



Delaware Public Employees' Retirement System NEWSLETTER

Retiree Edition

December 2004

RETAIL PHARMACIES JOIN 90-DAY PRESCRIPTION PLAN

Since July 2002, members who had a 90-day prescription filled at most retail pharmacies paid three 30-day copays as most retail pharmacies would not accept the 90-day supply mail order rate.

State Personnel and Express Scripts are pleased to announce that the following pharmacies in Delaware are now "participating" for the 90-day fill of prescriptions with the following copayments:

\$15 (Tier 1 - Generic),
\$30 (Tier 2 - Formulary),
\$70 (Tier 3 - Non-Formulary)

Albertsons (Acme) - 7 locations
Brashear's Vital Care - 1 location
Claymont - 1 location
Eckerd - 22 locations
Family Drugs of Indian Town - 1 location
Family Pharmacy - 1 location
Gateway - 1 location
K-Mart - 3 locations
Life Care - 1 location
McQuade's Market Place - 1 location
Neighborcare Salisbury - 1 location
Pathmark - 4 locations
Pitt Student Health - 1 location
Shell Point - 1 location
Super G - 4 locations
Target - 2 locations
Westbury - 1 location

If you wish to transfer an existing prescription to one of these pharmacies, please contact the pharmacy where you wish to transfer the prescription for instructions. If you are utilizing mail order and wish to change to one of these retail pharmacies, you will need to get a new prescription from your physician.

For specific locations, visit our website at delawarepensions.com under the "What's New" tab or contact your local pharmacy to see if they are participating in this new program.

DEAR DAVE:

- Q. I notice that there is a "taxable" and a "non-taxable" benefit on my monthly notice of deposit. Why is this?
- A. Section 72 of the Internal Revenue Code provides simplified method rules for determining tax-free and taxable portions of pension payments. The amount to be excluded from taxation is determined by using the total number of payments to be received and the investment in the contract. The total number of monthly payments expected to be received is based on your age at the pension effective date. The number of payments is based on the table issued by the Internal Revenue Service. The "investment in the contract" is your after tax employee contributions made to the pension fund prior to 1993.

Office of Pensions
a division of State Personnel

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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.

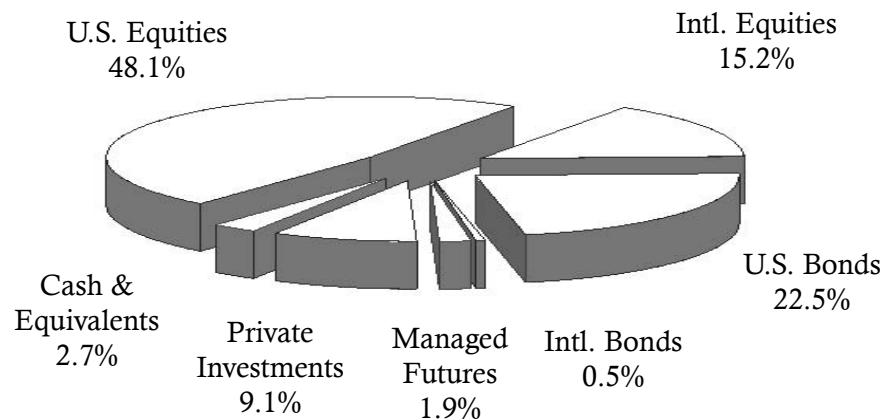
Pension Plan	Beginning Market Value <i>(expressed in thousands)</i>	Ending Market Value <i>(expressed in thousands)</i>	Percentage Increase/ (Decrease) in Market Value	Funding Status
State Employees'	\$ 4,649,508	\$ 5,248,680	12.9%	103.0%
Special	\$ 893	\$ 882	(1.2%)	118.9%
New State Police	\$ 108,611	\$ 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.

Asset Allocation as of June 30, 2004



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.

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.

EXPRESS SCRIPTS WEBSITE ENHANCEMENT

Express Scripts has enhanced their website to accomplish two tasks for State of Delaware members: (1) protect the Personal Health Information of all adult members (over age 18) covered by the plan in accordance with the privacy regulations of the Health Insurance Portability and Accountability Act (HIPAA), and (2) allow each adult member to have access to his/her own information, as well as designate other adults who can access that information. This access is called dependent level sign on.

Features of dependent level sign on access include:

- The primary cardholder (employee) will now specify whether to allow dependents age 18 or older (including spouse, if covered as a dependent) the ability to view his/her personal and medical information.
- Employees can still view the personal and medical information of all dependents under the age of 18.
- All dependents age 18 or older (including spouse, if covered as a dependent) will now create their own separate website accounts. The adult dependent will activate their own account using the employee's Social Security Number and zip code and then provide their own name and date of birth. They will specify the individuals who can see their information. Please note that the primary cardholder (employee) will not be able to view the information of these dependents unless they activate their website account and provide you with access.

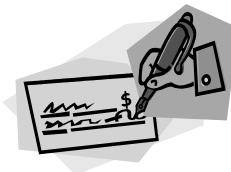
If you have any questions, please contact the State Pension Office.

ARE YOU READY TO PREPARE YOUR 2004 TAX RETURNS?

1099R Forms will be mailed no later than January 31, 2005. Please review the enclosed pension check or advice to be sure that your address is correct. If not, please send us a note including your new address and your signature so your record can be corrected.

If for some reason you don't receive your Form 1099R, contact the Pension Office Benefits Section.

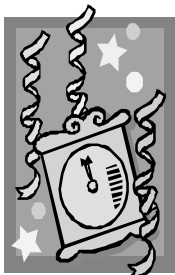
DIRECT DEPOSIT -- THE ONLY SAFE WAY!



All pension checks and advices are distributed the day before the last working day of every month. Once your check has been mailed, we have no control -- nor do you. What you can control is a timely deposit of your money by having direct deposit. Money is transferred electronically so it is in your bank account on the last working day of each month. No mail delays, no lost or stolen checks, and, best of all, no worrying. With direct deposit, your money is safe and on time. If you do not have direct deposit, please contact our office for the necessary forms.

Pension checks are mailed the day before the last working day of each month. Accordingly, upcoming pension check dates will be as follows:

Monday, January 31, 2005
Monday, February 28, 2005
Thursday, March 31, 2005
Friday, April 29, 2005
Tuesday, May 31, 2005



The Pension Office will be **CLOSED** on the following holidays:

New Year's -- Friday, December 31, 2004
Martin Luther King -- Monday, January 17, 2005
President's Day -- Monday, February 21, 2005
Good Friday -- Friday, March 25, 2005
Memorial Day -- Monday, May 30, 2005