

**Delaware State Volunteer
Firemen's Pension Plan**

**Actuarial Valuation
as of June 30, 2006**

Produced by [Cheiron](#)

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April 11, 2007

Board of Pension Trustees
State of Delaware
McArdle Building
860 Silver Lake Boulevard, Suite 1
Dover, Delaware 19904

Dear Members of the Board:

At your request, we have conducted the annual actuarial valuation of the Delaware State Volunteer Firemen's Pension Plan as of June 30, 2006. The results of the valuation are contained in this report. The purpose of the valuation is discussed in the Foreword.

This report contains information on Plan assets, as well as analyses which combine asset and liability performance and projections. The report also discloses employer contribution levels, and required disclosures under the Governmental Accounting Standards Board Statement #25.

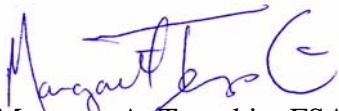
Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief. The results of this report are only applicable to the employer contribution for Fiscal Year ending 2008 and rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as Members of the American Academy of Actuaries, we meet the Qualification Standards to render the opinions contained herein.

Sincerely,
Cheiron



Fiona E. Liston, FSA
Consulting Actuary



Margaret A. Tempkin, FSA
Actuary



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

FOREWORD

Cheiron has performed the actuarial valuation of the Delaware State Volunteer Firemen's Pension Plan as of June 30, 2006. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the Plan;
- 2) **Indicate trends** in the financial progress of the Plan;
- 3) **Determine the contribution rate** to be paid by the State for Fiscal Year 2008; and
- 4) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes Plan assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the Plan's investment performance as well as an analysis of actuarial liability gains and losses.

Section I presents a summary containing our findings and disclosing important trends experienced by the Plan in recent years.

Section II contains details on various asset measures, together with pertinent performance measurements.

Section III shows similar information on Plan liabilities, measured for actuarial, accounting, and government reporting purposes.

Section IV develops the employer contribution rate determined using actuarial techniques and compares that to the rate developed using the corridor method of funding.

Section V includes the required disclosures under GASB Statement number 25.

The appendices to this report contain a summary of the Plan's membership at the valuation date, a summary of the major provisions of the Plan, and the actuarial methods and assumptions used in the valuations.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Office of Pension's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

The actuarial assumptions reflect our understanding of the likely future experience of the Plan and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the Plan could vary from our results.

Finally, in preparing this report, we have conformed to generally accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION I BOARD SUMMARY

General Comments

The numbers listed under the headings "June 30, 2005" throughout this report are those produced by the prior actuary and disclosed in their June 30, 2005 report.

The actuarially determined contribution rate increased from \$1,463,800 for FY 2007 to \$1,528,500 for FY 2008. During the year ended June 30, 2006, the Plan's assets earned 11.8% on a market value basis. However, due to the Plan's asset-smoothing technique and an accumulation of past asset losses, the return on the actuarial asset value was 8.4%. This return was slightly above the assumed rate of return of 8.0% and resulted in an actuarial gain on investments of \$40 thousand.

The Plan also experienced an actuarial gain on Plan liabilities resulting from members retiring, terminating, becoming disabled and dying at rates different from the actuarial assumptions. The gain further reduced the actuarial liability by \$125 thousand. This type of activity is normal in the course of plan experience. The Plan will experience actuarial gains and losses over time because we cannot predict exactly how people will behave. When a plan experiences alternating gains and losses that are small compared to the total actuarial liability, then the plan's actuarial assumptions are reasonable.

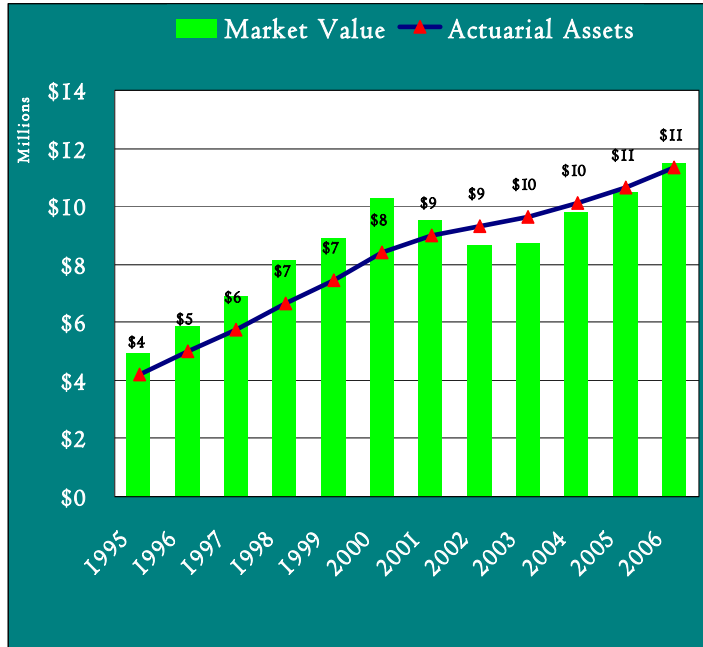
As of the June 30, 2006 actuarial valuation, the Plan's unfunded actuarial liability was \$12.6 million. This is an increase from last year's unfunded actuarial liability (UAL) of \$12.2 million. The UAL increased in spite of the Plan experiencing gains on both its assets and liabilities. The growth in UAL was due to the phasing-in of employer contribution increases, required a couple of years ago due to the recognition of retirement eligibility at age 60. The actuarially determined contribution from last year's valuation was \$1.4 million, while the amount actually contributed by employers was \$0.9 million. The Plan's UAL will continue to increase until this phase-in is completed.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION I BOARD SUMMARY

Trends

Growth in Assets



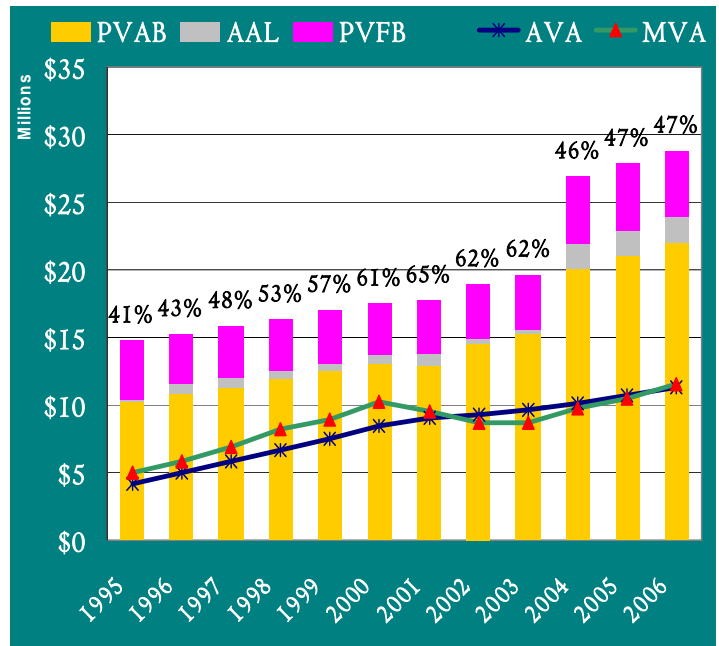
The market value of assets (MVA) continues to rebound since the market slide of 2000-2002. Due to the asset smoothing method in place, the actuarial value of assets has tracked a much smoother path through those turbulent years.

Over the period July 1, 1995 to June 30, 2006 the Plan's assets returned approximately 11.3% per year measured at actuarial value, compared to a valuation assumption of 8% per year.

Assets and Liabilities

The three colored bars represent the three different measures of liability mentioned in this report. For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.

