

Delaware Public Employees' Retirement System NEWSLETTER

Retiree Member Edition

December 2008

ARE MY PENSION BENEFITS SECURE?

A very natural reaction to what is currently happening in the financial markets is to be concerned about the security of your retirement benefits. The most important point of this message is that your pension benefits are secure!

As a member of the Delaware Public Employees' Retirement System (DPERS), you are participating in a Defined Benefit Plan and your retirement benefits are paid out to you regardless of market events. When you retired, DPERS calculated your monthly pension benefit based on various factors such as years of service and salary, not investment results. DPERS takes responsibility for the management and investment of the trust fund and understands that markets will fluctuate. DPERS' investment policy seeks to minimize risk and provide returns over the long term. We are participants in a defined benefit plan that is supported by a professionally managed, well diversified portfolio of securities and an employer's legally binding commitment to contribute the amounts necessary to support the retirement benefits provided by law.

During October 2008, there were daily market fluctuations of up to 10% (positive and negative) with the S&P 500 index ending the month at a -16.5%. That followed September 2008 in which the S&P 500 index was down a -8.9%. In the past, the market had a 500 point one day drop in 1987, which was a one day loss of around 20%. Some of you may also remember the name Drexel Burnham Lambert which at one time was the fifth largest investment bank in the U.S. – the firm

declared bankruptcy in 1990. Then there was Executive Life which at one time was the largest life insurance company in California – in 1991, they were declared insolvent. Going back to the 1970s, we had a string of back-to-back years when the inflation rate was substantially higher than the rate of return available on investments. More recently, of course, we had the Enron and WorldCom difficulties and the bursting of the tech stock bubble.

Why the history lesson? We lived through each market crisis mentioned and survived all of them very nicely, just as we will this time. We invest for the long term and expect that there will be both positive and negative periods. (With rare exception, the positives are usually not as positive and the negatives are usually not as negative as you might gather from what you read or hear in news reports.)

Over the last year, the Board of Trustees (Board) of DPERS, through its Investment Committee, has taken material steps to protect the asset value of the investment portfolio. During these challenging market conditions, the Board, Investment Committee, and consultants are constantly monitoring DPERS' investment portfolio. It is important to remember that DPERS is a long-term investor with a time horizon that lasts over decades and that the investment portfolio is well diversified in many different asset classes.

So, I'll conclude as I began – your retirement benefits are secure!!

Direct Deposit..... Sign up today!

Direct Deposit is a simple, safe, smart way to receive your pension each month. You complete one easy form and return it to the Pension Office. Your form is processed and your money automatically goes into the account or accounts that you request. You will never again have to worry about slow mail delivery, getting to the bank in bad weather, or your paper check being lost or stolen. Direct Deposit is predictable and reliable. Your deposit will be made the last working day of each month and will be available to you as soon as your bank opens for business. Your money will be in your account, on time, every time! To keep you well informed about your pension benefit, the Pension Office will mail you a notice of deposit each month with a breakdown of your gross distribution, your net deposit, and

any deductions for taxes, insurance benefits, or other obligations you may have.

If you are not currently signed up for Direct Deposit, please contact our office at (302) 739-4208, (800) 722-7300 or visit our Website at www.delawarepensions.com to obtain a Direct Deposit Authorization form.

The Pension Office will be closed on the following dates:

New Year's Day	Thursday, January 1, 2009
Martin Luther King Jr. Day	Monday, January 19, 2009
President's Day	Monday, February 16, 2009
Good Friday	Friday, April 10, 2009
Memorial Day	Monday, May 25, 2009
Independence Day	Friday, July 3, 2009
Labor Day	Monday, September 7, 2009
Columbus Day	Monday, October 12, 2009
Veterans Day	Wednesday, November 11, 2009
Thanksgiving Day	Thursday, November 26, 2009
Day After Thanksgiving	Friday, November 27, 2009
Christmas Day	Friday, December 25, 2009



