

Delaware Public Employees' Retirement System NEWSLETTER

Active Member Edition

February 2009

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 retire, DPERS will calculate 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.

In the last several months, there were daily market fluctuations of up to 10%, both positive and negative. The downward trend that began a year ago continued, with the S&P 500 index of large company stocks down -8.9% in September, down -16.5% in October, down -7.2% in November, and up 1.1% in December. Periods of investment volatility have occurred in the past, when in 1987 the market had a 500 point one-day drop, equaling a one-day loss in value of approximately 20%.

In 1990, the fifth largest investment bank in the U.S.—Drexel Burnham Lambert—declared bankruptcy. In 1991, the largest insurance company in California at the time—Executive Life—was declared insolvent. In the 1970s, we had a string of back-to-back years when the inflation rate outpaced investment returns. More recently, we experienced the bursting of the tech bubble, and the losses attributed to Enron and WorldCom.

Why the history lesson? We lived through each market crisis mentioned and survived all of them, 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.

Were You Employed in the CETA Program?

The Comprehensive Employment and Training Act Program (CETA) was a program created by the federal government in 1973 to provide individuals a variety of services including classroom and on-the-job training, work experience, and job search and placement assistance. This program was funded by the federal government and administered by State and Local Governments.

One of the requirements of the CETA program stated that State and Local governments could not use funds from the program for retirement plans. That is, CETA funds, provided to the States could not be used to provide pension coverage for those positions. Therefore, an employee can not receive pension credit for their CETA service with the Delaware pension system.

There is an exception to the above rule, if the employment was in a position that performed various administrative duties in the

administration of the CETA program, then that type of position might be eligible for pension coverage.

If you have questions about your service with the CETA program, please contact the Pension Office.

The Pension Office will be closed on the following dates:

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

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

Toll Free Long Distance

Telephone: (800) 722-7300

E-mail Address:

pensionoffice@state.de.us

Web Address:

www.delawarepensions.com

Telephone: (302) 739-4208

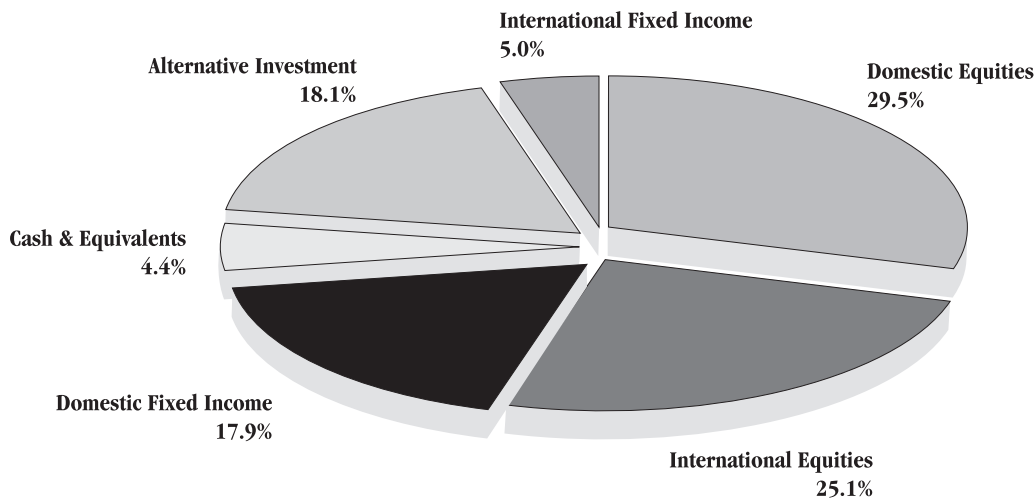
Fax Number: (302) 739-6129

Annual Financial Reporting

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.

Technology Tidbits.....

The Office of Pensions uses many resources to help retain a quality workforce and provide a secure and supportive retirement commitment. One of these resources is an electronic document system. It is used by the Office of Pensions to facilitate the electronic storage, management and retrieval of state employee and retiree documents.

Recently the Office of Pensions replaced our existing system with a more robust and enhanced

solution. The new system will improve services for State of Delaware active employees and pensions, improve efficiency in processing information, reduce operating costs, increase security and create a more efficient platform to manage and retrieve documents. These benefits will assist the office as we strive to provide quality customer services to all state employees and retirees.

Group Pre-Retirement Education Sessions

The Pension Office announces a new and improved way of serving the retirement needs of the State employees in an efficient manner.

We are now offering Group Pre-Retirement Sessions. These small group sessions will enable our office to provide pre-retirement education sessions in a timelier manner. Previously, we had to schedule individual pre-retirement sessions months in advance in order to accommodate the demand for counseling. While we will strive to continue to provide one-on-one sessions, we are working to creatively provide the members of the pension plans with high quality customer service and timely retirement education to our members.

The sessions will be held in our office in Dover, and are offered at various dates and times. Please call our office if you would like to attend one of our Group Pre-Retirement Education Sessions. These sessions are most helpful for employees retiring within two years. You will receive comprehensive information, a detailed confidential estimate of your retirement benefit, and have the ability to hear fellow State employees ask questions. We offer morning and afternoon sessions, but space is limited so please call early to reserve your seat.

If you are not able to attend one of our sessions, we will continue to offer the Spring and Fall Pre-Retirement Workshops. Visit our website periodically or check your pay advice statements for the scheduling of



these workshops. In addition, we also participate in the Annual Pre-Retirement Conference in the Fall each year.

We look forward to servicing all your pre-retirement needs!

To contact our office, please visit: www.delawarepensions.com

Or call us at 302/739-4208 or 800/722-7300

2008 Comprehensive Annual Statements

Employee Comprehensive Annual Statements will be mailed in late winter. This statement will indicate your estimated pension benefit as of December 31, 2008, along with your beneficiary data as of the printing date.

Please examine these statements carefully and notify us, following the instructions included with the statement, if any changes are required. E-mail our office (pensionoffice@state.de.us) with any comments you have regarding the statement format and information provided along with your suggestions for future improvements.

PENSION & RETIREMENT WORKSHOPS 2009

NO PRE-REGISTRATION REQUIRED

New Castle County

Date: March 26, 2009
Day: Thursday
Time: 7:00 – 9:00 p.m.
Place: Stanton Middle School
1800 Limestone Rd.
Wilmington, DE 19804

Date: April 21, 2009
Day: Tuesday
Time: 7:00 – 9:00 p.m.
Place: Brandywine High School
1400 Foulk Rd.
Wilmington, DE 19803

Date: April 23, 2009
Day: Thursday
Time: 7:00 – 9:00 p.m.
Place: Stanton Middle School
1800 Limestone Rd.
Wilmington, DE 19804

Kent County

Date: March 31, 2009
Day: Tuesday
Time: 7:00 – 9:00 p.m.
Place: Delaware State Trooper's Assoc.
(Exit onto Messina Hill Rd.
off N. DuPont Hwy)
Cheswold, DE 19936

Sussex County

Date: April 7, 2009
Day: Tuesday
Time: 7:00 – 9:00 p.m.
Place: Del Tech Owens Campus
Arts & Science Center
College Theater
Georgetown, DE 19947

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