**State of Delaware**
**Other Postemployment Benefits (OPEB) Fund Trust**
**A Fiduciary Component Unit of the State**

Financial Statements
June 30, 2024

(With Independent Auditor's Report Thereon)

**State of Delaware**
**Other Postemployment Benefits (OPEB) Fund Trust**

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# Independent Auditor's Report

The Board of Pension Trustees
State of Delaware Other Post Employment Benefits Fund Trust
Dover, DE

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of the State of Delaware Other Post Employment Benefits (OPEB) Fund Trust (the Trust), a component unit of the State of Delaware, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2024, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not

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absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and required supplementary information identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

BDO USA, P.C.

Wilmington, DE
November 25, 2024

**State of Delaware**
**Other Postemployment Benefits (OPEB) Fund Trust**

**Management's Discussion and Analysis**
**June 30, 2024**

This section of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust's (Trust) annual financial report presents management's discussion and analysis of the Trust's financial performance during the year ended June 30, 2024. It should be read in conjunction with the Trust's financial statements and accompanying notes.

*Financial Highlights*

The following financial highlights occurred during the fiscal year ended June 30, 2024, versus fiscal year 2023:

- The Trust's fiduciary net position increased by $274.0 million.
- Fiscal year 2024 covered payroll increased by $341.2 million to $2,778.7 million.
- Employer contributions increased by $147.6 million to $522.1 million. The overall increase in employer contributions is attributed to increasing benefit payments and a transfer from the escheat reserve fund of $100.9 million, as the reserve fund was deemed in excess of amounts necessary to satisfy escheat claims.
- Net investment earnings (net increase/(decrease)) in fair value, plus investment earnings, less investment-related expenses) increased by $56.0 million due to the net appreciation of equity securities and alternative investments as well as an increase in the investment return rate for fiscal year 2024.
- OPEB benefits paid for retirees and beneficiaries and other deductions were $338.5 million, an increase of $35.9 million, which is primarily attributable to higher claims for prescription and medical costs.

*Overview of the Financial Statements*

The Trust's Financial Statements, Notes to the Financial Statements and Required Supplementary Information (RSI) were prepared in conformity with the Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.* The financial report consists of two basic financial statements:

- The *Combining Statement of Fiduciary Net Position*, which reports the Trust's assets, liabilities, and resulting net position where Assets – Liabilities = Net Position held in trust for OPEB benefits available at the end of the fiscal year. It is a snapshot of the financial position of the Trust funds at that specific point in time.
- The *Combining Statement of Changes in Fiduciary Net Position* summarizes the Trust funds' financial transactions that have occurred during the fiscal year where Additions –

Deductions = Change in Net Position. It supports the change that has occurred to the prior year's net position on the *Combining Statement of Fiduciary Net Position*.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

The *Required Supplementary Information* includes two required schedules of historical trend information:

- The *Schedule of Changes in Net OPEB Liability and Related Ratios* includes historical information about the components of the net OPEB liability and related ratios, including fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered payroll.
- The *Schedule of Investment Returns* includes the annual money-weighted rate of return on the Trust's investments for each year. A money-weighted rate of return provides information about the actual performance of a Trust's investment portfolio because it takes into account the effects of transactions that increase the amount of the Trust's investments (such as contributions) and those that decrease the amount of the Trust's investments (such as benefit payments). Additionally, the money-weighted rate of return provides information that is comparable with the long-term expected rate of return on the Trust's investments, which is used in calculating the total OPEB liability.

**Summary Statement of Fiduciary Net Position**
(Expressed in Thousands)

| | Fiscal Years Ended June 30, | | Increase/ |
|---|---|---|---|
| | 2024 | 2023 | (Decrease) |
| Assets | | | |
| Cash and Investments at Fair Value | $ 997,898 | $ 725,569 | $ 272,329 |
| Receivables | 14,152 | 9,472 | 4,680 |
| Total Assets | 1,012,050 | 735,041 | 277,009 |
| Total Liabilities | 21,652 | 18,688 | 2,964 |
| Net Position | $ 990,398 | $ 716,353 | $ 274,045 |

**State of Delaware**
**Other Postemployment Benefits (OPEB) Fund Trust**

**Summary Statement of Changes in Fiduciary Net Position**
(Expressed in Thousands)

| | Fiscal Years Ended June 30, 2024 | Fiscal Years Ended June 30, 2023 | Increase/ (Decrease) |
|---|---|---|---|
| Additions | | | |
| Contributions | $ 524,767 | $ 377,202 | $ 147,565 |
| Net Investment Earnings | 87,908 | 31,919 | 55,989 |
| Total Additions | 612,675 | 409,121 | 203,554 |
| Deductions | | | |
| Benefit Payments | 338,474 | 302,584 | 35,890 |
| Administrative Expenses | 155 | 235 | (80) |
| Total Deductions | 338,629 | 302,819 | 35,810 |
| Change in Net Position | 274,046 | 106,302 | 167,744 |
| Net Position - Beginning of Year | 716,352 | 610,051 | 106,301 |
| Net Position - End of Year | $ 990,398 | $ 716,353 | $ 274,045 |

The Trust operates on a pay-as-you-go basis; therefore, the participating employers base their contributions into the Trust on the expected benefit payments. Total contributions increased by $147.6 million from fiscal year 2023 as a result of increasing benefit payments and a transfer from the escheat reserve fund of $100.9 million, as the reserve fund was deemed in excess of amounts necessary to satisfy escheat claims. Net investment earnings increased by $56.0 million in fiscal year 2024 as a result of significant increases in investment and earnings rate of return. The investment earnings rate of return for the fiscal year increased to 11.20% from the 0.60% rate in fiscal year 2023.

*Contacting the Trust's Financial Management*

This financial report is designed to provide interested parties with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the State of Delaware Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, DE 19904-2402 or visit our website at https://open.omb.delaware.gov/.

