

STATE OF DELAWARE



EXECUTIVE DEPARTMENT
DOVER

**EXECUTIVE ORDER
NUMBER THIRTY-FOUR**

TO: HEADS OF ALL STATE DEPARTMENTS AND AGENCIES

RE: RE-ESTABLISHING A RETIREMENT BENEFIT STUDY COMMITTEE

WHEREAS, the Governmental Accounting Standards Board (“GASB”) has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”; and

WHEREAS, post-retirement benefits other than pensions in Delaware consist of health care insurance (commonly referred to as Other Post-Employment Benefits or “OPEB), the cost of which has escalated dramatically; and

WHEREAS, beginning with Delaware’s financial reports issued in fiscal year 2018, GASB No. 75 requires employers to recognize a net OPEB liability on its financial statements; and

WHEREAS, the State of Delaware recognized a net OPEB liability of \$7.2 billion on its balance sheet for the fiscal year ending June 30, 2018, a liability, which if not effectively addressed, would weaken the State’s financial future; and

WHEREAS, to date, the State of Delaware has funded retiree health benefits almost exclusively on a pay-as-you-go basis; and

WHEREAS, the State established an OPEB Trust Fund in 2007 and has accumulated \$381.8 million in assets to satisfy the long-term liability through a dedicated rate of payroll and the deposit of surplus escheat revenues; and

WHEREAS, substantial resources are required to be allocated to satisfy Delaware’s annual required contribution over time, a contribution which is estimated to be \$565.1 million for fiscal year 2019; and

WHEREAS, in order to meet its obligations to its current and future retirees, preserve sound fiscal practices, and provide necessary public services while maintaining competitive tax rates, the State must examine and quantify the impact of a wide array of important policy options raised by GASB No. 75 and the State’s inability to fully fund this liability; and

WHEREAS, the Retirement Benefit Study Committee, established through Executive Order 67, issued by Governor Ruth Ann Minner on May 2, 2005 produced consensus around a number of principles including that the history and funding of the State Employee Pension Plan is a model that should be emulated when approaching solutions for OPEB; and

WHEREAS, the State of Delaware has a long and successful tradition of bipartisan cooperation, credible analyses, and long-term focus in the conduct of its fiscal affairs; and

WHEREAS, a meaningful policy response to Delaware's postemployment health care obligations will require that the State once again draw upon its long and successful tradition of bipartisan fiscal management.

NOW, THEREFORE, I, JOHN C. CARNEY, by virtue of the authority vested in me as Governor of the State of Delaware, do hereby **DECLARE** and **ORDER** the following:

1. A Retiree Benefit Study Committee (the "Committee") is hereby reestablished and reconstituted. The Committee shall consist of thirteen (13) members as follows:

- a. Secretary of the Department of Finance, who shall serve as Chair;
- b. Director of the Office of Management and Budget, who shall serve as Vice Chair;
- c. Controller General;
- d. Director of the State Office of Pensions;
- e. Director of the Office of Statewide Benefits and Insurance Coverage;
- f. State Treasurer;
- g. One member appointed by the Speaker of the House of Representatives;
- h. One member appointed by the Minority Leader of the House of Representatives;
- i. One member appointed by the President Pro Tempore of the Senate;
- j. One member appointed by the Minority Leader of the Senate;
- k. One business representative appointed by the Secretary of Finance, in consultation with the Delaware State Chamber of Commerce;
- l. Two union labor representatives, to include one state employee and one public employee, recommended by the various labor organizations and appointed by the Director of the Office of Management and Budget.

2. Members serving by virtue of position, excluding the Director of the State Office of Pensions and the Director of the Office of Statewide Benefits and Insurance Coverage, may appoint a designee from their office to serve in their stead and at their pleasure. Appointed members shall serve at the pleasure of the appointing authority.

