Total	\$ -	\$ 1,136,089,335
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:		
Year ended December 31:		
2019	(267,822,307)	
2020	(267,822,307)	
2021	(267,822,309)	
2022	(263,735,692)	
2023	(68,886,720)	
Thereafter	\$ 0	

The collective annual OPEB expense recognized by the participating employers in aggregate can be calculated two different ways. First, it is the change in the amounts reported on the participating employers' Statements of Net Position that relate to the Plan and are not attributable to employer contributions. That is, it is the change in collective NOL minus the change in collective deferred outflows plus the change in collective deferred inflows plus participating employer contributions during the year.

Alternatively, annual OPEB expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table on the next page, we believe it helps to understand the level and volatility of the collective OPEB expense.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

SECTION VI – GASB 75 COLLECTIVE AMOUNTS

The table below shows the development of collective OPEB expense through both of these methodologies.

Table VI - 2 Calculation of OPEB Expense		
	Measurement Year Ending	
	2018	2017
Change in Net OPEB Liability	\$ (45,513,578)	\$ (828,452,930)
Change in Deferred Outflows	-	0
Change in Deferred Inflows	155,958,612	980,130,723
Employer Contributions	<u>224,624,264</u>	<u>237,221,663</u>
OPEB Expense	\$ 335,069,298	\$ 388,899,456
OPEB Expense as % of Payroll	16.33%	19.11%
Operating Expenses		
Service cost	\$ 306,561,986	\$ 340,455,591
On behalf contributions	(157,372)	(158,291)
Retired members contributions	-	(11,980,789)
Administrative expenses	<u>88,419</u>	<u>86,529</u>
Total	\$ 306,493,033	\$ 328,403,040
Financing Expenses		
Interest cost	\$ 309,767,289	\$ 269,204,357
Expected return on assets	<u>(13,368,717)</u>	<u>(11,864,474)</u>
Total	\$ 296,398,572	\$ 257,339,883
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	(261,643,577)	(192,756,855)
Recognition of liability gains and losses	0	0
Recognition of investment gains and losses	<u>(6,178,730)</u>	<u>(4,086,612)</u>
Total	\$ (267,822,307)	\$ (196,843,467)
OPEB Expense	\$ 335,069,298	\$ 388,899,456

First, there are components referred to as operating expenses. These are items directly attributable to the operation of the Plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating the Plan for the year.

Second, there are the financing expenses: the interest on the total OPEB liability less the expected return on assets.

The final category is changes. This category will drive most of the volatility in OPEB expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TOL, and investment gains or losses.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX A – MEMBERSHIP INFORMATION

Participant Data as of July 1, 2017

Census as of July 1, 2017					
	State Employees	Judges	Closed State Police	Open State Police	Total
Eligible Active Employees	37,124	57	0	705	37,886
Actives with coverage	29,932	55	0	645	30,632
Eligible Terminated Vesteds	3,470	1	0	9	3,480
Eligible LTDs	573	0	0	0	573
Retirees and Disableds with coverage	19,266	26	335	160	19,787
<u>Beneficiaries with coverage</u>	<u>2,121</u>	<u>12</u>	<u>92</u>	<u>6</u>	<u>2,231</u>
Total Inactives with coverage	21,387	38	427	166	22,018
<u>Spouses with coverage</u>	<u>8,238</u>	<u>20</u>	<u>254</u>	<u>119</u>	<u>8,631</u>
Total Inactives and Spouses with coverage	29,625	58	681	285	30,649
Total with coverage	59,557	113	681	930	61,281

Eligible Active Employees					
Age	State Employees	Judges	Closed State Police	Open State Police	Total
Under 25	1,017	0	0	20	1,037
25 to 30	3,270	0	0	89	3,359
30 to 35	3,976	0	0	112	4,088
35 to 40	4,383	3	0	114	4,500
40 to 45	4,418	0	0	127	4,545
45 to 50	5,305	7	0	147	5,459
50 to 55	5,368	14	0	95	5,477
55 to 60	4,787	11	0	1	4,799
60 to 65	3,169	8	0	0	3,177
<u>Over 65</u>	<u>1,431</u>	<u>14</u>	<u>0</u>	<u>0</u>	<u>1,445</u>
Total	37,124	57	0	705	37,886

