

NEWSLETTER

Delaware Public Employees' Retirement System

Retiree Edition

December 2010

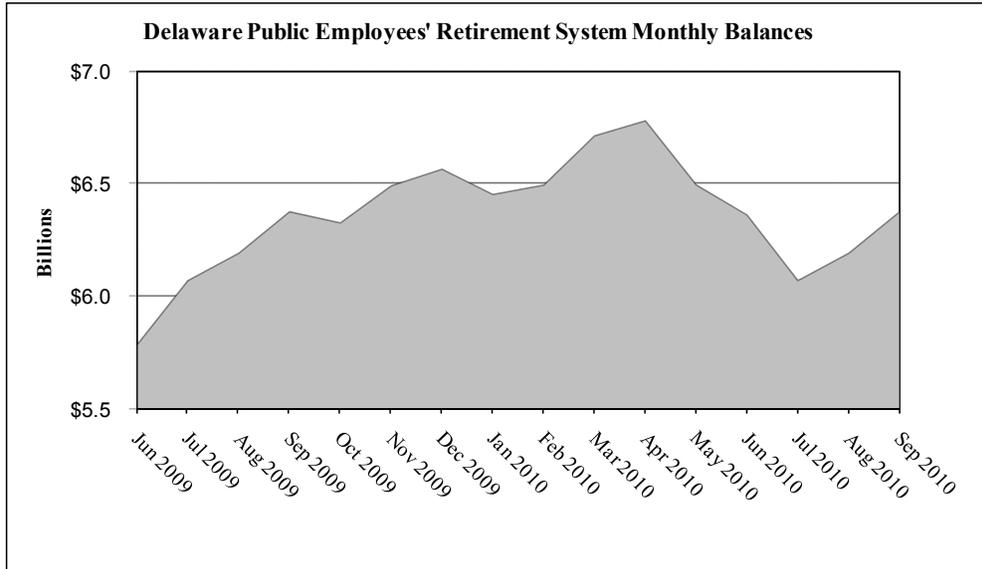
Annual Financial Reporting

During the Fiscal Year 2010, the global economic recession ended and the economy began to show signs of easing even though concerns remain regarding consumer and government finances. As a result, the Delaware Public Employees' Retirement System (System) experienced positive results compared to the prior fiscal year with an ending portfolio balance of \$6.4 billion. As of the Fiscal Year ended June 30, 2010, the System gained 14.1% lagging slightly behind the S&P 500 gain of 14.4% for the same period. For the five years ending June 30, 2010, the System returned 4.3% versus the S&P 500 loss of 0.8%. According to a recent survey, when comparing the System investment performance to other pension funds, the System remains a top quartile performer.

While economic conditions continue to improve, an underlying drag continues led by fiscal uncertainty and high unemployment. Federal Reserve Chairman Ben Bernanke recently stated, "The economic expansion that began in the middle of last year is proceeding at a moderate pace, supported by stimulative monetary and fiscal policies." A recent Federal Open Market Committee economic forecast expects GDP growth of 3% to 3.5% in 2010 to around 4% in 2011, however unemployment is forecasted to remain around 7.5% through the end of 2012.

In the third quarter, the System tracked its benchmark very closely realizing a return of 8.8%, with the Delaware Benchmark realizing a return of 8.9%, respectively.

While the System has seen considerable appreciation, the Investment Committee and Office of Pensions management continue to monitor financial markets and seek investment opportunities that fit into the risk and return guidelines of the Delaware Public Employees' Retirement System.



Bayhealth's Lifestyles Fitness Center

provides a discount to both active and retired state employees.

