

WINTER NEWSLETTER

Delaware Public Employees' Retirement System

Retiree Edition

December 2007

PUBLIC SAFETY OFFICER'S \$3,000 RETIREE MEDICAL EXCLUSION FROM INCOME

We are notifying you of a federal tax benefit to which you may be entitled. The Pension Protection Act of 2006, signed into law on August 17, 2006, made significant changes to the federal law affecting defined benefit plans including those administered by the Delaware Public Employees Retirement System (DPERS).

Section 845(c) of the PPA provides for up to a \$3,000 exclusion from gross income for distributions from DPERS which are used to pay qualified health insurance premiums of an eligible retired Public Safety Officer. The exclusion applies with respect to an eligible retired Public Safety Officer who elects to have qualified health insurance premiums deducted from amounts distributed from DPERS and paid directly to the insurer.

Qualified health insurance premiums include premiums for accident and health insurance or qualified long-term care insurance contracts for the eligible retired Public Safety Officer and his or her spouse and dependents. The distribution is excluded from gross income to the extent that it does not exceed the amount used to pay for the qualified health insurance premiums for the retired Public Safety Officer and his or her spouse and dependents.

An employee is an eligible retired Public

Safety Officer for purposes of the exclusion only if the employee is an individual who separated from service, either by reason of disability or after reaching normal retirement age, as a public safety officer with the State of Delaware. Thus, a Public Safety Officer who retires with a reduced service pension benefit is not eligible for this income exclusion.

The Public Safety Officers Benefit Act defines Public Safety Officer to include:

- An individual involved in crime and juvenile delinquency, control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including, but not limited to police, corrections, probation, parole, and judicial officers;
- Professional firefighters;
- Officially recognized or designated public employee members of a rescue squad or ambulance crew; and
- Officially recognized or designated chaplains of fire or police departments.

In summary, if you meet one of the above descriptions of a Public Safety Officer, you may take an exclusion up to \$3,000 on your 2007 Federal Income Tax Form for health care premiums that have been withheld from your pension benefit payment issued by DPERS and paid directly to the insurance carrier. You may

not exceed the amount that has actually been withheld from your pension benefit check for health care and you may not exceed the \$3,000 exclusion in any event.

The application of this exclusion is your responsibility in conjunction with your tax advisor. Your pension benefit direct deposit advice (or check stub) reflects annual deductions for health care premiums. The IRS Form 1099R that you will receive from DPERS will reflect the total amount of taxable benefit paid to you and will NOT reflect the exclusion for health insurance premiums.

Please contact your tax advisor if you have any questions about this federal tax change.

The Pension Office will be closed on the following dates:

New Year's Holiday	Tuesday, January 1, 2008
Martin Luther King Jr. Day	Monday, January 21, 2008
President's Day	Monday, February 18, 2008
Good Friday	Friday, March 21, 2008
Memorial Day	Monday, May 26, 2008
Independence Day	Friday, July 4, 2008

Coming Soon!

In our continuing efforts to improve the quality service that the Office of Pensions provides our retirees, we are excited to inform you of a new service that will be available in the very near future. The Office of Pensions is proud to announce that every retiree will be able to view all of their past and present pay check advice or pay check information through an electronic application accessible from a link on our website. On an on-going basis, each retiree will be able to view their pay advice or pay check data on-line once the payroll for that monthly pay cycle has been completed.

Once the check/advice e-application is available, the Office of Pensions will be turning it's attention to designing, developing, and implementing future e-applications that will allow retiree's the opportunity to perform Pension related tasks from any place that has access to the internet.

The Pension Office will be notifying each retiree of their unique userid and the criteria that is to be used for entering the corresponding password. We will also be posting updates and new enhancements on the Office of Pensions website.



OFFICE OF PENSIONS

State of Delaware Office of Pensions

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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

The Board of Pension Trustees presented the 36th Comprehensive Annual Financial Report (CAFR) of the Delaware Public Employees' Retirement System (DPERS) at its September 28, 2007 meeting.

DPERS' CAFR for the year ended June 30, 2006 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.

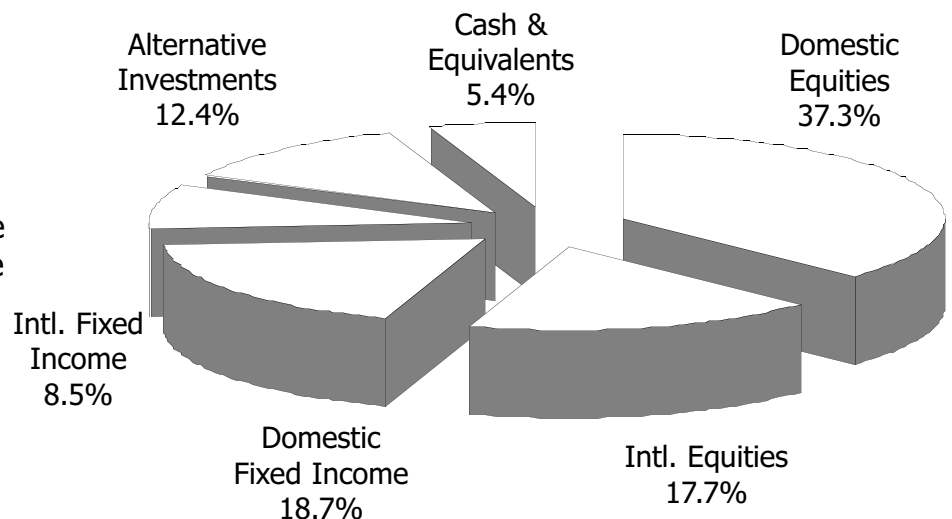
A Certificate of Achievement is valid for a period of one year only. This is the eleventh consecutive year that DPERS has received a Certificate of Achievement. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The complete FY 2007 CAFR may be viewed on our website: www.delawarepensions.com.