Retirees, Disables and Beneficiaries with Coverage					
Age	State Employees	Judges	Closed State Police	Open State Police	Total
Under 50	119	0	0	14	133
50 to 55	403	0	0	30	433
55 to 60	1,168	0	3	79	1,250
60 to 65	2,706	0	39	39	2,784
65 to 70	4,512	8	88	4	4,612
70 to 75	4,565	9	131	0	4,705
75 to 80	3,143	8	87	0	3,238
80 to 85	2,239	8	40	0	2,287
85 to 90	1,517	4	25	0	1,546
<u>Over 90</u>	<u>1,015</u>	<u>1</u>	<u>14</u>	<u>0</u>	<u>1,030</u>
Total	21,387	38	427	166	22,018

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methodology used in developing the TOL as of June 30, 2018 are summarized below. The actuarial liabilities were rolled forward from June 30, 2017 using standard actuarial techniques. GASB specific methodologies and assumptions are described in Appendix D.

Economic Assumptions

1. Discount Rate:

The discount rate used to measure the TOL was 3.58% as of 6/30/2017 at the beginning of the current measurement period and 3.87% as of 6/30/2018 at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index as of 6/29/2017 and 6/28/2018 respectively.

2. Investment Return: 3.75% per year

3. Salary Growth (for Normal Cost): 3.25% per year

4. Aggregate Payroll Growth: 3.25% per year

5. Per Person Cost Trends:

Date To Year Ending June 30	Annual Increase		
	Pre-65 Medical	Post-65 Medical	Pharmacy
2018	6.80%	4.00%	9.60%
2019	6.60	4.00	9.20
2020	6.40	4.00	9.20
2021	6.20	4.00	8.77
2022	6.00	4.00	8.33
2023	5.80	4.00	7.90
2024	5.60	4.00	7.47
2025	5.40	4.00	7.03
2026	5.20	4.00	6.60
2027	5.00	4.00	6.17
2028	4.80	4.00	5.73
2029	4.60	4.00	5.30
2030	4.40	4.00	4.87
2031	4.20	4.00	4.43
2032 +	4.00	4.00	4.00

Deductibles, co-payments, out-of-pocket maximums, and annual maximum are assumed to increase at the above trend rates.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

1. Rates of Retirement:

State Employees:

Non-HB207 Employees (including General Assembly):

Service	Retirement Rates*	
	Early**	Normal
5-14	0.00%	15.00%
15	7.50%	20.00%
16	5.00%	17.50%
17	5.00%	15.00%
18	5.00%	12.50%
19	5.00%	15.00%
20	7.50%	30.00%
21	7.50%	27.50%
22-23	7.50%	20.00%
24	7.50%	17.50%
25	10.00%	27.50%
26	5.00%	20.00%
27-28	5.00%	25.00%
29	12.50%	25.00%
30	N/A	25.00%
>=31	N/A	20.00%

* Rates only applicable if member meets eligibility.

** Early retirement is increased by 5% for correctional officers classified as hazardous duty level A-1 where their early retirement is unreduced.

Judges:

Normal Retirement: 25% for all years the member is retirement eligible upon attaining the earliest of:

- i. age 62 with 12 years of credited service
- ii. 24 years of credited service

100% probability of retirement once reaching age 75. Rates only applicable if member meets eligibility.

Closed State Police:

None

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Open State Police:

Normal Retirement	
Service	Rate
<10	0%
10-19	5
20	10
21-25	5
26-29	20
30-34	50
35+	100

Rates only applied once eligibility for retirement is reached.

2. Rate of Withdrawal:

State Employees:

Rates of Termination*	
Service	Rates
0	16.5%
1	15.5
2	11.0
3	9.0
4	7.5
5	6.5
6	5.0
7	4.5
8	4.0
9	3.5
10-11	3.0
12-13	2.5
14-15	2.0
16-18	1.5
19-24	1.0
>25	0.0

* Termination rates zero once member has reached early or normal retirement eligibility regardless of service.

