



DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

Schedules of Employer Allocations and Schedules of
Pension Amounts by Employer

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

Issuance Date: August 14, 2015

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System:

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Police and Firefighters' Pension Plan as of and for the years ended June 30, 2014 and 2013, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2014, and the total for all entities of the column titled net pension liability included in the accompanying schedule of pension amounts by employer of the County & Municipal Police and Firefighters' Pension Plan as of June 30, 2013 (collectively, the specified column totals) 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule of employer allocations and the specified column totals included in the schedule of pension 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 pension 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 pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension 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 pension 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 pension amounts by employer.

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2014, and employer allocations and net pension liability for the total of all participating entities for the County & Municipal Police and Firefighters' Pension Plan as of and for the year ended June 30, 2013, in accordance with U.S. generally accepted accounting principles.

Other Matter

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 Delaware Public Employees' Retirement System as of and for the year ended June 30, 2014, and our report thereon, dated December 19, 2014, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of County & Municipal Police and Firefighters' Pension Plan management, the Board of Pension Trustees, County & Municipal Police and Firefighters' Pension Plan 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 June 30, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that 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 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 Plan's internal control over financial reporting and compliance.

KPMG LLP

June 30, 2015

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 County & Municipal Police and Firefighter' Pension Plan

Schedule of Employer Allocations

Years ended June 30, 2014 and 2013

<u>Reporting unit</u>	<u>Employer contribution 2013</u>	<u>Employer contribution 2014</u>	<u>2013 Employer proportionate share</u>	<u>2014 Employer proportionate share</u>
Wilmington Pol/FF	\$ 2,848,138	3,491,518	32.8450%	33.9547%
Bethany Beach	79,289	85,404	0.9144	0.8305
Blades	17,516	15,297	0.2020	0.1488
Bridgeville	41,668	50,457	0.4805	0.4907
Camden	61,161	58,061	0.7053	0.5646
Cheswold	9,667	14,960	0.1115	0.1455
Clayton	59,004	69,774	0.6804	0.6785
Dagsboro	16,910	20,588	0.1950	0.2002
Delmar Police	91,629	98,022	1.0567	0.9533
Dewey Beach	55,566	64,393	0.6408	0.6262
Dover	906,987	990,588	10.4595	9.6334
Elsmere Police	60,719	58,471	0.7002	0.5686
Felton Police	25,890	24,269	0.2986	0.2360
Fenwick Island	41,893	45,028	0.4831	0.4379
Georgetown	100,954	125,982	1.1642	1.2252
Greenwood	17,591	21,591	0.2029	0.2100
Harrington Police	58,228	69,626	0.6715	0.6771
Laurel Police	79,860	99,527	0.9210	0.9679
Lewes Police	79,601	93,826	0.9180	0.9124
Middletown Police	261,893	274,651	3.0202	2.6710
Milford	249,034	263,364	2.8719	2.5612
Millsboro	82,793	101,996	0.9548	0.9919
Milton	65,552	53,639	0.7560	0.5216
New Castle City	869,163	168,411	10.0233	1.6378
New Castle County	1,930,147	3,270,358	22.2586	31.8039
Newport	66,059	74,176	0.7618	0.7214
Ocean View	49,631	61,760	0.5723	0.6006
Rehoboth Beach Police	124,512	147,699	1.4359	1.4364
Seaford Police	206,261	243,861	2.3786	2.3715
Selbyville Police 2/12	46,260	49,547	0.5335	0.4818
South Bethany	53,283	57,861	0.6145	0.5627
Wyoming	14,594	18,171	0.1683	0.1767
Total	<u>\$ 8,671,453</u>	<u>10,282,876</u>	<u>100.00%</u>	<u>100.00%</u>

See accompanying notes to plan schedules.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 County & Municipal Police and Firefighter' Pension Plan
 Schedule of Pension Amounts by Employer
 Years ended June 30, 2014 and 2013

