



Delaware Public Employees' Retirement System NEWSLETTER

Active Member Edition

January 2005

DPERS WELCOMES NEW BOARD CHAIR

Mr. Philip S. Reese was appointed by Governor Minner as Chair of the Board of Pension Trustees effective January 2004. Before retiring, Mr. Reese was the Vice President of Corporate Development and Treasurer for Conectiv in Wilmington, Delaware. With his various experiences and background, he brings vast knowledge of investments and system administration to the Delaware Public Employees Retirement System.

DEAR DAVE:

Q. I have 25 years of service and I am 60 years old. Will my pension be reduced because I do not have 30 years of service?

A. No, once you are 60 years old and have at least 15 years of service, pensions are not reduced.

Q. I am still working and my spouse is 65 years old and a dependent on my health care coverage with the State. Does my spouse need to enroll in Medicare Part B? If they refused it, what happens when I retire? Will they be penalized for not taking Part B when they turned 65?

A. As long as you are actively employed, your spouse does not need to enroll in Medicare Part B. When you retire, your Human Resources Representative will complete a special enrollment form for your spouse to take to Social Security. This form tells Social Security that they were covered in a comprehensive plan and therefore should not be penalized for accepting Medicare Part B after age 65.

2004 COMPREHENSIVE ANNUAL STATEMENTS

Employee Comprehensive Annual Statements will be distributed in late winter. This statement will indicate your estimated benefit as of December 31, 2004, along with your beneficiary data as of the printing date.

Please examine these statements carefully and notify us, per the instructions included with the statement, if any changes are required. Please e-mail our office with any comments you have regarding the statement format and information provided along with your suggestions for future improvements. The Office of Pensions' e-mail address is pensionoffice@state.de.us.

Visit our website at www.delawarepensions.com to learn more about your pension benefits. Also, please let us know what information you would like to see included in future newsletters..

Office of Pensions
a division of State Personnel

State of Delaware
Office of Pensions
McArdle Building
860 Silver Lake Blvd., Ste. 1
Dover, DE 19904-2402

Long Distance Toll Free
Telephone: (800) 722-7300

E-mail Address: pensionoffice@state.de.us
Web Address: www.DelawarePensions.com

Telephone: (302) 739-4208
Fax Number: (302) 739-6129

ANNUAL FINANCIAL REPORTING

The Board of Pension Trustees presented the 33rd Comprehensive Annual Financial Report (CAFR) of the Delaware Public Employees' Retirement System (DPERS) at their October 1, 2004 meeting.

DPERS CAFR for the year ended June 30, 2003 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. 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 eighth consecutive year that DPERS has received a Certificate of Achievement. We believe that our current CAFR 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. The complete FY 2004 CAFR may be viewed on our website: www.delawarepensions.com.

Delaware Public Employees' Retirement System received its first Public Pension Coordinating Council (PPCC) Award for 2003. The PPCC is a coalition of National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), and National Conference on Public Employee Retirement Systems (NCPERS). The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration and serve as a benchmark by which all defined benefit public plans should be measured. Public Pension Standards 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.

Pension Plan	Beginning Market Value <i>(expressed in thousands)</i>	Ending Market Value <i>(expressed in thousands)</i>	Net Change in Market Value	Funding Status
State Employees'	\$ 4,649,508	\$ 5,248,680	12.9%	103.0%
Special	\$ 893	\$ 882	(1.2%)	118.9%
New State Police	\$ 108,611	\$ 130,737	20.4%	104.3%
Judicial	\$ 28,033	\$ 31,954	14.0%	84.5%
County & Municipal Police and Firefighters'	\$ 37,102	\$ 47,515	28.1%	108.2%
County & Municipal Other Employees'	\$ 3,242	\$ 4,162	28.4%	128.0%
Volunteer Firemen's	\$ 8,745	\$ 9,811	12.2%	46.1%
Diamond State Port Corporation	\$ 6,511	\$ 7,817	20.1%	88.5%
Closed State Police	\$ 2,374	\$ 2,887	21.6%	1.0%