Delaware Public Employees' Retirement System received its fourth Public Pension Coordinating Council (PPCC) Award for 2006. 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.

INVESTMENTS

The System's investments had a 15.9% return in Fiscal Year 2007. The System's annualized total returns for the last five, ten and fifteen years are 11.5%, 9.0% and 11.0%, respectively. Relative to other public pension funds, the ranking of the System's performance compares favorably with its benchmark for the most recent one, three, and five year periods.

Asset Allocation as of June 30, 2007



During the year, the Russell 3000 domestic stock market index rose 20.1%, while foreign stocks rose 29.7%. Domestic bonds lagged stocks, but still had positive returns. Weakness in the housing industry caused setbacks in related mortgage investments as the fiscal year drew to a close. 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 System's 15.9% return for the year is a function of the ongoing focus of risk control and diversification into non-traditional asset classes.

Pension Plan	Beginning Market Value July 1, 2006 <i>(in thousands)</i>	Ending Market Value June 30, 2007 <i>(in thousands)</i>	Funding Status
State Employees'	\$ 6,133,144	\$ 6,920,607	103.7%
Special	\$ 754	\$ 720	127.0%
New State Police	\$ 173,230	\$ 208,258	99.4%
Judicial	\$ 39,212	\$ 46,177	80.2%
County & Municipal Police and Firefighters'	\$ 73,413	\$ 93,256	98.2%
County & Municipal Other Employees'	\$ 8,673	\$ 11,187	89.9%
Volunteer Firemen's	\$ 11,498	\$ 13,039	49.3%
Diamond State Port Corporation	\$ 10,486	\$ 12,631	87.6%
Closed State Police	\$ 1,549	\$ 538	0.2%

Helpful Information.....

Blue Cross Blue Shield	(302) 429-0260	
	(800) 633-2563	www.bcbsde.com
Aetna	(877) 542-3862	www.aetna.com
Medco	(800) 939-2142	www.medco.com
Dominion Dental	(888) 518-5338	www.dominiondental.com
Delta Dental	(800) 873-4165	www.wekeepyousmiling.com/StateofDelaware
CobraServ	(800) 877-7994	
Elder Info Hotline	(800) 336-9500	
Office of Pensions	(302) 739-4208	
	(800) 722-7300	www.delawarepensions.com

SECOND OPINION AND DIAGNOSIS EVALUATION PROGRAM...

Best Doctors,® Inc.



The State Employee Benefits Committee has selected Best Doctors, Inc. to administer a diagnosis evaluation and second opinion program for participants of the state group health insurance program. This program provides coverage to employees, pensioners, and their dependents. Those who are uncertain

of a serious diagnosis or have questions about a treatment plan can request a voluntary, confidential, and free review of their condition by an expert doctor.

Best Doctors provides the opportunity for those who are uncertain of a serious diagnosis or have questions about a treatment plan to receive answers from world-renowned doctors.

An expert doctor evaluates the patient's case, and Best Doctors provides a written report back to the patient and his/her attending physician to help ensure the correct diagnosis and appropriate treatment plan for serious medical conditions.

Founded in 1989 doctors at Harvard Medical School, Best Doctors provides you with the expertise of top-ranked physicians. Physicians providing evaluations and opinions are not paid by Best Doctors but earn educational credits toward maintaining accreditation in their area of expertise. There is no cost to the employee/pensioner for use of this program.

To begin the process of receiving a second opinion, contact Best Doctors at 1-866-904-0910 to discuss your situation with a nurse. You will be required to sign a release to have your records obtained from your attending physician and reviewed. You and your attending physician will receive a copy of the written report. Most attending physicians appreciate having access to the most current medical information, as well as the opportunity to consult with a team of medical specialists working on the patient's behalf.

Best Doctors may, upon request, assist you in finding a physician to treat your medical condition. It is important to remember that you are responsible for following the rules of your health care plan, in receiving services.

Additional information is available on all State of Delaware benefit programs at www.ben.omb.delaware.gov. or by calling the Pension Office at 1-800-722-7300 or 1-302-739-4208 or Statewide Benefits Office at 1-800-489-8933 or 1-302-739-8331.

Getting Ready to Prepare your 2007 Tax Returns?

1099R Forms will be mailed out no later than January 31, 2008. 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.

Technology Tidbits....

Our goal, as always, is to continually improve our Website so that it includes pertinent information to our members and allows for easier access to the Pension Office.

Please check us out at www.delawarepensions.com.

Upcoming Pension Benefit Dates:

Thursday, January 31, 2008

Friday, February 29, 2008

Monday, March 31, 2008

Wednesday, April 30, 2008

Friday, May 30, 2008

Monday, June 30, 2008

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