# Basic Financial Statements

## State of Delaware
## Other Postemployment Benefits (OPEB) Fund Trust

**Combining Statement of Fiduciary Net Position**

**June 30, 2024**

(Expressed in Thousands)

| | Delaware Postretirement Health Plan | Delaware Local Government OPEB Investment Trust | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash Equivalents and Cash and Pooled Investments | $ 110,119 | $ 1,224 | $ 111,343 |
| Receivables | | | |
| Accrued Investment Income | 1,103 | 41 | 1,144 |
| Pending Trade Sales | 816 | 30 | 846 |
| Employer Contributions | 12,162 | — | 12,162 |
| Investments | | | |
| Domestic Fixed Income | 62,939 | 2,334 | 65,273 |
| Domestic Equities | 218,393 | 8,099 | 226,492 |
| Pooled Equity and Fixed Income | 360,786 | 13,380 | 374,166 |
| Alternative Investments | 138,424 | 5,133 | 143,557 |
| Foreign Fixed Income | 5,345 | 199 | 5,544 |
| Foreign Equities | 68,965 | 2,558 | 71,523 |
| TOTAL ASSETS | 979,052 | 32,998 | 1,012,050 |
| LIABILITIES | | | |
| Investment Purchase Payable | 2,316 | 86 | 2,402 |
| Benefits Payable | 18,841 | — | 18,841 |
| Accrued Investment and Administrative Expenses | 395 | 14 | 409 |
| TOTAL LIABILITIES | 21,552 | 100 | 21,652 |
| NET POSITION | | | |
| Restricted for OPEB | $ 957,500 | $ 32,898 | $ 990,398 |

The notes to the financial statements are an integral part of this Statement.

# State of Delaware
# Other Postemployment Benefits (OPEB) Fund Trust

**Combining Statement of Changes in Fiduciary Net Position**

**For the Fiscal Year Ended June 30, 2024**

(Expressed in Thousands)

| | Delaware Postretirement Health Plan | Delaware Local Government OPEB Investment Trust | Total |
|---|---|---|---|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | $ 522,095 | $ — | $ 522,095 |
| Transfer of Assets from Outside the Trust | 151 | 2,521 | 2,672 |
| Investment Earnings | | | |
| Interest and Dividends | 11,893 | 451 | 12,344 |
| Net Change in Fair Value of Investments | 75,396 | 2,618 | 78,014 |
| Less: Investment Manager/Advisor/Custody Fees | (2,393) | (88) | (2,481) |
| Securities Lending Income | | | |
| Securities Lending Income | 34 | 2 | 36 |
| Securities Lending Expense | (5) | — | (5) |
| Total Additions | 607,171 | 5,504 | 612,675 |
| DEDUCTIONS | | | |
| Benefit Payments | 336,484 | — | 336,484 |
| Transfer of Assets Outside the Trust | — | 1,990 | 1,990 |
| Administrative Expenses | 153 | 2 | 155 |
| Total Deductions | 336,637 | 1,992 | 338,629 |
| Change in Fiduciary Net Position | 270,534 | 3,512 | 274,046 |
| Net Position Restricted for OPEB - Beginning | 686,966 | 29,386 | 716,352 |
| Net Position Restricted for OPEB - Ending | $ 957,500 | $ 32,898 | $ 990,398 |

The notes to the financial statements are an integral part of this Statement.

## Note 1: Plan and Fund Description

The Delaware Other Postemployment Benefits (OPEB) Fund Trust (Trust) was established pursuant to Title 29, Sections 5202(b) and 5281. The Trust is administered by the Delaware Public Employees' Retirement System (DPERS) Board of Trustees (Board) pursuant to Title 29, Section 5282 and includes the Delaware Postretirement Health Plan (Plan) and the Delaware Local Government OPEB Investment Trust (Local Trust). The Board is comprised of five members appointed by the Governor and confirmed by the Senate and two ex-officio members. Policy for and management of the OPEB benefits provided to retirees and other eligible beneficiaries of the Plan are the responsibility of the State. Governments participating in the Local Trust develop policy and manage benefits for their retirees and other beneficiaries.

*Plan Description*

The Plan is a cost-sharing multiple-employer defined-benefit plan. The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees', New State Police, Judiciary, and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' Pension Plan. Those employers are Delaware State University, Delaware State Housing Authority, Delaware Charter Schools, University of Delaware, Delaware Solid Waste Authority and the Delaware State Education Association.

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

Substantially all State employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee. The participant's cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

Membership of the Plan, based on the latest census data as of July 1, 2023, is as follows:

| | |
|---|---|
| Retirees and Beneficiaries Receiving Benefits | 24,317 |
| Inactive Plan Members Entitled To But Not Yet Receiving Benefits | 3,983 |
| Active Eligible Plan Members | 40,186 |
| Total Members | 68,486 |

The Plan provisions are as follows:

Eligibility:

State Employees:

Early Retirement:

Age 55 with 15 years of service or any age with 25 years of service

Normal Retirement (hired before January 1, 2012):

Non-General Assembly:

Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 years of service

General Assembly:

Age 60 with 5 years of service, or age 55 with 10 years of service

Normal Retirement (hired on or after January 1, 2012):

Age 65 with 10 years of service, or age 60 with 20 years of service, or any age with 30 years of service

Judges:

Normal Retirement (before July 1, 1980):

Age 65 with 12 years of service, or any age with 24 years of service, or involuntarily retired after 22 years of service

Normal Retirement (after June 30, 1980):

Age 62 with 12 years of service or any age, with 24 years of service, or involuntarily retired after 22 years of service

Closed State Police:

Normal Retirement:

Age 55 or 20 years of service

Open State Police:

Normal Retirement:

Age 55 with 10 years of service, or any age with 20 years of service, or 10 years of service when age plus service equals 75

Benefits:

During the fiscal year ended June 30, 2024, eligible retirees are provided health insurance options through several providers, and the Plan pays premiums, ranging from 50% to 100%, depending on a retiree's years of service and hire date as discussed below.

