

Minutes of the Retirement Benefits Study Committee

August 30, 2021 - 10:00 a.m.

Anchor Location: JFC Hearing Room, Legislative Hall, Dover, DE
and Virtual

Committee Members Represented or in Attendance:

Rick Geisenberger	Chair, Secretary of the Department of Finance
Courtney Stewart for Cerron Cade	Vice Chair, Director of the Office of Management and Budget
Ruth Ann Jones (virtual)	Controller General
Joanna Adams (virtual)	Director of the State Office of Pensions
Faith Rentz (virtual)	Director of the Office of Statewide Benefits and Insurance Coverage
Colleen Davis	State Treasurer
John Mitchell	State Representative
Ruth Briggs King	State Representative
David Lawson	State Senator
Trey Paradee	State Senator
Michael Begatto (virtual)	Executive Director, AFSCME, Council 81
Jeff Taschner (virtual)	Executive Director, Delaware State Education Association

Others in Attendance:

Chris Giovannello, Willis Towers Watson
Margaret Tempkin, Cheiron
Bert Scoglietti, Controller General's Office
Jordan Seeman, Office of the State Treasurer (OST)
Jason Smith, OST
Wayne Emsley, Delaware Retired School Personnel Association (DRSPA)
Liza Davis, OST
Matthew Rosen, OST
Sean McNeeley, Dept. of Finance (DOF)
Bobbi DiVirgilio, DOF

I. Call to order

Secretary Rick Geisenberger called the meeting to order at 10:00 a.m.

a. Introductions

Secretary Geisenberger asked the members to introduce themselves.

b. Approval of the Minutes of the Meeting of July 26, 2021:

Minutes Approved

Secretary Geisenberger stated that the purpose of this meeting is to provide more information particularly around the benefit plans. He added that he has been invited to present to the State Employee Benefit Committee (“SEBC”) to orient that committee around the discussion that this committee has been having. The presentation will be prepared and provided to this committee for approval prior to presenting at the SEBC meeting.

II. Additional Explanation of Benefit Options

Director Rentz stated that at this meeting she would be responding to the request from some of the committee members to provide more detailed information on the current benefit plan design and then discussing more about the work underway with the third-party administrator request for proposals (RFP) on the group medical plan. Her presentation also provided information around the discussions that were had prior to the State of Emergency relating to the Medicare Marketplace and health reimbursement arrangement (HRA) option. Director Rentz introduced Chris Giovannello of Willis Towers Watson who presented slides 3 through 10, providing the additional explanation of benefit options¹. The following are additional comments and questions relating to this section:

- Senator Paradee questioned which of the elements provided have the bigger impact on costs and whether there would be a way to provide costs on the various components. Mr. Giovannello responded that all of the components sort of “play off” of each other. The costs usually start with the deductible then go into the coinsurance phase. Senator Paradee added that this committee is trying to determine what will have the least amount of impact on employees but give the State and taxpayers the most savings. Mr. Giovannello provided that this section of the presentation looks at the medical side and that you will see some limited cost sharing on the pharmacy side, but the State’s liability on the pharmacy side is growing at a double-digit trend. Therefore, the State is picking up more of the cost on the pharmacy side. In terms of a cost savings, the current State cost share percentage for premiums is set out in State Code. However, the SEBC is responsible for plan design and does have the authority to change other “out-of-pocket” costs including co-pays, deductibles, co-insurance and other design features. For example, if a plan has a \$100 deductible, you will see 100% of retirees then pay the deductible and you would see about a \$2.8 million cost savings (approximately 28,000 retirees x \$100 deductible). Secretary Geisenberger questioned whether the SEBC looks at this each year, since this is ultimately a decision they would have to make. Director Rentz provided that the SEBC has not looked at changing the out-of-pocket costs for the Medicare population in the last five years. They recognize the significant budget shortfall and need for modeling some of the potential plan changes for the entire GHIP population. Some further discussion was had on this matter.