Judges:

None

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Closed State Police:

None

Open State Police:

Service-based table applies until eligibility for retirement is reached.

Termination	
Service	Rate
0	5.00%
1	4.00
2-9	1.50
Ultimate	0.50

3. Rate of Disability:

State Employees:

Rates of Active Disability	
Age	Rates
20	0.0522%
25	0.0522
30	0.1831
35	0.2694
40	0.3821
45	0.4643
50	0.6214
55	0.8579
60	1.0699

Rates of Active Disability for those who opted into the Disability Insurance Program*	
Age	Rates
65	1.3018%
70	1.3464
75	1.7914
80	1.0234

* For those who remained in the Pension Plan for disability purposes, the assumption stops at age 64.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Judges:

45% of 1946 Railroad Retirement Board Disability Rates

Rates of Active Disability	
Age	Current
20	0.0877%
25	0.1008
30	0.1080
35	0.1148
40	0.1323
45	0.1777
50	0.3208
55	0.6129
60	1.2420

Closed State Police:

None

Open State Police:

Rates of Active Disability	
Age	Current
20	0.0522%
25	0.0522
30	0.1831
35	0.2694
40	0.3821
45	0.4643
50	0.6214
55	0.8579
60	1.0699

No disabilities are assumed with 20 or more years of service.

1/3 of disabilities are assumed partial disability and 2/3s are assumed total disability.

1/3 of disabilities are assumed duty-related and 2/3s are assumed non-duty related.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

4. Rate of Mortality:

State Employees:

a. Rates of Mortality

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year shown below.

i. Sample Rates of Mortality for Active Healthy Lives at Selected Ages (number of deaths per 10,000 members):

(2017 Values Shown)		
Age	Male	Female
25	5	2
30	5	2
35	5	3
40	7	4
45	10	6
50	18	11
55	30	17
60	50	25
65	89	37
70	151	63
75	258	109
80	436	188

Rates are based on 110% and 100% of the RP-2014 Total Dataset Employee Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Healthy Annuitant Mortality Table rates after the end of the Employee Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

**ii. Sample Rates of Mortality for Healthy Annuitant Lives at Selected Ages
(number of deaths per 10,000 members):**

(2017 Values Shown)		
Age	Male	Female
50	43	27
55	62	36
60	83	52
65	118	80
70	183	129
75	299	211
80	503	357
85	877	633
90	1,545	1,131
95	2,439	1,862
100	3,491	2,789

Rates are based on 110% and 100% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

**iii. Sample Rates of Mortality for Disabled Annuitant Lives at Selected Ages
(number of deaths per 10,000 members):**

(2017 Values Shown)		
Age	Male	Female
25	92	27
30	88	35
35	104	48
40	125	67
45	194	104
50	237	137
55	273	173
60	311	205
65	372	249
70	481	339
75	659	497
80	940	750
85	1,399	1,135
90	2,145	1,681
95	3,009	2,445
100	3,963	3,437

Rates are based on 120% of the RP-2014 Total Dataset Disabled Annuitant Mortality Table, projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Judges:

b. Rates of Mortality

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year shown below.

i. Sample Rates of Mortality for Active Healthy Lives at Selected Ages (number of deaths per 10,000 members):

(2017 Values Shown)		
Age	Male	Female
25	5	2
30	5	2
35	5	3
40	7	4
45	10	6
50	18	11
55	30	17
60	50	25
65	89	37
70	151	63
75	258	109
80	436	188

Rates are based on 110% and 100% of the RP-2014 Total Dataset Employee Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Healthy Annuitant Mortality Table rates after the end of the Employee Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

**ii. Sample Rates of Mortality for Healthy Annuitant Lives at Selected Ages
(number of deaths per 10,000 members):**

(2017 Values Shown)		
Age	Male	Female
50	43	27
55	62	36
60	83	52
65	118	80
70	183	129
75	299	211
80	503	357
85	877	633
90	1,545	1,131
95	2,439	1,862
100	3,491	2,789

Rates are based on 110% and 100% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