Spouse and Survivor Coverage:

Both are available under any of the Plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

Retiree Contributions:

If hired prior to July 1, 1991, no contributions are required. If hired on or after July 1, 1991 (except disability pension), contributions depend on years of service, as shown on the table below:

| Between July 1, 1991 and December 31, 2006 | | On or After January 1, 2007 | |
|---|---|---|---|
| **Years of Service** | **Percent of Premium Paid by the Plan** | **Years of Service** | **Percent of Premium Paid by the Plan** |
| Less than 10 | 0% | Less than 15 | 0% |
| 10 - 14 | 50% | 15 - 17.5 | 50% |
| 15 - 19 | 75% | 17.5 - 19 | 75% |
| 20 or more | 100% | 20 or more | 100% |

*Fund Description*

The Local Trust is an external investment pool operated by the Board that allows local governments to potentially maximize their rate of return and reduce investment costs. Participation by local governments in the pool is voluntary. As of June 30, 2024, only the Kent County Levy Court participated in the Local Trust.

The Local Trust is subject to oversight of the Board's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The Trust has not provided or obtained any legally binding guarantees during the year to support the value of shares. Since the Local Trust is a portion of the total Trust, the same accounting and investment policies described in the financial footnotes apply.

## Note 2: Summary of Significant Accounting Policies

*Reporting Entity*

The Trust, which provides benefits almost exclusively to the State, is a component unit of the State and reported as a fiduciary fund. Fiduciary funds are used to account for assets and activities when an entity is functioning as a trustee for another party. The accompanying financial statements of the Trust are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

*Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The Trust's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, contributions from the employer are recognized when due pursuant to legal requirements; benefits and refunds are recognized when due and payable in accordance with the terms of the Trust. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Net change in fair value of investments includes realized gains and losses based on purchases and sales of securities recorded on a trade-date basis, as well as any unrealized gains or losses in fair value of securities held for the period.

*Cash and Cash Equivalents*

Cash equivalents consist of financial instruments with original maturity dates of three months or less.

## Note 3: Fair Value Measurements

All of the investment assets of the Trust are pooled and invested in a common DPERS Master Trust Fund (Master Trust). The Trust described herein shared in the Master Trust based on funds contributed and earnings/(losses) allocated.

Pooled investments are funds wherein the Trust owns units or shares of commingled equity, fixed income, and cash funds. These investments are redeemable with the underlying funds at net asset values (NAV) under the terms of the partnership agreements and/or subscription agreements. As of June 30, 2024, fixed income items classified as cash equivalents include $34.1 million in short-term pooled investments. The fair value of other pooled investments totaled $374.2 million. The asset allocation (in millions) was $139.6 in domestic fixed income, $186.7 in domestic equity, and $47.9 in international equity.

Alternative investments are ownership interests in investment limited partnerships or private LLCs, some of which may be illiquid. As of June 30, 2024, alternative investment values of $143.6 million represent 14.5% of the Trust's net position.

The fair value of the Trust's investments is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values for fixed income and equity securities are derived from published market prices and quotations from national security exchanges or security pricing vendors. Where published prices, quotations, or vendor prices are not available, alternate valuation methods are used.

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Equity and Fixed Income securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Equity securities classified in Level 2 are valued using the latest available estimates of price bids or actual price bids quoted in active and inactive markets for those securities.

Fixed Income securities and pooled investments classified in Level 2 are valued using other inputs including, but not limited to, interest rates and yield curves that are observable at commonly quoted intervals as well as the latest available estimates of price bids or actual bids quoted in active and inactive markets for those, or similar, securities.

Pooled investments classified in Level 1 of the fair value hierarchy are investments in open-end, non-exchange-traded mutual funds for which fair value per share (unit) is determined and published and is the basis for current transactions. These securities are valued at their NAV on the date of valuation and are classified as Level 1 in the fair value hierarchy since they may be purchased or sold at their publicly-quoted NAV on the date of valuation.

The Trust has the following recurring fair value measurements as of June 30, 2024. Investments that are measured using the NAV per share (or its equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy below.

**Investments by Fair Value**
**(Expressed in Thousands)**

| | June 30, 2024 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Equity Securities** | | | | |
| Common Stock | $ 296,932 | $ 296,930 | $ 2 | $ — |
| Convertible Equity | — | — | — | — |
| Preferred Stock | 1,082 | 1,082 | — | — |
| Total Equity Securities | $ 298,014 | $ 298,012 | $ 2 | $ — |
| **Fixed Income Securities** | | | | |
| Asset Backed Securities | $ 8,409 | $ — | $ 8,409 | $ — |
| Bank Loans | 18,836 | | 18,836 | — |
| Commercial Mortgage-Backed | 12,289 | — | 12,289 | — |
| Commercial Paper | 1,515 | | 1,515 | |
| Corporate Bonds | 1,518 | — | 1,518 | — |
| Government Agencies | 21,945 | — | 21,945 | — |
| Government Bonds | 6,305 | — | 6,305 | — |
| Total Fixed Income Securities | $ 70,817 | $ — | $ 70,817 | $ — |
| **Pooled Investments** | | | | |
| Equity Funds | $ 22,198 | $ 22,198 | $ — | $ — |
| Total Pooled Investments | $ 22,198 | $ 22,198 | $ — | $ — |
| **Total Investments by Fair Value Level** | **$ 391,029** | **$ 320,210** | **$ 70,819** | **$ —** |
| **Total Investments Measured at NAV** | **495,526** | | | |
| **Total Investments** | **$ 886,555** | | | |

The valuation method for pooled and alternative investments that do not have a readily determinable fair value is such that the Trust establishes fair value by using the NAV per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. These values are calculated by the management of each investment fund as of the Trust's measurement date, generally in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. The NAV received from each investment fund are reviewed by Pension Office staff and its investment advisor; and both the Trust's management and the custodian receive periodic and audited annual financial reports from the management of each investment fund.