OFFICE OF PENSIONS

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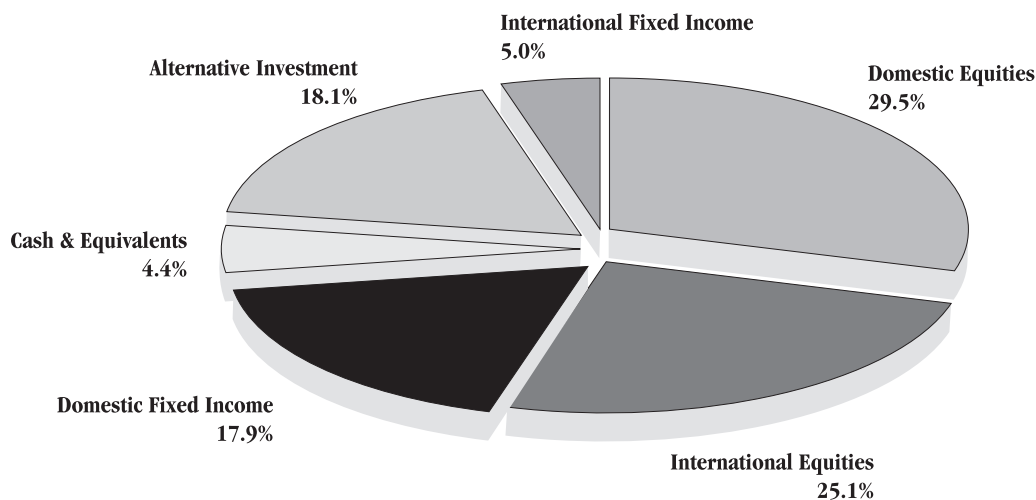
Telephone: (302) 739-4208

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Annual Financial Reporting

This year the Delaware Public Employees' Retirement System (DPERS) has been confronted with very challenging market conditions. The System's investments incurred a 1.3% decline gross of fees in Fiscal Year 2008. The total System's annualized returns for the last 5, 10, and 15 years are 10.5%, 7.1% and 9.8% respectively. Over the last year, the Board of Trustees (Board) of DPERS, through its Investment Committee, has taken material steps to protect the asset value of the investment portfolio. During these challenging market conditions, the Board, Investment Committee, and consultants are constantly monitoring DPERS' investment portfolio. It is important to remember that DPERS is a long-term investor with a time horizon that lasts over decades and that the investment portfolio is well diversified in many different asset classes.

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



During the past fiscal year, DPERS achieved many operational goals, including the creation of an Other Post-Employment Benefits (OPEB) Fund Trust which allows for the accumulation of funds provided by the State to pay insurance costs for retiree health care. The DPERS Board of Trustees serves as the Board of Trustees for the OPEB Fund Trust and manages the investment of those assets. The Board also completed a thorough review of the structure and regulations of the nine plans/funds it administers for compliance with tax laws and rules. Participation in the County & Municipal pension plans continued to grow with the addition of the Towns of Middletown, Fenwick Island, and the paid staffs of the Cheswold, Elsmere, and Five Points Fire Companies.

The Pension System also completed the installation of an improved document imaging and work flow system to allow greater efficiency in handling active employee and retiree data. The application also allows enhanced text search capabilities. Also in Fiscal Year 2008 work began to implement a new financial reporting system. The System also released a Request for Proposals for the Fiscal Year 2009 upgrade of the existing human resource system that houses all beneficiary data and calculations.

The DPERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007 was awarded the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the twelfth 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.

In addition, the Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2007. The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards considered include: comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment Committee, and communications with membership.

Pension Plan/Fund	Ending Market Value as of June 30, 2008 (in thousands)	Funding Status as of June 30, 2008
State Employees'	\$ 6,643,042	103.1%
Special Fund	617	124.8%
New State Police	211,653	100.7%
Judiciary	45,978	84.5%
County & Municipal Police & Firefighters'	99,974	98.6%
County & Municipal Other Employees'	12,739	90.7%
Delaware Volunteer Firemen's	13,073	50.4%
Diamond State Port Corporation	13,009	94.7%
Closed State Police	680	0.2%

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

EMPLID - What is it and where did it come from?_____

EMPLID stands for Employee Identification number. The Office of Pensions Comprehensive Retirement Information System (CRIS) uses EMPLID rather than Social Security Number to identify members. The EMPLID provides privacy for the employee. If you do not know your EMPLID number, we are also able to reference your account with your Social Security Number.

