

State of Delaware
Other Postemployment Benefits (OPEB) Fund Trust

Schedules of Employer Allocations and OPEB Amounts by Employer

As of and for the Year Ended June 30, 2019



KATHLEEN
McGUINNESS
DELAWARE
STATE AUDITOR

State of Delaware Other Postemployment Benefits (OPEB) Fund Trust
Schedules of Employer Allocations and OPEB Amounts by Employer –
June 30, 2019

What Was Performed? An audit of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust Schedules of Employer Allocations and OPEB Amounts by Employer – June 30, 2019 was performed.

The State of Delaware's Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is administered by the Delaware Public Employees' Retirement System (DPERS). The Plan provides medical coverage to pensioners and their eligible dependents. Participating employers fund the Plan for current retirees on a pay-as-you-go basis. Funds recorded in the Plan include state appropriations, other employer contributions and retiree contributions for healthcare. The funds available are invested under the management of the DPERS Board of Pensioners. The financial statement is beneficial to eligible pensioners defined in the Plan and those parties interested in the Trust's accountability for the money it receives.

Why This Inspection? This engagement was performed in accordance with 29 Del. C. §2906.

What Was Found? It is my pleasure to report this audit contained an unmodified opinion. [1]

The State of Delaware Other Postemployment Benefits (OPEB) Fund Trust Schedules of Employer Allocations and OPEB Amounts by Employer – June 30, 2019 can be found on our website: [click here](#)

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at 302-739-5055 or Kathleen.Mcguinness@delaware.gov

[1] An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The complete report can be found on our website: auditor.delaware.gov

For more information, contact: State Auditor Kathleen McGuinness- kathleen.mcguinness@delaware.gov – (302) 739-5055

**State of Delaware
OPEB Fund Trust**

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Independent Auditor's Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2019, and the related notes. We have also audited the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense (specified column totals) included in the accompanying schedule of OPEB amounts by employer of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2019, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of OPEB amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the schedule of employer allocation and specified column totals included in the schedule of OPEB amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of OPEB amounts by employer.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense for the total of all participating entities for the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust as of and for the year ended June 30, 2019, and our report thereon, dated November 15, 2019, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of Delaware Public Employees' Retirement System management, the Board of Pension Trustees, State of Delaware Other Postemployment Benefits (OPEB) Fund Trust participating employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2020 on our consideration of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust's internal control over financial reporting and compliance.

BDO USA, LLP

May 22, 2020

**State of Delaware
OPEB Fund Trust
Schedule of Employer Allocations
As of and for the year ended June 30, 2019**

Reporting Unit	Employer Contributions 2019	Employer's Proportionate Share 2019
<i>State of Delaware Entities:</i>		
Academia Antonia Alonso	\$ 349,741	0.1392%
Academy of Dover Charter School	137,976	0.0549%
Campus Community School	228,363	0.0909%
Charter School of New Castle	518,360	0.2063%
Delaware Academy of Public Safety and Security	49,168	0.0196%
Delaware Agricultural Lands Preservation Foundation	10,705	0.0043%
Delaware Department of Transportation	8,714,836	3.4676%
Delaware Military Academy Charter School	375,396	0.1494%
Delaware State Housing Authority	42,004	0.0167%
Delaware State Lottery	303,694	0.1208%
Delaware State University	5,897,391	2.3465%
Design Thinking Academy	243,104	0.0967%
Early College High School at DSU	172,704	0.0687%
East Side Charter School	438,037	0.1743%
First State Military Academy	264,218	0.1051%
First State Montessori Academy	389,541	0.1550%
Freire Charter School	264,622	0.1053%
Gateway Lab School	215,548	0.0858%
General Government (State of DE)	217,034,201	86.3558%
Great Oaks Charter School	277,501	0.1104%
Kuumba Academy Charter School	507,738	0.2020%
Las Americas Aspira Academy	683,069	0.2718%
MOT Charter School	791,821	0.3151%
Newark Charter School	1,837,697	0.7312%
Odyssey Charter School	1,225,359	0.4876%
Positive Outcomes Charter School	191,146	0.0761%
Providence Creek Academy Charter School	355,110	0.1413%
Sussex Academy	488,850	0.1945%
The Charter School of Wilmington	632,663	0.2517%
Thomas A. Edison Charter School	465,993	0.1854%
State of Delaware Entities Sub-Total	243,106,556	96.7300%
<i>Affiliated Entities:</i>		
Delaware Solid Waste Authority	732,403	0.2913%
Delaware State Education Association	6,519	0.0026%
University of Delaware	7,479,958	2.9761%
Total	\$ 251,325,436	100.0000%