The Trust has the following recurring NAV measurements as of June 30, 2024. Excluded from pooled investments below is a short-term stable value fund that the Trust classifies as Cash Equivalents in the amount of $34.1 million. The short-term investment fund is a stable-value (money market-like) investment vehicle for cash reserves, which the Trust classifies as Cash Equivalents. It is managed by the Trust's Custodian to offer a competitive rate of return through a portfolio of obligations of the U.S. Government, its agencies or instrumentalities, and related money market instruments. Principal preservation and liquidity management are the prime objectives. At year end, the NAV, unfunded commitments, and redemption terms are as follows:

**Investments Measured at NAV**
**(Expressed in Thousands)**

| | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| **Pooled Investments** | | | | |
| Equity Funds | $ 212,415 | $ — | Daily, Monthly | 1 to 6 days |
| Fixed Income Funds | 139,554 | — | Daily | 2 days |
| Total Pooled Investments | $ 351,969 | | | |
| **Alternative Investments** | | | | |
| **Funds Primarily Invested in Public Securities** | | | | |
| Equity Focused Strategy | $ 15,839 | $ — | Annual, Triennial | 90 to 150 days |
| **Funds Primarily Invested in Private Securities** | | | | |
| Buyout | 11,570 | 1,045 | | |
| International | 28,859 | 3,857 | | |
| Private Debt | 2,760 | 5,052 | | |
| Private Equity | 77,186 | 22,200 | | |
| Real Assets | 7,343 | 10,479 | | |
| Total Alternatives | $ 143,557 | | | |
| **Total Investments Measured at NAV** | **$ 495,526** | | | |

*Unfunded Commitments.* The Trust has commitments to invest additional amounts, to be drawn down as called upon at any time during the term of each relationship. The lengths of these terms are discussed below. Generally, these commitments are self-funding; in that the capital calls are met using cash flows generated by distributions received from alternative investment funds as the underlying investments of the funds are liquidated.

*Pooled Investments.* This type includes seven index tracking funds and two global value equity funds. The index funds maintain a portfolio constructed to match or track the components of the following market indices: S&P 500, Russell 1000 Value, MSCI ACWI ex-US (Net), Bloomberg U.S. TIPS, Bloomberg U.S. Aggregate, and the Bloomberg U.S. Corporate High Yield. The global value equity funds invest in both U.S. and non-U.S. equities, seeking quality companies that are attractively valued and have growth potential.

*Equity Focused Strategy.* This type includes two funds that engage in equity investing strategies. The composite portfolio for this type invests both long and short in global common stocks, but also in debt, credit, private equity, derivative and other financial instruments. In limited circumstances, these funds have the ability to impose a gate, or in the case of a withdrawal greater than 95% they may hold back up to 5% of the redemption amount until the completion of the funds' annual audit. These funds may also segregate a portion of the portfolio in a side pocket. Investments in a side pocket are redeemable only upon liquidation of the underlying assets in the side pocket. Investments representing approximately 40% of the value of the investments in this type are held in side pockets. Liquid capital representing approximately 17% of the value of the investments in this type, is subject to staggered two-year liquidity with 50% available for withdrawal in year one and 50% available for withdrawal in year two. Additionally, liquid capital representing approximately 43% of the value of the investments in this type cannot be redeemed because the investments include an initial lock-up that does not allow for redemption in the first three years after acquisition. The remaining restriction period for these investments is approximately nine months at June 30, 2024.

*Funds Primarily Invested in Private Securities.* These investments can never be redeemed with the funds. Instead, the nature of the investments in these types is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 14 years. The strategy of each type is as follows:

> *Buyout*. This type includes three funds that make equity investments in mature, private companies.
>
> *International*. This type includes 19 funds that invest in private equity and buyout strategies operating principally outside of the U.S.
>
> *Private Debt*. This type includes eight funds that invest in debt or equity securities of financially stressed (distressed) companies, as well as convertible bonds and subordinated debt in private companies.

*Private Equity*. This type includes 54 funds that invest in the equity securities of growing private companies, primarily in the technology and healthcare sectors.

*Real Assets*. This type includes 13 funds that invest in commercial real estate and private energy companies including commercial real estate, exploration and production, midstream power and service businesses.

## Note 4: Deposits and Investments

### Investment Policy

The Board of Pension Trustees is authorized by 29 Del. C. § 8308 to maintain and invest the funds of the Trust. There are no State statutes limiting allowable investments for the Trust. The investment decisions are dictated by the prudent person rule and the internal investment guidelines which are established, and may be amended by the Board as outlined below:

- Allocate a minimum of 15% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments
- Maintain a diversified portfolio, to minimize the risk of overexposure in any one market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks
- Control exposure in illiquid asset classes
- Review, re-examine, and reconfirm the operation of results of the investment process regularly
- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital market expectations.

The Board delegates the operation of the Trust's investments to the Investment Committee. The Committee establishes asset allocations to various investment markets. The following were the Trust's adopted asset allocation ranges as of June 30, 2024:

| | Percent of Total Funds Allocation [1] | |
|---|---|---|
| **Asset Allocation Ranges** | **Minimum** | **Maximum** |
| Equity (Public and Private) | 50% | 85% |
| Fixed Income (Including Cash) [2] | 10% [2] | 50% |
| Illiquid Investments | 0% | 30% |
| Hedge Funds and Other Diversification Strategies | 0% | 20% |

*(1) The Fund will rarely be fully invested at the minimum or maximum limits, and some assets will be held in cash.*
*(2) A minimum of 10% of the Fund is to be invested in investment grade fixed income securities or cash equivalents.*

The current policy was adopted by the Board on September 24, 2021. There were no significant changes to the policy from the prior version.

