

**Diamond State Port
Corporation
Pension Plan**

**Actuarial Valuation
as of June 30, 2006**

Produced by [Cheiron](#)

April 2007

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April 11, 2007

Board of Pension Trustees
State of Delaware
McArdle Building
860 Silver Lake Boulevard, Suite 1
Dover, Delaware 19904

Dear Members of the Board:

At your request, we have conducted the annual actuarial valuation of the Diamond State Port Corporation Pension Plan as of June 30, 2006. The results of the valuation are contained in this report. The purpose of the valuation is discussed in the Foreword.

This report contains information on Plan assets, as well as analyses which combine asset and liability performance and projections. The report also discloses employer contribution levels, and required disclosures under the Governmental Accounting Standards Board Statement #25.

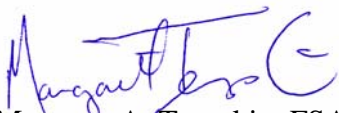
Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief. The results of this report are only applicable to the employer contribution for Fiscal Year ending 2008 and rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as Members of the American Academy of Actuaries, we meet the Qualification Standards to render the opinions contained herein.

Sincerely,
Cheiron



Fiona E. Liston, FSA
Consulting Actuary



Margaret A. Tempkin, FSA
Actuary



DIAMOND STATE PORT CORPORATION PENSION PLAN

FOREWORD

Cheiron has performed the actuarial valuation of the Diamond State Port Corporation Pension Plan as of June 30, 2006. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the Plan;
- 2) **Indicate trends** in the financial progress of the Plan;
- 3) **Determine the contribution rate** to be paid by the employer for Fiscal Year 2008; and
- 4) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes Plan assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the Plan's investment performance as well as an analysis of actuarial liability gains and losses.

Section I presents a summary containing our findings and disclosing important trends experienced by the Plan in recent years.

Section II contains details on various asset measures, together with pertinent performance measurements.

Section III shows similar information on Plan liabilities, measured for actuarial, accounting, and government reporting purposes.

Section IV develops the employer contribution rate determined using actuarial techniques and compares that to the rate developed using the corridor method of funding.

Section V includes the required disclosures under GASB Statement number 25.

The appendices to this report contain a summary of the Plan's membership at the valuation date, a summary of the major provisions of the Plan, and the actuarial methods and assumptions used in the valuations.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Office of Pension's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

The actuarial assumptions reflect our understanding of the likely future experience of the Plan and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the Plan could vary from our results.

Finally, in preparing this report, we have conformed to generally accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION I BOARD SUMMARY

General Comments

The numbers listed under the headings “June 30, 2005” throughout this report are those produced by the prior actuary and disclosed in their June 30, 2005 report.

The actuarially determined contribution rate increased from 5.80% for FY 2007 to 6.95% for FY 2008. During the year ended June 30, 2006, the Plan’s assets earned 11.8% on a market value basis. However, due to the Plan’s asset-smoothing technique and an accumulation of past asset losses, the return on the actuarial asset value was 8.3%. This return was slightly above the assumed rate of return of 8.0% and resulted in an actuarial gain on investments of \$31 thousand.

The plan also experienced an actuarial loss on Plan liabilities resulting from salary increases different than assumed and members retiring, terminating, becoming disabled and dying at rates different from the actuarial assumptions. The loss added \$1.8 million to the actuarial liability. Half of this loss was due to a correction we made on the way that salary was projected by the prior actuary. It also reflects the recognition of a member’s ability to retire with unreduced benefits when their age plus service exceeds 90. This type of activity is normal in the course of plan experience. The Plan will experience actuarial gains and losses over time because we cannot predict exactly how people will behave. When a plan experiences alternating gains and losses that are small compared to the total actuarial liability, then the plan’s actuarial assumptions are reasonable.

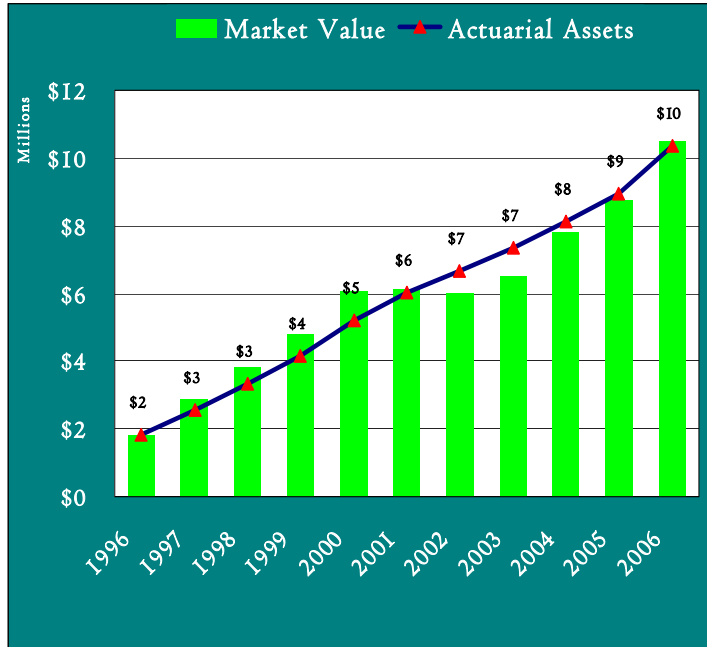
As of the June 30, 2006 actuarial valuation, the Plan’s unfunded actuarial liability/(surplus) was \$2.4 million. This is an increase from last year’s unfunded actuarial liability/(surplus) of \$0.8 million.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION I BOARD SUMMARY

Trends

Growth in Assets



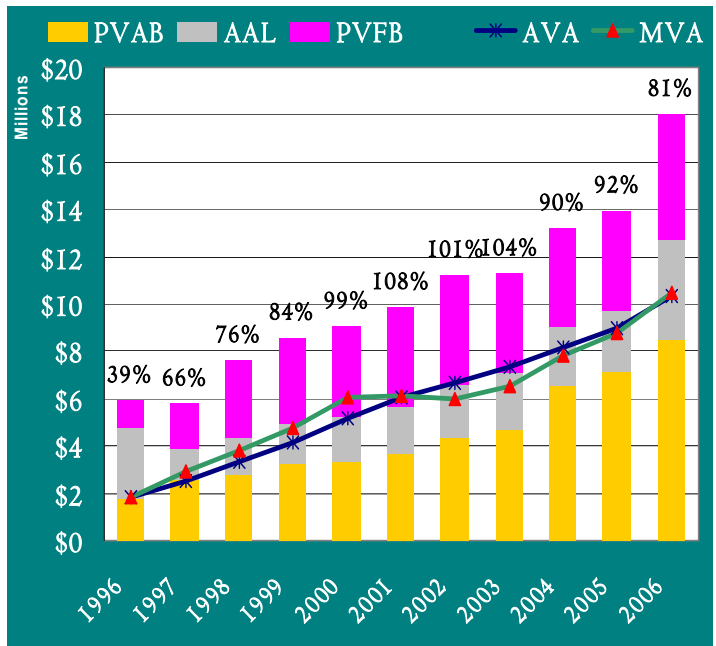
The market value of assets (MVA) continues to rebound since the market slide of 2000-2002. Due to the asset smoothing method in place, the actuarial value of assets has tracked a much smoother path through those turbulent years.

Over the period July 1, 1995 to June 30, 2006 the Plan's assets returned approximately 9.0% per year measured at actuarial value, compared to a valuation assumption of 8% per year.

Assets and Liabilities

The three colored bars represent the three different measures of liability mentioned in this report. For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.

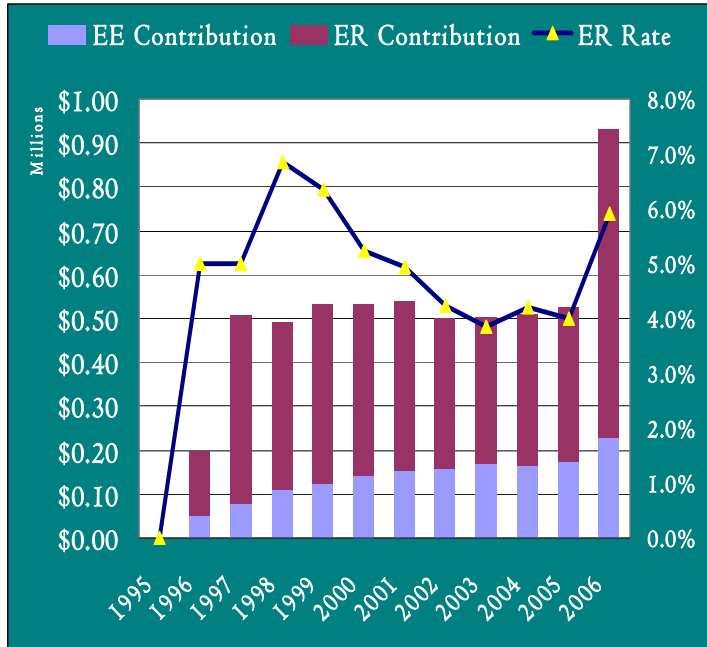
The amount represented by the top of the pink bars, the Present Value of Future Benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the Plan had assets equal to the PVFB no contributions would, in theory, be needed for the current members.



DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION I BOARD SUMMARY

Contribution Rates

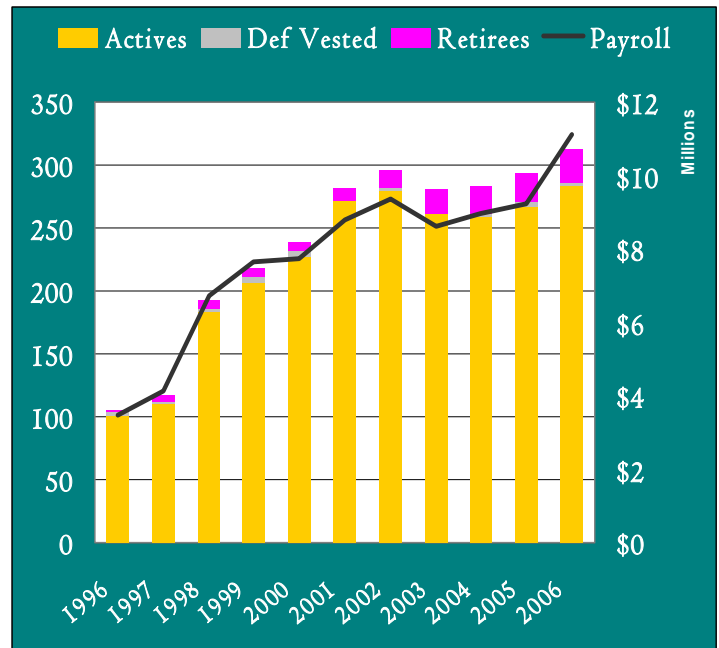


The stacked bars in this graph show the contributions made by the employer and the members (left hand scale). The black line shows the employer contribution rate as a percent of payroll (right hand scale).

The member contribution rate is set by law, depending on which plan the member participates in. The employer contribution rate is set by the actuarial process. Please note there is a lag in the rate shown. For example, the 2006 value is the rate prepared by the 2004 valuation and implemented for the period July 1, 2005 to June 30, 2006.

Participant Trends

This is a relatively young plan in actuarial terms, with few retirees. We will continue to track the growth of each class of membership and indicate trends.

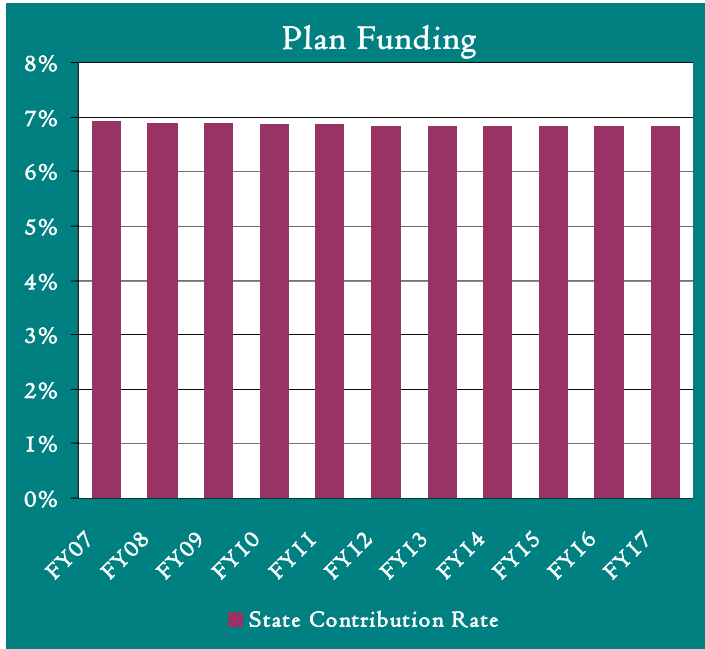


DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION I BOARD SUMMARY

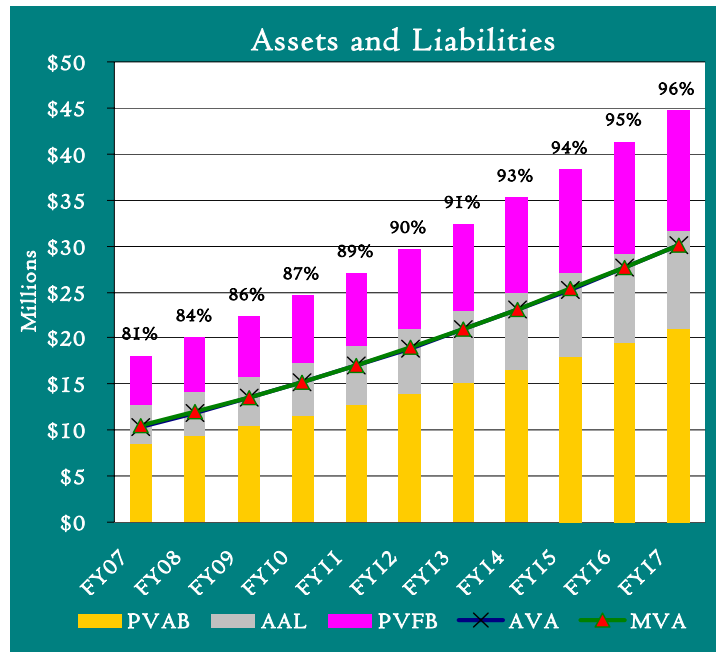
Future Outlook

Base Line Projections



The next two graphs show the expected progress of the Plan over the next ten years assuming the Plan's assets earn 8% on their *market value*. The chart entitled "Plan Funding" shows that the employer rate is expected to drop slightly over the next decade as stored gains are recognized.

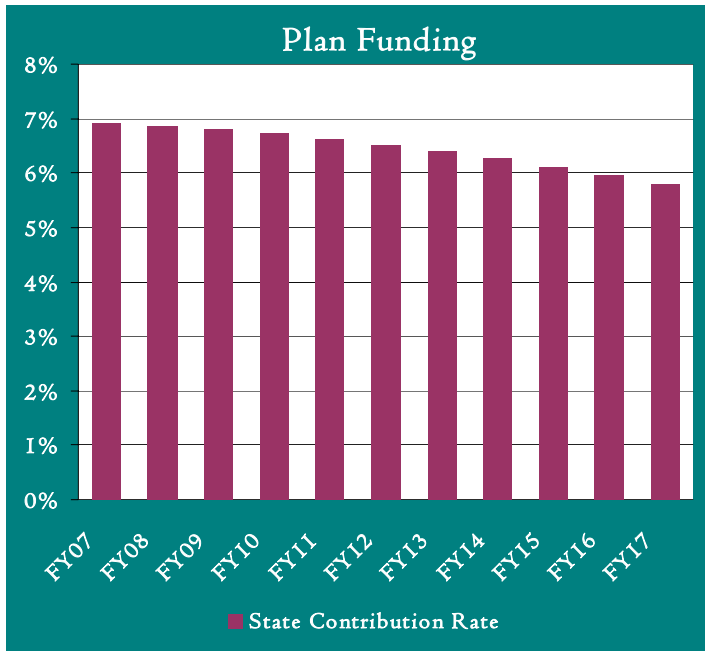
The "Assets and Liabilities" graph shows the projected funding status over the next ten years. The Plan's funded status is projected to improve annually, as the past service benefits are paid off.



DIAMOND STATE PORT CORPORATION PENSION PLAN

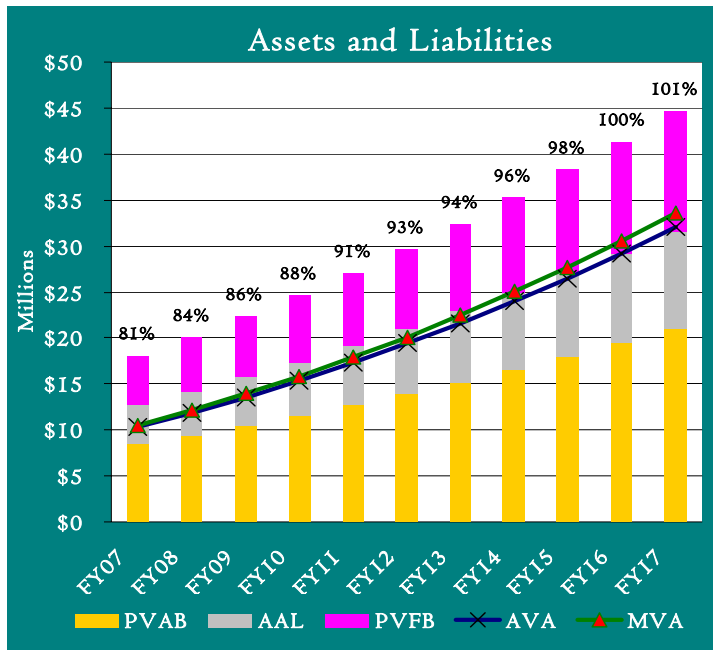
SECTION I BOARD SUMMARY

Projections With Asset Returns of 9.5%



The future funding status of this Plan will be influenced by the investment earnings. These two charts show what the next ten years would look like with a 9.5% annual return in each year. The Plan has earned an average 9.0% per year over the ten-year period ending June 30, 2006.