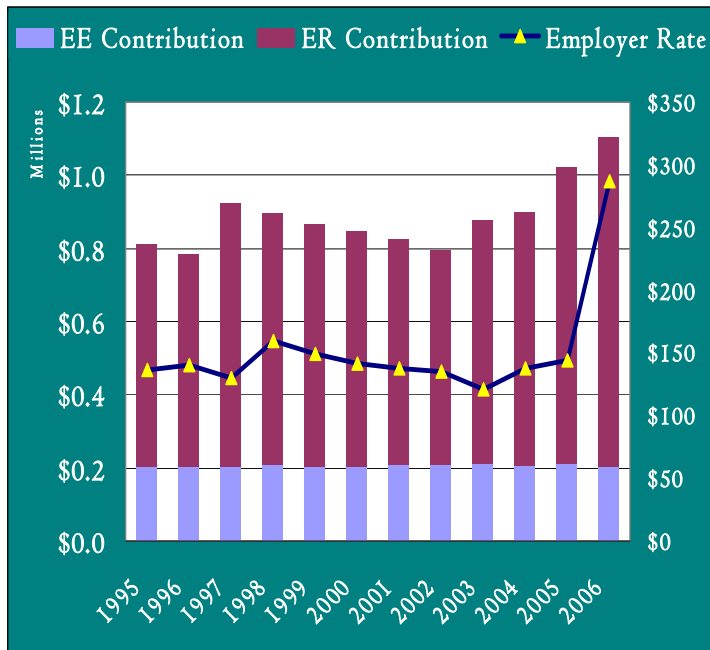
The amount represented by the top of the pink bars, the Present Value of Future Benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the Plan had assets equal to the PVFB no contributions would, in theory, be needed for the current members.



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION I BOARD SUMMARY

Contribution Rates

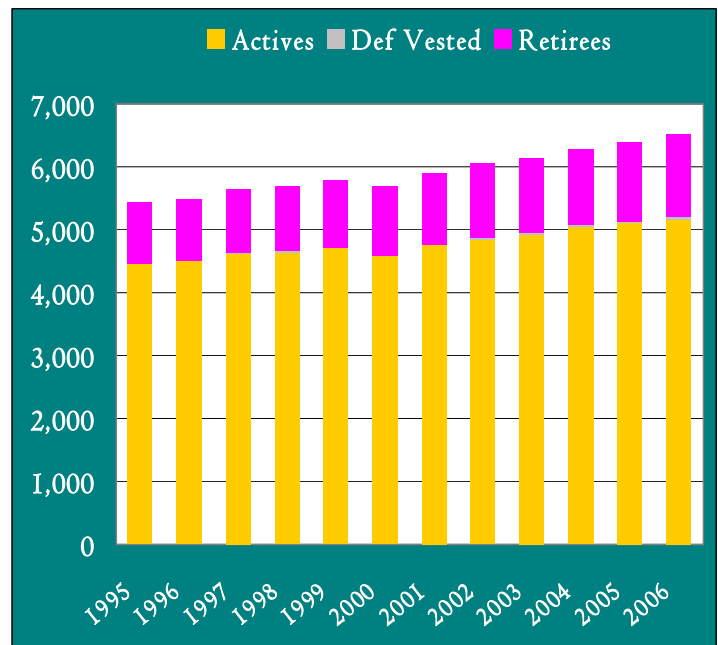


The stacked bars in this graph show the contributions made by the employers and the members (left hand scale). The black line shows the employer's per-head contribution rate (right hand scale).

The member contribution rate is set by State law, depending on which plan the member participates in. The employer contribution rate is set by the actuarial process. Please note there is a lag in the rate shown. For example, the 2006 value is the rate prepared by the 2004 valuation and implemented for the period July 1, 2005 to June 30, 2006.

Participant Trends

As with many funds in this country, there has been a steady growth in the number of retired members as the Plan has matured. The active-to-inactive ratio has decreased from 4.6 actives to each inactive in 1995 to 3.8 actives for each inactive today. While this would be an alarming trend in a pay-as-you-go system, the pool of invested assets has been established in anticipation of this development.

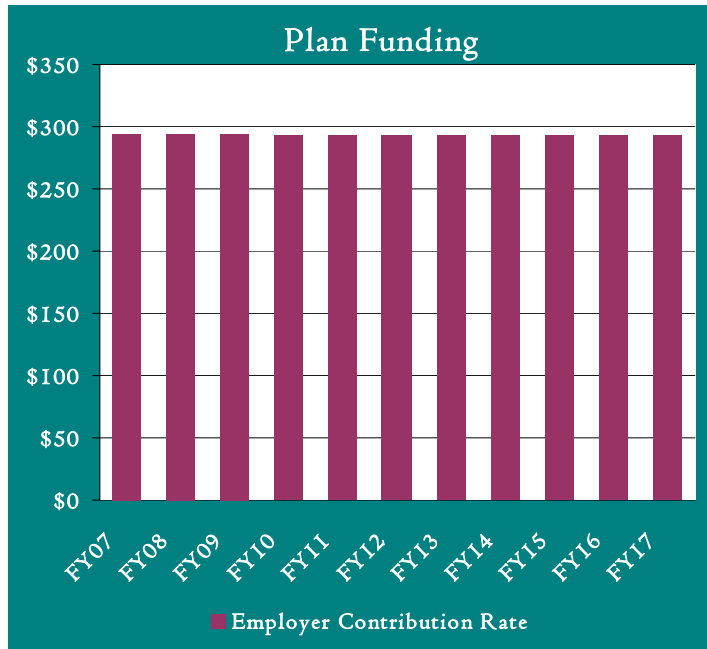


DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION I BOARD SUMMARY

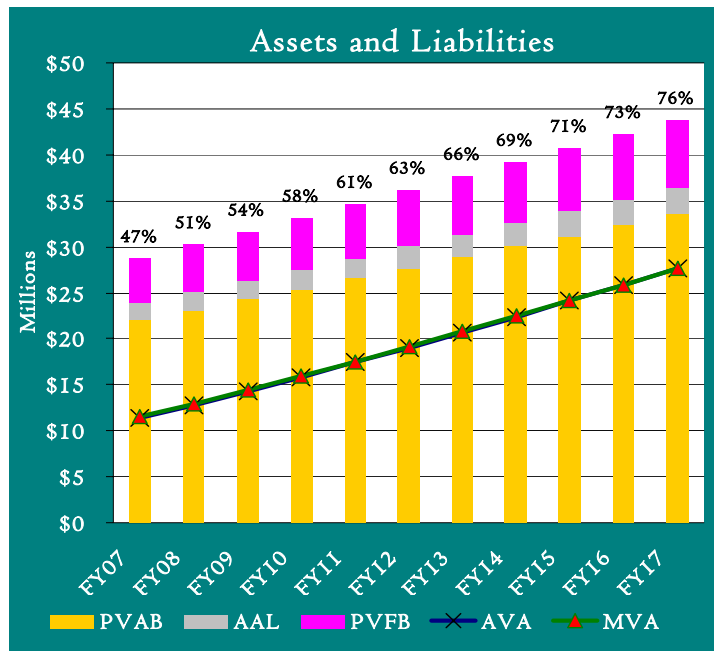
Future Outlook

Base Line Projections



The next two graphs show the expected progress of the Plan over the next ten years assuming the Plan's assets earn 8% on their *market value*. The chart entitled "Plan Funding" shows that the employer rate is expected to remain level over the decade. This pattern may be impacted by the phase-in to fully actuarially determined rates.

