

NEWSLETTER

Delaware Public Employees' Retirement System

Retiree Edition

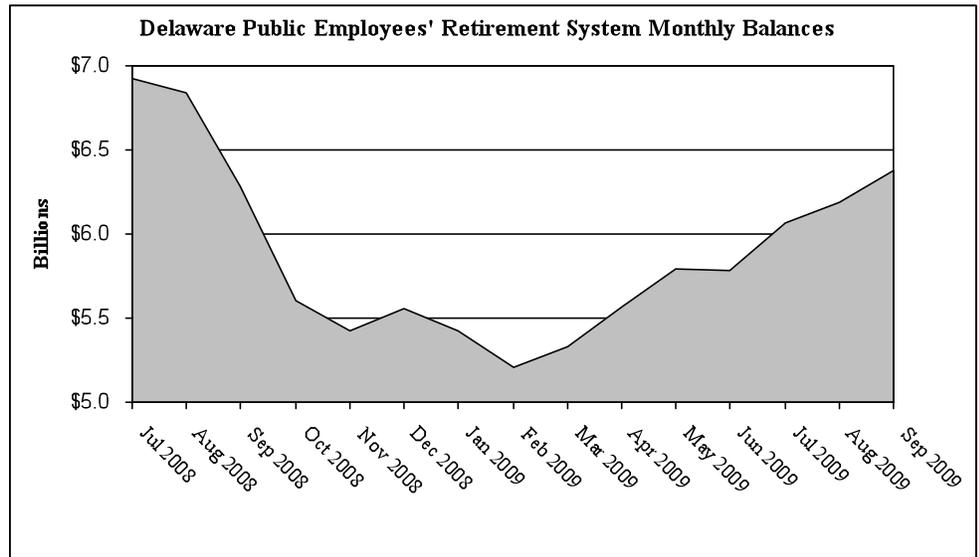
December 2009

An Overview of Investment Performance

During the Fiscal Year 2009, the global economy suffered the largest downturn since the Great Depression. As a result of this downturn, the investment markets declined sharply through mid-March 2009 with the S&P 500 bottoming out at 57% off its all-time high. Since March 2009, the markets have recovered significantly as the economy began to show signs of recovery. As of the Fiscal Year ended June 30, 2009, the Delaware Public Employees' Retirement System (System) lost 15.8% versus the S&P 500 loss 26.2% for the same period. For five years ending June 30, 2009, the System returned 3.6% versus the S&P 500 loss of 2.2%, respectively. According to a recent survey, when comparing the System investment performance to other pension funds, the System remains a top quartile performer.

While the economic indicators point to a recovery, uncertainty remains. Recently Federal Reserve Chairman Ben Bernanke declared the recession is "very likely over" and this was backed up with recent GDP data showing growth at annual rate of 3.5% in the third quarter. However with unemployment remaining high and credit limited, any economic growth is expected to be sluggish in the coming months.

In the third quarter, the System tracked its benchmark very closely realizing a return of 11.2%, with the Delaware Benchmark realizing a return of 11.8%, respectively.



While the System has seen considerable appreciation, the Board, Investment Committee, and Office of Pensions management continue to monitor financial markets and seek investment opportunities that fit into the risk and return guidelines of the Delaware Public Employees' Retirement System.

Safety Tip:

Produced by the Delaware Insurance Coverage Office

You ALWAYS have a choice to open your door when someone rings or knocks.

Once you have opened it though, you may not have the choice of closing it easily if you have a problem. Instead of habitually opening your door when someone is there, THINK FIRST and open the door only when you are sure you want the person on the other side of the door to be able to come inside your home.

The Pension Office will be closed on the following dates:

Martin Luther King Jr. Day	Monday January 18
Good Friday	Friday April 2
Memorial Day	Monday May 31
Independence Day	Monday July 5
Labor Day	Monday September 6
Election Day	Tuesday November 2
Veterans Day	Thursday November 11
Thanksgiving Day	Thursday November 25
Day After Thanksgiving	Friday November 26
Christmas Eve Day	Friday December 24
New Years Eve Day	Friday December 31



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Annual Financial Reporting

This year the Delaware Public Employees' Retirement System (DPERS) continued to confront extremely volatile market conditions. The System's investments incurred a 15.8% decline gross of fees in Fiscal Year 2009. The total System's annualized returns for the last 5, 10, and 15 years are 3.6%, 4.2% and 8.3% respectively. Over the last year, the Board of Trustees (Board) of DPERS, through its Investment Committee, has taken material steps to protect the asset value of the investment portfolio. During these challenging market conditions, the Board, Investment Committee, and consultants are constantly monitoring DPERS' investment portfolio. It is important to remember that DPERS is a long-term investor with a time horizon that lasts over decades and that the investment portfolio is well diversified in many different asset classes.