See accompanying notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

**State of Delaware
OPEB Fund Trust
Schedule of OPEB Amounts by Employer
As of and for the year ended June 30, 2019**

Reporting Unit	Deferred Outflows of Resources					Deferred Inflows of Resources					OPEB Expense		
	Net OPEB Liability	Expected and Actual Experience Differences	Assumption Changes	Changes in Proportion	Total Deferred Outflows of Resources	Expected and Actual Experience Differences	Assumption Changes	Projected and Actual Plan Investment Differences	Changes in Proportion	Total Deferred Inflows of Resources	Employer's Proportionate Share	Changes in Proportion	Total Employer OPEB Expense
<i>State of Delaware Entities:</i>													
Academia Antonia Alonso	\$ 11,090,284	\$ -	\$ 539,927	\$ 5,799,830	\$ 6,339,757	\$ 1,244,979	\$ 1,188,161	\$ 10,044	\$ -	\$ 2,443,184	\$ 337,203	\$ 1,287,659	\$ 1,624,862
Academy of Dover Charter School	4,375,211	-	213,006	157,064	370,070	491,155	468,740	3,962	614,575	1,578,432	133,030	(148,237)	(15,207)
Campus Community School	7,241,397	-	352,545	365,501	718,046	812,908	775,810	6,558	1,053,423	2,648,699	220,177	(158,240)	61,937
Charter School of New Castle	16,437,171	-	800,239	911,134	1,711,373	1,845,213	1,761,002	14,886	131,014	3,752,115	499,777	190,333	690,110
Delaware Academy of Public Safety and Security	1,559,102	-	75,904	-	75,904	175,022	167,035	1,412	4,878,726	5,222,195	47,405	(1,034,179)	(986,774)
Delaware Agricultural Lands Preservation Foundation	339,451	-	16,526	17,806	34,332	38,106	36,367	307	75,896	150,676	10,321	(9,335)	986
Delaware Department of Transportation	276,347,175	-	13,453,885	2,137,806	15,591,691	31,022,323	29,606,550	250,274	579,152	61,458,299	8,402,418	248,744	8,651,162
Delaware Military Academy Charter School	11,903,797	-	579,533	492,524	1,072,057	1,336,303	1,275,317	10,781	38,210	2,660,611	361,938	120,326	482,264
Delaware State Housing Authority	1,331,941	-	64,845	-	64,845	149,522	142,698	1,206	1,173,739	1,467,165	40,498	(306,966)	(266,468)
Delaware State Lottery	9,630,120	-	468,840	91,395	560,235	1,081,063	1,031,726	8,721	475,249	2,596,759	292,807	(117,968)	174,839
Delaware State University	187,006,094	-	9,104,339	-	9,104,339	20,993,026	20,034,962	169,362	6,808,152	48,005,502	5,685,976	(1,749,058)	3,936,918
Design Thinking Academy	7,708,812	-	375,301	3,980,804	4,356,105	865,380	825,886	6,982	-	1,698,248	234,389	979,696	1,214,085
Early College High School at DSU	5,476,440	-	266,619	1,338,036	1,604,655	614,777	586,720	4,960	257,722	1,464,179	166,513	350,974	517,487
East Side Charter School	13,890,145	-	676,238	1,213,273	1,889,511	1,559,287	1,488,125	12,580	-	3,059,992	422,334	264,268	686,602
First State Military Academy	8,378,340	-	407,897	3,876,547	4,284,444	940,540	897,616	7,588	-	1,845,744	254,746	1,009,268	1,264,014