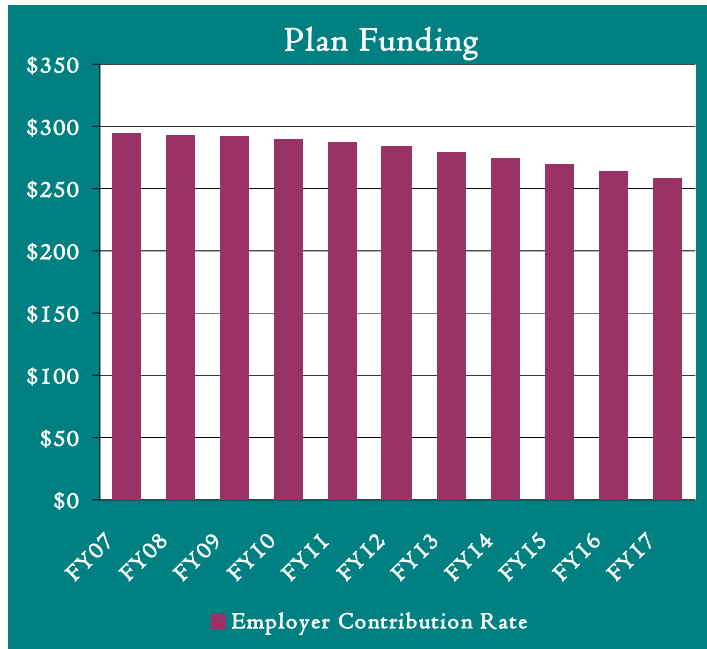
The "Assets and Liabilities" graph shows the projected funding status over the next ten years. The Plan's funded status is projected to improve annually.



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

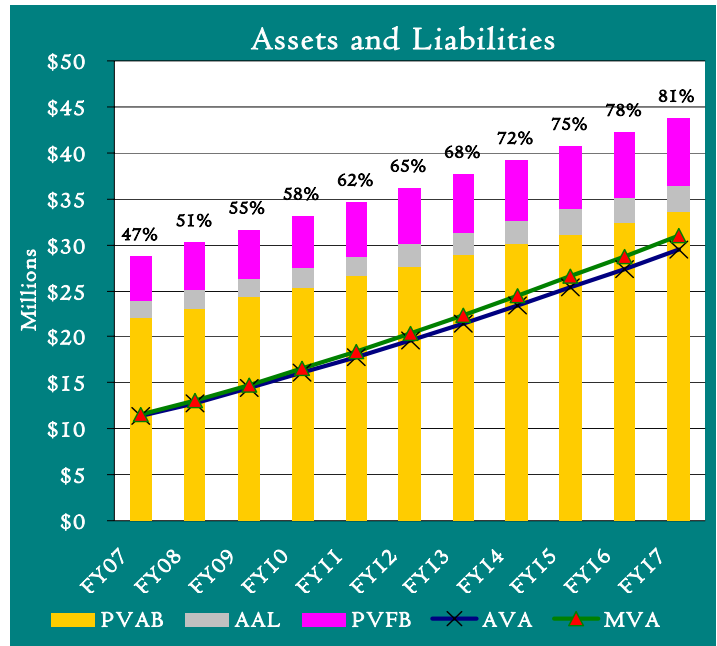
SECTION I BOARD SUMMARY

Projections With Asset Returns of 9.5%



The future funding status of this Plan will be influenced by the investment earnings. These two charts show what the next ten years would look like with a 9.5% annual return in each year. The Plan has earned an average 11.3% per year over the ten-year period ending June 30, 2006.

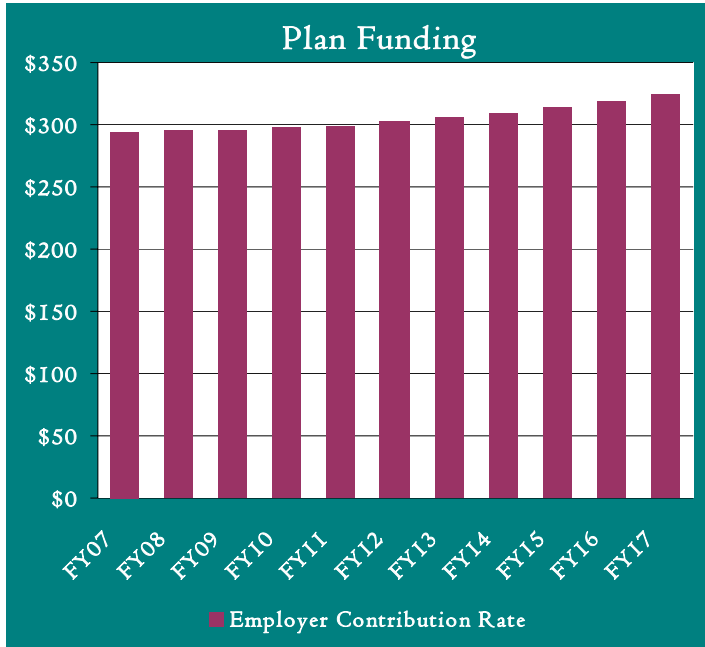
As you can see, the Plan would reach 81% funding by 2017. The contribution rate drops towards the second half of the decade under this scenario.



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

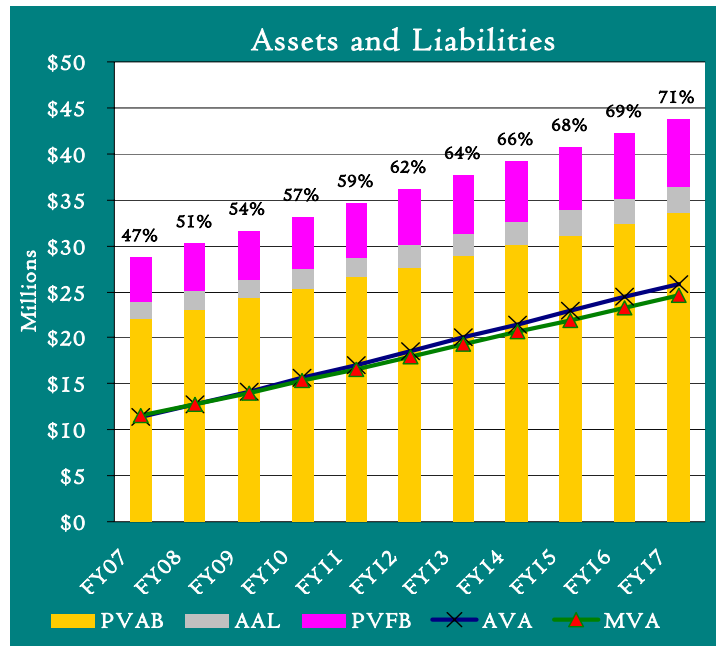
SECTION I BOARD SUMMARY

Projections With Asset Returns of 6.5%



To further demonstrate how the future funding of this Plan will be influenced by investment earnings, we also show the anticipated plan funding projections if the invested assets earn 6.5% per year over the entire ten-year period. Under this scenario the employer contribution rate increases towards the latter half of the decade.

The projection shows an increase in the Plan's funded status from 47% to 71% by the end of the period. The improvement in funded status is driven by contributions being made towards paying down the unfunded liability.



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION I BOARD SUMMARY

Delaware State Volunteer Firemen's Pension Plan Summary of Principal Plan Results			
Valuation as of:	June 30, 2005	June 30, 2006	% Change
<u>Participant Counts</u>			
Active Participants	5,106	5,160	1.06%
Retirees and Beneficiaries	1,262	1,302	3.17%
Terminated Vested Participants	20	41	105.00%
Inactive Participants	109	5	(95.41%)
Total	6,497	6,508	0.17%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 1,163,800	\$ 1,220,600	4.88%
<u>Assets and Liabilities</u>			
Actuarial Accrued Liability (AAL)	\$ 22,912,800	\$ 23,924,900	4.42%
Actuarial Value of Assets	10,665,300	11,339,900	6.33%
Unfunded AAL	12,247,500	12,585,000	2.76%
Funded Ratio	46.5%	47.4%	
Present Value of Accrued Benefits (PVAB)	\$ 21,061,300	\$ 22,042,800	4.66%
Market Value of Assets	10,487,100	11,498,100	9.64%
Unfunded PVAB	10,574,200	10,544,700	(0.28%)
Accrued Benefit Funding Ratio	49.8%	52.2%	
<u>Contributions</u>			
	Fiscal Year 2007	Fiscal Year 2008	
Normal Cost Contribution	\$ 288,000	\$ 291,000	
Unfunded Actuarial Liability Contribution	1,158,800	1,212,500	
Administrative Expense	17,000	25,000	
Total Employer Contribution	\$ 1,463,800	\$ 1,528,500	

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION II ASSETS

Pension Plan assets play a key role in the financial operation of the Plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, employer contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on Plan assets including:

- **Disclosure** of Plan assets at June 30, 2005 and June 30, 2006;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- An assessment of **investment performance**; and
- A projection of the Plan's expected **cashflows** for the next ten years.