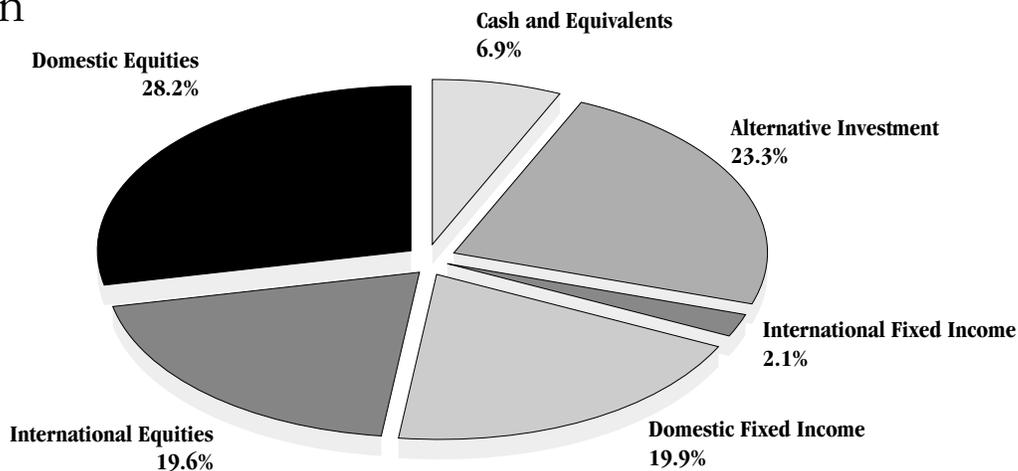
As a member of a DPERS pension plan, you participate in a Defined Benefit Plan and your retirement benefits are paid out to you regardless of market events. When you retired, DPERS calculated your monthly pension benefit based on various factors such as years of service and salary, not investment results. DPERS takes responsibility for the management and investment of the trust fund and understands that markets will fluctuate. DPERS' investment policy seeks to minimize risk and provide returns over the long term.

During the past fiscal year, DPERS achieved many operational goals, which included assistance of outside legal counsel to review the structure of the System and regulations of the nine plans/funds it administers for compliance with Internal Revenue Code (IRC) and its rules, regulations, and interpretive opinions. These plans have been submitted to the Internal Revenue Service (IRS) requesting a Determination Letter that provides support that the plans are designed and operating in accordance with applicable sections of the IRC as tax qualified government retirement plans.

The Pension System also added to its complement of professional resources by engaging professional consultants and outside legal counsel to provide specialized advice in reviewing investment contracts, monitoring securities litigation, and measuring investment performance. Also in Fiscal Year 2009 work continued on the implementation of a new financial reporting system. The System also continued its efforts in upgrading the existing human resource system that houses all beneficiary data and calculations.

Asset Allocation

as of June 30, 2009



Annual Financial Reporting

Participation in the County & Municipal pension plans continued to grow with the addition of the Towns of Lewes, Seaford, and Bridgeville.

The DPERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008 was awarded the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the thirteenth consecutive year that DPERS has received a Certificate of Achievement. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Pension Plan/Fund	Ending Market Value as of June 30, 2009 (in thousands)	Funding Status as of June 30, 2008
State Employees'	\$ 5,392,660	98.8%
Special Fund	405	129.3%
New State Police	184,919	95.1%
Judiciary	39,234	84.8%
County & Municipal Police & Firefighters'	98,891	97.7%
County & Municipal Other Employees'	13,266	89.8%
Delaware Volunteer Firemen's	11,432	49.8%
Diamond State Port Corporation	11,549	88.1%
Closed State Police	754	0.2%

the Closed State Police Plan is a pay-as-you-go plan.

In addition, the Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2008. The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards considered include: comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment Committee, and communications with membership.

2009 Tax Documents and Comprehensive Annual Statements

Forms 1099-R, 1099-MISC & W-2's

Your 2009 Tax Documents are scheduled to be mailed no later than January 31, 2010. Retirees who received a benefit payment from the State of Delaware Office of Pensions in 2009 will receive either a 1099-R, 1099-MISC or W-2 Form stating information about that payment. You will need this information to complete your 2009 Income Tax Returns. Some retirees may receive more than one of the above listed forms if they received more than one type of payment; for instance, if they received a payment as a beneficiary of another member's benefit and monthly benefit payments from their own retirement.