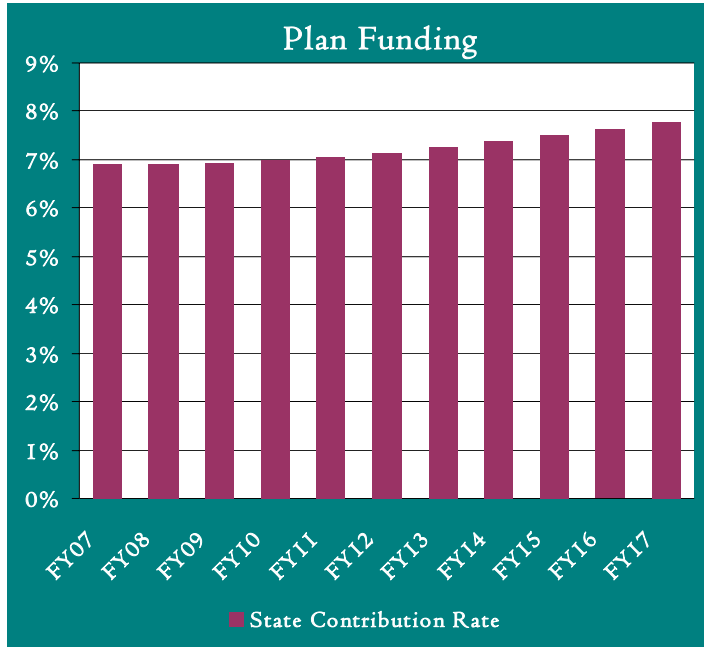
As you can see, the Plan would reach 101% funding by 2017. The contribution rate drops over the entire ten-year period.



DIAMOND STATE PORT CORPORATION PENSION PLAN

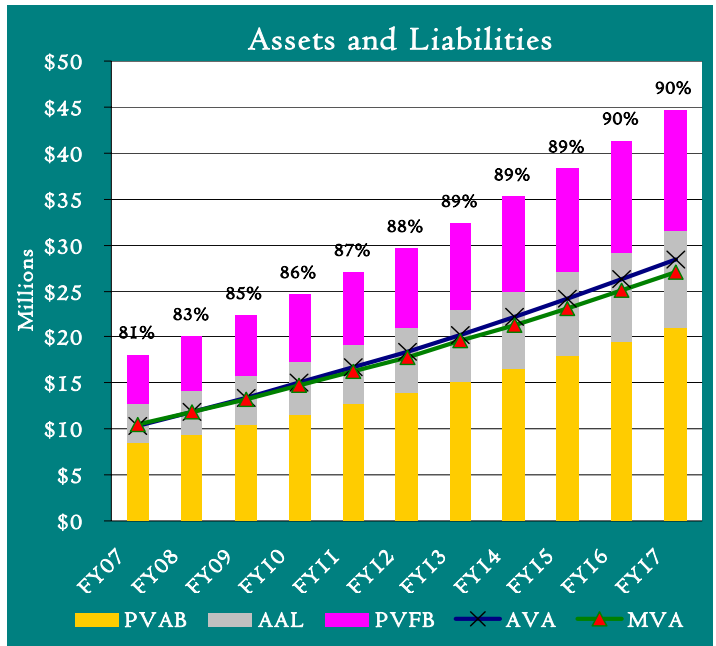
SECTION I BOARD SUMMARY

Projections With Asset Returns of 6.5%



To further demonstrate how the future funding of this Plan will be driven by investment earnings, we also show the anticipated plan funding projections if the invested assets earn 6.5% per year over the entire ten-year period. Under this scenario the employer's contribution rate increases.

The projection shows that, even with investment losses over the next decade, the funded status improves due to continued contributions towards the UAL.



DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION I BOARD SUMMARY

Diamond State Port Corporation Pension Plan Summary of Principal Plan Results			
Valuation as of:	June 30, 2005	June 30, 2006	% Change
<u>Participant Counts</u>			
Active Participants	267	283	5.99%
Disabled Participants	5	4	(20.00%)
Retirees and Beneficiaries	19	23	21.05%
Terminated Vested Participants	3	3	0.00%
Inactive Participants	7	0	(100.00%)
Total	301	313	3.99%
Annual Salaries of Active Members*	\$ 9,247,900	\$ 11,130,000	20.35%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 217,400	\$ 257,100	18.26%
<u>Assets and Liabilities</u>			
Actuarial Accrued Liability (AAL)	\$ 9,731,700	\$ 12,737,800	30.89%
Actuarial Value of Assets	8,948,000	10,360,900	15.79%
Unfunded AAL	783,700	2,376,900	203.29%
Funded Ratio	91.9%	81.3%	
Present Value of Accrued Benefits (PVAB)	\$ 7,168,700	\$ 8,473,000	18.19%
Market Value of Assets	8,770,200	10,486,200	19.57%
Unfunded PVAB	(1,601,500)	(2,013,200)	25.71%
Accrued Benefit Funding Ratio	122.3%	123.8%	
<u>Contributions as a Percentage of Payroll</u>			
	Fiscal Year 2007	Fiscal Year 2008	
Normal Cost Contribution	4.75%	4.75%	
Unfunded Actuarial Liability Contribution	0.70%	1.85%	
Administrative Expense	0.35%	0.35%	
Total State Contribution	5.80%	6.95%	

* Assumes one year of payroll projection.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION II ASSETS

Pension Plan assets play a key role in the financial operation of the Plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, employer contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on Plan assets including:

- **Disclosure** of Plan assets at June 30, 2005 and June 30, 2006;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- An assessment of **investment performance**; and
- A projection of the Plan's expected **cashflows** for the next ten years.

Disclosure

The market value of assets represents a "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. As a result, market values are usually not suitable for long-range planning.

The actuarial values are market values which have been smoothed and are the actuary's best estimate of long-term asset values. They are used for evaluating the Plan's ongoing liability to meet its obligations.

Current methods employed by this Plan set the actuarial value equal to the expected value plus 20% of the difference between the expected value of assets and the actual market value. Where the expected value is equal to the prior year's actuarial value, rolled forward with actual contributions and benefit payments plus interest imputed at 8%.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION II ASSETS

Changes in Market Values		
Value of Assets – June 30, 2005		\$ 8,770,200
<u>Additions</u>		
Member Contributions	\$ 226,100	
Employer Contributions	703,200	
Investment Return	<u>1,075,800</u>	
Total Additions	\$ 2,005,100	
<u>Deductions</u>		
Benefit Payments	\$ 263,000	
Administrative Expenses	<u>26,100</u>	
Total Deductions	\$ 289,100	
Value of Assets – June 30, 2006		\$ 10,486,200

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION II ASSETS

Development of Actuarial Value of Assets		
1.	Actuarial Value of Assets at June 30, 2005	\$ 8,948,000
2.	Amount in (1) with interest to June 30, 2006	9,663,800
3.	Employer and member contributions for the Plan Year ended June 30, 2006	929,300
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2006 at 8.00% per year	37,200
5.	Disbursements from Trust except investment expenses, June 30, 2005 through June 30, 2006	289,100
6.	Interest on disbursements to June 30, 2006 at 8.00% per year	11,600
7.	Expected Actuarial Value of Assets at June 30, 2006 = (2) + (3) + (4) – (5) – (6)	10,329,600
8.	Actual Market Value of Assets at June 30, 2006	10,486,200
9.	Excess of (8) over (7)	156,600
10.	Actuarial Value of Assets at June 30, 2006 = (7) + 20% of (9)	\$ 10,360,900

Actuarial Value of Assets

The actuarial value of assets represents a “smoothed” value developed by the actuary to reduce, or eliminate, erratic results which could develop from short-term fluctuations in the market value of assets. For this Plan, the actuarial value has been calculated by adding 20% of the difference between market value and expected value to the expected value. The above table illustrates the calculation of actuarial value of assets for the June 30, 2006 valuation.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION II ASSETS

Investment Performance

The market value of assets (MVA) returned 11.83% during 2006, which is greater than the assumed 8% return. A return of 8.34% on the actuarial value of assets (AVA) is primarily the result of the asset smoothing method being utilized for the calculation of the actuarial value of assets. Since only 20% of the gain or loss from the performance of the Plan is recognized in a given year, in periods of very good performance, the AVA can lag significantly behind the MVA. In a period of negative returns, the AVA does not decline as rapidly as the MVA.

Projection of Plan's Benefit Payments		
Year Beginning July 1,	Expected Benefit Payments	Expected Contributions*
2006	\$ 370,000	\$ 996,000
2007	433,000	1,033,000
2008	498,000	1,072,000
2009	551,000	1,112,000
2010	621,000	1,154,000
2011	713,000	1,197,000
2012	806,000	1,242,000
2013	902,000	1,289,000
2014	1,016,000	1,337,000
2015	1,136,000	1,387,000

Expected benefit payments are projected for the closed group valued at June 30, 2006. Projecting any farther than ten years using a closed-group would not yield reliable predictions due to the omission of new hires.

* Expected contributions include employer contributions and member contributions. For illustration purposes, we have assumed the employer contribution rate will remain level and that payroll will increase at the actuarially assumed rate of 3.75% per year.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION III LIABILITIES

In this section, we present detailed information on Plan liabilities including:

- **Disclosure** of Plan liabilities at June 30, 2005 and June 30, 2006;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Benefits:** Used for analyzing the financial outlook of the Plan, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Plan, assuming participants continue to accrue benefits.
- **Actuarial Accrued Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the Present Value of Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.
- **Present Value of Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the Plan, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the Plan can meet its current benefit commitments.