For the Fiscal Year ended June 30, 2024, management of the Trust believes it has operated in all material respects in accordance with these policies.

Within the broad asset allocation ranges noted above, the Trust does not rebalance to a specific target allocation. While the Trust does not utilize a target allocation approach and participation in the Master Trust began in 2018, the following is the average asset allocation for the 10-year period ended June 30, 2024, which is representative of the nature and mix of current and expected Master Trust investments.

| **Asset Class** | **10-year Average Allocation** |
|---|---|
| Domestic Equity | 33.6% |
| International Equity | 13.9% |
| Fixed Income | 25.3% |
| Cash and Short-Term | 5.5% |
| Alternative Investments | 21.7% |
| | 100% |

## Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2024, the annual money-weighted rates of return on Trust investments, net of Trust investment costs, were as follows:

| Plan | Money-Weighted Rate |
|---|---|
| Delaware Postretirement Health Plan | 11.20% |
| Delaware Local Government OPEB Investment Trust | 10.30% |

## Securities Lending

The Trust's pool of assets are co-mingled with the assets of DPERS and therefore the Trust is a participant in the existing security lending agreement with DPERS's custodian bank, which acts as a security lending agent on behalf of both DPERS and the Trust. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. The custodian is authorized to lend securities within the borrower limits and guidelines established by the Trust. The Trust lends fixed income, domestic equity, and international equity securities to approved broker/dealers. Collateral for securities loaned equals 103 percent of fair market value for domestic securities and 107 percent for international securities.

The only types of collateral received from borrowers are obligations issued by the U.S. Government. All rights of ownership to securities pledged as collateral remain with the borrower except in the event of default. The Trust has the authority to pledge or sell collateral securities only upon a borrower default. As of June 30, 2024, there were no violations of legal or contractual provisions. The Trust has not experienced any losses resulting from the default of a borrower or lending agent during the year ended June 30, 2024.

At year-end, the Trust has no credit risk exposure to borrowers because the amounts the Trust owes the borrowers exceed the amounts the borrowers owe the Trust. The contract with the Trust's custodian requires it to indemnify the Trust if the borrowers fail to return the securities or fail to pay the Trust for income distributions by the securities' issuers while the securities are on loan. The Trust manages its market risk by recording investments at fair value daily and maintaining the value of the collateral held by the Trust in excess of the value of the securities loaned. As of June 30, 2024, the fair value of securities on loan was $6.5 million. The associated collateral was $6.7 million.

All open security loans can be terminated on demand by either the Trust or borrower. The collateral is valued at fair value obtained from independent pricing services.

**Investments**

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the Trust's exposure to interest rate risk as of June 30, 2024. The Trust holds $65.3 million in domestic fixed income and $5.5 million in foreign fixed income instruments. The table following also includes $34.1 million in pooled stable value fund and $146.0 million in pooled fixed income investments. These are reported on the Statement of Fiduciary Net Position, respectively, as fixed income, cash and cash equivalents, and pooled equity and fixed income.

**Investment Maturities (in Years)**
**(Expressed in Thousands)**

| Investment Type | Fair Value | Less than 1 | 1-6 | 6-10 | 10+ |
|---|---|---|---|---|---|
| Asset Backed Securities | $ 8,409 | $ — | $ 535 | $ 907 | $ 6,967 |
| Bank Loans | 15,455 | 81 | 10,867 | 4,507 | — |
| Certificates of Deposit | 3,381 | 3,381 | — | — | — |
| Cash Equivalents | 34,067 | 34,067 | — | — | — |
| Commercial Mortgage-Backed | 12,289 | 26 | 686 | 23 | 11,554 |
| Commercial Paper | 1,515 | 1,515 | — | — | — |
| Corporate Bonds | 1,518 | — | 1,187 | 175 | 156 |
| Government Agencies | 21,945 | — | 315 | 1,509 | 20,121 |
| Government Bonds | 6,305 | — | 535 | 1,060 | 4,710 |
| Pooled Investments | 146,015 | — | 6,461 | 139,554 | — |
| **Total** | **$ 250,899** | **$ 39,070** | **$ 20,586** | **$ 147,735** | **$ 43,508** |

**Interest Rate Risk**

The State has delegated investment policy for the Trust to the Board and its Committees. The Investment Committee sets its own guidelines in conjunction with the Board to manage and review the Trust's exposure to fluctuating interest rates. Interest rate risk is a consideration when establishing and reviewing investment manager guidelines and asset allocation. Both topics are included in the statement of Investment Policies and Objectives which are published on the Office of Pension's website.

**Custodial Credit Risk**

*Deposits*
For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2024, the $111.3 million carrying amount of the Trust's cash and cash equivalents was comprised of $34.1 million in short-term investments and $77.2 million in deposits. Of the $77.2 million in deposits, $107.9 thousand was subject to custodial credit risk because it was held by outside institutions and uninsured and uncollateralized. The remaining $77.1 million was held in a pooled cash management account by the State Treasurer's Office, which includes deposit accounts, short- and long-term investments.

*Investments*
Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The Trust's investments are not exposed to custodial credit risk as they are held by the Trust's custodian in the name of the Trust or its nominee.

