

Minutes of the Retirement Benefits Study Committee

October 25, 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
Cerron Cade (virtual)	Vice Chair, Director of the Office of Management and Budget
Ruth Ann Jones	Controller General
Joanna Adams	Director of the State Office of Pensions
Faith Rentz (virtual)	Director of the Office of Statewide Benefits and Insurance Coverage
Colleen Davis (virtual)	State Treasurer
Ruth Briggs King	State Representative
Trey Paradee	State Senator
Sara Poore for David Lawson	State Senator
Jeff Taschner (virtual)	Executive Director, Delaware State Education Association

Others in Attendance:

Judy Anderson, Delaware State Education Association
Chris Giovannello, Willis Towers Watson
Marianne Steger, Willis Towers Watson
Rebecca Warnkin, Willis Towers Watson
Margaret Tempkin, Cheiron
Bert Scoglietti, Controller General Office
Jordan Seemans, Office of the State Treasurer (OST)
Wayne Emsley, Delaware Retired School Personnel Association (DRSPA)
Liza Davis, OST
Matthew Rosen, OST
Courtney Stewart, OMB
Kristin Dwyer, DSEA
Edward Martin
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 welcomed everyone to the meeting. Roll call was taken.

Secretary Geisenberger introduced Sean McNeeley, the Director of Bond Finance in the Department of Finance, to the Committee.

b. Approval of the Minutes of the Meeting of September 27, 2021:

Minutes were approved

II. SEBC Meeting Report

Secretary Geisenberger gave a presentation at the State Employee Benefits Committee (“SEBC”) meeting held on October 11, 2021, using the same Introduction slide show presentation that was reviewed at the last RBSC meeting. The SEBC has a total of nine members and five of those members are on this committee, so must be familiar with this issue. The Secretary’s impression was that this presentation was somewhat “eye opening” for those members who were not familiar with this and how critical these decisions are. SEBC looks at things from budget year to budget year over a few years period but not over the long-term (over 30 years) which is impact on the OPEB. The members were interested to know that there are certain things that the RBSC is working on and can make recommendations but need the SEBC to embrace these changes as well. Director Rentz added that the SEBC will meet again in November and at which time they plan to bring an award recommendation for the Health Third Party Administrator that will include, as previously shared with the group, potentially a recommendation regarding what benefit design should be considered for calendar year 2023 for post 65 retirees. This RFP did include for the existing Medicfill supplemental plan as well a Medicare Advantage Plan. These conversations will continue and will take a lot of things into consideration as they recognize they are not only looking at pre and post 65 retiree options but also health plan options for the active employee population.

Secretary Geisenberger added that, as pointed out in the draft recommendations that will be reviewed later in this meeting, is that the timeline to implement any changes is very complex and a lot of these things would probably not be implemented until January 2024. The reason for this would be because of the interactions between the Third Party Administrator and the timing that the SEBC has.

Secretary Geisenberger also gave a presentation to the Delaware Retired School Personnel Association (“DRSPA”) on October 22, 2021 (using the same slide show as stated above). Director Rentz, Director Adams and Director McNeeley all attended as well and answered any questions of the DRSPA.

**III. Guest Speaker: Marianne Steger, Willis Towers Watson
Medicare Reform at Ohio Public Employees Retirement System**

Director Rentz welcomed and thanked Marianne Steger of Willis Towers Watson for joining our meeting. Marianne Steger who is the Director of the Public Sector and Labor Strategy at Willis Towers Watson and is the former Health Care Director of the Ohio Public Employees Retirement System. Director Steger gave power point presentation titled “The Ohio Story for Delaware”.¹

The following are highlighted information along with questions/comments from the Committee Members regarding these slides:

- The Actuaries stated that health care funds would run out in about 10 years. Their benefits were very rich, which was unsustainable going forward.
- A survey was sent to employees providing specific questions related to retirement health care benefits.
- Secretary Geisenberger questioned what the employee/retiree share in Ohio. Answer that on average it was about \$30/month (very little). They were going to have to pay a lot more the different model (listed on slide 4) and they were very concerned.
- Slide 5 shows what would happen if nothing was done. This slide was also shown to Ohio’s retirees to show them the plan comparisons. Secretary Geisenberger questioned when talking about the subsidy is it the “paper subsidy” if not ultimately used before the retiree passes away that it comes back into the plan or could they do anything with this subsidy. Director Steger answered that it was a health reimbursement arrangement, meaning it has to be a reimbursement in order to be tax free and it is a notional account. Meaning that the employer says, “here’s how much you are entitled to, but the employer/plan sponsor does not pay that money until the retiree completes the reimbursement”. Once the reimbursement was processed and approved it would be placed back into the retiree’s bank account. It is a notional account, the retiree does get an accounting of what is in it, no interest on that account. You as the plan sponsor have to make the decisions about whether there will be a cap, increase it each year, can the spouse use it, etc.
- The numbers on slide 6 have not changed that much since this time.
- Slide 7 was also provided to employees as they need to understand what the State is facing. The more transparent you can be the more employees understand the need for change.
- As listed on slide 8, once you announce that you are going to move this model, the employees on the Medicare side have 90 days to withdraw. Ohio used Willis Towers Watson, who did a lot of education and outreach for the employees and Director Steger also did a lot of education for the employees. This company also enrolled some of the retirees over the phone if they did not want to do it online. There were no retirees left behind, they even did outreach to nursing homes, etc.
- Secretary Geisenberger questioned how many months of education they did for their employees. Director Steger stated that they started about a year ahead of time. Which she did say that she thought they started a little too early. But you should begin by telling employees there is a problem and what that means, then start bringing in the stake holders to help get the information out. Also, once the

