



DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

Schedules of Employer Allocations and Schedules of
Pension Amounts by Employer

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

Issuance Date: August 14, 2015

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

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Independent Auditors' Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System:

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the County & Municipal Other Employees' Pension Plan as of and for the years ended June 30, 2014 and 2013, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2014, and the total for all entities of the column titled net pension liability included in the accompanying schedule of pension amounts by employer of the County & Municipal Other Employees' Pension Plan as of June 30, 2013 (collectively the specified column totals) and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U. S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating



the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2014 and employer allocations and net pension liability for total of all participating entities for the County & Municipal Other Employees' Pension Plan as of and for the year ended June 30, 2013, in accordance with U. S. generally accepted accounting principles.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Delaware Public Employees' Retirement System as of and for the year ended June 30, 2014, and our report thereon, dated December 19, 2014, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of County & Municipal Other Employees' Pension Plan management, the Board of Pension Trustees, County & Municipal Other Employees' Pension Plan employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

KPMG LLP

June 30, 2015

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

County & Municipal Other Employees' Pension Plan

Schedule of Employer Allocations

As of and for the years ended June 30, 2014 and 2013

Reporting unit	Employer contribution 2014	Employer contribution 2013	2014 Employer proportionate share	2013 Employer proportionate share
Milford	\$ 235,101	250,587	13.1350%	15.6259%
Bethany Beach	91,057	83,581	5.0873	5.2119
Blades	10,678	10,925	0.5966	0.6812
Camden	15,344	14,603	0.8573	0.9106
Cheswold	2,261	2,746	0.1263	0.1712
Clayton	29,354	29,139	1.6400	1.8170
Cranston Heights Joined 1/1/13	21,332	11,507	1.1918	0.7176
Delaware City Fire	11,731	15,176	0.6554	0.9464
Elsmere Fire	11,435	10,110	0.6389	0.6304
Felton	14,008	12,852	0.7826	0.8014
Felton Fire	19,987	17,910	1.1167	1.1168
Five Points Fire	7,287	9,101	0.4071	0.5675
Georgetown	67,392	73,847	3.7652	4.6049
Goodwill Fire	29,222	35,784	1.6327	2.2314
Harrington City	45,541	46,690	2.5444	2.9115
Harrington Fire	5,253	5,022	0.2935	0.3131
Kent Conservation District	211,817	207,393	11.8341	12.9325
Laurel	42,926	48,756	2.3982	3.0403
Lewes Fire	28,629	21,978	1.5995	1.3705
Middletown Fire	22,837	25,981	1.2759	1.6201
Mill Creek Fire	31,174	26,825	1.7417	1.6728
Millsboro	58,781	57,723	3.2841	3.5995
Milton	23,716	26,756	1.3250	1.6685
Millville Fire Co.	24,437	26,348	1.3653	1.6430
New Castle City	63,797	73,736	3.5643	4.5980
Newport	14,141	14,320	0.7901	0.8930
Ocean View	33,494	32,483	1.8713	2.0255
Port Penn Fire	12,325	12,835	0.6886	0.8003
Riverfront	56,254	52,910	3.1429	3.2993
Selbyville General 2/12	38,043	40,572	2.1254	2.5300
South Bethany	23,510	23,255	1.3135	1.4501
Sussex Conservation District	74,005	68,927	4.1346	4.2981
Talleyville Fire Co.	28,738	30,853	1.6056	1.9239
Townsend Fire	6,707	7,316	0.3747	0.4562
Wilmington	371,325	168,801	20.7458	10.5260
Wyoming	6,241	6,309	0.3487	0.3934
	1,789,880	1,603,657	100.00%	100.00%
Employer specific contributions	259,675	—	—%	—%
Total	\$ 2,049,555	1,603,657	100.00%	100.00%

See accompanying notes to plan schedules.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 County & Municipal Other Employees Pension Plan
 Schedule of Pension Amounts by Employer
 As of for the years ended June 30, 2014 and 2013