Reporting unit	Deferred outflows of resources 2014						Deferred inflows of resources 2014					Pension expense – 2014		
	Net pension liability 2013	Net pension liability 2014	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	Collective pension expense	Pension expense from proportion change	Total 2014 employer pension expense
Wilmington Pol/FF	\$ 3,319,322	(3,673,140)	—	—	101,950	101,950	—	—	5,661,086	—	5,661,086	2,047,998	10,195	2,058,193
Bethany Beach	92,406	(89,846)	—	—	—	—	—	—	138,472	7,702	146,174	50,095	(770)	49,325
Blades	20,414	(16,093)	—	—	—	—	—	—	24,803	4,891	29,694	8,973	(489)	8,484
Bridgeville	48,561	(53,082)	—	—	935	935	—	—	81,810	—	81,810	29,596	93	29,689
Camden	71,280	(61,081)	—	—	—	—	—	—	94,139	12,925	107,064	34,057	(1,292)	32,765
Cheswold	11,266	(15,738)	—	—	3,124	3,124	—	—	24,255	—	24,255	8,775	312	9,087
Clayton	68,765	(73,403)	—	—	—	—	—	—	113,130	174	113,304	40,927	(17)	40,910
Dagsboro	19,708	(21,659)	—	—	478	478	—	—	33,381	—	33,381	12,076	48	12,124
Delmar Police	106,788	(103,121)	—	—	—	—	—	—	158,931	9,502	168,433	57,496	(950)	56,546
Dewey Beach	64,758	(67,743)	—	—	—	—	—	—	104,406	1,339	105,745	37,771	(134)	37,637
Dover	1,057,035	(1,042,117)	—	—	—	—	—	—	1,606,122	75,896	1,682,018	581,043	(7,590)	573,453
Elsmere Police	70,764	(61,512)	—	—	—	—	—	—	94,804	12,090	106,894	34,297	(1,209)	33,088
Felton Police	30,173	(25,531)	—	—	—	—	—	—	39,349	5,746	45,095	14,235	(575)	13,660
Fenwick Island	48,824	(47,370)	—	—	—	—	—	—	73,007	4,155	77,162	26,412	(415)	25,997
Georgetown	117,655	(132,536)	—	—	5,600	5,600	—	—	204,265	—	204,265	73,897	560	74,457
Greenwood	20,501	(22,714)	—	—	654	654	—	—	35,007	—	35,007	12,664	65	12,729
Harrington Police	67,861	(73,248)	—	—	516	516	—	—	112,890	—	112,890	40,840	52	40,892
Laurel Police	93,072	(104,705)	—	—	4,313	4,313	—	—	161,372	—	161,372	58,379	431	58,810
Leves Police	92,770	(98,706)	—	—	—	—	—	—	152,127	507	152,634	55,035	(51)	54,984
Middletown Police	305,219	(288,938)	—	—	—	—	—	—	445,314	32,085	477,399	161,100	(3,208)	157,892
Milford	290,233	(277,064)	—	—	—	—	—	—	427,014	28,544	455,558	154,480	(2,854)	151,626
Millsboro	96,490	(107,301)	—	—	3,411	3,411	—	—	165,374	—	165,374	59,827	341	60,168
Milton	76,397	(56,430)	—	—	—	—	—	—	86,970	21,527	108,497	31,463	(2,153)	29,310
New Castle City	1,012,954	(177,172)	—	—	—	—	—	—	273,059	770,400	1,043,459	98,784	(77,040)	21,744
New Castle County	2,249,462	(3,440,476)	—	—	876,953	876,953	—	—	5,302,501	—	5,302,501	1,918,273	87,696	2,005,969
Newport	76,987	(78,035)	—	—	—	—	—	—	120,268	—	120,268	43,509	(372)	43,137
Ocean View	57,841	(64,973)	—	—	2,597	2,597	—	—	100,137	—	100,137	36,226	260	36,486
Rehoboth Beach Police	145,110	(155,382)	—	—	45	45	—	—	239,477	—	239,477	86,635	4	86,639
Seaford Police – 26 pay	240,384	(256,346)	—	—	56,368	56,368	—	—	395,392	57,020	452,412	143,040	(65)	142,975
Selbyville Police 2/12	53,913	(52,124)	—	—	—	—	—	—	80,335	4,744	85,079	29,063	(474)	28,589
South Bethany	62,098	(60,871)	—	—	—	—	—	—	93,815	4,756	98,571	33,939	(476)	33,463
Wyoming	17,008	(19,117)	—	—	774	774	—	—	29,463	—	29,463	10,659	77	10,736
Total	\$ 10,106,019	(10,817,774)	—	—	1,057,718	1,057,718	—	—	16,672,475	1,057,718	17,730,193	6,031,564	—	6,031,564

See accompanying notes to plan schedules.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(1) Plan Descriptions and Contribution Information

The County & Municipal Police and Firefighters' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, 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.

The following are brief descriptions of the Plan in effect as of June 30, 2014. For a more complete description, please refer to the DPERS CAFR.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1
860 Silver Lake Blvd
Dover, DE 19904

County & Municipal Police and Firefighters' Pension Plan

(a) Plan Description and Eligibility

The Plan covers police officers and firefighters employed by a county or municipality of the State that have joined the Plan.

(b) Service Benefits

2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

(c) Vesting

Five years of credited service.

(d) Retirement

Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(e) ***Disability Benefits:***

Duty – Total Disability – 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty – Partial Disability – Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

NonDuty – Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

(f) ***Survivor Benefits***

If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

(g) ***Contributions:***

Employer – Determined by Board of Pension Trustees. Employer contributions were 15.5% and 14.8% of earnings for the Fiscal Year 2014 and 2013, respectively.

Member – 7% of compensation.

(2) **Basis of Presentation**

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers.