The following table discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of Plan assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

DIAMOND STATE PORT CORPORATION PENSION PLAN

**SECTION III
LIABILITIES**

Liabilities/Net (Surplus)/Unfunded		
	June 30, 2005	June 30, 2006
<u>Present Value of Benefits</u>		
Active Participant Benefits	\$ 11,798,200	\$ 15,516,800
Retiree and Inactive Benefits	2,168,300	2,518,600
Present Value of Benefits (PVB)	\$ 13,966,500	\$ 18,035,400
Market Value of Assets (MVA)	\$ 8,770,200	\$ 10,486,200
Future Member Contributions	1,249,700	1,569,700
Future Employer Contributions	3,946,600	5,979,500
Total Resources	\$ 13,966,500	\$ 18,035,400
<u>Actuarial Accrued Liability</u>		
Present Value of Benefits (PVB)	\$ 13,966,500	\$ 18,035,400
Present Value of Future Normal Costs (PVFNC)	2,985,100	3,727,900
Present Value of Future Member Contributions	1,249,700	1,569,700
Actuarial Accrued Liability (AAL = PVB – PVFNC)	9,731,700	12,737,800
Actuarial Value of Assets (AVA)	8,948,000	10,360,900
Net (Surplus)/Unfunded (AAL – AVA)	\$ 783,700	\$ 2,376,900
<u>Present Value of Accrued Liability</u>		
Present Value of Benefits (PVB)	\$ 13,966,500	\$ 18,035,400
Present Value of Future Benefit Accruals (PVFBA)	6,797,800	9,562,400
Present Value of Accrued Liability (PVAB=PVB–PVFBA)	7,168,700	8,473,000
Market Value of Assets (MVA)	8,770,200	10,486,200
Net Unfunded (PVAB – MVA)	\$ (1,601,500)	\$ (2,013,200)

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION III LIABILITIES

Changes in Liabilities

Each of the Liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in Plan assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure plan assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the Plan. Below we present key changes in liabilities since the last valuation.

(In Thousands)	Present Value of Benefits	Actuarial Accrued Liability	Present Value of Accrued Liability
Liabilities June 30, 2005	\$ 13,967	\$ 9,732	\$ 7,169
Liabilities June 30, 2006	18,035	12,738	8,473
Liability Increase (Decrease)	4,068	3,006	1,304
Change Due to:			
Plan Change	0	0	0
Actuarial (Gain)/Loss	NC*	1,827	NC*
Benefits Accumulated and Other Sources	4,068	1,179	1,304

* NC = not calculated.

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION III LIABILITIES

Actuarial Liabilities for Funding		
	June 30, 2005	June 30, 2006
1. Actuarial Liabilities		
Retiree and Inactive Benefits	\$ 2,168,300	\$ 2,518,600
Active Members	<u>7,563,400</u>	<u>10,219,200</u>
Total Actuarial Liability	\$ 9,731,700	\$ 12,737,800
2. Actuarial Value of Assets	\$ 8,948,000	\$ 10,360,900
3. Unfunded Actuarial Liability	\$ 783,700	\$ 2,376,900

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this Plan, the funding method employed is the **Entry Age Actuarial Cost Method**. Under this method, there are three components to the total contribution: the **normal cost rate**, the **unfunded actuarial liability rate** (UAL rate), and the **administrative expense rate**. The normal cost rate is determined in the following steps. First, for a typical new entrant an individual normal cost rate is determined by taking the value, as of entry age into the plan, of that member's projected future benefits. This value is then divided by the value, also at entry age, of the member's expected future salary. Finally, the total normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

The unfunded actuarial liability is being amortized over a closed 16 year period. All payments are determined assuming total pay increases by the annual inflation rate.

The assumed administrative expense rate is 0.35% of payroll. This rate, when applied to payroll, is intended to provide an allowance above the cost of funding the benefits to pay for the expense of operating the Plan.

The table below presents and compares the employer contribution rates for the Plan for this valuation and the prior one.

Employer Contribution Rate		
	June 30, 2005	June 30, 2006
Entry Age Normal Cost Rate	4.75%	4.75%
Amortization Payment	0.70%	1.85%
Expense	<u>0.35%</u>	<u>0.35%</u>
Actuarially Determined Contribution	5.80%	6.95%

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION IV CONTRIBUTIONS

Development of Plan Cost as of June 30, 2006		
	In Dollars	As % of Payroll
1. Present value of projected benefits attributable to:		
a. Total Normal Cost	\$ 751,300	6.75%
b. Expected Members Contribution	<u>222,600</u>	<u>2.00%</u>
c. Employer Paid Normal Cost (a) – (b)	\$ 528,700	4.75%
2. Amortization of Unfunded Liability	\$ 205,700	1.85%
3. Allowance for Expense	\$ 39,000	0.35%
4. Total Employer Contribution Rate (1) + (2) + (3)	\$ 773,400	6.95%

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION V ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board requires the Plan to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi “snap shot” view of how the Plan’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the Plan were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the Plan is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2006 are exhibited in Table V-1. Finally, Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, July 1, 2005, to the liabilities as of June 30, 2006.

Tables V-3 through V-5 are exhibits to be used with the State CAFR report. Table V-3 is the Note to Required Supplementary Information, Table V-4 is a history of gains and losses in Accrued Liability, and Table V-5 is the Solvency Test which shows the portion of Accrued Liability covered by Assets.

DIAMOND STATE PORT CORPORATION PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-1		
Accounting Statement Information		
	June 30, 2005	June 30, 2006
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	\$ 2,126,200	\$ 2,497,500
b. Former Vested Members	42,100	21,100
c. Active Members	<u>5,000,400</u>	<u>5,954,400</u>
2. Total Present Value of Accrued Benefits (1 (a) + 1(b) + 1(c))	\$ 7,168,700	\$ 8,473,000
3. Assets at Market Value	<u>8,770,200</u>	<u>10,486,200</u>
4. Unfunded Present Value of Accrued Benefits (2 – 3)	\$ (1,601,500)	\$ (2,013,200)
5. Ratio of Assets to Present Value of Benefits (3 / 2)	122.3%	123.8%
B. GASB No. 25 Basis		
1. Actuarial Accrued Liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,168,300	\$ 2,518,600
2. Actuarial Accrued Liabilities for current employees	<u>7,563,400</u>	<u>10,219,200</u>
3. Total Actuarial Accrued Liability (1 + 2)	\$ 9,731,700	\$ 12,737,800
4. Net Actuarial Assets available for benefits	<u>8,948,000</u>	<u>10,360,900</u>
5. Unfunded Actuarial Accrued Liability (3 – 4)	\$ 783,700	\$ 2,376,900

DIAMOND STATE PORT CORPORATION PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-2 Statement of Changes in Total Actuarial Present Value of All Accrued Benefits	
	Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Accrued Benefits at June 30, 2005	\$ 7,168,700
Increase (Decrease) During Years Attributable to:	
Passage of Time	563,000
Benefit Paid – FY 2006	(263,000)
Plan Change	0
Benefits Accrued, Other Gains/Losses	<u>1,004,300</u>
Net Increase (Decrease)	1,304,300
Actuarial Present Value of Accrued Benefits at June 30, 2006	\$ 8,473,000

DIAMOND STATE PORT CORPORATION PENSION PLAN

SECTION V ACCOUNTING STATEMENT INFORMATION

**Table V-3
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	July 1, 2006
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	16 years
Asset valuation method	5-Year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.75%
*Includes inflation at	3.75%
Cost-of-living adjustments	ad hoc

The actuarial assumptions used have been recommended by the actuary and adopted by the Plan's Board of Trustees based on the most recent review of the Plan's experience, completed in 2004.

The rate of employer contributions to the Plan is composed of the normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative expenses is based upon the Plan's actual administrative expenses.

DIAMOND STATE PORT CORPORATION PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-4
ANALYSIS OF FINANCIAL EXPERIENCE**

**Gain and Loss in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience**

*Gain (or Loss) for Year ending June 30,
(expressed in thousands)*
2006

Type of Activity	
Investment Income on Actuarial Assets	\$ 31
Combined Liability Experience	<u>(1,827)</u>
(Loss)/Gain During Year from Financial Experience	\$ (1,796)
Non-Recurring Items	<u>0</u>
Composite Gain (or Loss) During Year	\$ (1,796)

**Table V-5
SOLVENCY TEST
Aggregate Accrued Liabilities for
(expressed in thousands)**

Valuation Date June 30,	Active Member Contributions	Retirants & Beneficiaries	Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
2006	\$ 1,718	\$ 2,498	\$ 8,522	\$ 10,361	100%	100%	72%
2005	1,476	2,126	6,130	8,948	100%	100%	87%
2004	1,217	2,057	5,775	8,140	100%	100%	84%
2003	1,105	1,461	4,490	7,328	100%	100%	106%
2002	997	1,252	4,368	6,675	100%	100%	101%
2001	670	913	4,035	6,044	100%	100%	111%

DIAMOND STATE PORT CORPORATION PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Diamond State Port Corporation Pension Plan Distribution of Active Members
by Age and Service as of June 30, 2006**