- Secretary Geisenberger questioned what Federal Funding was available. Mr. Giavonnello provided that there are capitation payments for Medicare beneficiaries enrolled in these types of plans. The reason is because these Medicare Advantage Plan replaces Medicare, Centers for Medicare & Medicaid Services (“CMS”) provides the funding for the coverage that they would otherwise be paying for a Medicare beneficiary. Some further discussions were had on this matter.
- State Treasurer Davis asked whether a Health Reimbursement Account (HRA) could be listed as an alternative to a Health Savings Account (HSA). Mr. Giavonnello provided that an HSA is an account that is tied specifically to High Deductible Health Plans (HDHP) which are health plans that generally will cover preventative services before a high deductible kicks in. An HSA is a type of savings account provided alongside the HDHP that lets the participant set aside money on a pre-tax basis to pay for qualified medical expenses including deductibles, copayments, coinsurance, and some other expenses. The combination of lower premiums and an HSA for out-of-pocket costs may help HDHP participants to significantly lower their overall health care costs. Amounts remaining in an HSA after a participant’s death would go to a beneficiary.
- An HRA would be an amount set aside for each plan participant to use to cover the premiums for a plan selected by the participant in the Medicare Marketplace. Amounts remaining after premiums would be available to cover any other out-of-pocket health expenditures during the lifetime of the participant. Any unused amounts in an HRA after a participant dies would revert to the GHIP.
- State Treasurer Davis asked that they provide more information on the fixed and indexed differences for an HRA. Mr. Giavonnello provided that would be an offer for the State to decide. As an example, if there is a fixed amount of \$5,000, every year a retiree would get that amount towards electing their benefit plans of their choosing in the marketplace. If it was indexed, it could grow 2% per year, so they get \$5,000 the first year, then 2% more the next, etc. This is a way to keep up with the growing cost of healthcare. Unused funds would roll over each year – allowing most if not all participants to accumulate funds in their early years to cover potentially rising health care costs and utilization in their later years. An index provides a buffer against health-care inflation.
- Jeff Taschner stated that if the State goes to a Medicare marketplace, that would be 28,000 individual decisions that would need to be made by retirees (age 65 and over). He thinks that part of that transition (if this is what is decided) is to make sure to educate and support the retirees that now have to make an individual decision about which one of the multiple plans are best for them. He added that he did not want that to get lost in any of these conversations. Director Rentz provided that a big part of what they would be procuring with any Medicare Marketplace product would be customer services support for education and communication. It would be very important to ensure that retirees have a range of options for help throughout the transition. Any transition period would be long enough to provide for a significant amount of upfront communication with access to self-help, a call-center, and concierge service and direct personal outreach for any participant that might otherwise have failed to select a plan.

III. Liability Pre-Funding Options

Secretary Geisenberger presented slides 11 through 14 regarding the State's OPEB liability, providing that in order to address OPEB there are funding, eligibility, and design options. The design options are ultimately determined by SEBC and might require some legislation. Funding and eligibility options will require legislation and therefore support from the General Assembly and Governor. The following additional comments were made:

- The proposals listed on slide 13 have not yet been reviewed or approved by the Governor at this time.
- OPEB Trust Fund Carveout (slide 13): Currently the advisory Benchmark Appropriation used to set the parameters of the Governor's Recommended Budget pursuant to Executive Order 21, includes a set-aside or carveout equal to 1% of the prior year's operating budget to fund supplemental appropriations to the bond and capital improvements act (so-called Cash to the Bond Bill). This 1% carveout increases each year by the rate of growth of advisory Benchmark Index.
- One idea is to have an additional 1% carveout for OPEB. The good thing about this carve out is that once it is approved the first time, the only additional carveout would be the amount of the indexed growth. This change could be done legislatively or by an Executive Order.
- Slide 14: This chart illustrates, based on the current DEFAC forecast estimate, how such a carveout would work. In the first year, less money would be available for other "one-time" expenditures, but it would have little impact in subsequent years. In this sense, a larger carveout for OPEB funding is relatively pain-free other than the first year – while delivering the long-term benefit of a dedicated funding stream to funding the future benefits of current employees.