Disclosure

The market value of assets represents a "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. As a result, market values are usually not suitable for long-range planning.

The actuarial values are market values which have been smoothed and are the actuary's best estimate of long-term asset values. They are used for evaluating the Plan's ongoing liability to meet its obligations.

Current methods employed by this Plan set the actuarial value equal to the expected value plus 20% of the difference between the expected value of assets and the actual market value. Where the expected value is equal to the prior year's actuarial value, rolled forward with actual contributions and benefit payments plus interest imputed at 8%.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION II
ASSETS

Changes in Market Values	
Value of Assets – June 30, 2005	\$ 10,487,100
<u>Additions</u>	
Member Contributions	\$ 202,900
Employer Contributions	898,900
Investment Return	<u>1,220,700</u>
Total Additions	\$ 2,322,500
<u>Deductions</u>	
Benefit Payments	\$ 1,286,500
Administrative Expenses	<u>25,000</u>
Total Deductions	\$ 1,311,500
Value of Assets – June 30, 2006	\$ 11,498,100

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION II ASSETS

Development of Actuarial Value of Assets		
1.	Actuarial Value of Assets at June 30, 2005	\$ 10,665,300
2.	Amount in (1) with interest to June 30, 2006	11,518,500
3.	Employer and member contributions for the Plan Year ended June 30, 2006	1,101,800
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2006 at 8.00% per year	44,100
5.	Disbursements from Trust except investment expenses, June 30, 2005 through June 30, 2006	1,311,500
6.	Interest on disbursements to June 30, 2006 at 8.00% per year	52,500
7.	Expected Actuarial Value of Assets at June 30, 2006 = (2) + (3) + (4) - (5) - (6)	11,300,400
8.	Actual Market Value of Assets at June 30, 2006	11,498,100
9.	Excess of (8) over (7)	197,700
10.	Actuarial Value of Assets at June 30, 2006 = (7) + 20% of (9)	\$ 11,339,900

Actuarial Value of Assets

The actuarial value of assets represents a "smoothed" value developed by the actuary to reduce, or eliminate, erratic results which could develop from short-term fluctuations in the market value of assets. For this Plan, the actuarial value has been calculated by adding 20% of the difference between market value and expected value to the expected value. The above table illustrates the calculation of actuarial value of assets for the June 30, 2006 valuation.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION II ASSETS

Investment Performance

The market value of assets (MVA) returned 11.76% during 2006, which is greater than the assumed 8% return. A return of 8.37% on the actuarial value of assets (AVA) is primarily the result of the asset smoothing method being utilized for the calculation of the actuarial value of assets. Since only 20% of the gain or loss from the performance of the Plan is recognized in a given year, in periods of very good performance, the AVA can lag significantly behind the MVA. In a period of negative returns, the AVA does not decline as rapidly as the MVA.

Projection of Plan's Benefit Payments		
Year Beginning July 1,	Expected Benefit Payments	Expected Contributions*
2006	\$ 1,304,000	\$ 1,838,000
2007	1,369,000	1,838,000
2008	1,442,000	1,838,000
2009	1,522,000	1,838,000
2010	1,604,000	1,838,000
2011	1,692,000	1,838,000
2012	1,776,000	1,838,000
2013	1,879,000	1,838,000
2014	1,987,000	1,838,000
2015	2,098,000	1,838,000

Expected benefit payments are projected for the closed group valued at June 30, 2006. Projecting any farther than ten years using a closed-group would not yield reliable predictions due to the omission of new hires.

* Expected contributions include employer contributions and member contributions.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION III LIABILITIES

In this section, we present detailed information on Plan liabilities including:

- **Disclosure** of Plan liabilities at June 30, 2005 and June 30, 2006;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Benefits:** Used for analyzing the financial outlook of the Plan, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Plan, assuming participants continue to accrue benefits.
- **Actuarial Accrued Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the Present Value of Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.
- **Present Value of Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the Plan, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the Plan can meet its current benefit commitments.

The following table discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of Plan assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**SECTION III
LIABILITIES**

Liabilities/Net (Surplus)/Unfunded		
	June 30, 2005	June 30, 2006
<u>Present Value of Benefits</u>		
Active Participant Benefits	\$ 18,205,100	\$ 18,403,500
Retiree and Inactive Benefits	9,660,900	10,355,100
Present Value of Benefits (PVB)	\$ 27,866,000	\$ 28,758,600
Market Value of Assets (MVA)	\$ 10,487,100	\$ 11,498,100
Future Member Contributions	2,553,200	2,491,500
Future State Contributions & PRI Fund Transfers	14,825,700	14,769,000
Total Resources	\$ 27,866,000	\$ 28,758,600
<u>Actuarial Accrued Liability</u>		
Present Value of Benefits (PVB)	\$ 27,866,000	\$ 28,758,600
Present Value of Future Normal Costs (PVFNC)	2,400,000	2,342,200
Present Value of Future Member Contributions	2,553,200	2,491,500
Actuarial Accrued Liability (AAL = PVB – PVFNC)	22,912,800	23,924,900
Actuarial Value of Assets (AVA)	10,665,300	11,339,900
Net (Surplus)/Unfunded (AAL – AVA)	\$ 12,247,500	\$ 12,585,000
<u>Present Value of Accrued Liability</u>		
Present Value of Benefits (PVB)	\$ 27,866,000	\$ 28,758,600
Present Value of Future Benefit Accruals (PVFBA)	6,804,700	6,715,800
Present Value of Accrued Liability (PVAB=PVB–PVFBA)	21,061,300	22,042,800
Market Value of Assets (MVA)	10,487,100	11,498,100
Net Unfunded (PVAB – MVA)	\$ 10,574,200	\$ 10,544,700

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION III LIABILITIES

Changes in Liabilities

Each of the Liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in Plan assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure plan assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the Plan. Below we present key changes in liabilities since the last valuation.

(In Thousands)	Present Value of Benefits	Actuarial Accrued Liability	Present Value of Accrued Liability
Liabilities June 30, 2005	\$ 27,866	\$ 22,913	\$ 21,061
Liabilities June 30, 2006	28,759	23,925	22,043
Liability Increase (Decrease)	893	1,012	982
Change Due to:			
Plan Change	0	0	0
Actuarial (Gain)/Loss	NC *	(125)	NC *
Benefits Accumulated and Other Sources	893	1,137	982

* NC = not calculated.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION III LIABILITIES

Actuarial Liabilities for Funding		
	June 30, 2005	June 30, 2006
1. Actuarial Liabilities		
Retiree and Inactive Benefits	\$ 9,660,900	\$ 10,355,100
Active Members	<u>13,251,900</u>	<u>13,569,800</u>
Total Actuarial Liability	\$ 22,912,800	\$ 23,924,900
2. Actuarial Value of Assets	\$ 10,665,300	\$ 11,339,900
3. Unfunded Actuarial Liability	\$ 12,247,500	\$ 12,585,000

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this Plan, the funding method employed is the **Entry Age Actuarial Cost Method**. Under this method, there are three components to the total contribution: the **normal cost**, the amortization of **unfunded actuarial liability**, and the **administrative expense**. The normal cost is determined in the following steps. First, for a typical new entrant an individual normal cost rate is determined by taking the value, as of entry age into the plan, of that member's projected future benefits. From this value subtracted the member's annual contribution to produce the employer normal cost.