For more information please call:

Dover: (302) 734-3126 Lifestyles Fitness Center at Kent General Hospital

Milford: (302) 430-5632 Lifestyles Fitness Center at Milford Memorial Hospital

The Pension Office will be closed on the following dates:

Martin Luther King Jr. Day	Monday, January 17
Good Friday	Friday, April 22
Memorial Day	Monday, May 30
Independence Day	Monday, July 4
Labor Day	Monday, September 5
Veterans Day	Friday, November 11
Thanksgiving Day	Thursday, November 24
Day After Thanksgiving	Friday, November 25
Christmas Day	Monday, December 26



OFFICE OF PENSIONS

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Annual Financial Reporting

With the severe global economic recession drawing to a close in Fiscal Year 2010 and positive responses in the market, the Delaware Public Employees' Retirement System (System or DPERS) showed positive results as well. The System's investment portfolio had a 14.1% return gross of fees in Fiscal Year 2010. The total System's annualized returns for the last 5, 10, and 15 years are 4.3%, 3.9% and 8.0%, respectively. 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. With the fact that market conditions are constantly changing, 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.

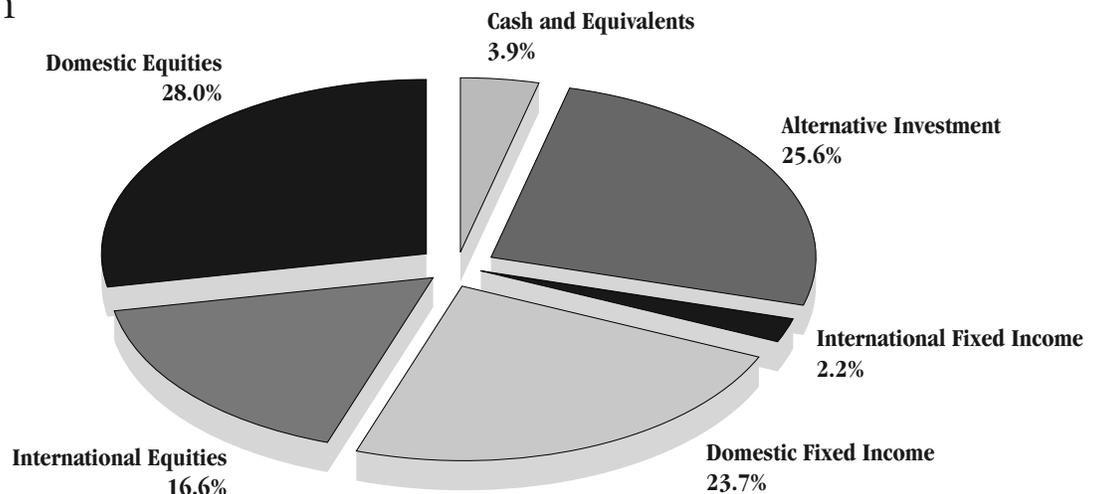
As a member of a DPERS pension plan, you participate in a Defined Benefit Plan, and your retirement benefits are paid out to you regardless of market events. When you retired, DPERS calculated your monthly pension benefit based on various factors such as years of service and salary, not investment results. 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, work continued on the implementation of a new financial reporting system. The System completed the installation and implementation of an upgrade to the existing PeopleSoft Human Resources system that houses all beneficiary data and calculations.

Participation in the County & Municipal pension plans continued to grow with the addition of the Town of Laurel, Bowers/Frederica EMS and Talleyville Fire Company.

Asset Allocation

as of June 30, 2010



Annual Financial Reporting

The DPERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009 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 thirteenth 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.

Pension Plan/Fund	Ending Market Value as of June 30, 2009 (in thousands)	Funding Status as of June 30, 2008
State Employees'	\$ 5,909,159	96.0%
Special Fund	380	137.2%
New State Police	215,665	94.3%
Judiciary	44,977	85.8%
County & Municipal Police & Firefighters'	122,086	95.9%
County & Municipal Other Employees'	16,483	88.7%
Delaware Volunteer Firemen's	12,282	49.9%
Diamond State Port Corporation	13,536	84.0%
Closed State Police	1,396	0.5%

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

In addition, the Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2009. 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.

2010 Tax Documents and Retiree Annual Statements

Forms 1099-R, 1099-MISC & W-2's

Your 2010 tax documents are scheduled to be mailed no later than January 31, 2011. Retirees who received a benefit payment from the State of Delaware Office of Pensions in 2010 will receive either a 1099-R, 1099-MISC or W-2 Form stating information about that payment. You will need this information to complete your 2010 income tax returns. Some retirees may receive more than one of the above listed forms if they received more than one type of payment; for instance, if they received a payment as a beneficiary of another member's benefit and monthly benefit payments from their own retirement.