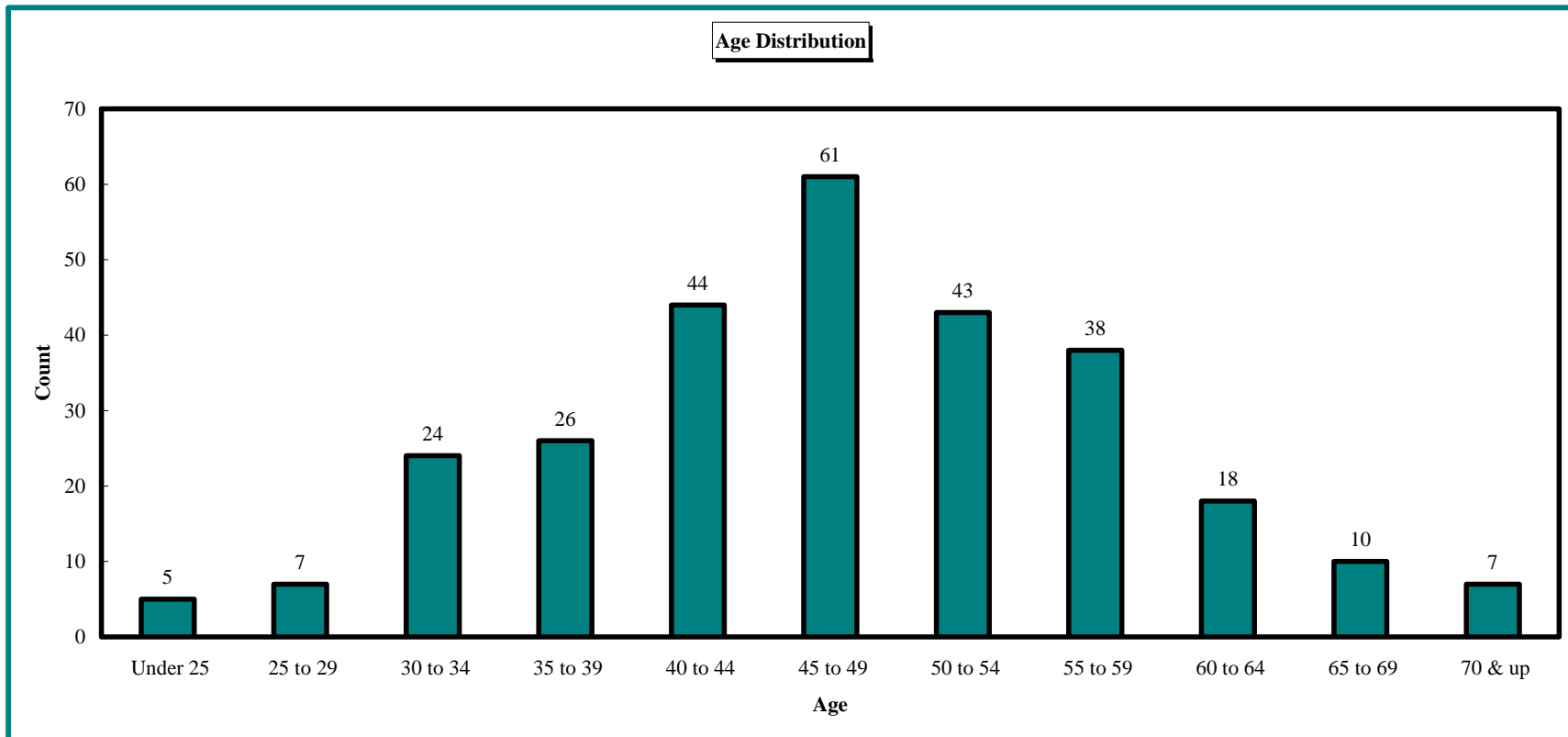
COUNTS BY AGE/SERVICE

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	4	1	0	0	0	0	0	0	0	0	5
25 to 29	2	2	3	0	0	0	0	0	0	0	7
30 to 34	4	8	12	0	0	0	0	0	0	0	24
35 to 39	6	4	13	0	1	2	0	0	0	0	26
40 to 44	2	15	25	0	2	0	0	0	0	0	44
45 to 49	8	16	27	4	1	2	3	0	0	0	61
50 to 54	1	12	19	1	1	1	4	4	0	0	43
55 to 59	5	7	17	2	0	0	4	2	1	0	38
60 to 64	0	1	9	1	2	3	1	1	0	0	18
65 to 69	0	1	6	1	1	1	0	0	0	0	10
70 & up	0	0	4	2	0	0	0	0	0	1	7
Total	32	67	135	11	8	9	12	7	1	1	283

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A
MEMBERSHIP INFORMATION

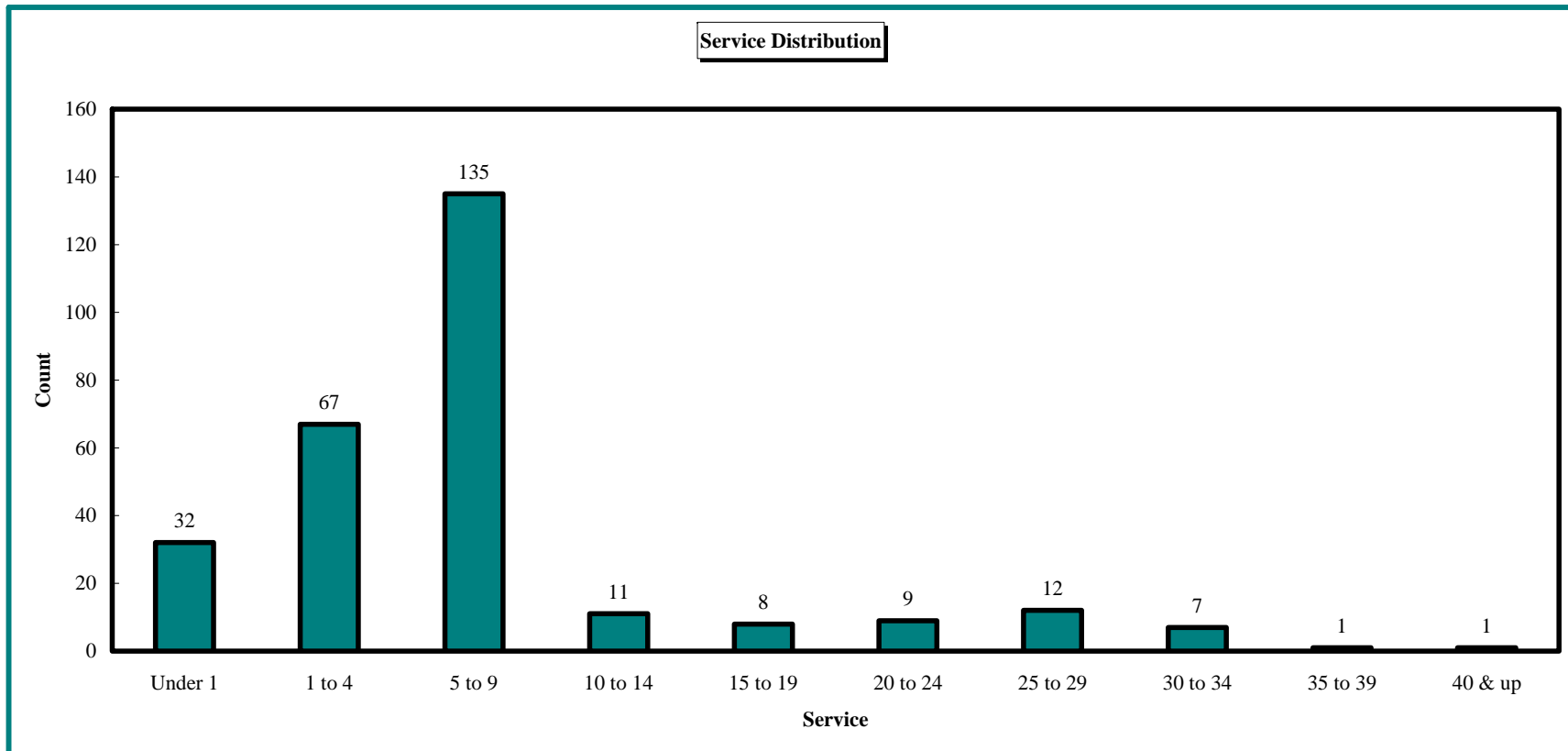
**Diamond State Port Corporation Pension Plan Distribution of Active Members
by Age as of June 30, 2006**



DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A
MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Distribution of Active Members
by Service as of June 30, 2006



DIAMOND STATE PORT CORPORATION PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Diamond State Port Corporation Pension Plan Distribution of Active Members
by Age and Service as of June 30, 2006**