The unfunded actuarial liability is amortized by annual payments over a 40 year period from July 1, 1987. As of July 1, 2006, there were 21 years remaining.

The assumed administrative expense is equal to the actual administrative expenses charged in the prior year. This amount is intended to provide an allowance above the cost of funding the benefits to pay for the expense of operating the Plan.

The table below presents and compares the employer contribution amounts for the Plan for this valuation and the prior one.

Employer Contribution		
	June 30, 2005	June 30, 2006
Entry Age Normal Cost Rate	\$ 288,000	\$ 291,000
Amortization Payment	1,158,800	1,212,500
Expense	<u>17,000</u>	<u>25,000</u>
Actuarially Determined Contribution	\$ 1,463,800	\$ 1,528,500

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION IV CONTRIBUTIONS

Development of Plan Cost as of June 30, 2006	
	In Dollars
1. Present value of projected benefits attributable to:	
a. Total Normal Cost	\$ 600,600
b. Expected Members Contribution	<u>309,600</u>
c. Employer Paid Normal Cost (a) – (b)	\$ 291,000
2. Amortization of Unfunded Liability/ (Amortization Period)	\$ 1,212,500
3. Allowance for Expense	\$ 25,000
4. Total Employer Contribution Rate (1) + (2) + (3)	\$ 1,528,500

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

SECTION V ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board requires the Plan to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi “snap shot” view of how the Plan’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the Plan were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the Plan is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2006 are exhibited in Table V-1. Finally, Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, July 1, 2005, to the liabilities as of June 30, 2006.

Tables V-3 through V-5 are exhibits to be used with the State CAFR report. Table V-3 is the Note to Required Supplementary Information, Table V-4 is a history of gains and losses in Accrued Liability, and Table V-5 is the Solvency Test which shows the portion of Accrued Liability covered by Assets.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-1		
Accounting Statement Information		
	June 30, 2005	June 30, 2006
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	\$ 9,435,400	\$ 9,924,700
b. Former Vested Members	225,500	430,400
c. Active Members	<u>11,400,400</u>	<u>11,687,700</u>
2. Total Present Value of Accrued Benefits (1 (a) + 1(b) + 1(c))	\$ 21,061,300	\$ 22,042,800
3. Assets at Market Value	<u>10,487,100</u>	<u>11,498,100</u>
4. Unfunded Present Value of Accrued Benefits (2 – 3)	\$ 10,574,200	\$ 10,544,700
5. Ratio of Assets to Present Value of Benefits (3 / 2)	49.8%	52.2%
B. GASB No. 25 Basis		
1. Actuarial Accrued Liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 9,660,900	\$ 10,355,100
2. Actuarial Accrued Liabilities for current employees	<u>13,251,900</u>	<u>13,569,800</u>
3. Total Actuarial Accrued Liability (1 + 2)	\$ 22,912,800	\$ 23,924,900
4. Net Actuarial Assets available for benefits	<u>10,665,300</u>	<u>11,339,900</u>
5. Unfunded Actuarial Accrued Liability (3 – 4)	\$ 12,247,500	\$ 12,585,000

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-2 Statement of Changes in Total Actuarial Present Value of All Accrued Benefits	
	Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Accrued Benefits at June 30, 2005	\$ 21,061,300
Increase (Decrease) During Years Attributable to:	
Passage of Time	1,633,444
Benefit Paid – FY 2006	(1,286,500)
Plan Changes	0
Benefits Accrued, Other Gains/Losses	<u>634,556</u>
Net Increase (Decrease)	981,500
Actuarial Present Value of Accrued Benefits at June 30, 2006	\$ 22,042,800

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-3
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	July 1, 2006
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	21 years
Asset valuation method	5-Year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases	N/A
*Includes inflation at	3.75%
Cost-of-living adjustments	ad hoc

The actuarial assumptions used have been recommended by the actuary and adopted by the Plan's Board of Trustees based on the most recent review of the Plan's experience, completed in 2004.

The rate of employer contributions to the Plan is composed of the normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level dollar amount which, along with member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative expenses is based upon the Plan's actual administrative expenses.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-4
ANALYSIS OF FINANCIAL EXPERIENCE**

Type of Activity	<i>Gain (or Loss) for Year ending June 30, (expressed in thousands)</i>
	2006
Investment Income on Actuarial Assets	\$ 40
Combined Liability Experience	<u>125</u>
(Loss)/Gain During Year from Financial Experience	\$ 165
Non-Recurring Items	<u>0</u>
Composite Gain (or Loss) During Year	\$ 165

**Table V-5
SOLVENCY TEST
Aggregate Accrued Liabilities for
(expressed in thousands)**

Valuation Date June 30,	Active Member Contributions	Retirants & Beneficiaries	Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)	(1)	(2)	(3)	
2006	\$ 4,299	\$ 9,925	\$ 9,701	\$ 11,340	100%	71%	--
2005	4,105	9,435	9,373	10,665	100%	70%	--
2004	3,918	8,842	9,190	10,121	100%	70%	--
2003	3,660	7,946	4,013	9,644	100%	75%	--
2002	3,419	7,574	3,947	9,333	100%	78%	--
2001	2,308	7,186	4,343	9,022	100%	93%	--

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Volunteer Firemen's Pension Plan Distribution of Active Members
by Age and Service as of June 30, 2006**