**iii. Sample Rates of Mortality for Disabled Annuitant Lives at Selected Ages
(number of deaths per 10,000 members):**

(2017 Values Shown)		
Age	Male	Female
25	92	27
30	88	35
35	104	48
40	125	67
45	194	104
50	237	137
55	273	173
60	311	205
65	372	249
70	481	339
75	659	497
80	940	750
85	1,399	1,135
90	2,145	1,681
95	3,009	2,445
100	3,963	3,437

Rates are based on 120% of the RP-2014 Total Dataset Disabled Annuitant Mortality Table, projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Closed State Police and Open State Police:

c. Rates of Mortality

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year shown below.

i. Sample Rates of Mortality for Active Healthy Lives at Selected Ages (number of deaths per 10,000 members):

(2017 Values Shown)		
Age	Male	Female
25	5	2
30	5	2
35	5	3
40	7	4
45	10	6
50	18	11
55	30	17
60	50	25
65	89	37
70	151	63
75	258	109
80	436	188

Rates are based on 110% and 100% of the RP-2014 Total Dataset Employee Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Healthy Annuitant Mortality Table rates after the end of the Employee Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

**ii. Sample Rates of Mortality for Healthy Annuitant Lives at Selected Ages
(number of deaths per 10,000 members):**

(2017 Values Shown)		
Age	Male	Female
50	43	27
55	62	36
60	83	52
65	118	80
70	183	129
75	299	211
80	503	357
85	877	633
90	1,545	1,131
95	2,439	1,862
100	3,491	2,789

Rates are based on 110% and 100% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

**iii. Sample Rates of Mortality for Disabled Annuitant Lives at Selected Ages
(number of deaths per 10,000 members):**

(2017 Values Shown)		
Age	Male	Female
25	92	27
30	88	35
35	104	48
40	125	67
45	194	104
50	237	137
55	273	173
60	311	205
65	372	249
70	481	339
75	659	497
80	940	750
85	1,399	1,135
90	2,145	1,681
95	3,009	2,445
100	3,963	3,437

Rates are based on 120% of the RP-2014 Total Dataset Disabled Annuitant Mortality Table, projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

- 5. *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.

- 6. *Spousal Coverage:*** 50% of employees will elect spouse coverage at retirement.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

7. **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.
8. **Rationale for Assumptions:** The demographic assumptions were adopted by the Board of Trustees upon the recommendations of the actuary, based on an experience study performed in 2016 and covering the period July 1, 2010 through June 30, 2015. Assumptions directly related to health care elections, spousal coverage and health care trends are reviewed annually.

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, 2016. 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. The claim curves for this valuation, July 1, 2017 are based on the below curves adjusted by 0.0% for Pre-Medicare and 7.68% for Medicare.

Healthy Retirees & All Dependents

Age	Blue PPO		Bluecare HMO/CDH		Aetna HMO/CDH		Pharmacy	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$ 329	\$ 617	\$ 349	\$ 654	\$ 313	\$ 588	\$ 84	\$ 124
45	402	628	426	665	383	598	113	152
50	524	719	555	761	499	684	157	200
55	684	832	725	881	651	792	209	258
60	893	984	946	1,043	850	938	269	314
64	1,120	1,153	1,187	1,222	1,067	1,098	313	342
65	133	141	133	141	133	141	180	192
70	163	162	163	162	163	162	206	207
75	195	182	195	182	195	182	219	217
80	217	194	217	194	217	194	224	219
85	226	196	226	196	226	196	222	213

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Disabled Retirees

Age	Blue PPO		Bluecare HMO/CDH		Aetna HMO/CDH		Pharmacy	
	Male	Female	Male	Female	Male	Female	Male	Female
40	\$ 220	\$ 427	\$ 230	\$ 445	\$ 212	\$ 411	\$ 90	\$ 132
45	273	440	285	459	263	424	121	162
50	361	498	377	520	348	480	167	213
55	471	559	492	584	455	538	223	274
60	612	671	640	701	591	647	287	335
64	756	785	790	821	729	757	333	364
65	199	212	199	212	199	212	270	289
70	244	243	244	243	244	243	308	311
75	292	273	292	273	292	273	329	326
80	325	291	325	291	325	291	337	328
85	339	294	339	294	339	294	333	320

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.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A normal cost rate is determined by taking the value, as of age at entry into 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.