Comprehensive Annual Statements

Your CAS (Comprehensive Annual Statement) is scheduled to be mailed in mid to late winter. Retirees who received monthly benefit payments in 2009 will receive a personalized statement. The statement will list the Survivor Entitlement selected at retirement, Benefit Options and Plan Options.

Carefully Review Your Mailings

When you receive your documents, please review them carefully. If you have any questions regarding your Tax Documents, please contact the Pension Office. If you have any questions regarding your Comprehensive Annual Statement, please follow the instructions on the document.

Upcoming Pension Benefit Check Dates:

Friday, January 29, 2010

Friday, February 26, 2010

Wednesday, March 31, 2010

Friday, April 30, 2010

Friday, May 28, 2010

Wednesday, June 30, 2010

Reminder: Pension benefits are payable on the last working day of each month.

Are You Confused About Medicare Part D and Your State of Delaware Health Care Coverage?

Here are some helpful facts:

- Medicare Part D is the prescription benefit available to Medicare recipients. You are not required to enroll in Medicare Part D in order to receive other Medicare coverage. If you are in the State's pension health plan, you already have prescription drug coverage that is at least as generous as the Medicare Part D private insurer plans that are offered.
- If you or your spouse also enrolled in health care coverage through a private company or another company's retirement plan, that plan may have included enrollment in Medicare Part D.
- **IMPORTANT: You are not permitted to remain enrolled in the State's prescription coverage if you enroll in a Medicare Part D plan.** If you receive a letter from the Statewide Benefits Office indicating that you are currently

enrolled in Medicare Part D and State prescription coverage, you must take action immediately. A form indicating your intent will be included with the letter and must be returned to the Pension Office promptly. You may continue your State of Delaware healthcare coverage without prescription benefits.

- If you are considering enrolling in a Medicare Part D plan and dropping your existing prescription drug coverage through the State of Delaware you should compare your current coverage, including which drugs are covered at what cost, with the coverage and costs of the plans offering Medicare prescription drug coverage in your area to determine which plan would be most beneficial.

- **IMPORTANT:** If you do decide to join a Medicare Part D drug plan and drop your existing

prescription drug coverage through the State of Delaware Medical and Prescription Drug Plans, be aware that you and your dependents may not be able to re-enroll in the State of Delaware plan until the next open enrollment.

- Because your existing coverage is, on average, at least as good as standard Medicare prescription drug coverage, you can keep this coverage and not pay a higher premium (a penalty) if you later decide to join a Medicare drug plan.

- Additional information is included in the "Letter of Creditable Coverage" available at www.ben.omb.delaware.gov/script.

STILL HAVE QUESTIONS?

Contact the Statewide Benefits Office at 1-800-489-8933 or the Office of Pensions at 1-800-722-7300.

Caring for a loved one? Share the care with Delaware Hospice

As we take on responsibility for a loved one who is coping with a serious illness, we often find ourselves overwhelmed, confused, and frustrated. Delaware Hospice recognizes the need for caregiver support, and those who call early enough discover a wonderful surprise—that hospice care is for the entire family.

The needs of the entire family are a concern of the Delaware Hospice team in its holistic approach to end-of-life care. Perhaps you have pending legal matters that need to be tended to; perhaps there's an estranged family member who might be brought closer through a mediator such as a hospice chaplain, perhaps you just need to know there's someone to call in the middle of the night in a crisis. We can also connect you with local agencies that offer services to help caregivers.

Another unique support program for children or grandchildren is Delaware Hospice's **New Hope** program, established for children and teens who have lost a loved one. **New Hope** guides youth through the maze of emotions experienced both before and after the loss with individual or group counseling, customized workshops, and a summer day camp.

Unfortunately, too many families wait until the last few days of their loved one's life to make that call. As a result, not only does your loved one miss out on the higher quality of life he or she might have, but you miss out on the great support that Delaware Hospice's professional care teams can offer.

It is the mission of Delaware Hospice to serve as a community resource for end of life care. Please call 800-838-9800 or visit our website: www.delawarehospice.org to learn more about our programs and services.

Famous Quotation

Do not let what you can't do interfere with what you can do.

— John Wooden