Reporting unit	Net pension liability 2013	Net pension liability 2014	Deferred outflows of resources 2014				Deferred inflows of resources 2014				Pension expense – 2014				
			Expected and actual experience differences	Assumption changes	Changes in proportion	Total deferred outflows of resources	Expected and actual experience differences	Assumption changes	Projected and actual plan investment differences	Changes in proportion	Total deferred inflows of resources	Collective Pension Expense excluding employer purchase of service	Pension expense from proportion change	Adjustment for employer purchase of service	Total pension expense
Milford	\$ 398,359	(48,352)	—	—	—	—	—	—	295,463	55,565	351,028	147,355	(7,938)	259,675	399,092
Bethany Beach	132,869	(18,727)	—	—	—	—	—	—	114,435	2,779	117,214	57,072	(397)	—	56,675
Blades	17,367	(2,196)	—	—	—	—	—	—	13,420	1,888	15,308	6,693	(270)	—	6,423
Camden	23,214	(3,156)	—	—	—	—	—	—	19,283	1,189	20,472	9,617	(170)	—	9,447
Cheswold	4,365	(465)	—	—	—	—	—	—	2,841	1,002	3,843	1,417	(143)	—	1,274
Clayton	46,322	(6,037)	—	—	—	—	—	—	36,891	3,948	40,839	18,398	(564)	—	17,834
Cranston Heights Joined 1/1/13	18,293	(4,387)	—	—	10,579	10,579	—	—	26,809	—	26,809	13,370	1,511	—	14,881
Delaware City Fire	24,126	(2,413)	—	—	—	—	—	—	14,744	6,489	21,233	7,353	(927)	—	6,426
Elkmere Fire	16,072	(2,352)	—	—	188	188	—	—	14,371	—	14,371	7,167	27	—	7,194
Felton	20,432	(2,881)	—	—	—	—	—	—	17,604	420	18,024	8,780	(60)	—	8,720
Felton Fire	28,471	(4,111)	—	—	—	—	—	—	25,118	3	25,121	12,527	(1)	—	12,526
Five Points Fire	14,468	(1,499)	—	—	—	—	—	—	9,158	3,578	12,736	4,567	(511)	—	4,056
Georgetown	117,395	(13,860)	—	—	—	—	—	—	84,695	18,732	103,427	42,240	(2,676)	—	39,564
Goodwill Fire	56,886	(6,010)	—	—	—	—	—	—	36,725	13,356	50,081	18,315	(1,908)	—	16,407
Harrington City	74,224	(9,366)	—	—	—	—	—	—	57,233	8,189	65,422	28,544	(1,170)	—	27,374
Harrington Fire	7,983	(1,080)	—	—	—	—	—	—	6,602	438	7,040	3,292	(63)	—	3,229
Kent Conservation District	329,693	(43,563)	—	—	—	—	—	—	266,200	24,502	290,702	132,761	(3,500)	—	129,261
Laurel	77,508	(8,828)	—	—	—	—	—	—	53,947	14,324	68,271	26,904	(2,046)	—	24,858
Leves Fire	34,939	(3,888)	—	—	—	—	—	—	35,980	—	35,980	17,944	730	—	18,674
Middletown Fire	41,302	(4,697)	—	—	5,109	5,109	—	—	28,700	7,678	36,378	14,314	(1,097)	—	13,217
Mill Creek Fire	42,644	(6,411)	—	—	1,537	1,537	—	—	39,178	—	39,178	19,539	220	—	19,759
Millsboro	91,763	(12,089)	—	—	—	—	—	—	73,873	7,036	80,909	36,842	(1,005)	—	35,837
Milton	42,535	(4,878)	—	—	—	—	—	—	29,805	7,661	37,466	14,864	(1,094)	—	13,770
Millville Fire Co.	41,885	(5,026)	—	—	—	—	—	—	30,711	6,195	36,906	15,317	(885)	—	14,432
New Castle City	117,218	(13,121)	—	—	—	—	—	—	80,177	23,058	103,235	39,986	(3,294)	—	36,692
Newport	22,765	(2,908)	—	—	—	—	—	—	17,772	2,296	20,068	8,863	(328)	—	8,535
Ocean View	51,638	(6,889)	—	—	—	—	—	—	42,093	3,440	45,533	20,993	(492)	—	20,501
Port Penn Fire	20,403	(2,535)	—	—	—	—	—	—	15,489	2,493	17,982	7,725	(356)	—	7,369
Riverfront	84,111	(11,570)	—	—	—	—	—	—	70,698	3,489	74,187	35,259	(498)	—	34,761
Selbyville General 2/12	64,498	(7,824)	—	—	—	—	—	—	47,810	9,024	56,834	23,844	(1,289)	—	22,555
South Bethany	36,969	(4,835)	—	—	—	—	—	—	29,546	3,048	32,594	14,735	(436)	—	14,299
Sussex Conservation District	109,573	(15,220)	—	—	—	—	—	—	93,005	3,647	96,652	46,384	(521)	—	45,863
Talleyville Fire Co.	49,048	(5,910)	—	—	—	—	—	—	36,116	7,101	43,217	18,012	(1,015)	—	16,997
Townsend Fire	11,631	(1,379)	—	—	—	—	—	—	8,429	1,818	10,247	4,204	(260)	—	3,944
Wilmington	268,344	(76,369)	—	—	227,970	227,970	—	—	466,661	—	466,661	232,736	32,569	—	265,305
Wyoming	10,030	(1,284)	—	—	—	—	—	—	7,843	997	8,840	3,912	(143)	—	3,769
Total	\$ 2,549,343	(368,116)	—	—	245,383	245,383	—	—	2,249,425	245,383	2,494,808	1,121,845	—	259,675	1,381,520