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.

- information is out you should also prepare the media and the legislation, meet with all of the unions at the both the high level and lower levels and retiree associations. Educate your employees on the laws regarding health care and can even point out what other States have done that is negative. Employees should understand that the coverage they have is not necessarily typical and we need to do what we can to keep what we can.
- Representative Briggs-King questioned slide 10 that showed a reduction of \$600 Million in retiree health care costs in a year, what was Ohio's actual budget to begin with so that she can use that to compare. Director Steger stated that she did not recall the exact budget amount, but she remembers that it was a 33% reduction in the annual spend.
 - Secretary Geisenberger stated that one of things that he is going to want to do is work with Director Steger to show.... here is Ohio and their starting point versus Delaware's starting point, along with other deductibles/copays that may exist, so that we understand what Ohio's starting point was versus our starting point is. He went on to add that Director Steger did summarize the issue we do have in front of us right now is that we have a Third-Party Administrator bid out there with the possibility of migrating to a group Medicare Advantage plan and do you want to jump to that.
 - Director Adams added that any benefits change right now with the Medicare population causes confusion. They get very concerned because in today's world we are constantly telling them "what out for scams" and then we keep sending more and more materials, it is just too overwhelming. Therefore, we don't want to make one change then come back and make another change as that is not ideal.
 - Director Taschner thanked Director Steger for her presentation and especially for her advice that it is very important to define and explain that there is a problem to the employees as he is big advocator of this as well. The second item that he is pushing for is the issue of education and support. These are very critical changes to people at that time in their life. His hope is that if we head in this direction is that we really think about what kind of support system are we going to build to help our retirees understand the problem we are trying to resolve and then educating and supporting them, so they are making the best changes for themselves individually in this transition. He again added that he appreciated that she broke it down as defining the problem, explaining the problem and then when making the move to really educate and support.
 - Director Steger added that if we wanted to do a strategy planning session on how to frame the challenges you are up against, she would be happy to help with this.
 - Senator Paradee thanked Director Steger for her presentation and questioned whether there were some things that she thinks they could have done better, mistakes made along the way, etc. Director Steger says that she thinks they started the education too soon which confused the employees during the regular open enrollment. She also thinks she would have talked about the reimbursement and HRA part earlier. She also stated that giving the employees a survey is a great tool, lets employees feel like they are part of the solution. The other thing they did for the stakeholders was mock enrollment calls, which she encourages as well.
 - Secretary Geisenberger questioned whether there were certain significant upfront administrative costs if they decided to go in this direction. Director Steger answered

that although she cannot answer this specifically, she thought that Delaware is large enough that the exchanges should provide the education for you. One of the things that Ohio did was to hire a project manager to manage all this specifically. Again, she does not think that Delaware will have a large up-front expense and a lot of the administration costs will go away over time.

IV. Discussion: Draft Recommendations

Secretary Geisenberger introduced the next discussion regarding the draft report, starting with a reminder that the report is due to the Governor and General Assembly by November 1st. He added a thank you to Director McNeeley, Director Rentz and all of the staff that worked on this draft to be able to present today.

Secretary Geisenberger quickly reviewed the “Summary of the Committee Activity” as listed in the RSBC Draft Report (a copy of this report was provided to each of the Committee Members prior to the meeting). There were no questions or comments from the RSBC Committee Members regarding this section.