The claims costs were developed using projected claims for FY 2014-2015 and FY 2015-2016 retiree experience paid through March 31, 2016. Claims were trended from FYE 2015 to FYE 2016 at 6.5% for non-Medicare medical, 5.5% for Medicare medical, and 6.0% for pharmacy and from FYE 2016 to FYE 2017 at 6.5%, 5.5%, and 6.0% respectively. From this data, we developed per person per month (PPPM) costs and then adjusted those using age curves. Claims costs include a 5.2% load for expenses, based on the State health care actuary's projected expenses. The claim curves were trended to July 1, 2017 using a 0.0% Pre-Medicare trend and a 7.68% Medicare trend.

Changes Since Last Valuation

Pharmacy trends were adjusted for the 2017 valuation.

STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Eligibility:

State Employees:

Normal Retirement:

Eligibility: Non-General Assembly Pre - 2012 hires: (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.

Non-GA Post - 2011 hires: (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.

General Assembly Pre - 2012 hires: (i) age 60 with five years of credited service or (ii) age 55 with 10 years of credited service.

GA Post - 2011 hires: (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.

STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE

APPENDIX C – SUMMARY OF 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 State pays for the retiree. Surviving spouses are eligible for coverage after the retiree's death.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Benefits:

Delaware NME Plans		
Provider Network:	First State Basic	Comprehensive PPO
<u>In-Network (INN) Benefits</u>		
Copays (Do not apply to DC ¹ or OOP max)		
Office Visit (OV)-Primary Care(PCP)	Deductible + Coinsurance	\$20
OV - Specialist Care Provider (SCP)	Deductible + Coinsurance	\$30
Urgent Care (UC)	\$25	\$20
Hospital Emergency Room (ER)	Deductible + Coinsurance	\$150
Outpatient Surgery	Deductible + Coinsurance	\$50 / visit at ambulatory surgical centers
Hospital Inpatient	Deductible + Coinsurance	\$100 per day; max \$200 per visit
Deductible (Individual / Family)	\$500 / \$1,000	\$0
Coinsurance	10%	10%
Coinsurance Limit - Excl. Deductible (Individual / Family)	\$1,500 / \$3,000	None
<u>Benefits Out-of-Network (OON)</u>		
Deductible (Individual / Family)	\$1,000 / \$2,000	\$300 / \$600
Coinsurance	30%	20%
Out-of-Pocket (OOP) Max (Individual / Family)	\$3,000 / \$6,000	\$7,200 / \$14,400
Lifetime Max (INN/OON)	None	None
<u>Prescription Drug</u>		
30 Day Supply - Tier 1/Tier II/Tier III Copay	\$8 / \$28 / \$50	\$8 / \$28 / \$50
90 Day Supply - Tier 1/Tier II/Tier III Copay	\$16 / \$56 / \$100	\$16 / \$56 / \$100
<u>Detail Benefits</u>		
Mental Health (MH) / Substance Abuse (SA):		
-Per Visit	Deductible + Coinsurance	\$20
-Inpatient	Deductible + Coinsurance	\$100 copay / day; max \$200
-Per Year Outpatient \$ Maximum	None	None
-Per Lifetime Maximum	None	None
Rehabilitation (i.e., speech, occup. physical):	Deductible + Coinsurance; visit limit determined by medical necessity	15% coinsurance; No charges for applied behavioral analysis (ABA.) ABA limited to \$36,000 per person per plan year
Chiropractors:	Deductible + Coinsurance; 30 visit max per year	Deductible + Coinsurance; 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
Laboratory:	Deductible + Coinsurance	\$10 for labs; \$20 / \$35 for imaging services; \$20 / diagnostic services
Durable Medical Equipment	Deductible + Coinsurance	No Charge
Preventive Care:	Covered at 100%	No Charge

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 are subject to plan year deductibles of \$500 per employee and \$1000 per family. The Plan will then pay at 90% of Highmark Delaware’s allowable charge. The in-network plan year total maximum out-of-pocket (TMOOP) is \$2,000 per employee and \$4,000 per family. Deductibles, coinsurance and copays accrue toward the TMOOP. Preventive services are covered in-network at 100% of the allowable charge and are not subject to any deductibles, coinsurance or copays.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Out-of-network services are subject to plan year deductibles of \$1,000 per employee and \$2,000 per family, and then the Plan will pay at 70% of the allowable charge. The out-of-network plan year total maximum out-of-pocket (TMOOP) is \$4,000 per employee and \$8,000 per family. Deductibles, coinsurance and copays accrue toward the TMOOP.