**Credit Risk**

The Trust's general investment policy is to apply the prudent-person rule to all risks incurred by the fund. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The Trust has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2024, the Trust's fixed income investments and cash equivalents had the following credit risk characteristics:

# State of Delaware
## Other Postemployment Benefits (OPEB) Fund Trust
## Notes to the Financial Statements

### Ratings Detail by Security Type
**(Expressed in Thousands)**

| Fixed Income Security Type | Asset Backed Securities | Certificates of Deposit | Bank Loans | Cash Equivalents | Commercial Mortgage-Backed | Corporate Bonds |
|---|---|---|---|---|---|---|
| **AAA** | $ 1,896 | $ — | $ — | $ — | $ 2,015 | $ — |
| **AA+** | — | — | — | — | 71 | — |
| **Aa1** | — | — | — | — | 60 | — |
| **AA** | 32 | — | — | — | 22 | — |
| **Aa2** | 64 | — | — | — | 27 | — |
| **AA-** | — | — | — | — | 27 | — |
| **Aa3** | — | — | — | — | 39 | — |
| **A+** | 115 | — | — | — | — | — |
| **A1** | — | — | — | — | 31 | — |
| **A** | 31 | — | — | — | — | — |
| **A2** | — | — | — | — | 128 | — |
| **A-** | 288 | — | — | — | 98 | — |
| **BBB+** | 237 | — | — | — | 265 | — |
| **Baa1** | 63 | — | — | — | 67 | — |
| **BBB** | 345 | — | — | — | — | — |
| **Baa2** | 91 | — | — | — | 327 | — |
| **BBB-** | — | — | 222 | — | — | — |
| **Baa3** | — | — | 13 | — | 202 | — |
| **BB+** | — | — | 339 | — | 21 | — |
| **BB** | 23 | — | 774 | — | — | 267 |
| **BB-** | — | — | 623 | — | — | — |
| **Ba1** | — | — | — | — | 71 | — |
| **Ba3** | — | — | 80 | — | 45 | — |
| **B+** | 44 | — | 2,163 | — | — | 75 |
| **B1** | — | — | — | — | — | — |
| **B** | — | — | 4,039 | — | — | 216 |
| **B2** | — | — | 595 | — | — | — |
| **B-** | — | — | 2,372 | — | — | 328 |
| **B3** | — | — | 301 | — | — | — |
| **CCC+** | — | — | 587 | — | — | 243 |
| **CCC** | 169 | — | 494 | — | 93 | — |
| **Caa2** | — | — | — | — | — | — |
| **CCC-** | — | — | — | — | — | 31 |
| **Caa3** | 274 | — | — | — | 363 | — |
| **CC** | 540 | — | — | — | — | — |
| **Ca** | 1,201 | — | — | — | 249 | — |
| **C** | 811 | — | — | — | — | — |
| **D** | — | — | — | — | 345 | — |
| **No Rating** | 2,185 | 3,381 | 2,853 | 34,067 | 7,723 | 358 |
| **Total:** | **$ 8,409** | **$ 3,381** | **$ 15,455** | **$ 34,067** | **$ 12,289** | **$ 1,518** |

## State of Delaware
## Other Postemployment Benefits (OPEB) Fund Trust
## Notes to the Financial Statements

### Ratings Detail by Security Type (continued)
### (Expressed in Thousands)

| Fixed Income Security Type | Government Agencies | Government Bonds | Commercial Paper | Pooled Investments | Total | Percentage of Total Net Position |
|---|---|---|---|---|---|---|
| AAA | $ 21,945 | $ 6,305 | $ — | $ — | $ 32,161 | 3.25 % |
| AA+ | — | — | — | — | 71 | 0.01 % |
| Aa1 | — | — | — | — | 60 | 0.01 % |
| AA | — | — | — | — | 54 | 0.01 % |
| Aa2 | — | — | — | — | 91 | 0.01 % |
| AA- | — | — | — | — | 27 | — % |
| Aa3 | — | — | — | — | 39 | — % |
| A+ | — | — | — | — | 115 | 0.01 % |
| A1 | — | — | — | — | 31 | — % |
| A | — | — | — | — | 31 | — % |
| A2 | — | — | — | — | 128 | 0.01 % |
| A- | — | — | — | — | 386 | 0.04 % |
| BBB+ | — | — | — | — | 502 | 0.05 % |
| Baa1 | — | — | — | — | 130 | 0.01 % |
| BBB | — | — | — | — | 345 | 0.03 % |
| Baa2 | — | — | — | — | 418 | 0.04 % |
| BBB- | — | — | — | — | 222 | 0.02 % |
| Baa3 | — | — | — | — | 215 | 0.02 % |
| BB+ | — | — | — | — | 360 | 0.04 % |
| BB | — | — | — | — | 1,064 | 0.11 % |
| BB- | — | — | — | — | 623 | 0.06 % |
| Ba1 | — | — | — | — | 71 | 0.01 % |
| Ba3 | — | — | — | — | 125 | 0.02 % |
| B+ | — | — | — | — | 2,282 | 0.23 % |
| B1 | — | — | — | — | — | — % |
| B | — | — | — | — | 4,255 | 0.43 % |
| B2 | — | — | — | — | 595 | 0.06 % |
| B- | — | — | — | — | 2,700 | 0.27 % |
| B3 | — | — | — | — | 301 | 0.03 % |
| CCC+ | — | — | — | — | 830 | 0.08 % |
| CCC | — | — | — | — | 756 | 0.08 % |
| Caa2 | — | — | — | — | — | — % |
| CCC- | — | — | — | — | 31 | — % |
| Caa3 | — | — | — | — | 637 | 0.06 % |
| CC | — | — | — | — | 540 | 0.05 % |
| Ca | — | — | — | — | 1,450 | 0.15 % |
| C | — | — | — | — | 811 | 0.08 % |
| D | — | — | — | — | 345 | 0.03 % |
| No Rating | — | — | 1,515 | 146,015 | 198,097 | 20.00 % |
| **Total:** | **$ 21,945** | **$ 6,305** | **$ 1,515** | **$ 146,015** | **$ 250,899** | **25.31 %** |

**Investment Concentration Risk**

As of June 30, 2024, the Trust held no concentration of investments (excluding pooled investments) in an individual issuer in excess of 5% of the fair value of the Trust's net position.

**Management Fees**

In addition to the $2.5 million paid in Manager/Advisor fees shown in the Statement of Changes in Fiduciary Net Position, the Trust paid $563 thousand in management fees to the alternative investment funds and partnerships for the Fiscal Year ended June 30, 2024. These fees are netted against investment earnings.