IV. Funding and Benefit Reform Combination Impacts

Secretary Geisenberger presented slides 15 through 18 regarding the impact of funding and benefit combination reform. These slides show that funding reform, by itself, can only make a modest dent in the State's OPEB liability. The slides also show that design and/or eligibility changes by themselves only make a modest dent. However, these slides also illustrate that the combination of reforms on funding, eligibility and design can together put the State on a path to meaningfully addressing its OPEB liability.

V. Next Steps

Secretary Geisenberger discussed the next steps for the Retirement Benefits Study Committee as follows:

- Secretary Geisenberger will do a presentation to the SEBC during the October 2021 meeting. A copy of the presentation will be presented at our September 2021 meeting for this committee to review and approve.

- He asked Joanne Adams to update the committee with Cheiron on the status of the updating of all of the numbers as of June 30, 2021. Margaret Tempkin of Cheiron provided that Cheiron will make its presentation to the Pension Board at its October 2021 meeting and should be able to share those figures with this Committee in October too. Ms. Adams provided that at the September 2021 SEBC meeting, they will be reviewing the five-year experience study, which will have some impact on the actuarial liability numbers. These numbers will be part of the preliminary report that is due to the Governor in November.
- With regard to Mr. Taschner's comments made regarding educating the retirees, he asked Director Rentz whether we know what an educational program would look like (what have other States done with their educational plans, etc.). Director Rentz provided that they have done some work on this and have an invitation from a connection that worked with another State to implement an individual marketplace option. They have offered to speak before the SEBC or this committee to share their experience. The following additional comments were made regarding educating retirees:
 - o Senator Paradee stated that to do the education right, there will be a significant cost associated with it, which will need to be factored into the RFP process. He also stated that the resource and outreach would need to reach those that are not using the internet as well.
 - o Mr. Taschner provided that he would like to hear a presentation on the education portion.
 - o Representative Briggs King stated that at this time of year, Medicare choices and options come out and there is a lot of marketing -- almost too much information. Retirees will need to understand the decision process and the general information needed to make those decision along with when those decisions need to be made. The initial communications to retirees will be more difficult than in subsequent years.
 - o Treasurer Davis added that there are many resources available along with an opportunity for a collaboration across several different offices and possibly even a GEAR initiative.

VI. Public Comment

Wayne Emsley – First thanked Secretary Geisenberger for alerting him that this meeting is occurring. Second, he stated that what was missing from slide 4 is that retirees look at two things: 1st the amount of pension they receive and 2nd the health benefits because they are interrelated. The cost of health coverage goes up, that means the amount of money a retiree can spend on other things goes down. What you don't see on slide 4 is what pension these retirees are receiving – is it higher/lower/same as what Delaware's is. This would be something that is worth considering. He knows other retirees from other States that have a higher pension amount than Delaware, but their health plan is not as good as the one Delaware has. Third, Mr. Emsley stated that the DRSPA Board of Directors (which is a group of about 40 people) can meet as needed and he would invite

either Secretary Geisenberger or someone from the SEBC to come and make a presentation to their Board, possibly similar to the one being made to the SEBC.

Secretary Geisenberger added that he would reach out to Mr. Emsley to discuss this and he could possibly present to their Board in October.

Senator Paradee asked whether there were any studies that compare Delaware's pension benefits to other States. Ms. Adams stated that there is periodic benchmarking that compares the multi-facets of Delaware's plans. Unfortunately, it is very difficult to do an apples-to-apples comparison due to the complexity and all of the different facets of each State and various plans within each State.

VII. Adjournment

A motion to adjourn was made and seconded and passed unanimously.
The meeting adjourned at 11:45 a.m.

Respectfully Submitted by Bobbi DiVirgilio

¹ Presentation slides for all meetings are available the Department of Finance's website at: <https://finance.delaware.gov/financial-reports/committee-reports/> under Retirement Benefit Study Committee.