The First State Basic PPO Plan includes coverage for services such as inpatient care, prenatal and postnatal care; emergency services, mental health and substance abuse treatment, and many outpatient services, including, but not limited to: labs, x-rays and other imaging services, vision care, chiropractic and other therapy benefits.

Highmark Blue Cross Blue Shield Blue Delaware – Highmark Delaware’s managed care IPA/HMO Plan requires each member to select a primary care physician (PCP) to coordinate his/her health care needs. Members can also seek care, and some services without referral from a PCP, from any specialist in the Highmark Delaware Participating Provider Network.

In addition to all inpatient care, certain outpatient services require Highmark Delaware’s prior authorization. A list of these services is available to all providers (primary and specialist) in the Highmark Delaware network.

The IPA/HMO Plan includes Highmark Delaware network coverage for services such as inpatient care, prenatal and postnatal care; emergency services, mental health and substance abuse treatment, and many outpatient services, including, but not limited to: labs, x-rays and other imaging services, vision care, chiropractic and other therapy benefits. You’ll also have access to the Blue Cross Blue Shield nationwide network for urgent and emergency care while away from home.

The plan year total maximum out-of-pocket (TMOOP) is \$4,500 per employee and \$9,000 per family. TMOOP includes coinsurance and copays. Once met, the Plan pays 100% of covered services for the rest of the benefit period. Preventive services are covered at 100% of the allowable charge and are not subject to copays or coinsurance.

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

Delaware NME Plans		
Provider Network:	Aetna HMO	Aetna CDH
<u>In-Network (INN)Benefits</u>		
Copays (Do not apply to DC ¹ or OOP max)		
Office Visit (OV)-Primary Care(PCP)	\$15	Deductible + Coinsurance
OV - Specialist Care Provider (SCP)	\$25	Deductible + Coinsurance
Urgent Care (UC)	\$15	Deductible + Coinsurance
Hospital Emergency Room (ER)	\$150	Deductible + Coinsurance
Outpatient Surgery	\$100 / visit; \$50 / visit at ambulatory surgical centers	Deductible + Coinsurance
Hospital Inpatient	\$100 per day; max \$200 per visit	Deductible + Coinsurance
Deductible (Individual / Family)	\$0	\$1,500 / \$3,000
Coinsurance	0%	10%
Coinsurance Limit - Excl. Deductible (Individual / Family)	None	\$3,000 / \$6,000
<u>Benefits Out-of-Network (OON)</u>		
Deductible (Individual / Family)	Emergency Services Only	\$1,500 / \$3,000
Coinsurance	N/A	30%
Out-of-Pocket (OOP) Max (Individual / Family)	\$4,500 / \$9,000	\$4,500 / \$9,000
<u>Lifetime Max (INN/OON)</u>	None	None
<u>Prescription Drug</u>		
30 Day Supply - Tier 1/Tier II/Tier III Copay	\$8 / \$28 / \$50	\$8 / \$28 / \$50
90 Day Supply - Tier 1/Tier II/Tier III Copay	\$16 / \$56 / \$100	\$16 / \$56 / \$100
<u>Detail Benefits</u>		
Mental Health (MH) / Substance Abuse (SA):		
-Per Visit	\$25	Deductible + Coinsurance
-Inpatient	\$100 copay / day; max \$200	Deductible + Coinsurance
-Per Year Outpatient \$ Maximum	None	None
-Per Lifetime Maximum	None	None
Rehabilitation (i.e., speech, occup. physical):	20% coinsurance; PT & OT limit of 45 visits per condition; ST 45 days per incidence	Deductible + Coinsurance; visit limit determined by medical necessity
Chiropractors:	\$15 / visit (benefit limited to 80% of allowable charge)	Deductible + Coinsurance; 30 visit max per year
Transplants:	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:	\$10 for labs; \$20 / \$35 for imaging services; \$20 / diagnostic services	Deductible + Coinsurance
Durable Medical Equipment	20% coinsurance	Deductible + Coinsurance
Preventive Care:	No Charge	Covered at 100%

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-

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

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.