**Foreign Investments**

Foreign investments include equity securities, bonds, and cash and cash equivalents. The following is a listing of foreign assets included in the Statement of Fiduciary Net Position as of June 30, 2024. There are no fixed income investments of domestic issuers which have been classified as domestic on the Statement of Fiduciary Net Position but are denominated in a foreign currency.

**State of Delaware**
**Other Postemployment Benefits (OPEB) Fund Trust**
**Notes to the Financial Statements**

**Currency Risk**
**(Expressed in Thousands)**

| Currency | Fair Value in U.S. Dollars | Equities | Fixed Income | Cash and Cash Equivalents |
|---|---|---|---|---|
| Australian dollar | $ 199 | $ 199 | $ — | $ — |
| Brazilian real | 964 | 964 | — | — |
| British pound sterling | 3,101 | 3,101 | — | — |
| Canadian dollar | 2,008 | 2,008 | — | — |
| Danish krone | 5,026 | 5,015 | — | 11 |
| Euro | 15,023 | 14,908 | 96 | 19 |
| HK offshore Chinese Yuan Renminbi | 1,159 | 1,159 | — | — |
| Hong Kong dollar | 3,919 | 3,919 | — | — |
| Indian rupee | 7,150 | 7,150 | — | — |
| Indonesian rupiah | 2,633 | 2,633 | — | — |
| Japanese yen | 2,478 | 2,463 | — | 15 |
| New Taiwan dollar | 1,283 | 1,283 | — | — |
| Nigerian naira | 21 | 21 | — | — |
| South Korean won | 1,037 | 1,037 | — | — |
| Philippine peso | 1,168 | 1,165 | — | 3 |
| South African rand | 57 | 57 | — | — |
| Swedish krona | 267 | 267 | — | — |
| Swiss franc | 134 | 134 | — | — |
| United Arab Emirates dirham | 403 | 403 | — | — |
| Vietnamese dong | 2,485 | 2,478 | — | 7 |
| **Total Foreign Currencies** | **50,515** | **50,364** | **96** | **55** |
| Foreign issued investments denominated in U.S. Dollars | 26,604 | 21,157 | 5,447 | — |
| Pooled international investments denominated in U.S. Dollars | 47,903 | 47,903 | — | — |
| **Total:** | **$ 125,022** | **$ 119,424** | **$ 5,543** | **$ 55** |

## Risk and Uncertainty

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk inherent in investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the Statement of Fiduciary Net Position.

## Note 5: Net OPEB Liability

The components of the net OPEB liability of the Plan at June 30, 2024 were as follows (expressed in thousands):

| | |
|---|---|
| Total OPEB liability | $ 9,041,547 |
| Plan fiduciary net position | 957,500 |
| Net OPEB liability | $ 8,084,047 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 10.59 % |

## Note 6: Actuarial Assumptions

The total OPEB liability of the Plan was determined by an actuarial valuation as of June 30, 2023, updated to a June 30, 2024 measurement date, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Salary Increases | 3.25% (plus merit scale), including inflation |
| Investment rate of return | 7.00%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | Blended rate of 8.8% for 2023 decreasing to an ultimate rate of 3.94% for 2042 |
| Spousal Coverage | 50% of employees will elect spouse coverage at retirement |
| Percent of Retirees Electing Coverage | 50% of employees not currently covered are expected to elect coverage before retirement. All employees are expected to remain in currently enrolled plans. The following retirees are expected to elect coverage:<br>95% of employees with more than 20 years of service<br>80% of employees with less than 20 years of service<br>40% of current and future terminated vested employees<br>100% of long-term disability participants |

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's benefits if it were paid from each member's entry into the Plan until termination or retirement.

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The long-term expected rate of return on OPEB plan investments was determined using building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature of mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Trust's current and expected asset allocation as of June 30, 2024 are summarized in the following table:

| **Asset Class** | **Long Term Expected Real Rate of Return** |
|---|---|
| Domestic Equity | 5.7% |
| International Equity | 5.7 |
| Fixed Income | 2.0 |
| Alternative Investments | 7.8 |
| Cash and Equivalents | --- |

The demographic assumptions were adopted by the Board of Trustees upon the recommendations of the actuary, based on an experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. Assumptions directly related to health care elections, spousal coverage and health care trends are reviewed annually.

The discount rate used to measure the total OPEB liability was 3.82 percent at the beginning of the current measurement period based on the Bond Buyer GO 20- Bond Municipal Bond Index as of June 30, 2023.

The projection of cash flows used to determine the discount rate for June 30, 2023 assumed that employer contributions will be made at amounts equal to those outlined in Senate Bill 175 (at least 1% of the grand total of all State General Fund operating budget appropriations for the prior fiscal year) as well as 0.36% of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members until approximately 2040. As such, projected benefit payments are discounted at the long-term expected return on assets of 7.00% to the extent the fiduciary net position is available to make the payments and the municipal bond rate of 3.93%, based on the Bond Buyer 20-Bond GO Index, thereafter to the extent they are not available. The resulting single equivalent rate used to determine the total OPEB liability as of June 30, 2024 was 4.46%.

