

Delaware Public Employees' Retirement System

- a component unit of the State of Delaware

31st Comprehensive Annual Financial Report

*Presented by the Board of Pension Trustees
For the Fiscal Year Ended June 30, 2002*

*STATE EMPLOYEES' PENSION PLAN
SPECIAL PENSION PLAN
NEW STATE POLICE PENSION PLAN
JUDICIARY PENSION PLANS
COUNTY & MUNICIPAL POLICE/FIREFIGHTERS' PLAN
COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN
VOLUNTEER FIREMEN'S PENSION PLAN
DIAMOND STATE PORT CORPORATION PENSION PLAN
COUNTY & MUNICIPAL POLICE/FIREFIGHTERS' COLA FUND
POST-RETIREMENT INCREASE FUND
POST-RETIREMENT HEALTH INSURANCE PREMIUM FUND
DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
CLOSED STATE POLICE PENSION PLAN*

This Comprehensive Annual Financial Report has been
Prepared by the Office of Pensions

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Introductory Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Delaware Public Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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September 27, 2002

The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (System) is proud to present its 31st Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2002.

This report provides comprehensive information on nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] plus four commingled pension funds [County & Municipal Police/Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DELRIP), and State Employees' Post-Retirement Health Insurance Premium]. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the State Board of Pension Trustees (Board). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and present fairly the System's financial position and operational results for the fiscal year ended June 30, 2002.

The 2002 Financial Report is presented in five sections:

- Introductory Section -- contains this transmittal letter, organization charts, Board and Legislative highlights.
- Financial Section -- provides the independent auditors' opinion, management's discussion and analysis, the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's financial position at the Plan level.



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
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- Investment Section -- details total System performance, investment policy, and investment activities.
- Actuarial Section -- outlines the actuarial assumptions and describes the funding basis, contributions, and funded ratios of each Plan.
- Statistical Section -- includes tables and graphs about each Plan's membership.

(A detailed Table of Contents may be found on page 2.)

The System was established on June 11, 1970, with the incorporation of the State Employees', Judiciary, Closed State Police, and Retired & Disabled Teachers Pension Plans. The State Employees' and the Judiciary Plans were changed to actuarial reserve funding shortly thereafter. The Closed State Police Pension Plan remains a pay-as-you-go plan. Fiscal year 1994 was the last year the Retired & Disabled Teachers' Pension Plan had members entitled to benefits.

When calendar 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of fiscal 2002, pensioners numbered 18,075; monies from nine plans, three post-retirement trusts and one investment pool were commingled in a total System of \$4.9 billion. The State's contribution rate for fiscal year 2002 was 1.35% of payroll. Benefit coverage varies by plan as shown on pages 30 - 34. In the major plans, benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states, especially considering post-retirement health and spousal benefits. The funding status of each plan is detailed on pages 40-41.

Major Accomplishments

Improved Communications and Customer Service Initiatives - During Fiscal 2002, the Pension Office continued to enhance its website, www.delawarepensions.com. Staff photos have been added so that the membership may become more familiar with the staff. An improved feedback link allows members more direct communication with the Pension Office staff. A new feature is the retiree statement page. Retirees may now log-in to the Comprehensive Retirement Information System (CRIS) to view their current personal and benefit check data. Newsletters to both employees and retirees are published at least semi-annually.

Technology Improvements - In June 2002, the eCRIS project was launched. This project will upgrade our system to PeopleSoft Version 8 which will enhance our website and e-communication capabilities. Anticipated completion date is scheduled for April 2003.



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Due Diligence - A Request for Proposal for actuarial services was conducted during fiscal year 2002. Milliman USA was awarded the contract for actuarial services for the next three years. In addition, a Request for Information for sub-custodial bank services was conducted and State Street Bank & Trust Co. continues in that role.

Local Government Participation - Membership in the DELRIP, as well as the County & Municipal plans, continues to grow. New members include the Town of Elsmere, the Goodwill Fire Company, the City of Harrington, the Lewes Fire Company, and the Delaware City Fire Company.

Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware Public Employees' Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. 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 sixth 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.

Analysis of Plan Net Assets

Employee and employer contributions, together with investment income, are used to fund retirement, survivor, and disability benefits and pay all System expenses. Combined plan net assets decreased by \$422.9 million over the last fiscal year as total revenues declined 16.2% and expenses increased 7.2%.

A decline in investment returns, offset by a decline in investment expenses, was the principal factor in lower revenue. Increased salaries and new member employers increased employer contributions approximately 9.9%. An increased number of active employees, as well as higher salaries, raised employee contributions by 6.1%. The 5-year actuarial funding for eliminating social security integration and maximum years of service from the pension benefit calculation in the State Employees' and Judiciary Plans has been completed. This reduced transfers from the Post-Retirement Increase Fund.