First State Montessori Academy	12,352,326	-	601,370	4,404,071	5,005,441	1,386,654	1,323,371	11,187	-	2,721,212	375,576	1,208,029	1,583,605
Freire Charter School	8,391,152	-	408,521	4,123,981	4,532,502	941,978	898,989	7,600	-	1,848,567	255,135	1,043,576	1,298,711
Gateway Lab School	6,835,032	-	332,762	175,214	507,976	767,291	732,273	6,190	466,169	1,971,923	207,821	(47,868)	159,953
General Government (State of DE)*	6,882,147,676	-	335,055,427	-	335,055,427	772,579,672	737,321,258	6,232,810	47,924,109	1,564,057,849	209,253,737	(11,898,474)	197,355,263
Great Oaks Charter School	8,799,538	-	428,403	4,477,184	4,905,587	987,823	942,742	7,969	-	1,938,534	267,553	1,094,568	1,362,121
Kuumba Academy Charter School	16,100,359	-	783,842	3,062,215	3,846,057	1,807,402	1,724,918	14,581	-	3,546,901	489,536	781,869	1,271,405
Las Americas Aspira Academy	21,660,108	-	1,054,516	6,616,975	7,671,491	2,431,532	2,320,563	19,616	-	4,771,711	658,582	1,567,113	2,225,695
MOT Charter School	25,108,625	-	1,222,406	4,756,296	5,978,702	2,818,657	2,690,021	22,740	-	5,531,418	763,435	1,291,006	2,054,441
Newark Charter School	58,273,329	-	2,837,021	6,284,355	9,121,376	6,541,678	6,243,133	52,775	-	12,837,586	1,771,818	1,651,156	3,422,974
Odyssey Charter School	38,856,092	-	1,891,698	13,964,072	15,855,770	4,361,927	4,162,861	35,190	-	8,559,978	1,181,431	3,389,593	4,571,024
Positive Outcomes Charter School	6,061,244	-	295,090	383,176	678,266	680,426	649,373	5,490	-	1,335,289	184,294	103,588	287,882
Providence Creek Academy Charter School	11,260,536	-	548,216	414,654	962,870	1,264,091	1,206,401	10,198	438,292	2,918,982	342,380	(3,215)	339,165
Sussex Academy	15,501,407	-	754,682	2,979,252	3,733,934	1,740,165	1,660,749	14,039	-	3,414,953	471,325	744,125	1,215,450
The Charter School of Wilmington	20,061,712	-	976,699	90,627	1,067,326	2,252,098	2,149,319	18,169	1,237,269	5,656,855	609,982	(235,014)	374,968
Thomas A. Edison Charter School	14,776,634	-	719,396	313,870	1,033,266	1,658,803	1,583,100	13,382	439,776	3,695,061	449,288	3,659	452,947
Previously Closed Entities**	-	-	-	-	-	-	-	-	7,934,935	7,934,935	-	(2,418,301)	(2,418,301)
State of Delaware Entities Sub-Total	7,708,901,250	-	375,305,693	72,427,662	447,733,355	865,389,801	825,895,786	6,981,559	74,526,408	1,772,793,554	234,391,425	(797,305)	233,594,120
<i>Affiliated Entities:</i>													
Delaware Solid Waste Authority	23,224,492	-	1,130,678	517,181	1,647,859	2,607,147	2,488,164	21,033	494,864	5,611,208	706,147	67,732	773,879
Delaware State Education Association	206,723	-	10,064	-	10,064	23,206	22,147	187	167,297	212,837	6,285	(44,150)	(37,865)
University of Delaware	237,189,246	-	11,547,492	9,153,253	20,700,745	26,626,512	25,411,352	214,810	6,909,527	59,162,201	7,211,809	773,723	7,985,532
Total	\$ 7,969,521,711	\$ -	\$ 387,993,927	\$ 82,098,096	\$ 470,092,023	\$ 894,646,666	\$ 853,817,449	\$ 7,217,589	\$ 82,098,096	\$ 1,837,779,800	\$ 242,315,666	\$ -	\$ 242,315,666