3. The Committee shall:

a. Study the results of any available actuarial work that addresses the impact of Other Post-Employment Benefits on the State of Delaware, or commission additional actuarial work if needed;

b. Identify the options available to the State and quantify the potential effects of each; and

c. Assess the desirability of the options (or a combination of options) according to the following criteria:

(1) the extent to which and over what time-horizon the option eliminates or reduces the State's unfunded liability;

(2) fairness in the distribution of cost between or among employees and retirees, taking into account such considerations as employees' and retirees' ages, length of State service, starting and ending dates of service, and income levels;

(3) the transparency of each option's impact on current and future beneficiaries;

(4) ease of administration for the State and of use by beneficiaries;

(5) the extent to which the option affects the State's position in the labor market, including taking into account its competitiveness with other employers, turn-over rates, and incentives or disincentives to retire; and

(6) fiscal considerations, including an assessment of the cost of continuing the insufficient funding of this growing liability including:

(a) debt rating implications and the cost of capital;

(b) impacts on operating budget growth and programs; and

(c) tax and revenue policy implications.

4. The Committee may rely upon outside experts as needed, including but not limited to actuaries, ratings agency staff and the State's financial advisor.

5. Administrative support for the Committee shall be provided by the following State offices, as requested by the Chair:

a. the Department of Finance;

b. the Office of Management and Budget;

c. the State Office of Pensions;

d. the Office of the Controller General;

- e. the Office of Statewide Benefits and Insurance Coverage; and
- f. the State Treasurer's Office.

6. The Committee shall hold its first meeting on or before September 30, 2019 and shall thereafter meet on a regular basis. The Department of Finance and the Office of Management and Budget shall provide meeting space.

7. The Committee shall present a summary of its preliminary findings to the Delaware Economic and Financial Advisory Council ("DEFAC") at DEFAC's March 2020 meeting.

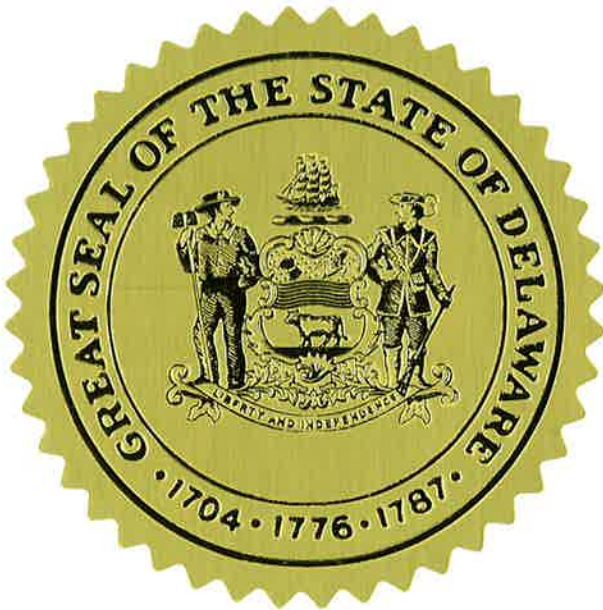
8. The Committee shall submit a written report of its findings and recommendations to the Governor, the General Assembly and DEFAC on or before March 31, 2020. If extended by further Executive Order pursuant to paragraph 9, the Committee shall thereafter report its findings and recommendations to the Governor, the General Assembly and DEFAC on or before March 31 of each year, with interim reports as requested or as the Committee deems prudent. Interim reports may be formal or informal.

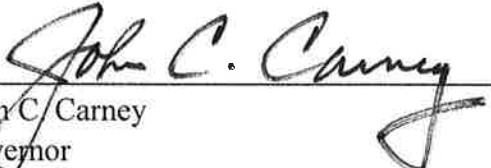
9. The Committee shall dissolve on April 15, 2020 unless extended by further Executive Order.

10. Executive Order Number 67, signed by Governor Minner on May 2, 2005, is hereby rescinded.

11. Executive Order Number 32, signed by Governor Carney on July 10, 2019, is hereby rescinded.

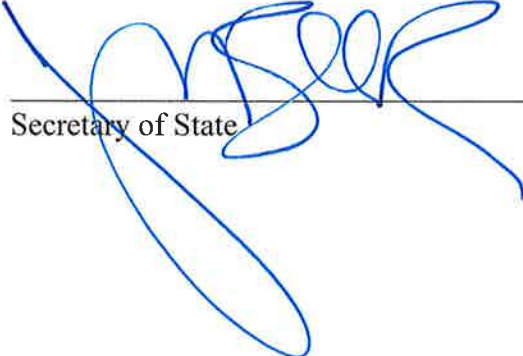
APPROVED this 13th day of September 2019.





John C. Carney
Governor

ATTEST:



Secretary of State