Retiree Annual Statements

Your RAS (Retiree Annual Statement) is scheduled to be mailed in mid to late winter. Retirees who received monthly benefit payments in 2010 will receive a personalized statement. The statement will list the Survivor Entitlement selected at retirement, Benefit Options and Plan Options.

Carefully Review Your Mailings

When you receive your documents, please review them carefully. If you have any questions regarding your Tax Documents or your Retiree Annual Statement, please contact the Pension Office.

Upcoming Pension Benefit Check Dates:

Monday, January 31, 2011

Monday, February 28, 2011

Thursday, March 31, 2011

Friday, April 29, 2011

Tuesday, May 31, 2011

Thursday, June 30, 2011

Reminder: Pension benefits are payable on the last working day of each month.



Invest In Your Health and Earn Cash Towards Reducing your Healthcare Contributions!

Now through May 31, 2011, non-Medicare eligible pensioners, who are currently enrolled in a State of Delaware Group Health Plan, can earn Wellness Credits for participating in various program activities throughout the year.

These credits can translate into valuable reductions in your monthly health plan contributions*, and here's how:

1. Attend a DelaWELL Health Screening (Worth 4 Credits) – Visit the DelaWELL Health Portal at <https://delawell.alerehealth.com> and sign up or a **FREE** Health Screening Appointment.
2. Complete Your Online Wellness Assessment (Worth 6 Credits) – After you attend your health screening, complete your confidential online Wellness Assessment at <https://delawell.alerehealth.com/portal/server.pt>.
3. Participate in Program Activities and Earn Credits – The DelaWELL program has many options, including healthy living programs, health coaching programs, condition care programs, DelaWELL University onsite health seminars, wellness challenges and more.

*non-Medicare Retirees who earn the incentives will receive a credit on their monthly health plan deductions beginning in July 2011.

For more information, visit the DelaWELL Health Portal at <https://delawell.alerehealth.com> or call (866) 674-9103 to speak with a program representative.

Federal Health Care Reform

One of the changes included in the Federal Health Care reform was the reporting of employer provided health insurance benefits on an active employee's W2 form and a retiree's 1099R form.

On the 2011 wage, income and tax statements, employers will report the value of any employer provided health insurance benefits. In our case that amount would be the value of the State share that is provided. This amount will not be included in the taxable benefit.

Health and Prescription Care News...

Zostavax, a vaccine that can help prevent Herpes Zoster, also known as shingles, is recommended for adults 60 years of age or older by our medical community. Members should have a discussion with their physician to determine if this vaccine is appropriate for them. Health care plans cover this immunization under the preventive guidelines for members 60 and older. Some physicians have Zostavax available in their office while others do not because of special handling requirements.



Members can have their physician write a prescription for Zostavax and have the prescription filled at a Medco participating pharmacy. Not all pharmacies will carry this medication. Some pharmacies may both dispense and administer it (provide the injection) when the member picks up the prescription. If your pharmacy does not administer vaccines, you must prearrange with your physician to have the vaccine administered shortly after the time of purchase; in this case the member is responsible for the prescription co-pay and the office visit co-pay, if applicable. If your pharmacy does administer vaccines, you may have pharmacy staff administer the vaccine; in this case the member is responsible for the prescription co-pay and pharmacy's administrative fee. Members who pay out-of-pocket may submit a claim form to Medco for reimbursement minus the applicable co-pay and administrative fee; Medco's claim form is available at:

http://ben.omb.delaware.gov/script/documents/medco/Co_of_Ben_Direct_Claim_Form.pdf

The completed claim form, cash register receipt, and prescription bag receipt should be included and sent to Medco for processing.

Members on Medicare and BCBSD's Special Medicfill plan whose physician provides and administers Zostavax must have the claim submitted to Medicare before the claim is submitted to BCBSD.

Should you have a concern, please contact BCBSD's Customer Services at 1-800-633-2563, Aetna's Customer Services at 1-877-542-3862, or Statewide Benefits Office at 739-8331 or 1-800-489-8933.