

Minutes of the Retirement Benefits Study Committee

February 28, 2022 - 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
Michael Begatto (virtual)	Executive Director, AFSCME, Council 81
Colleen Davis (virtual)	State Treasurer
Ruth Briggs King (virtual)	State Representative
John Mitchell (virtual)	State Representative
Trey Paradee	State Senator
Jeff Taschner (virtual)	Executive Director, Delaware State Education Association

Others in Attendance:

Chris Giovannello, Willis Towers Watson
Rebecca Warnkin, Willis Towers Watson
Margaret Tempkin, Cheiron
Bert Scoglietti, Controller General Office
Wayne Emsley, Delaware Retired School Personnel Association (DRSPA)
Matthew Rosen, OST
Courtney Stewart, OMB
Stephanie Tatman
Sean McNeeley, Dept. of Finance (DOF)
Bobbi DiVirgilio, DOF

I. Call to order

Secretary Rick Geisenberger called the meeting to order at 10:03 a.m.

a. Introductions

Secretary Geisenberger welcomed everyone to the meeting. Roll call was taken.

b. Approval of the Minutes of the Meeting of November 29, 2021:

Minutes were approved

II. Bond Ratings Update

Secretary Geisenberger presented slide 2 providing the recent ratings commentary from Standard & Poor's and Fitch's Ratings.¹

III. State Employee Benefits Committee (SEBC) Third Party Administrative Services RFP Medicare Plan Options

a. Discussion of Options

Director Rentz presented the slides 3 through 5 reviewing the Medicare Plan Options, with the following additional comments:

- The SEBC and their subcommittee members (Financial & Health Planning & Policy subcommittee) have been meeting, along with a proposal review committee to evaluate these proposals that were submitted by Aetna and Highmark for the Medicare retiree population, including continuation of the current special Medicfill plan and a group Medicare Advantage plan. The Medicare Advantage plans are fully insured plans, which is different from what we have at this time.
- The takeaway from slide 3 on SEBC's evaluation and review of these proposals, is the Medicare Advantage plans that they are proposing are very similar in plan design and network to what is currently available today to retirees with the Medicfill Plan with the Part D coverage.

Mr. Taschner questioned does the current contract with CVS for prescription coverage limit our ability to go into Medicare Advantage covering both medical and pharmacy to a certain date or can we do that right away if we wanted to? Director Rentz provided that they would have flexibility to terminate the arrangement that we have in place with CVS for the Part D coverage but would have to do that end of a plan year.

Secretary Geisenberger stated that the November 2021 RBSC report included a recommendation to transition coverage for Medicare eligible retirees from the current Medicare Supplement to an employer-sponsored Medicare Advantage plan or to an indexed employer subsidy funded through a Health Reimbursement Account (HRA) for purchasing Medicare coverage on the individual marketplace. As a result of the RFP for a Third-Party Administrator, the SEBC is now able to quantify specific savings associated with going to a Medicare Advantage (MA) plan. Quantifying the costs and process for migrating to an HRA would require an additional RFP, require the State to push back implementation of an MA plan while seeking updated MA pricing and thus possibly foregoing the savings that have been committed in the MPA

plan proposals. Also, since the savings from an MA plan appear to be significant it would have an immediate impact on the OPEB liability. Ultimately, this is a decision for the SEBC to make. Another factor shown is that there are very few changes when switching from a Medicfill plan to a Medicare Advantage plan, with respect to the benefits for retirees. Switching to a Medicare Marketplace/HRA would entail significant changes for retirees, many of them positive, but will take more communication and a considerably longer lead time. Many companies and governments that offer retiree health coverage have started with a Medicfill plan, migrated to a Medicare Advantage plan, and then later considered or migrated to the Medicare Marketplace (HRA) approach. Secretary Geisenberger stated that such an approach is more linear and would make sense for the State to follow too.

Controller General Jones asked if there is enough time to move to a new plan and to do the outreach needed to make this move effective date of 1/1/2023. Secretary Geisenberger stated that as discussed there is less disruption to the retiree in going from Medicfill to the proposed Medicare Advantage plans than from moving to an HRA, which would require more lead time. Director Rentz also responded that since the recommendation is to leave the drug coverage the same this would also reduce the disruption for retirees, since they have just gone through that transition. Their office has plans for out-reach to the retirees and they are comfortable with implementing these changes in the 1/1/2023 timeframe. Director Cade added that any time that changes are made involving retirees, we will get a lot of inquiries.