See accompanying notes to plan schedules.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(1) Plan Descriptions and Contribution Information

The County & Municipal Other Employees' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code.

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plan are commingled with other Plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2014. For a more complete description, please refer to the DPERS CAFR.

Separately issued financial statements for DPERS are available from the pension office at:

McArdle Building, Suite 1
860 Silver Lake Blvd
Dover, DE 19904

Plan Description and Eligibility: County & Municipal Other Employees' Pension Plan covers employees of counties or municipalities that have joined the Plan.

Service Benefits: 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.

Disability Benefits: Same as Service Benefits. Employee must have 5 years of credited service.

Survivor Benefits: If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions:

Employer – Determined by Board of Pension Trustees. Employer contributions were 6.6% and 6.8% of earnings for the Fiscal Year 2014 and 2013, respectively.

Member – 3% of earnings in excess of \$6,000.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(2) Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers.

(3) Summary of Significant Accounting Policies

The accompanying schedules of the Plan within the Delaware Public Employees' Retirement System (DPERS or the System) have been prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The Plan schedules are presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Management of the System has made certain estimates and assumptions relative to the Plan schedules in conformity with U.S. generally accepted accounting principles. Due to the inherent nature of these estimates, actual results could differ from those estimates.

(4) Employer Allocation Percentage Methodology

The amounts assigned to each employer in the Schedule of Pension Amounts by Participating Employer is each employer's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense (the Collective Pension Amounts) determined in accordance with Governmental Accounting Standards Board No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). Management has elected to allocate the employer's proportionate shares of the Collective Pension amounts based on the percentage of actual employer contributions as documented in the Schedule of Employer Allocations. Employer specific contributions represent payments made by employers to purchase prior service.

(5) Collective Net Pension Liability (Asset) of Employers and Actuarial Information

The components of the net pension liability (Asset) of each Plan as of June 30, 2014 were as follows (dollar values expressed in thousands):

Plan year	(1) Total pension liability	(2) Plan fiduciary net position	(3) Employers' net pension liability (asset) (1)-(2)
2014 ⁽¹⁾	\$ 34,320	34,688	(368)
2013	30,277	27,728	2,549

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 County & Municipal Other Employees' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(1) The collective net pension liability was adjusted from amount in DPERS CAFR to account for a specific employer purchase of service.

