

# Delaware Public Employees' Retirement System NEWSLETTER

Retiree Edition

December 2013

## Re-Employment After Retirement Update

Effective for calendar year 2013, retirees of the State Employees' Pension Plan (Plan) who are currently working in positions that are classified as casual/seasonal, substitute, or temporary (which would include working under a temporary services contract) are subject to the annual offset if their earnings from this employment exceed \$30,000 during the calendar year.

The Office of Pensions will review wages paid to a retiree in those positions from January 2013 through December 2013. If a retiree earns more than the \$30,000 limit, reduction of pension benefits will begin in July 2014. The individual's pension benefit will be reduced over a 12 month period calculated as a \$1 deduction for every \$2 earned over \$30,000. This review will occur annually with a pension benefit deduction in July of the year following the calendar year for which the earnings were reported.

In addition, retirees who contract with an employer participating in the Plan (or who represent any private enterprise that has a contract with an employer participating in the Plan) must have the employer complete the Office of Pensions' Certificate of Worker Status Form. A determination will then be made to verify if the individual meets the definition of employee within the Plan.

If the individual is determined to be an employee, under Delaware law, a retiree is not allowed to receive a pay check from employment with a participating employer while also receiving a pension check. There are several consequences to the violation of these rules including the retiree owing back all pension benefits that were received while employed as well as sanctions from the IRS.

### ONLINE SURVEY

If you have received services from the Office of Pensions recently, we request that you complete a survey to let us know how we are doing. This survey is anonymous and confidential allowing for feedback in an effort to enhance and improve services provided by our office.

To complete the survey, please visit  
[www.delawarepensions.com/officesurvey](http://www.delawarepensions.com/officesurvey)

### The Pension Office will be closed on the following dates:

<b>New Years Day</b>	Wednesday, January 1
<b>Martin Luther King Jr Day</b>	Monday, January 20
<b>Good Friday</b>	Friday, April 18
<b>Memorial Day</b>	Monday, May 26
<b>Independence Day</b>	Friday, July 4



### 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](mailto:pensionoffice@state.de.us)

Web Address: [www.delawarepensions.com](http://www.delawarepensions.com)

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

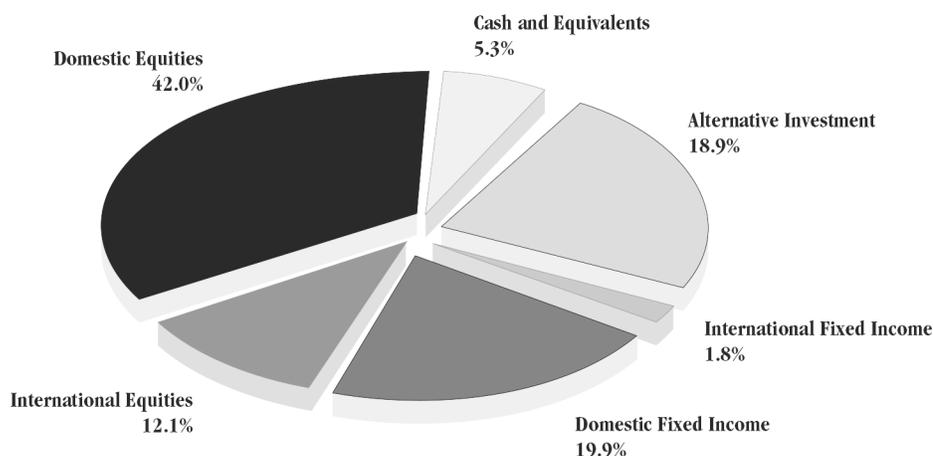
# Annual Financial Reporting

In Fiscal Year 2013, market investment returns were aided by generous equity markets, but weighed down by weaker fixed income markets. During the year, reduced exposure to international markets helped the System as corporate earnings remained strong for domestic companies, while European and developing country companies encountered weaker profits. The Delaware Public Employees' Retirement System (System or DPERS) investment portfolio returned 11.1% gross of fees in Fiscal Year 2013. The total System's annualized returns for the last 5, 10, and 15 years are 6.4%, 8.4% and 6.9%, 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.

## Asset Allocation

*as of June 30, 2013*



Membership in the County & Municipal plans continues to grow. The Cranston Heights Fire Company joined the County & Municipal Other Employees' Plan.

The DPERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012 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 seventeenth 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 2012. 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.

# An Overview of Investment Performance

During Fiscal Year 2013, overall world markets reacted positively to easing fears in Europe with the European Central Bank resolve to stand behind the common currency and continued easing by the U.S. Federal Reserve. However returns were subdued by weakness in emerging markets and fixed income markets reacting negatively to the Federal Reserve's comments regarding potential reductions in the bond-buying program voiced at the end of the Fiscal Year. 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 \$8.1 billion for the Fiscal Year ended June 30, 2013 versus \$7.5 billion for the prior fiscal year. During the Fiscal Year the System gained 11.1% lagging the S&P 500 gain of 20.6%, however exceeding the Delaware Benchmark gain of 10.6% for the same period. For the ten years ending June 30, 2013, the System returned 8.4% versus the S&P 500 gain of 7.3%, respectively. According to a recent survey, when comparing the System investment performance to other pension funds, the System remains a top decile performer for 5 and 10 year periods ending June 30, 2013.