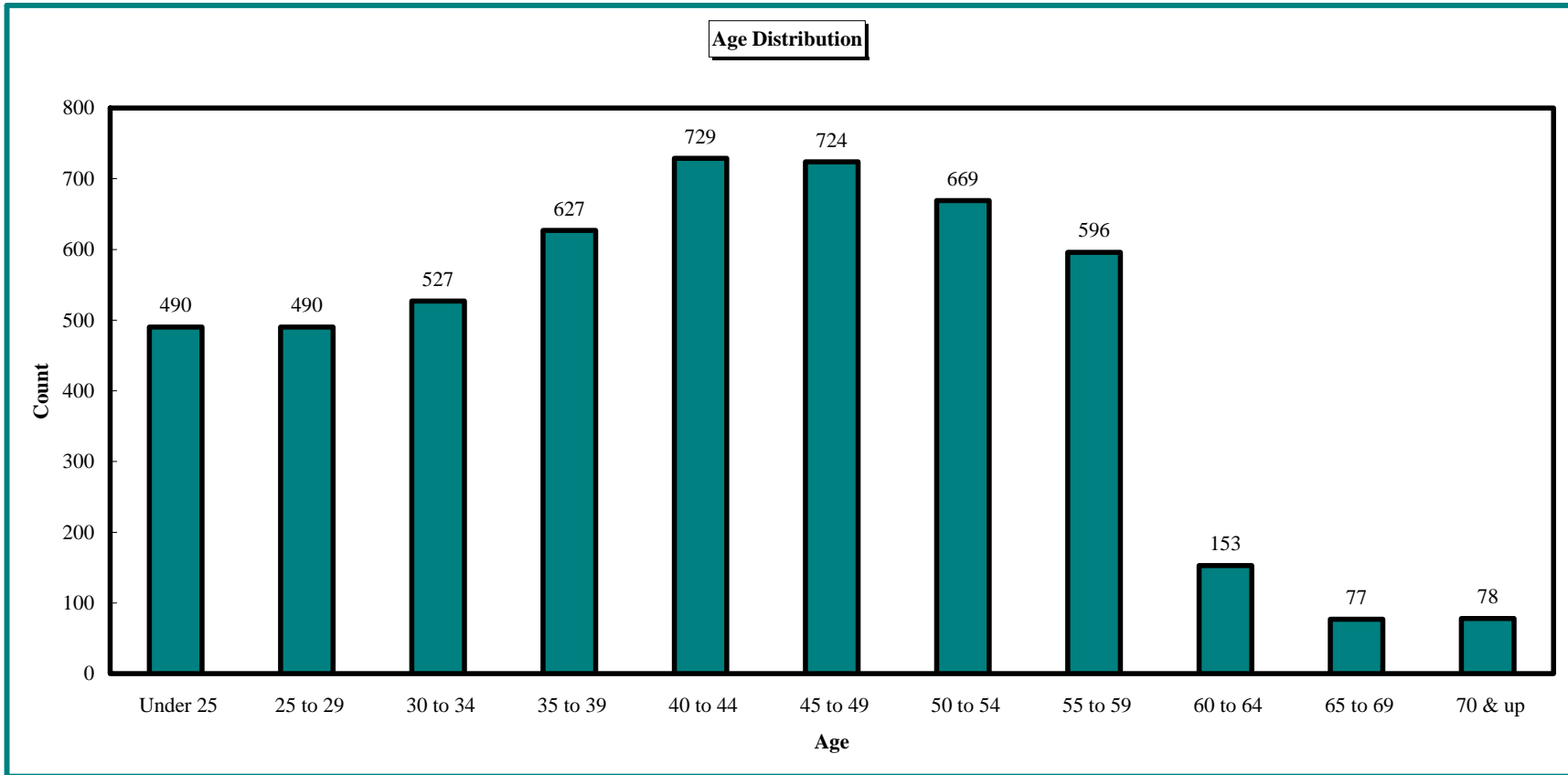
COUNTS BY AGE/SERVICE

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	0	397	86	7	0	0	0	0	0	0	490
25 to 29	0	236	206	46	2	0	0	0	0	0	490
30 to 34	0	180	180	134	33	0	0	0	0	0	527
35 to 39	0	218	165	138	80	26	0	0	0	0	627
40 to 44	0	194	149	142	107	136	1	0	0	0	729
45 to 49	0	149	170	116	103	182	4	0	0	0	724
50 to 54	0	100	124	123	100	180	42	0	0	0	669
55 to 59	0	90	92	103	73	140	98	0	0	0	596
60 to 64	0	41	49	18	21	15	9	0	0	0	153
65 to 69	0	28	37	9	2	1	0	0	0	0	77
70 & up	0	35	34	9	0	0	0	0	0	0	78
Total	0	1,668	1,292	845	521	680	154	0	0	0	5,160

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

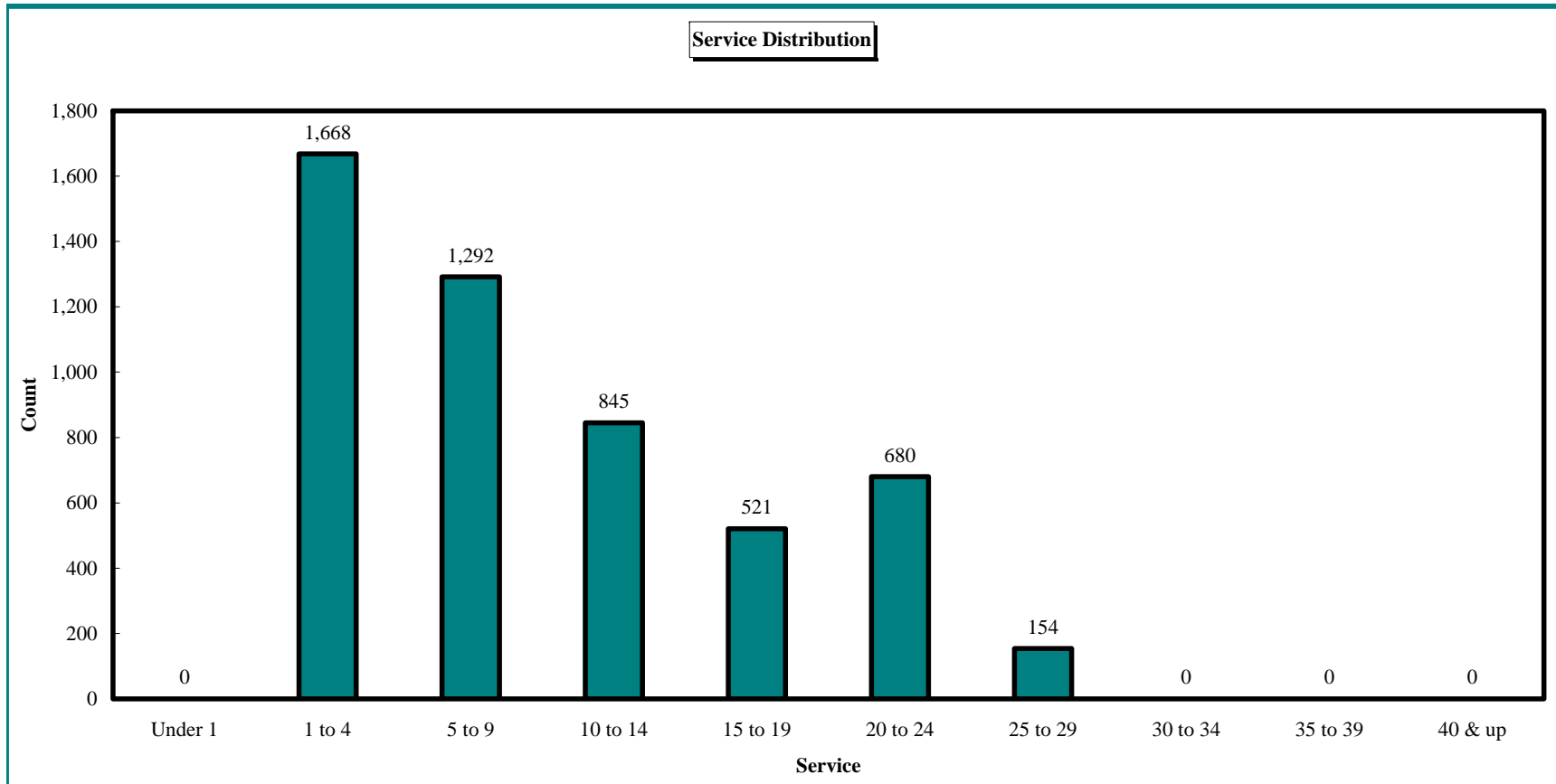
**Delaware State Volunteer Firemen's Pension Plan Distribution of Active Members
by Age as of June 30, 2006**



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Volunteer Firemen's Pension Plan Distribution of Active Members
by Service as of June 30, 2006**