Director McNeeley read through the “Committee Principles for Reform” in the RSBC Draft Report. The following are highlights from his review along with additional comments and/or questions made by the Committee Members:

- The overall goal of these recommendations is one that has been discussed in previous meetings; balancing the continuation of providing benefits for those under the pension guidelines that are considered career employees, while balancing that against the State’s financial limitations.
- Not changing the benefit eligibility guidelines for anyone who has already retired. The Medicare coverage might change but the eligibly will not change.
- Representative Briggs-King commented that we continue to talk about continuing to balance the benefits with the State’s financials, we need to keep in mind that as the “State”, we are talking about all State taxpayer’s as well (this will include the individuals using the benefits and the ones paying it). Secretary Geisenberger asked if they added the following language to the first bullet: “sustainably maintain with the State’s and State’s Taxpayer’s long-term needs”. Representative Briggs-King said as long as we give the proper recognition of including all.
- Secretary Geisenberger commented that two of the bullets in this recommendation state that we have to come at this from both angles of funding and benefit reforms.
- Balancing making the changes and also being minimal disruptive to career employees.
- Need to demonstrate progress to the rating agencies that the State is on the right path towards funding the OPEB.
- Secretary Geisenberger added that these are not very aggressive goals, but it is consistent with it took 30-40 years and it will probably take 30-40 years to get out of this problem, unless something drastic is done, which they are not going to do at this time; it gets the State there with some pre-Medicare changes and some post-Medicare changes.

- Director Taschner had some concerns that this does not consider the employees' total compensation package needs to be taken into consideration as well. Secretary Geisenberger agreed with this and stated that this could be incorporated into one of the bullets in this section.

Secretary Geisenberger went on to read each of the "Committee Recommendations" asking the Committee Members to advise if they have any questions or comments after each:

Section I – There were no questions/comments regarding this section

Section II – The following comments/discussions were had on this section:

- o Representative Briggs-King commented on a statement made earlier by Director Steger that Ohio did a survey with their employees. We might want to look at what type of survey they did and do the same, as a type of warm up to employees, so they know that changes need to be made and they will like for us to really consider their comments about which they may like to have. Doing this could make the decision process less of a surprise on employees. She also stated that it is also extremely important in this, is timing of making everyone aware of this and provide the right amount of education. We will need the awareness and "buy-in" from the employees. Secretary Geisenberger agreed with both statements and stated that a survey would be something that Director Rentz and the SEBC would maybe need to decide on. He also added that this is not something that would need to be made part of the formal recommendations at this time as the recommendations do state to continue to review. Also want the survey to be really thought out and planned well. Director Rentz agreed with this as well, stating that any proposals would include a part on implementation.
- o Director Taschner also agreed with the above statement and added that before we do a survey, we really need to again "define and educate" the employees on the problem, then you can give a survey because they should have a much better understanding of the reason they are being asked.
- o Secretary Geisenberger suggested a recommendation be added in the beginning of this section around conducting a comprehensive education plan and a retiree survey.
- o Representative Briggs-King suggested that some punctuation should be added in subsection d to help separate the "55 for Public Safety" so it is read as it is intended. Secretary Geisenberger did provide that the "public safety" will be defined more later and maybe be more aligned with the pension plan. Some further discussion was had by the Committee Members on this matter on changing the wording in this recommendation so that it will read and be understood better.

No further questions/comments on this section.

Section III – There were no questions/comments regarding this section.

Secretary Geisenberger requested that the Committee vote on this RSBC Draft Report (with the suggested changes made):

Director Cade made a motion to adopt the RSBC Findings and Recommendations as discussed. Senator Paradee seconded that motion. All in favor, no opposed and this motion was passed.

Secretary Geisenberger added that the changes discussed will be made and circulated to all Committee Members with the changes highlighted for ease of reviewing.

V. Next Steps

Secretary Geisenberger discussed the next steps for the Retirement Benefits Study Committee would be for Director McNeeley, Director Rentz, Director Adams and himself to reconvene and map out a timeline. He went on to add that he would like to keep meetings on the las Monday of each month schedule monthly through February (possibly skipping December). Location will be determined at a later date. At the November meeting he is hoping to have the actuarial estimates and craft a strategy around both the education and outreach side of this. As well as some more detail on each of these benefit eligibility options and how it might be eased in over the years.

VI. Public Comment

Wayne Emsley – Mr. Emsley began by commending the committee for their efforts on this matter so far. DRSPC have also been working through this process on their own. He thanked Secretary Geisenberger, Director Rentz, Director Adams and Director McNeeley for attending their meeting. He thought it was a very productive meeting. The DRSPC is also in the process of developing a set of recommendations that they would like to provide to the RBSC. Their recommendation will include some information that this committee has looked and will also add some other information that they feel is important to current and future retirees. Once completed, he will forward to Secretary Geisenberger and the Committee would like him to present their report at the next meeting as a formal presentation, he would be happy to do so. Secretary Geisenberger stated that once the report is received, he will distribute it to the other Committee Members. If received in a sufficient time prior to the November, he would be happy to have him present it.

VII. Adjournment

A motion to adjourn was made and seconded and passed unanimously. The meeting adjourned at 12:09 p.m.

Respectfully Submitted by Bobbi DiVirgilio