Pension Plan/Fund	Ending Market Value as of June 30, 2013 (in thousands)	Funding Status as of June 30, 2013
State Employees'	\$ 7,395,577	91.1%
Special Fund	299	146.9%
New State Police	315,968	90.6%
Judicial	62,822	95.4%
County & Municipal Police & Firefighters'	204,739	98.1%
County & Municipal Other Employees'	27,728	93.8%
Volunteer Firemen's Fund	15,385	50.8%
Diamond State Port Corporation	20,818	83.4%
Closed State Police	2,288	0.9%

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

From the outset of the new fiscal year, the economic and financial market landscape once again presents an uncertain outlook. The challenges include continued sub-par economic performance and a maturing business cycle, while earnings growth in emerging markets may slow either due to changes in economic policy or continued commodity price weakness. Positives include strong corporate margins and earnings expectations along with solid balance sheets. In the government sector, large deficits, likely budget battles, and debt ceiling negotiations present risks. Longer term interest rates may present challenges to the economic recovery as mortgages and other financing increase in cost. A recent Federal Open Market Committee economic forecast expects GDP growth of 3.0% to 3.5% in 2014; however unemployment is forecasted to remain around 6.5% to 6.8% through the end of 2014.

In the third quarter of 2013, the System outperformed its benchmark with a return of 4.4% with the Delaware Benchmark returning 3.3%. Performance was driven by the System's tactical equity positions.

While the System continues to outperform similar pension systems, 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.

## 2013 Tax Documents and Retiree Annual Statements

### *Form's 1099-R, 1099-MISC & W-2*

Your 2013 tax documents are scheduled to be mailed no later than January 31, 2014. Retirees who received a benefit payment from the State of Delaware Office of Pensions in 2013 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 2013 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. If you wish to make any changes to your tax deductions, go to our website at [www.delawarepensions.com](http://www.delawarepensions.com) and fill out a Tax Withholding Election Form (TWE) and submit it to the Pension Office.

### *Retiree Annual Statements*

Your Retiree Annual Statement is scheduled to be mailed in mid to late winter. Retirees who received monthly benefit payments as of December

31, 2013 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 our office.

### ***Upcoming Pension Benefit Check Dates:***

Friday, January 31, 2014	Friday, February 28, 2014
Monday, March 31, 2014	Wednesday, April 30, 2014
Friday, May 30, 2014	Monday, June 30, 2014

# Attention Non-Medicare Pensioners: Changes Coming To Your Prescription Plan Formulary of Medications in 2014

Your State of Delaware prescription plan Formulary is the list of medications covered under your **Non-Medicare** medical and prescription plan. These are proven medications and include drugs to treat every condition. Each year, Express Scripts physicians and pharmacists review and update the plan's formulary to ensure that the plan is providing the most clinical and cost effective medication therapies for members.

## Formulary changes beginning January 1, 2014

Effective January 1, 2014, 89 brand medications will move from Preferred Brand (Tier 2) to Non-preferred Brand (Tier 3), and 21 medications will move from non-preferred to preferred status. A list of the affected drugs is posted on the Statewide Benefits website at <http://ben.omb.delaware.gov/script/planinfo.shtml>. Members who are currently taking a drug that is moving to a Non-preferred Brand status will receive a letter from Express Scripts, and the letter will include alternatives that members can discuss with their physicians.

## Additional Formulary changes are coming on July 1, 2014

Beginning July 1, 2014, a total of 48 medications will be excluded from the State of Delaware's formulary. This means that these drugs will no longer be covered under the State plan, and members would pay the total cost of the medication. A list of the drugs that will be excluded beginning July 1, 2014 is available on the Statewide Benefits website at

<http://ben.omb.delaware.gov/script/planinfo.shtml>. Again, members who are taking these drugs will receive a letter from Express Scripts describing alternative drugs for consideration.

## What can I do if an excluded medication is medically necessary?

Your doctor can file an appeal for an authorization to allow you to continue on this medication. If approved, the medication will be covered at the non-preferred level.

## Questions?

See the Statewide Benefit Office website for copay information and medication lists at <http://ben.omb.delaware.gov/script/planinfo.shtml>, or call our office at 302-739-8331 or 1 800 489 8933.

***These changes do not apply to Medicare Pensioners enrolled in the Express Scripts Medicare PDP Plan.***

## Make Your Health Goals Happen With DelaWELL!

Whether you want to lose weight, manage a chronic health condition, become more active, quit smoking, control your stress, improve your nutrition or maintain a healthy lifestyle, the DelaWELL program has the resources to help you make your health goals happen!

Health and wellness resources available to **benefit eligible state non-Medicare eligible pensioners who are currently enrolled in a State of Delaware Group Health Plan**, include:

- Earn DelaWELL Rewards up to \$200
- Confidential online wellness assessment
- Onsite health screenings
- Online and onsite health seminars
- Personal health coaching
- Condition care programs
- Online suite of health information on the DelaWELL Health Portal
- Special discounts for items like Weight Watchers, gym memberships and other wellness discounts
- Nurse24 line
- Governor's Cup 5K Run/Walk

Health and wellness resources available to **Medicare eligible state pensioners**, include:

- Onsite health seminars
- Online health information on the DelaWELL website with community health events, activities, health education and tips, health calculators and more
- Governor's Cup 5K Run/Walk
- Gym memberships discounts

**Learn more by visiting [www.delawell.delaware.gov](http://www.delawell.delaware.gov).**