Mr. Taschner added that his concern is beyond the transition of the change and who the retirees can call for help. He stated that we have an obligation to retirees to figure out how are we going to help them advocate with the selected vendor that would be providing the Medicare Advantage plan, if the SEBC goes in that direction. Consideration should be made as to whether the State should create advocacy positions to help retirees with this, not only with transition but also once in the plan.

Director Cade added that included in this agreement would be a budget for communication and education for the retiree population.

Representative Briggs King added that they have had a separate task force in Delaware on emerging issues for the aging and those with physical disabilities and it could be helpful to have “navigators” to help with this process.

Some further discussion was had with Director Adams providing some information on the types of calls they get now from retirees and how they handle them at this time.

b. Indicative Actuarial Estimates

Secretary Geisenberger presented slides 6 through 9 reviewing the Indicative Actuarial Estimates relating to showing the effects on OPEB if we go to a Medicare Advantage plan as well as make changes to future eligibility.

Senator Paradee asked to clarify whether the yellow line on slide 7 also includes the .36% payroll appropriation, the 1% budget carveout, Medicare Advantage, graduated state share based on years of service, and a minimum required age. Secretary Geisenberger answered that it includes the enhanced funding and Medicare Advantage and minimum required age, but does not include the graduated state share, since we would be unlikely to simultaneously change both the graduated state share and minimum required age. Secretary Geisenberger reiterated that changes to the eligibility requirements would have no impact on a person's ability to retire and receive the full amount of whatever pension they are entitled to. Rather, the eligibility changes would impact when and under what conditions and at what costs an employee would also be entitled to receive State paid retirement health care. No current retirees would be impacted.

IV. Next Steps

Secretary Geisenberger stated that the first step is to see how this afternoon goes with the SEBC vote. He also added that there is a report due to the Governor at the end of March 2022. We will be working on updating the interim report that was completed in November 2021 and, if able to, will incorporate the Medicare Advantage decision if it is decided this afternoon.

Secretary Geisenberger added that, as said in the past, if there are going to be changes in eligibility, he knows there is interest in doing a survey of employees. A survey can be developed for current state employees, particularly, ones who might not be "grandfathered" and would be most impacted by any changes, to try to get a sense of their preferences. In terms of implementing benefit eligibility changes, presumably such changes would not go into effect until January 1, 2024. Any proposed changes could be included in the Governor's Recommended Budget or legislative agenda for consideration by the General Assembly in January 2023. The hope is that this Committee can make a recommendation to the Governor and to the General Assembly sometime in the coming year. Which direction we decide to go will depend on what the actuarial analysis shows along with survey feedback received.

Senator Paradee commented that we need to get moving on the survey and eligibility decisions if this were something that would have an effect on the budget. Secretary Geisenberger provided that this is something that could potentially be part of the FY2024 budget but certainly not the FY2023 budget currently under consideration. Also, any changes in eligibility would need to be done legislatively by making changes to the Delaware Code.

Representative Briggs King reviewed the report that was completed back in 2005 by this committee and noted that since that time the liability amount has tripled. She asked to review the report to learn why recommendations might not have been implemented or didn't succeed in preventing the liability from growing. Secretary Geisenberger stated that he could make that part of a future presentation. Director McNeeley added that the

2005 report did not have many specific recommendations and that while there was analysis of benefit options, the Committee could not agree on specific liability reduction recommendations.

Secretary Geisenberger stated that we will look forward to the SEBC meeting outcome, then refine the eligibility changes for discussion in March. Committee staff would collaborate with a goal of having a survey going out at the end of June or beginning of July. This can then inform further discussions of this Committee in Fall 2023.

V. Public Comment

Wayne Emsley of DRSPA had no comments other than to thank the committee for their continued efforts.

VI. Adjournment

A motion to adjourn was made and seconded and passed unanimously. The meeting adjourned at 11:12 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.