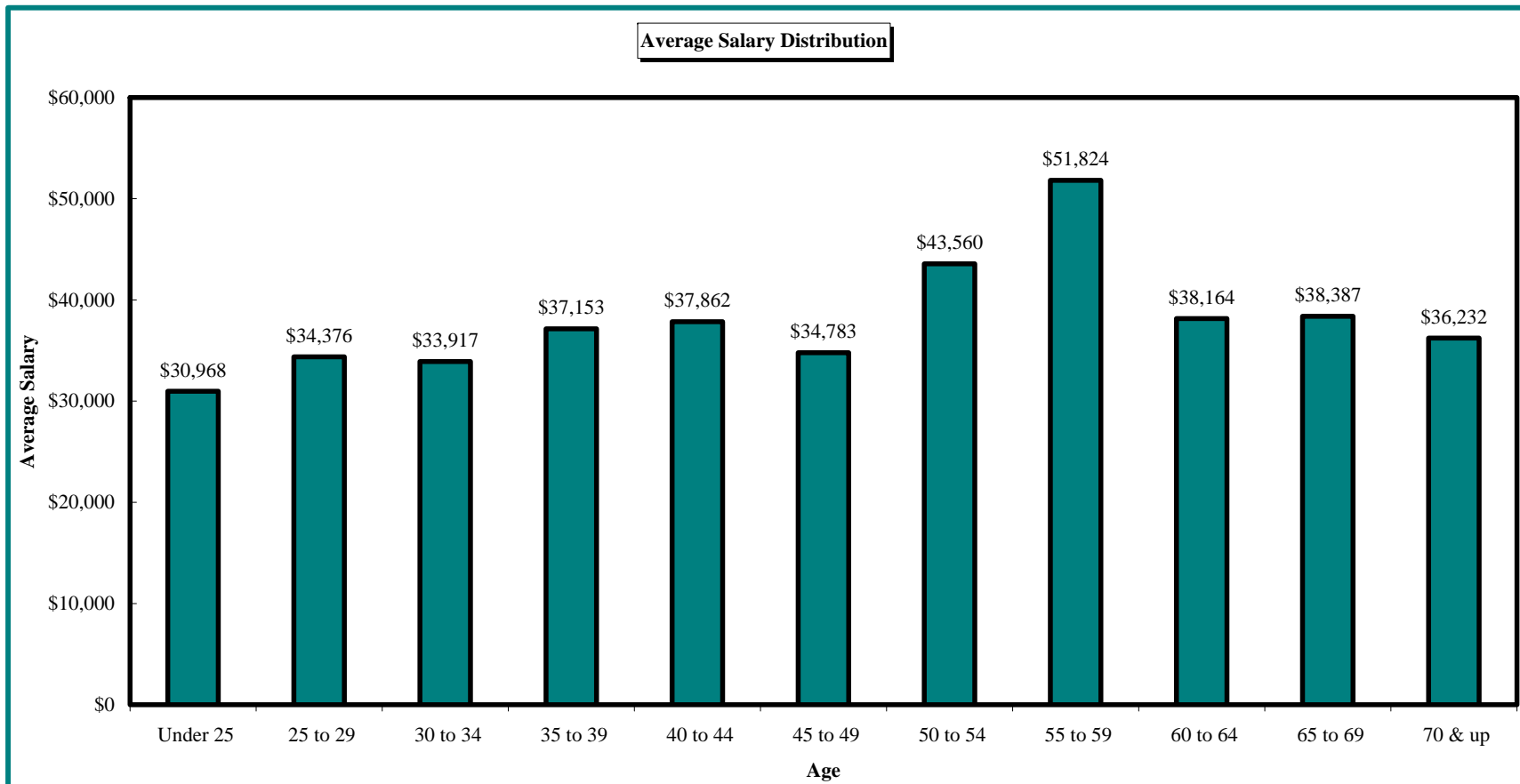
AVERAGE SALARY BY AGE/SERVICE

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	\$30,625	\$32,339	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,968
25 to 29	\$45,403	\$29,458	\$30,304	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,376
30 to 34	\$38,494	\$32,478	\$33,350	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$33,917
35 to 39	\$40,297	\$35,936	\$34,392	\$0	\$36,102	\$48,630	\$0	\$0	\$0	\$0	\$37,153
40 to 44	\$36,188	\$32,079	\$38,905	\$0	\$69,863	\$0	\$0	\$0	\$0	\$0	\$37,862
45 to 49	\$37,908	\$39,670	\$28,833	\$35,987	\$43,603	\$45,464	\$42,279	\$0	\$0	\$0	\$34,783
50 to 54	\$42,941	\$44,673	\$44,139	\$38,244	\$40,523	\$47,270	\$41,123	\$41,227	\$0	\$0	\$43,560
55 to 59	\$46,589	\$74,435	\$47,456	\$38,059	\$0	\$0	\$40,349	\$60,801	\$49,449	\$0	\$51,824
60 to 64	\$0	\$27,445	\$31,883	\$38,791	\$46,204	\$49,155	\$47,906	\$45,991	\$0	\$0	\$38,164
65 to 69	\$0	\$26,966	\$43,719	\$45,458	\$48,227	\$909	\$0	\$0	\$0	\$0	\$38,387
70 & up	\$0	\$0	\$23,720	\$56,199	\$0	\$0	\$0	\$0	\$0	\$46,346	\$36,232
Total	\$39,393	\$40,631	\$36,880	\$41,360	\$50,074	\$42,648	\$41,719	\$47,500	\$49,449	\$46,346	\$39,329

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A MEMBERSHIP INFORMATION

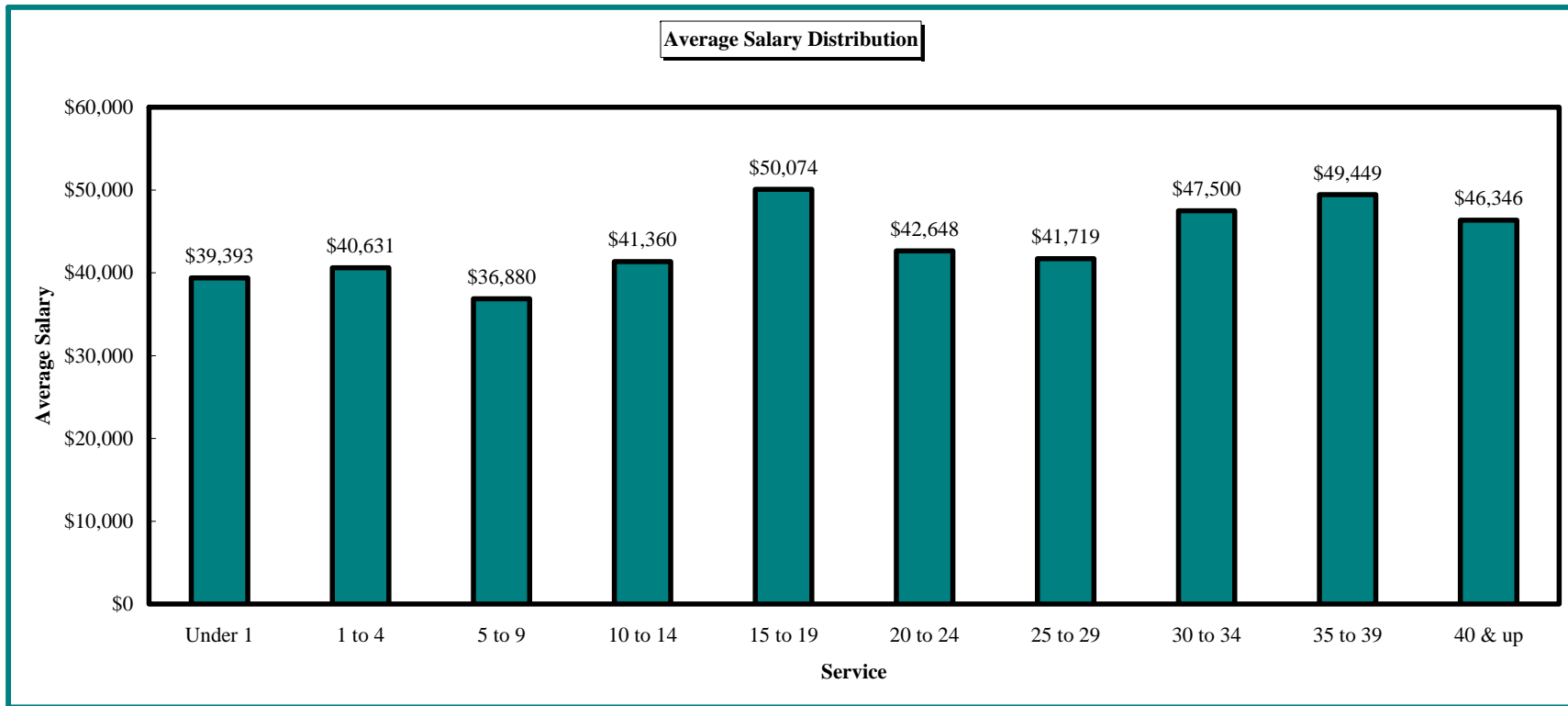
Diamond State Port Corporation Pension Plan Distribution of Active Members by Age as of June 30, 2006



DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Distribution of Active Members by Service as of June 30, 2006



DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A MEMBERSHIP INFORMATION

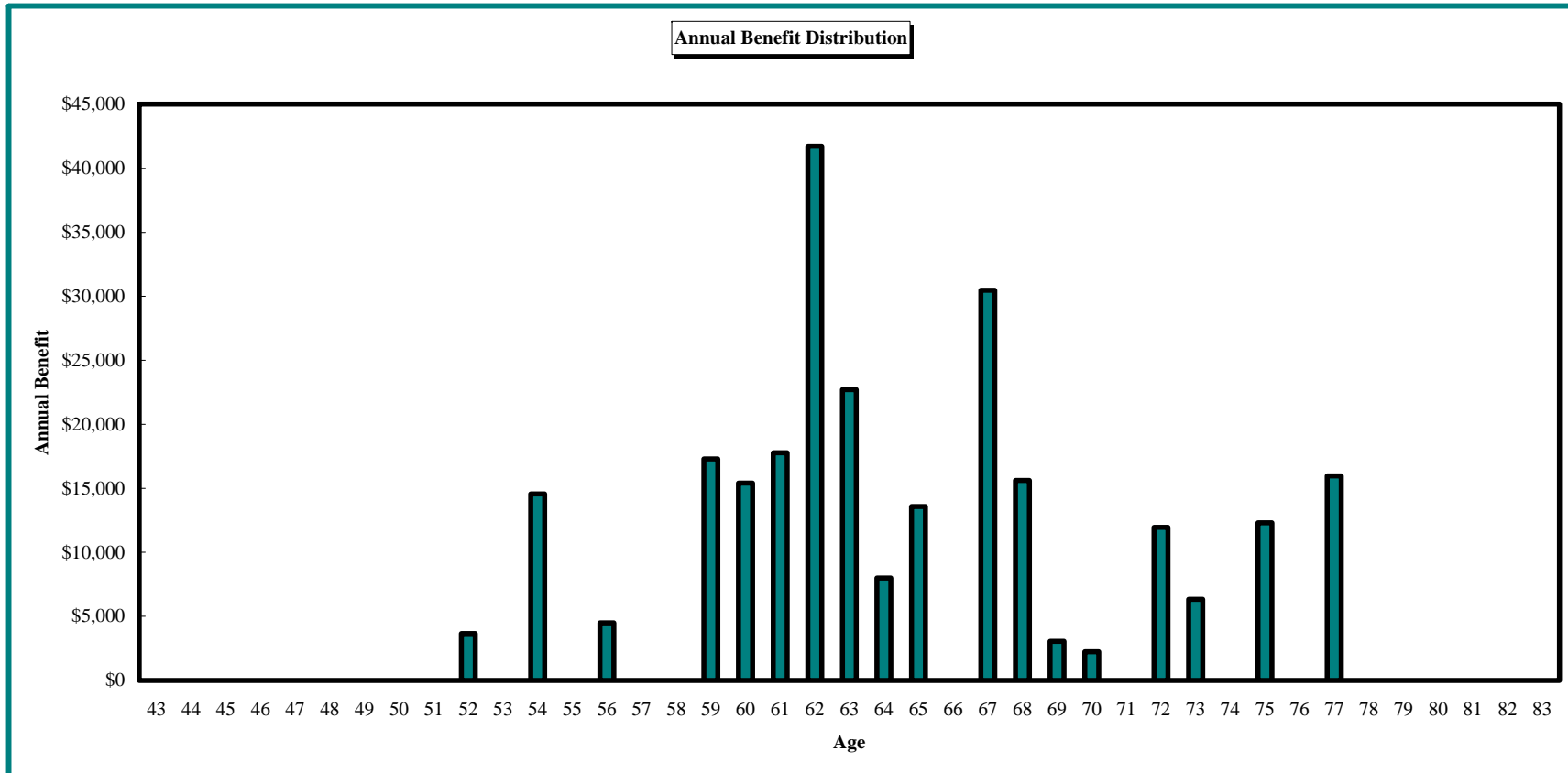
Diamond State Port Corporation Pension Plan Distribution of Retired Members, Survivors, and Disabled Members as of June 30, 2006

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	1	\$6,338
25	0	\$0	74	0	\$0
26	0	\$0	75	1	\$12,309
27	0	\$0	76	0	\$0
28	0	\$0	77	1	\$15,969
29	0	\$0	78	0	\$0
30	0	\$0	79	0	\$0
31	0	\$0	80	0	\$0
32	0	\$0	81	0	\$0
33	0	\$0	82	0	\$0
34	0	\$0	83	0	\$0
35	0	\$0	84	0	\$0
36	0	\$0	85	0	\$0
37	0	\$0	86	0	\$0
38	0	\$0	87	0	\$0
39	0	\$0	88	0	\$0
40	0	\$0	89	0	\$0
41	0	\$0	90	0	\$0
42	0	\$0	91	0	\$0
43	0	\$0	92	0	\$0
44	0	\$0	93	0	\$0
45	0	\$0	94	0	\$0
46	0	\$0	95	0	\$0
47	0	\$0	96	0	\$0
48	0	\$0	97	0	\$0
49	0	\$0	98	0	\$0
50	0	\$0	99	0	\$0
51	0	\$0	100	0	\$0
52	1	\$3,653	101	0	\$0
53	0	\$0	102	0	\$0
54	1	\$14,560	103	0	\$0
55	0	\$0	104	0	\$0
56	1	\$4,500	105	0	\$0
57	0	\$0	106	0	\$0
58	0	\$0	107	0	\$0
59	2	\$17,292	108	0	\$0
60	3	\$15,408	109	0	\$0
61	2	\$17,774	110	0	\$0
62	2	\$41,726	111	0	\$0
63	1	\$22,707	112	0	\$0
64	1	\$8,001	113	0	\$0
65	1	\$13,586	114	0	\$0
66	0	\$0	115	0	\$0
67	4	\$30,473	116	0	\$0
68	2	\$15,616	117	0	\$0
69	1	\$3,045	118	0	\$0
70	1	\$2,241	119	0	\$0
71	0	\$0	120	0	\$0
72	1	\$11,947			
			Totals	27	\$257,144

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A MEMBERSHIP INFORMATION

Diamond State Corporation Port Pension Plan Distribution of Retired Members, Survivors, and Disabled Members as of June 30, 2006



DIAMOND STATE PORT CORPORATION PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

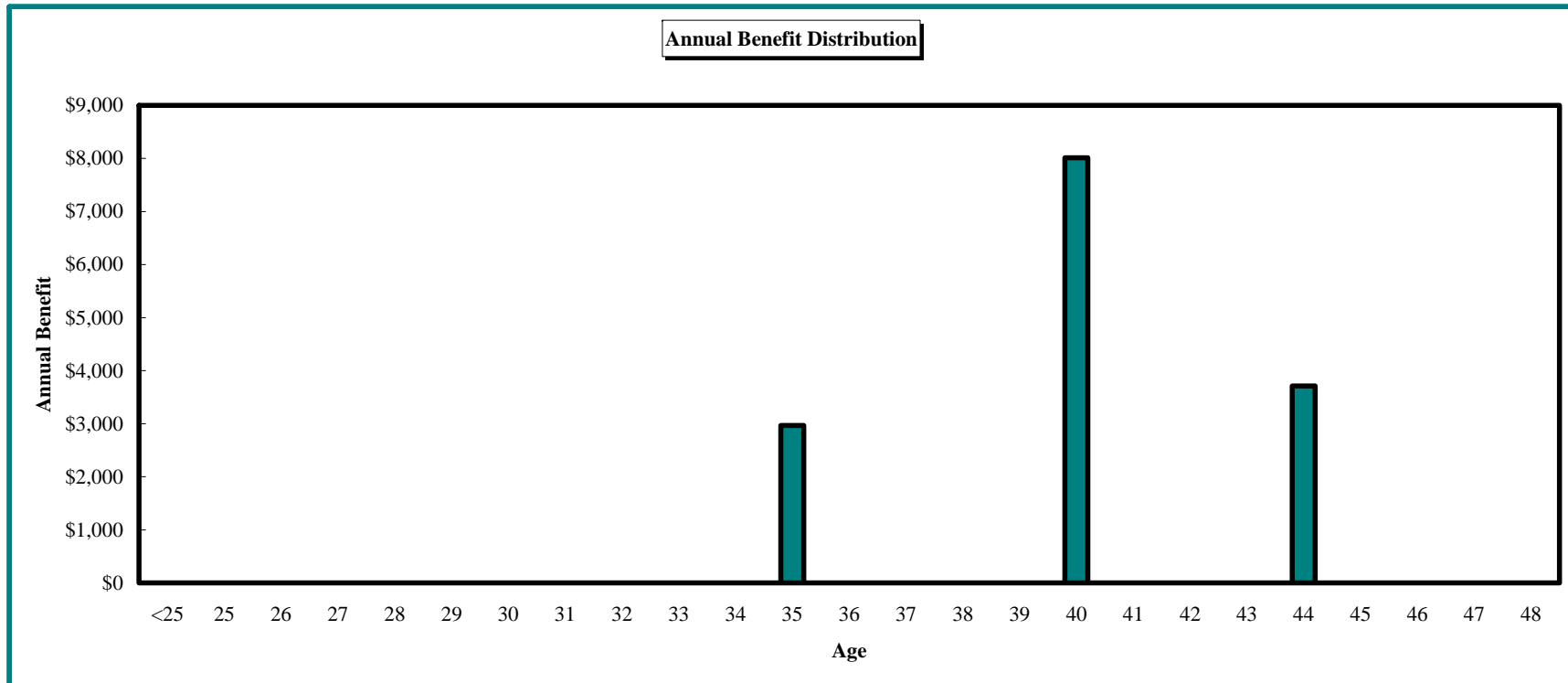
**Diamond State Port Corporation Pension Plan Distribution of Vested Members
as of June 30, 2006**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	0	\$0
25	0	\$0	74	0	\$0
26	0	\$0	75	0	\$0
27	0	\$0	76	0	\$0
28	0	\$0	77	0	\$0
29	0	\$0	78	0	\$0
30	0	\$0	79	0	\$0
31	0	\$0	80	0	\$0
32	0	\$0	81	0	\$0
33	0	\$0	82	0	\$0
34	0	\$0	83	0	\$0
35	1	\$2,967	84	0	\$0
36	0	\$0	85	0	\$0
37	0	\$0	86	0	\$0
38	0	\$0	87	0	\$0
39	0	\$0	88	0	\$0
40	1	\$8,012	89	0	\$0
41	0	\$0	90	0	\$0
42	0	\$0	91	0	\$0
43	0	\$0	92	0	\$0
44	1	\$3,711	93	0	\$0
45	0	\$0	94	0	\$0
46	0	\$0	95	0	\$0
47	0	\$0	96	0	\$0
48	0	\$0	97	0	\$0
49	0	\$0	98	0	\$0
50	0	\$0	99	0	\$0
51	0	\$0	100	0	\$0
52	0	\$0	101	0	\$0
53	0	\$0	102	0	\$0
54	0	\$0	103	0	\$0
55	0	\$0	104	0	\$0
56	0	\$0	105	0	\$0
57	0	\$0	106	0	\$0
58	0	\$0	107	0	\$0
59	0	\$0	108	0	\$0
60	0	\$0	109	0	\$0
61	0	\$0	110	0	\$0
62	0	\$0	111	0	\$0
63	0	\$0	112	0	\$0
64	0	\$0	113	0	\$0
65	0	\$0	114	0	\$0
66	0	\$0	115	0	\$0
67	0	\$0	116	0	\$0
68	0	\$0	117	0	\$0
69	0	\$0	118	0	\$0
70	0	\$0	119	0	\$0
71	0	\$0	120	0	\$0
72	0	\$0			
			Totals	3	\$14,690

