

STATE OF DELAWARE



EXECUTIVE DEPARTMENT DOVER

EXECUTIVE ORDER NUMBER SIXTY-SEVEN

RE: ESTABLISHING A RETIREMENT BENEFIT STUDY COMMITTEE

WHEREAS, the Governmental Accounting Standards Board ("GASB") has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-retirement Benefits other than Pensions"; and

WHEREAS, post-retirement benefits other than pensions consist primarily of health care insurance, the cost of which is escalating at a very rapid rate; and

WHEREAS, beginning in fiscal year 2008, GASB No. 45 requires state and local governments to recognize on their financial statements the present and future cost of benefits to pension recipients; and

WHEREAS, to date, the State of Delaware has funded retiree health benefits almost exclusively on a pay-as-you-go basis, and substantial resources will be required to be allocated to avoid a substantial unfunded liability associated with retiree benefits, as reported pursuant to GASB No. 45; 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. 45 and the resulting unfunded liability; 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 GASB No. 45 will require that the State once again draw upon its long and successful tradition of bipartisan fiscal management.

NOW, THEREFORE, I, RUTH ANN MINNER, GOVERNOR OF THE STATE OF DELAWARE, DO HEREBY ORDER AND DECLARE AS FOLLOWS:

1. A Retiree Benefit Study Committee (the "Committee") is created. The Committee shall consist of twelve (12) members as follows:
 - a. The Secretary of Finance or his designee;
 - b. The State Budget Director or her designee;
 - c. The Controller General or his designee;
 - d. The Director of the State Office of Pensions;
 - e. The Co-Chairs of the Joint Finance Committee;
 - f. One member appointed by the Speaker of the House of Representatives;
 - g. One member appointed by the Minority Leader of the House of Representatives;
 - h. One member appointed by the President Pro Tempore of the Senate;
 - i. One member appointed by the Minority Leader of the Senate;
 - j. One private sector representative nominated by the Delaware State Chamber of Commerce and appointed by the Secretary of Finance; and
 - k. One representative of a public employee union currently recognized as a bargaining entity with the State appointed by the Secretary of Finance.

The Secretary of Finance or his designee shall act as the Committee's Chairperson.

2. The purposes of the Retiree Study Benefit Committee shall be as follows:
 - a. Study the results of any available actuarial work (or commission additional actuarial work) that addresses GASB No. 45's impact on the State of Delaware;
 - b. Identify the options available to the State, quantify their potential effects, and assess the desirability of such options (or 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 employee and retirees' age, 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 of the State and use for 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;
 - (6) fiscal considerations including an assessment of the opportunity costs of GASB No. 45 compliance or noncompliance in terms of its:
 - (a) ratings implications and the cost of capital;
 - (b) impact on operating budget growth and programs; and
 - (c) tax and revenue policy implications.
3. The Retiree Benefit Study Committee shall be supported by staff from the following State offices:
 - a. the Department of Finance;
 - b. the State Budget Office;
 - c. the State Office of Pensions; and
 - d. the Office of the Controller General.
4. The Retiree Benefits Study Committee shall:
 - a. meet on a regular basis, with its first meeting occurring not later than June 1, 2005;
 - b. rely upon outside experts as needed, including but not limited to actuaries, rating agency staff, the State's Auditor of Accounts, and the State's financial advisor;
 - c. present a summary of its preliminary findings to the Delaware Economic and Financial Advisory Council at its September 2005 meeting; and

- d. issue a written report of its findings and recommendations to the Governor, General Assembly and the Delaware Economic and Financial Advisory Council by October 15, 2005.



Approved and adopted this 2nd day of
May, 2005.


Ruth Ann Minner
Governor

Attest:


Harriet Smith Windsor
Secretary of State