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

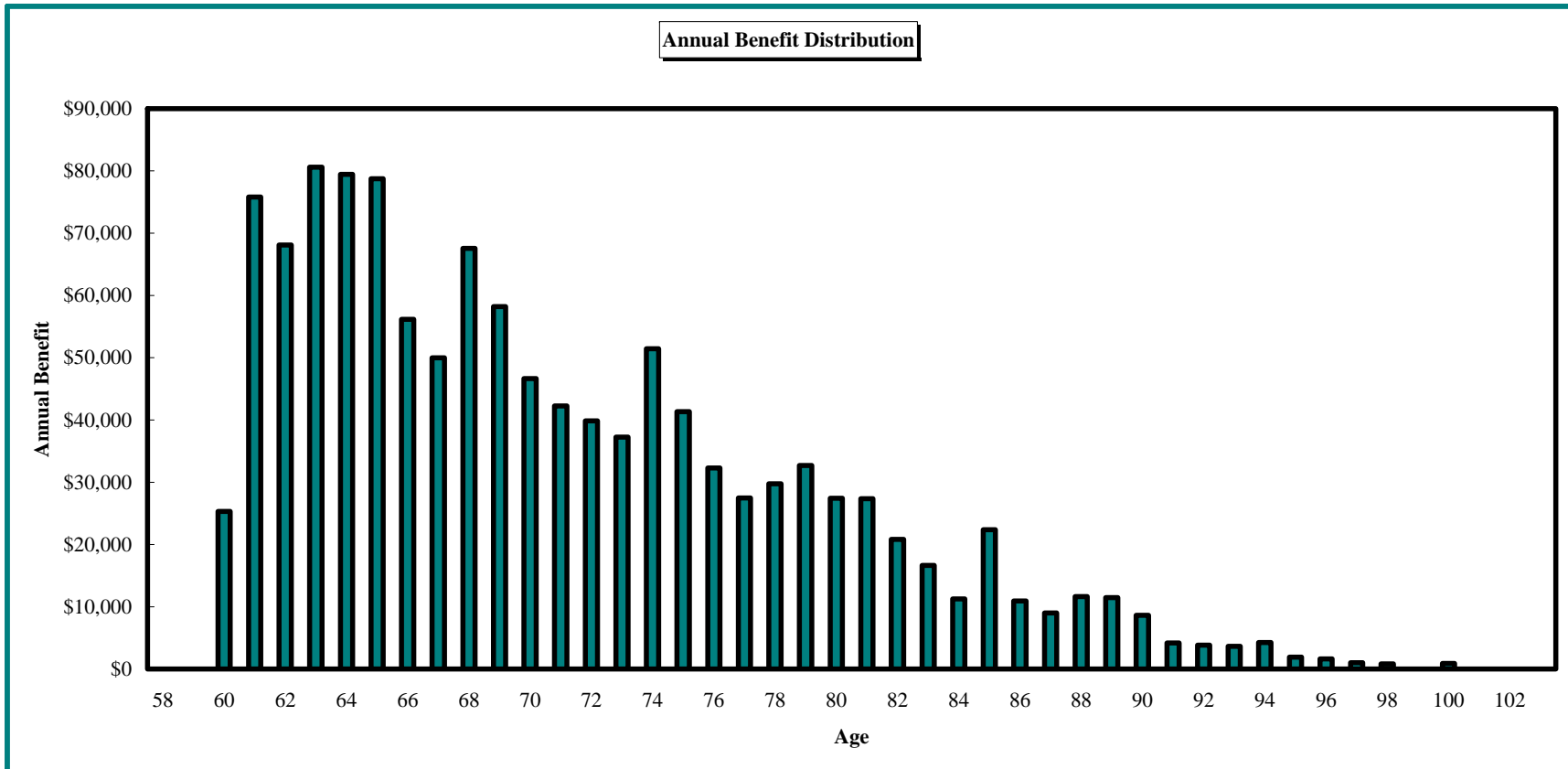
**Delaware State Volunteer Firemen's Pension Plan Distribution of Retired Members
and Survivors as of June 30, 2006**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	43	\$37,260
25	0	\$0	74	63	\$51,420
26	0	\$0	75	54	\$41,340
27	0	\$0	76	42	\$32,280
28	0	\$0	77	37	\$27,480
29	0	\$0	78	40	\$29,760
30	0	\$0	79	44	\$32,700
31	0	\$0	80	38	\$27,420
32	0	\$0	81	40	\$27,360
33	0	\$0	82	30	\$20,820
34	0	\$0	83	22	\$16,620
35	0	\$0	84	16	\$11,280
36	0	\$0	85	29	\$22,380
37	0	\$0	86	16	\$10,920
38	0	\$0	87	11	\$9,000
39	0	\$0	88	15	\$11,640
40	0	\$0	89	13	\$11,460
41	0	\$0	90	10	\$8,640
42	0	\$0	91	6	\$4,200
43	0	\$0	92	4	\$3,840
44	0	\$0	93	5	\$3,660
45	0	\$0	94	5	\$4,260
46	0	\$0	95	2	\$1,920
47	0	\$0	96	2	\$1,620
48	0	\$0	97	1	\$1,020
49	0	\$0	98	1	\$840
50	0	\$0	99	0	\$0
51	0	\$0	100	1	\$900
52	0	\$0	101	0	\$0
53	0	\$0	102	0	\$0
54	0	\$0	103	0	\$0
55	0	\$0	104	0	\$0
56	0	\$0	105	0	\$0
57	0	\$0	106	0	\$0
58	0	\$0	107	0	\$0
59	0	\$0	108	0	\$0
60	20	\$25,320	109	0	\$0
61	62	\$75,780	110	0	\$0
62	58	\$68,100	111	0	\$0
63	63	\$80,580	112	0	\$0
64	69	\$79,440	113	0	\$0
65	70	\$78,720	114	0	\$0
66	51	\$56,160	115	0	\$0
67	49	\$49,980	116	0	\$0
68	67	\$67,560	117	0	\$0
69	58	\$58,200	118	0	\$0
70	52	\$46,620	119	0	\$0
71	47	\$42,240	120	0	\$0
72	46	\$39,840			
			Totals	1,302	\$1,220,580

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

APPENDIX A
MEMBERSHIP INFORMATION

Delaware State Volunteer Firemen's Pension Plan Distribution of Retired Members
and Survivors as of June 30, 2006



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

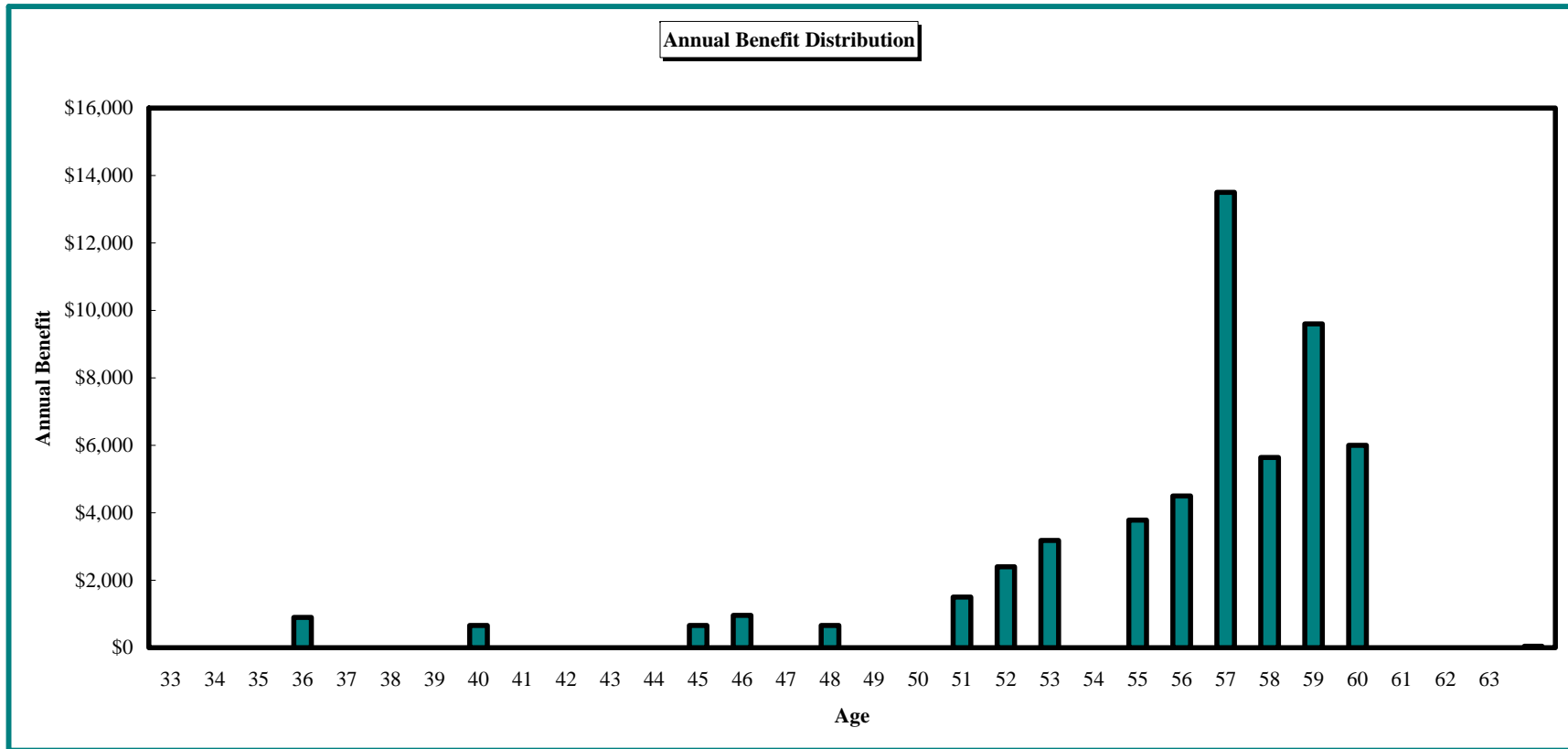
**Delaware State Volunteer Firemen's Pension Plan Distribution of Vested Members
as of June 30, 2006**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	0	\$0
25	0	\$0	74	0	\$0
26	0	\$0	75	0	\$0
27	0	\$0	76	0	\$0
28	0	\$0	77	0	\$0
29	0	\$0	78	0	\$0
30	0	\$0	79	0	\$0
31	0	\$0	80	0	\$0
32	0	\$0	81	0	\$0
33	0	\$0	82	0	\$0
34	0	\$0	83	0	\$0
35	0	\$0	84	0	\$0
36	1	\$900	85	0	\$0
37	0	\$0	86	0	\$0
38	0	\$0	87	0	\$0
39	0	\$0	88	0	\$0
40	1	\$660	89	0	\$0
41	0	\$0	90	0	\$0
42	0	\$0	91	0	\$0
43	0	\$0	92	0	\$0
44	0	\$0	93	0	\$0
45	1	\$660	94	0	\$0
46	1	\$960	95	0	\$0
47	0	\$0	96	0	\$0
48	1	\$660	97	0	\$0
49	0	\$0	98	0	\$0
50	0	\$0	99	0	\$0
51	1	\$1,500	100	0	\$0
52	2	\$2,400	101	0	\$0
53	3	\$3,180	102	0	\$0
54	0	\$0	103	0	\$0
55	3	\$3,780	104	0	\$0
56	3	\$4,500	105	0	\$0
57	9	\$13,500	106	0	\$0
58	4	\$5,640	107	0	\$0
59	7	\$9,600	108	0	\$0
60	4	\$6,000	109	0	\$0
61	0	\$0	110	0	\$0
62	0	\$0	111	0	\$0
63	0	\$0	112	0	\$0
64	0	\$0	113	0	\$0
65	0	\$0	114	0	\$0
66	0	\$0	115	0	\$0
67	0	\$0	116	0	\$0
68	0	\$0	117	0	\$0
69	0	\$0	118	0	\$0
70	0	\$0	119	0	\$0
71	0	\$0	120	0	\$0
72	0	\$0			
			Totals	41	\$53,940