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX A
MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Distribution of Vested Members
as of June 30, 2006



DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

A. Long-Term Assumptions Used to Determine Plan Costs and Liabilities

1. Demographic Assumptions

a. Healthy Inactive Mortality

With Mortality Improvements (Projection Scale)

Male: 85% of RP-2000 MB Mortality Table

Female: 87% of RP-2000 FW Mortality Table

Rates of Healthy Inactive Mortality				
Rates (Prior to Projection)				
Age	Projection Scale		Projection Scale	
	Male	Female	Male	Female
50	0.48%	0.21%	1.80%	1.70%
55	0.61%	0.30%	1.90%	0.80%
60	0.90%	0.49%	1.60%	0.50%
65	1.41%	0.79%	1.40%	0.50%
70	2.27%	1.32%	1.50%	0.50%
75	3.67%	2.24%	1.40%	0.80%
80	6.00%	3.75%	1.00%	0.70%
85	9.78%	6.45%	0.70%	0.60%
90	15.45%	10.98%	0.40%	0.30%

b. Healthy Active Mortality

Male: 95% of RP-2000 RE Mortality Table

Female: 80% of RP-2000 RE Mortality Table

Rates of Healthy Active Mortality		
Age	Male	Female
20	0.03%	0.02%
25	0.04	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.14	0.09
50	0.20	0.13
55	0.29	0.20
60	0.46	0.31

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

c. Disabled Inactive Mortality

Male: 63% of 1965 Railroad Retirement Board Disabled Mortality

Female: 93% of 1981 PBGC Disabled Mortality with Social Security

Rates of Disabled Inactive Mortality		
Age	Male	Female
40	2.78%	1.92%
45	2.82%	2.06%
50	3.06%	2.36%
55	3.73%	2.71%
60	4.57%	3.05%
65	5.46%	3.40%
70	6.53%	3.78%
75	7.96%	4.53%
80	9.73%	6.86%

d. Rates of Active Disability

Rates of Active Disability	
Age	Current
20	0.05%
25	0.05
30	0.18
35	0.27
40	0.38
45	0.46
50	0.62
55	0.95
60	1.57

No Workers' Compensation offset is assumed.

DIAMOND STATE PORT CORPORATION PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

e. Termination of Employment (Prior to Normal Retirement Eligibility)

10-year Select (age- and service based) & Ultimate (age-based) Tables

AGE	SERVICE										
SELECT:	0	1	2	3	4	5	6	7	8	9	ULTIMATE
<55	50.00%	6.00%	5.50%	5.00%	4.50%	4.00%	4.00%	3.50%	3.50%	1.50%	0.50%
55+	25.00%	6.00%	5.50%	5.00%	4.50%	4.00%	4.00%	3.50%	3.50%	1.50%	0.50%

f. Retirement

Plan I: Normal Retirement: 1-year Select & Ultimate (age-based)

Plan II and III: Early and Normal Retirement: 1-year Select & Ultimate (age-based)

Plan I:

Age	Normal Retirement	
	Select	Ultimate
50-61	15.00%	15.00%
62 +	100.00	100.00

Plan II and III:

Age	Normal Retirement	
	Select	Ultimate
50-54	10.00%	0.00%
55-61	10.00	5.00
62	50.00	25.00
63-64	50.00	10.00
65-69	60.00	60.00
70 +	100.00	100.00

g. Merit/Seniority Salary Increase (in addition to across-the-board increase)

1.00% merit increase for all ages plus an inflation rate of 3.75%.

h. Family Composition

Female spouses are assumed to be three years younger than males.

70% are assumed married for both male and female employees.

Actual marital characteristics are used for pensioners.

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

2. Economic Assumptions

a. Rate of Investment Return:	8.00%
b. Rate of General Wage Increase:	3.75%
c. Rate of Increase in Cost of Living:	0.00%
d. Rate of Increase in Total Payroll (for Amortization):	3.75%
e. Administrative Expenses as a Percentage of Payroll:	0.35%

3. Changes Since Last Valuation

Recognized Rule of 90 eligibility when applying retirement factors in item 1.f.
Proper application of merit / seniority salary increase.

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for a typical new entrant. The normal cost rate times payroll equals the normal cost. The normal cost plus member contributions will pay for projected benefits at retirement for the average plan participant.

The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial accrued liability in excess of plan assets is funded according to a schedule which is intended to amortize such unfunded actuarial liability fully after a period of years. This is in addition to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

The unfunded actuarial liability is amortized by annual payments over a 16 year period from July 1, 2006. The payments are determined assuming level percentage amortization.

2. Actuarial Value of Assets

For purposes of determining the Employer contribution rate to the plan we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value of assets is a weighted average giving 20% weight to the current market value and 80% weight to the prior year's actuarial value increased by expected interest and contributions and decreased by benefit payments and expenses. This is mathematically equivalent to recognizing 100% of the actuarially assumed interest rate, plus contribution, less payments each year, and 20% of the portion of each year's returns that have not already been reflected in asset values.

3. Changes Since Last Valuation

None.

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Membership

The plan covers any employee who is paid regular salary of wages by the Diamond State Port Corporation.

2. Member Contributions

2% of compensation. Interest is credited at the rate of 7% per year.

Member contributions are made through an “employer pick-up” arrangement which results in deferral of taxes on the contributions.

3. Credited Service

A year of service is credited for every years of 1,500 hours of service. In addition, those employees who participated in the City of Wilmington Plan I, Plan II, or Plan III will receive prior credited service under the terms of those plans.

4. Final Average Compensation

Final Average Compensation is the five-year average base salary over the last ten consecutive years of compensation paid to the member that produces the highest average.

5. Normal Retirement

Eligibility: Age 65 with five years of credited service; or Rule of 90 with minimum age 55.

In addition, the benefits payable under the City of Wilmington Plan I are payable at age 60 with 15 years of service or at any age with 20 years of service.

Benefit: 1.75% of final average earnings times years of service (maximum service 30 years) since the later of the date of hire or the date of transfer for those transferring from Plans I or II.

In addition, former participants of Plan I will receive 2.50% of final average earnings times years of service, up to the date of transfer, but not less than \$1,800 annually nor greater than \$4,500 annually. Former participants of Plan II will receive 1.75% times final average earnings times years of Plan II service (maximum service 25 years) but not greater than \$11,000 annually.

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

6. Early Retirement

Eligibility: Age 55 with five years of service.

Benefit: The benefit is determined using the normal retirement benefit formula based on service and earnings at early retirement, and reduced by 0.4% for each month the early retirement date precedes the normal retirement date.

7. Disability Benefit

Eligibility: 15 years of service.

Benefit: 1.75% of final average earnings times years of service (maximum 30 years), reduced by any workers' compensation benefits paid and further reduced by earnings in excess of one-half of the pre-disability compensation earned by the participant.

8. Survivor's Benefit

Eligibility: Death while actively employed with 15 or more years of service or after attaining eligibility for early or normal retirement benefits.

Benefit: 50% of the benefit the participant would have received had he/she retired on the day before his/her death. Payments to the spouse will continue until death.

9. Post-Retirement Death Benefit

50% of the benefit the participant was receiving is payable to the surviving spouse. Such benefit continues to the spouse until death. If the participant is not married on his/her retirement date and dies before receiving 120 monthly payments, the participant's beneficiary will receive the remaining monthly benefit until a full 120 payments have been made.

10. Vesting

Eligibility:

Years of Credited Service	Vesting Percentage
Less than 5	0%
5-6	50%
6-7	60%
7-8	70%
8-9	80%
9-10	90%
10 ore more	100%

DIAMOND STATE PORT CORPORATION PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

Benefit: The product of the benefit calculated for normal retirement, using final average compensation and credited service as of the termination date, and the vesting percent. The benefit will commence on the normal retirement date. A participant may elect to receive a reduced benefit for early retirement commencing after age 55.

If the participant is married, the benefit will be a reduced amount payable for life with the surviving spouse receiving a benefit equal to 50% of the benefit received by the participant.

11. Withdrawal of Employer Contributions

Eligibility: Terminates service and is not eligible for other benefits.

Benefit: Accumulated employee contributions with interest.

12. Changes Since Last Valuation

None.