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.46 percent decreasing to 3.46 percent) or 1-percentage-point higher (4.46 percent increasing to 5.46 percent) than the current discount rate (dollar amounts in thousands):

| | 1% Decrease 3.46% | Discount Rate 4.46% | 1% Increase 5.46% |
|---|---|---|---|
| Net OPEB Liability | $9,606,179 | $8,084,047 | $6,862,445 |

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

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.80 percent decreasing to 7.80 percent) or 1-percentage point higher (8.80 percent increasing to 9.80 percent) than the current healthcare cost trend rates (dollar amounts in thousands):

| | 1% Decrease 7.80% | Healthcare Cost Trend Rates 8.80% | 1% Increase 9.80% |
|---|---|---|---|
| Net OPEB Liability | $6,864,773 | $8,084,047 | $9,536,267 |

Required Supplementary Information

# State of Delaware
# Other Postemployment Benefits (OPEB) Fund Trust

**Schedule of Changes in the Delaware Postretirement Health Plan's**
**Net OPEB Liability and Related Ratios**
**Last 10 Fiscal Years ***
(Expressed in Thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Total OPEB Liability | | | | | | | | |
| Service Cost | $360,205 | $355,477 | $499,152 | $466,334 | $360,746 | $303,006 | $306,562 | $340,456 |
| Interest | 340,968 | 321,696 | 234,516 | 242,708 | 294,998 | 333,692 | 309,767 | 269,204 |
| Changes of Benefit Terms | — | — | — | — | — | — | — | — |
| Differences Between Expected and Actual Experience[1] | 123,910 | (126,672) | 38,527 | (1,021,299) | 362,784 | (1,073,576) | — | — |
| Changes of Assumptions[2] | (361,155) | (395,958) | (2,192,916) | 424,888 | 1,740,374 | 465,593 | (413,321) | (1,156,541) |
| Benefit payments | (336,484) | (300,770) | (254,504) | (253,520) | (262,080) | (240,860) | (222,099) | (236,332) |
| Net Changes in Total OPEB Liability | 127,444 | (146,227) | (1,675,225) | (140,889) | 2,496,822 | (212,145) | (19,091) | (783,213) |
| Total OPEB Liability - Beginning | 8,914,103 | 9,060,330 | 10,735,555 | 10,876,444 | 8,379,622 | 8,591,767 | 8,610,858 | 9,394,071 |
| Total OPEB Liability - Ending | $9,041,547 | $8,914,103 | $9,060,330 | $10,735,555 | $10,876,444 | $8,379,622 | $8,591,767 | $8,610,858 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - Employer | $522,095 | $374,528 | $273,280 | $267,040 | $276,336 | $251,325 | $224,624 | $237,222 |
| Contributions - On Behalf | 151 | 153 | 132 | 145 | 159 | 145 | 157 | 158 |
| Contributions - Member | — | — | — | — | — | — | — | 11,981 |
| Net Investment Earnings | 84,925 | 30,552 | (86,288) | 172,331 | 40,096 | 18,034 | 23,830 | 32,297 |
| Benefit Payments | (336,484) | (300,770) | (254,504) | (253,520) | (262,080) | (240,860) | (222,099) | (236,332) |
| Administrative Expenses | (153) | (233) | (135) | (149) | (208) | (180) | (89) | (87) |
| Net Changes in Plan Fiduciary Net Position | $270,534 | $104,230 | $(67,515) | $185,847 | $54,303 | $28,464 | $26,423 | $45,239 |
| Net Position - Beginning | 686,966 | 582,736 | 650,251 | 464,404 | 410,101 | 381,637 | 355,214 | 309,975 |
| Net Position - Ending | $957,500 | $686,966 | $582,736 | $650,251 | $464,404 | $410,101 | $381,637 | $355,214 |
| Net OPEB Liability | $8,084,047 | $8,227,137 | $8,477,594 | $10,085,304 | $10,412,040 | $7,969,521 | $8,210,130 | $8,255,644 |
| Net Position as a Percentage of Total OPEB Liability | 10.59% | 7.71% | 6.43% | 6.06% | 4.27% | 4.89% | 4.44% | 4.13% |
| Covered Payroll | $2,778,671 | $2,437,421 | $2,317,640 | $2,283,941 | $2,210,598 | $2,093,798 | $2,052,135 | $2,035,244 |
| Net OPEB Liability as a Percentage of Covered Payroll | 290.93% | 337.53% | 365.79% | 441.57% | 471.01% | 380.63% | 400.08% | 405.63% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

1 Differences between expected and actual experience related to changes in population resulted in experience losses for 2024, 2023, and 2022. Differences between expected and actual experience related to changes in population and updated claims and trends resulted in experience losses for 2024 and gains for 2023.

2 2024, 2023. and 2022 changes of assumptions include a change to the discount rate assumption. 2024 changes of assumptions included a change in the healthcare rate assumption, retiree contributions, and claims curves. 2021 changes of assumptions included a change to the discount rate assumption as well as a change to demographic assumptions during the measurement year. 2020 changes of assumptions included a change to the discount rate assumption as well as a change to the long term trend rates during the measurement year.

## Schedule of Contributions
## Last 10 Fiscal Years
## (Dollar amounts in thousands)

This schedule is not applicable as no actuarially determined contributions are calculated. The Trust operates on a pay-as-you-go basis; therefore, the participating employers base their contributions into the Trust on the expected benefit payments as well as statutorily required contributions that are not actuarially determined. Requests for additional financial information should be directed to State of Delaware Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Blvd., Dover, DE 19904-2402 or visit the Office of Pensions website at https://open.omb.delaware.gov/.

## Schedule of Investment Returns
## Last 10 Fiscal Years *

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense, Delaware Postretirement Health Plan | 11.20% | 0.60% | -8.84% | 38.10% | 5.79% | 4.78% | 6.80% | 10.64% |
| Annual money-weighted rate of return, net of investment expense, Delaware Local Government OPEB Investment Trust | 10.30% | 0.50% | -8.54% | 38.13% | 5.83% | 4.82% | 6.96% | 10.55% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Pension Trustees
State of Delaware Other Postemployment Benefits Fund Trust
Dover, DE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Delaware Other Post Employment Benefits (OPEB) Fund Trust (the Trust), a component unit of the State of Delaware, which comprise the Trust's statement of fiduciary net position as of June 30, 2024, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2024.

## Report on Internal Control Over Financial Reporting

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

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

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

## Report on Compliance and Other Matters

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

**Purpose of This Report**

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

BDO USA, P.C.

Wilmington, DE
November 25, 2024