Rather than print someone's Social Security Number on

a report, we use an EMPLID. The Office of Pensions can locate each member in the system by the EMPLID and unauthorized persons do not have the ability to view the member's Social Security Number. Each member of the Delaware Public Employees' Retirement System has their own unique EMPLID, separate from any other system, and retains that number throughout their service and/or retirement. The EMPLID is a system-generated number that is assigned to the member when they are first entered into CRIS.

Are you confused about medicare Part D and your State of Delaware health care coverage?



Here are some helpful facts:

- Medicare Part D is the prescription benefit available to Medicare recipients. You are not required to enroll in Medicare Part D in order to receive other Medicare coverage.

- If you are in the State's pension health plan, you already have prescription drug coverage that is at least as generous as the Medicare Part D private insurer plans that are offered.

- If you or your spouse also enrolled in health care coverage through a private company or another company's retirement plan, that plan may have included enrollment in Medicare Part D.

- **IMPORTANT:** You are not permitted to remain enrolled in the State's prescription coverage if you enroll in a Medicare Part D plan. If you receive a letter from the Statewide Benefits Office indicating that you are currently enrolled in Medicare Part D and State prescription coverage, you must take action immediately. A form indicating your intent will be included with the letter and must be returned to the Pension Office promptly. You may continue your State of Delaware healthcare coverage without prescription benefits.

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

- **IMPORTANT:** If you do decide to join a Medicare Part D drug plan and drop your existing prescription drug coverage through the State of Delaware Medical and Prescription Drug Plans, be aware that you and your dependents may not be able to get this coverage back until the State's open enrollment period.

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

- Additional information is included in the "Letter of Creditable Coverage" included in your 2008 Open Enrollment booklet on page 37 or available at www.ben.omb.delaware.gov/script

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

Getting Ready to Prepare your 2008 Tax Returns?

1099R Forms will be mailed out no later than January 31, 2009. In the event that you wish to change your current tax withholding, a Tax Withholding Election (TWE) form will be included for your convenience. Only submit this form if you wish to make a change.

If for some reason you do not receive your 1099R Form please contact the Pension Office.

Save on Cost of Prescriptions...

Medication taken on a long-term basis, for more than 3 months, is referred to as "maintenance medication". If you are having a maintenance medication prescription filled every 30 days you are paying three 30-day co-pays to receive a 90-day supply. You may save money by having the prescription filled for 90 days.

- **Generic** medication filled as three 30-day fills cost \$25.50 OR one 90-day fill cost \$17.00 with **savings of \$8.50**
- **Formulary** medication filled as three 30-day fills cost \$60.00 OR one 90-day fill cost \$40.00 with **savings of \$20.00**
- Non-formulary medication filled as three 30-day fills cost \$135.00 OR one 90-day fill cost \$90.00 with **savings of \$45.00**

The first time you are prescribed a long-term medication you must try it in a 30-day supply to be sure it is right for you. So ask your doctor for a 30-day and a 90-day prescription. Some medications, certain controlled substances or medications that are prepackaged by the manufacturer, are not available in a 90-day supply, and any current quantity or plan limits remain in effect.

A prescription may be filled by:

- Mailing prescription and payment with a completed Medco By Mail order form (see www.ben.omb.delaware.gov/script/documents/medco/Medco_by_Mail_Ord_Form.pdf)

- Asking your doctor to fax the prescription to Medco. Call 1-888-327-9791 for instructions. (Only your doctor can fax prescriptions.)

- Taking prescription to a retail participating pharmacy.

For more information, call Medco's Member Services at 1-800-939-2142 or the Statewide Benefits Office at 302-739-8331 or 1-800-489-8933

Upcoming Pension Benefit Dates:

Friday, January 30, 2009

Friday, February 27, 2009

Tuesday, March 31, 2009

Thursday, April 30, 2009

Friday, May 29, 2009

Tuesday, June 30, 2009

Reminder: Pension benefits are payable on the last working day of each month and are mailed two days before the last working day of each month.