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Volunteer Firemen's Pension Plan Distribution of Vested Members
as of June 30, 2006**



DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

A. Long-Term Assumptions Used to Determine Plan Costs and Liabilities

1. Demographic Assumptions

a. Healthy Inactive Mortality

With Mortality Improvements (Projection Scale)

Male: 85% of RP-2000 MB Mortality Table

Female: 95% of RP-2000 FB Mortality Table

Rates of Healthy Inactive Mortality				
Age	Rates (Prior to Projection)		Projection Scale	
	Male	Female	Male	Female
50	0.48%	0.21%	1.80%	1.70%
55	0.61%	0.30%	1.90%	0.80%
60	0.90%	0.49%	1.60%	0.50%
65	1.41%	0.79%	1.40%	0.50%
70	2.27%	1.32%	1.50%	0.50%
75	3.67%	2.24%	1.40%	0.80%
80	6.00%	3.75%	1.00%	0.70%
85	9.78%	6.45%	0.70%	0.60%
90	15.45%	10.98%	0.40%	0.30%

b. Healthy Active Mortality

Male: 95% of RP-2000 RE Mortality Table

Female: 100% of RP-2000 RE Mortality Table

Rates of Healthy Active Mortality		
Age	Male	Female
20	0.03%	0.02%
25	0.04	0.02
30	0.04	0.03
35	0.07	0.05
40	0.10	0.07
45	0.14	0.11
50	0.20	0.17
55	0.29	0.25
60	0.46	0.39

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

c. Termination of Employment (Prior to Normal Retirement Eligibility)

10-year Select (age- and service based) & Ultimate (age-based) Tables

AGE	SERVICE										
SELECT:	0	1	2	3	4	5	6	7	8	9	ULTIMATE
<55	50.00%	6.00%	5.50%	5.00%	4.50%	4.00%	4.00%	3.50%	3.50%	1.50%	0.50%
55+	25.00%	6.00%	5.50%	5.00%	4.50%	4.00%	4.00%	3.50%	3.50%	1.50%	0.50%

d. Retirement

Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining age 60 with completion of ten years of service:

Male Normal Retirement		
Age	Select	Ultimate
<61	70.00%	0.00%
61-69	40.00	30.00
70-79	100.00	30.00
80+	100.00	100.00

Female Normal Retirement		
Age	Select	Ultimate
<61	70.00%	0.00%
61-64	45.00	35.00
65-69	50.00	35.00
70-79	70.00	35.00
80+	70.00	100.00

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

e. Merit/Seniority Salary Increase (in addition to across-the-board increase)

Not applicable. Salary is not a component of this Plan.

2. Economic Assumptions

- | | |
|---|--|
| a. Rate of Investment Return: | 8.00% |
| b. Rate of General Wage Increase: | N/A |
| c. Rate of Increase in Cost of Living: | 0.00% |
| d. Rate of Increase in Total Payroll
(for Amortization): | N/A |
| e. Administrative Expenses: | Assume following year's expense will equal
allocation of administrative expenses made in
the prior year. |

3 Changes Since Last Valuation

The administrative expense assumption was changed to better reflect actual expenses of the Plan.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost is determined as the level dollar amount for a typical new entrant. The normal cost plus member contributions will pay for projected benefits at retirement for the average plan participant.

The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial accrued liability in excess of plan assets if funded according to a schedule which is intended to amortize such unfunded actuarial liability fully after a period of years. This is in addition to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

The unfunded liability is amortized by annual payments over a 40 year period from July 1, 1987. From July 1, 2006 there are 21 years remaining.

2. Actuarial Value of Assets

For purposes of determining the Employer contribution to the plan, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value of assets is a weighted average giving 20% weight to the current market value and 80% weight to the prior year's actuarial value increased by expected interest and contributions and decreased by benefit payments and expenses. This is mathematically equivalent to recognizing 100% of the actuarially assumed interest rate, plus contributions, less payments each year, and 20% of the portion of each year's returns that have not already been reflected in asset values.

3. Changes Since Last Valuation

None.

DELAWARE STATE VOLUNTEER FIREMEN'S PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Membership

The plan covers actively-participating volunteers of one of the state volunteer fire departments, ladies auxiliaries and service organizations providing volunteer ambulance services.

2. Member Contributions

\$60.00 per member per year.

Interest is credited at the rate of 5% per year.

3. Credited Service

Service prior to July 1, 1986: one year of service for each three years of service.

Service after June 30, 1986: all service as a volunteer as certified by a fire company.

4. Normal Retirement

Eligibility: Age 60 with ten years of credited service.

Benefit: \$5.00 per year of credited service, to a maximum of \$125.00 per month.

5. Survivor's Benefit

Eligibility: Death of a member, inactive member, or retired member.

Benefit: Lump sum equal to the excess, if any, of the accumulated member contributions with interest over the total pension payments made, if any.

6. Vesting

Eligibility: Ten years of credited service.

Benefit: Normal retirement benefit payable at age 60 based on service at date of termination. In lieu of a pension, a member may receive a refund of accumulated employee contributions with interest. Upon application for a refund of contributions, a member's vested right to a monthly benefit shall be forfeited.

7. Changes Since Last Valuation

None.