The collective total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Plan	County and municipal other employees'
Actuarial assumptions:	
Investment rate of return/Discount rate ¹	7.2%
Projected salary increases ¹	3.5% to 11.5%
Cost-of-living adjustments	Ad hoc

(1) Inflation is included at 3%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP – 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

Asset class	Long-term expected real rate of return
Domestic equity	5.7%
International equity	5.7
Fixed income	2.0
Alternative investments	7.8
Cash and equivalents	—

Discount rate. The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the collective net pension liability of the Plans, calculated using the discount rate of 7.2%, as well as what the Plans' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (dollar values expressed in thousands):

Plans	1% Decrease	Discount rate	1% Increase
County & Municipal Other Employees'	\$ 4,848	(368)	(4,668)

(6) Components on Schedule of Pension Amounts by Employer

(a) Net Pension Liability

The employer proportionate share of net pension liability is equal to the collective net pension liability multiplied by the employers proportionate share percentage for fiscal year ending June 30, 2014 as shown in Schedule of Employer Allocations.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(b) *Expected and Actual Experience Differences*

The difference between expected and actual experience with regard to economic and demographic factors is amortized over the weighted average of the expected remaining service life of active and inactive members which is 8 years. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of the difference between expected and actual experience for fiscal year ending June 30, 2014 is \$0.00. As this is the first year of implementation of GASB Statement No. 68 and rollforward procedures were used to determine the total pension liability at the measurement date, there were no changes between expected and actual experience.

(c) *Change in Assumptions*

The change in assumptions about future economic or demographic factors or other inputs is amortized over the weighted average of the expected remaining service life of active and inactive members which is 8 years. The first year of amortization is recognized as pension expense with the remaining years either a deferred outflow or deferred inflow. The collective amount of change in assumptions for fiscal year ending June 30, 2014 is \$0.00.

(d) *Change in Employer Proportionate Share*

The change in employer proportionate share is the amount of difference between the employer proportionate share of net pension liability (asset) in the prior year compared to the current year. This change in proportion is amortized over the weighted average of the expected remaining service life of active and inactive members which is 8 years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

(e) *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments*

The difference between the actual earnings on plan investments compared to the plans expected rate of return of 7.2% is amortized over a closed period of 5 years. The collective amount of the difference between projected and actual earnings for fiscal year ending June 30, 2014 is \$2,811,780. The first year of amortization, \$562,356, is recognized as pension expense with the remaining 4 years, \$2,249,425, to be shown as a deferred inflow of resources. The employer proportionate share of these collective amounts is equal to the collective amount multiplied by the employers proportionate share percentage for fiscal year ending June 30, 2014 as shown in the Schedule of Employer Allocations.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
County & Municipal Other Employees' Pension Plan

Notes to Plan Schedules

June 30, 2014 and 2013

(7) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The components of collective deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on DPERS investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all Plan members, beginning the year in which the deferred amount occurs. The amortization period is 8 years for County & Municipal Other Employees' for deferred amounts arising in 2014. The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of collective net deferred outflows (inflows) of resources reported as of June 30, 2014 will be recognized in pension expense as follows:

	<u>County & Municipal Other Employees'</u>
Year ending June 30:	
2015	\$ (562,356)
2016	(562,356)
2017	(562,356)
2018	(562,357)

(8) Pension Expense

The components of the pension expense for the year ended June 30, 2014 are as follows (in thousands):

Service costs	\$	2,207
Interest on total pension liability		2,235
Member contributions		(748)
Administrative expense		60
Projected earnings on plan investments		(2,070)
Amortization of investment return differences		(562)
Pension expense before purchased service		1,122
Employer specific purchased service		259
Total pension expense	\$	1,381



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with *Government Auditing Standards*

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover DE:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial schedules of Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan, which are comprised of the schedule of employer allocation as of and for the years ended June 30, 2014 and 2013, and the schedule of pension amounts for the year ended June 30, 2014, and the related notes to the financial schedules, and have issued our report thereon dated June 30, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial schedules, we considered Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Delaware Public Employees' Retirement System – County & Municipal Other Employees' Pension Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

June 30, 2015