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.

2017 Prescription Copay Rates			
State of Delaware Prescription Coverage	Tier 1 Generic	Tier 2 Preferred	Tier 3 Non-Preferred
30-DAY Supply	\$ 8.00	\$28.00	\$50.00
90-DAY Supply	\$16.00	\$56.00	\$100.00
“Preferred” = Formulary			

State Share of Premium:

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

**STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE**

APPENDIX C – SUMMARY OF PLAN PROVISIONS

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%

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.

STATE OF DELAWARE POSTRETIREMENT HEALTH
GASB 74 AND 75 REPORTING FOR JUNE 30, 2018 MEASUREMENT DATE

APPENDIX C – SUMMARY OF PLAN PROVISIONS

State Monthly Premiums:

State of Delaware Group Health Insurance Program Rates Effective July 1, 2017			
	Total Monthly Rate	State Pays	Pensioner Contributions
Highmark Delaware First State Basic PPO Plan			
Employee	\$695.36	\$667.52	\$27.84
Employee & Spouse	\$1,438.68	\$1,381.16	\$57.52
Employee & Child(ren)	\$1,057.02	\$1,014.76	\$42.26
Family	\$1,798.42	\$1,726.50	\$71.92
Aetna CDH Gold Plan			
Employee	\$719.68	\$683.70	\$35.98
Employee & Spouse	\$1,492.22	\$1,417.64	\$74.58
Employee & Child(ren)	\$1,099.56	\$1,044.60	\$54.96
Family	\$1,895.74	\$1,800.96	\$94.78
Aetna HMO Plan			
Employee	\$725.94	\$678.78	\$47.16
Employee & Spouse	\$1,530.58	\$1,431.08	\$99.50
Employee & Child(ren)	\$1,110.52	\$1,038.34	\$72.18
Family	\$1,909.82	\$1,785.70	\$124.12
Highmark Delaware Comprehensive PPO Plan			
Employee	\$793.86	\$688.68	\$105.18
Employee & Spouse	\$1,647.34	\$1,429.08	\$218.26
Employee & Child(ren)	\$1,223.46	\$1,061.38	\$162.08
Family	\$2,059.40	\$1,786.54	\$272.86
Highmark Delaware Medicare Supplement for Pensioners Retired On or Prior to July 1, 2012			
Special Medicfill with Prescription	\$459.38	\$459.38	\$0
Special Medicfill without Prescription*	\$260.44	\$260.44	\$0
Highmark Delaware Medicare Supplement for Pensioners Retired After July 1, 2012			
Special Medicfill with Prescription	\$459.38	\$436.42	\$22.96
Special Medicfill without Prescription*	\$260.44	\$247.44	\$13.00

APPENDIX D – GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 75, these are experience gains on the total OPEB liability, assumption changes reducing the total OPEB liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 75, these are experience losses on the total OPEB liability, assumption changes increasing the total OPEB liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 74 and 75 calculations. Under this method, 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. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the total OPEB liability.

6. Measurement Date

The date as of which the total OPEB liability and plan fiduciary net position are measured. The total OPEB liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

APPENDIX D – GLOSSARY OF TERMS

7. Net OPEB Liability

The liability of employers and nonemployer contributing entities for employees for benefits provided through a defined benefit OPEB plan. It is calculated as the total OPEB liability less the plan fiduciary net position.

8. Plan Fiduciary Net Position

The fair or Market Value of Assets.

9. Reporting Date

The last day of the plan or employer's fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 74 and 75. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total OPEB Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 74 and 75. The total OPEB liability is the actuarial liability calculated under the entry age actuarial cost method.