*The General Government now includes the Delaware Economic Development Office, previously presented as a separate entity, as its operations were absorbed by the Division of Small Business, Department of State.

**Previously Closed Entities include Delaware College Prep Academy, The Delaware MET, Delaware Sten Academy, and Prestige Academy, charter schools that were closed from 2016-2018. These entities will remain on the schedule until the amortization of Change in Proportion is complete.

See accompanying notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

**State of Delaware
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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

Note 1: Description of the Plan

The State of Delaware’s Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined-benefit plan established in Delaware Code. The Plan is administered by the Delaware Public Employees’ Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. The Plan’s assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. Additional financial and actuarial information with respect to the Plan may be found in the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust Financial Statements available online at <https://open.omb.delaware.gov/Financials.shtml>.

The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees’, New State Police, Judiciary and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State’s component units and affiliated agencies which are part of the State Employees’ Pension Plan. Those employers are Delaware State University, Delaware State Housing Authority, Delaware Charter Schools, University of Delaware, Delaware Solid Waste Authority, and the Delaware State Education Association. The participant’s cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree’s death.

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, and administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

Membership data is as follows:

	June 30, 2019^a
Retirees and Beneficiaries Receiving Benefits:	22,401
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	3,742
Active Eligible Plan Members	37,809
Total Members	63,952

^a Based on census data as of July 1, 2018

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

Note 2: Basis of Presentation

The Schedules of Employer Allocations and OPEB Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the Plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the Plan or the participating employers. The accompanying schedules have been prepared in conformity with United States generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Note 3: Allocation Methodology

The amounts assigned to each employer in the Schedule of OPEB Amounts by Participating Employer is each employer's proportionate share of the Net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense (the Collective OPEB Amounts) determined in accordance with the Governmental Accounting Standards Board's Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Management has elected to allocate the employer's proportionate shares of the Collective OPEB Amounts based on the percentage of actual employer contributions during the period July 1, 2018 through June 30, 2019.

Note 4: Collective Net OPEB Liability and Actuarial Information

The components of the collective net OPEB liability of the participating employers are as follows (expressed in thousands):

	<u>June 30, 2019</u>
Total OPEB Liability	\$ 8,379,623
Fiduciary Net Position	<u>(410,101)</u>
Net OPEB Liability	<u>\$ 7,969,522</u>

Actuarial Assumptions

The collective total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total OPEB liability to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

<u>Actuarial assumptions:</u>	<u>June 30, 2019</u>
Discount rate	3.50%
Projected salary increases	3.25% + Merit
Healthcare cost trend rates	6.60%

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the RP-2014 Total Dataset Employee Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent at the beginning of the current measurement period and 3.50 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2019 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Collective Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollar amounts expressed in thousands):

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Collective Net OPEB Liability	\$ 9,449,826	\$ 7,969,522	\$ 6,795,037

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (dollar amounts in thousands):

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

	1% Decrease (5.6%)	Healthcare Trend (6.6%)	1% Increase (7.6%)
Collective Net OPEB Liability	\$ 6,810,465	\$ 7,969,522	\$ 9,353,161

Note 5: Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources are amortized into OPEB expense over a five-year closed period beginning the year in which the difference occurs, except for differences in projected and actual investment returns which are amortized over a five-year period. The cumulative amounts of collective net deferred outflows (inflows) of resources and deferred inflows of resources will be recognized in OPEB expense as follows (expressed in thousands):

Year ending June 30:	
2020	\$ (367,345)
2021	(367,345)
2022	(363,258)
2023	(168,409)
2024	(101,331)

Note 6: Collective OPEB Expense

The components of collective OPEB expense for the year ending June 30, 2019 are as follows (expressed in thousands):

Service Cost	\$ 303,006
Interest Cost	333,692
Contributions	(145)
Administrative Expenses	180
Expected Return on Assets	(27,072)
Recognition of deferred outflows and inflows of resources:	
Differences between projected and actual earnings on plan investments	(4,371)
Differences between liability gains and losses	(178,929)
Changes in assumption with regards to factors or other inputs in the measurement of total OPEB liability	(184,045)
OPEB Expense	\$ 242,316

Note 7: Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In

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Notes to Schedule of Employer Allocations and Schedule of OPEB Amounts by Employer

March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. While the Plan's investment portfolio has a long term strategy, it experienced increased volatility and significant fluctuations in fair value since June 30, 2019. Such changes in market value and possible changes to the actuarial assumptions used in determining the net OPEB liability, such as discount rates, healthcare cost trends, and rates of retirement and termination as a result of the COVID-19 outbreak may result in significant changes to the total amount of liability, deferred inflows, deferred outflows, and OPEB expense to be allocated to participating employers in future periods. However, the actual impact, if any, cannot be determined at this time.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards*

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of employer allocations and the total for all entities of the columns titled net OPEB liability, total deferred outflows of resources, total deferred inflows of resources, and total employer OPEB expense as of and for the year ended June 30, 2019 (specified column totals), included in the schedule of OPEB amounts by employer of the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust (the Trust) (hereafter collectively referred to as the Schedules) and the related notes and have issued our report thereon dated May 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedules will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedules amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 22, 2020