(3) **Summary of Significant Accounting Policies**

The accompanying schedules of the Plan within the Delaware Public Employees' Retirement System (DPERS or the System) have been prepared in conformity with Accounting Principles Generally Accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Plan Schedules are presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Management of the System has made certain estimates and assumptions relative to the Plan Schedules. Due to the inherent nature of these estimates, actual results could differ from those estimates.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(4) Employer Allocation Percentage Methodology

The amounts assigned to each employer in the Schedule of Pension Amounts by Employer is each employer's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (the Collective Pension Amounts) determined in accordance with Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)*. Management has elected to allocate the employer's proportionate shares of the collective pension amounts based on the percentage of actual employer contributions as documented in the Schedule of Employer Allocations.

(5) Collective Net Pension Liability (Asset) and Actuarial Information

The components of the net pension liability (asset) of the Plan as of June 30, 2014 were as follows (Dollar values expressed in thousands):

<u>Year</u>	<u>(1) Total pension liability</u>	<u>(2) Plan fiduciary net position</u>	<u>(3) Employers' net pension liability (asset) (1)-(2)</u>
2014	\$ 241,845	252,662	(10,817)
2013	214,845	204,739	10,106

The collective total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of June 30, 2013. These actuarial valuations used the following actuarial assumptions:

<u>Plan</u>	<u>County & Municipal Police and Firefighters'</u>
Actuarial assumptions:	
Investment rate of return/Discount rate ¹	7.2%
Projected salary increases ¹	4% to 11.5%
Cost-of-living adjustments	Ad hoc

(1) Inflation is included at 3% the total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. 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.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

Mortality rates were based on the Sex distinct RP – 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation are summarized in the following table:

	<u>Long-term expected real rate of return</u>
Asset class:	
Domestic equity	5.7%
International equity	5.7
Fixed income	2.0
Alternative investments	7.8
Cash and equivalents	—

Discount rate: The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability of the Plans, calculated using the discount rate of 7.2%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (dollar values expressed in thousands):

<u>Plans</u>	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
County & Municipal Police and Firefighters	\$ 28,343	(10,817)	(42,890)

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Police and Firefighters' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(6) Components on Schedule of Pension Amounts by Employer

(a) *Net Pension Liability (Asset)*

The employer proportionate share of net pension liability (asset) is equal to the collective net pension liability (asset) multiplied by the employers proportionate share percentage for fiscal year ending June 30, 2014 as shown in Schedule of Employer Allocations.

(b) *Expected and Actual Experience Differences*

The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is 11 years. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of the difference between expected and actual experience for fiscal year ending June 30, 2014 is \$0.00. As this is the first year of implementation of GASB Statement No. 68 and rollforward procedures were used to determine the total pension liability at the measurement date, there were no changes between expected and actual experience.

(c) *Change in Assumptions*

The change in assumptions about future economic or demographic factors or other inputs is amortized over the average of the expected remaining service life of active and inactive members which is 11 years. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of change in assumptions for fiscal year ending June 30, 2014 is \$0.00.

(d) *Change in Employer Proportionate Share*

The change in employer proportionate share is the amount of difference between the employer proportionate share of net pension liability (asset) in the prior year compared to the current year. This change in proportion is amortized over the average of the expected remaining service life of active and inactive members which is 11 years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

(e) *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments*

The difference between the actual earnings on plan investments compared to the plans expected rate of return of 7.2% is amortized over a closed period of 5 years. The collective amount of the difference between projected and actual earnings for fiscal year ending June 30, 2014 is \$20,840,594. The first year of amortization, \$4,168,119, is recognized as pension expense with the remaining 4 years, \$16,672,475, to be shown as a deferred inflow of resources. The employer proportionate share of these collective amounts is equal to the collective amount multiplied by the employers proportionate share percentage for fiscal year ending June 30, 2014 as shown in the Schedule of Employer Allocations.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 County & Municipal Police and Firefighters' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(7) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all plan members, beginning the year in which the deferred amount occurs. The amortization period is 11 years for the County & Municipal Police and Firefighters' for deferred amounts arising in 2014. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of collective net deferred outflows (inflows) of resources reported as of June 30, 2014 will be recognized in pension expense as follows:

	<u>County & Municipal Police and Firefighters'</u>
Year ending June 30:	
2015	\$ (4,168,122)
2016	(4,168,122)
2017	(4,168,122)
2018	(4,168,122)

(8) Pension Expense

The components of the pension expense for the year ending June 30, 2014 are as follows (in thousands):

Service cost	\$	14,297
Member contributions		(4,897)
Administrative expenses		100
Interest on the total pension liability		15,863
Projected earnings on plan investments		(15,163)
Amortization of investment return differences		(4,168)
Pension expense	\$	<u><u>6,032</u></u>



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' 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 financial schedules of Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan, which are comprised of the schedule of employer allocation as of and for the years ended June 30, 2014 and 2013, and the schedule of pension amounts for the year ended June 30, 2014, and the related notes to the financial schedules, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial schedules, we considered Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan'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 financial schedules, but not for the purpose of expressing an opinion on the effectiveness of Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan'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 entity's financial 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 Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan's financial 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 financial schedule 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 Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan'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 Delaware Public Employees' Retirement System – County & Municipal Police and Fire Fighters' Pension Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

June 30, 2015