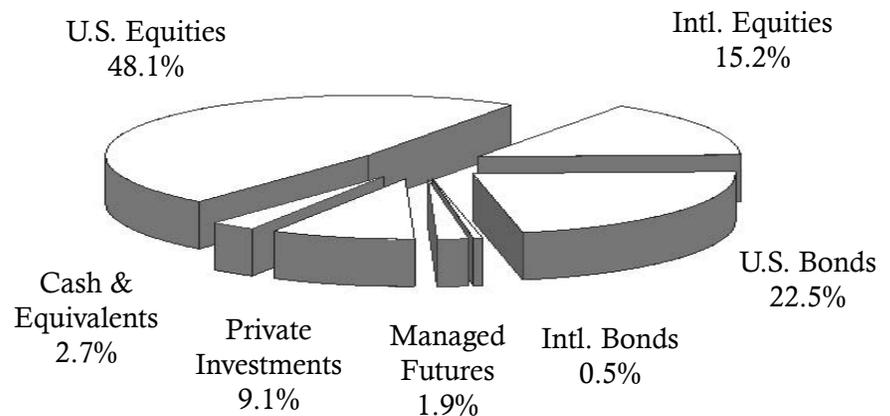
INVESTMENTS

The System's investments had a 15.9% return in Fiscal Year 2004. The System's annualized total returns for the last five, ten and fifteen years are 4.4%, 10.6% and 10.1%, respectively. Relative to other public pension funds, the ranking of the System's performance is above median for the latest fiscal year, in the top 25% over the last five years, and in the top 10% over the last ten years.

System investments are managed to control the downside risk to which assets are exposed while maximizing long-term gain potential. This strategy positions the System to limit the impact of adverse market conditions. The investment climate during the latest fiscal year improved substantially over the prior three years. The fiscal year return of the S&P 500 was 19.1%, as corporate earnings and prospects benefited from the recovering economy. Contrasting the gain in stocks, the Lehman Aggregate bond index was up only 0.3%, as coupon income was almost entirely offset by bond price declines caused by signs of economic growth and potential inflation. Investment strategy continues to reflect return expectations that are significantly below those achieved during the 1990's. In light of the System's focus on risk control and diversification, the latest fiscal year return of 15.9% is a positive achievement.

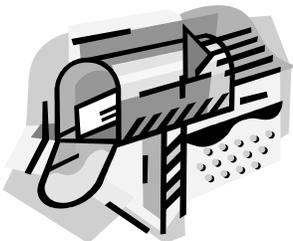
Asset Allocation

as of June 30, 2004



DO YOU NEED TO CONTACT THE PENSION OFFICE?

In our continuing effort to provide the best service to our customers, the Office of Pensions utilizes a document imaging system to capture and process paper documents. To ensure that all pertinent information is read correctly, we ask that you use only **black ink** when making corrections, signing, or making notations on paper items you send to our office. Other color inks and pencil markings are not always recognized by the equipment and may cause delays or errors in processing the document. Thank you for helping us to help you.



Did you know that you can also reach us by visiting our website:

www.delawarepensions.com

OR by sending an e-mail to:

pensionoffice@state.de.us

A NEW SUPPLEMENT BENEFITS PROGRAM IS ON ITS WAY!

The State Employee Benefits Committee (SEBC) is pleased to announce that the State of Delaware will be offering voluntary Supplemental Benefit options to all benefit eligible State employees and pensioners to help them manage their individual insurance needs. The Supplemental Benefits Program will be administered by a third party administrator (TPA) who has partnered with other insurance companies to provide supplemental coverage for the following coverage items: Auto/Home Insurance, Group Legal Services, Long-Term Care Insurance, Vision and Pet Insurance.

The programs and services being offered under the Supplemental Benefits Program are as follows:



- Auto/Home Insurance - offers group auto/home discounts.



- Group Legal Services - legal services available via telephone, online or in-person.



- Long-Term Care Insurance - provides affordable financial protection and greater peace of mind for employees and their families.



- Vision Insurance - coverage includes: eye exam, lenses, frames, contact lenses and discounts on laser vision correction.



- Pet Insurance - coverage for dogs, cats, birds, rabbits, reptiles, and others from 6 weeks old.

What are the payment options? The Supplemental Benefits Program is an employee paid program with payment options to include bi-weekly payroll deductions, bank deduction from a checking account or direct billing.

More information and how to enroll will be coming in early 2005 with programs becoming effective July 1, 2005! In the meantime, if you have any questions, please contact the State Personnel Benefits Office at 302-739-8331.



The Pension Office will be CLOSED on the following holidays:

President's Day -- Monday, February 21, 2005

Good Friday -- Friday, March 25, 2005

Memorial Day -- Monday, May 30, 2005

Independence Day -- Monday, July 4, 2005