CHEIRON *Classic Values, Innovative Advice*

Diamond State Port Corporation Pension Plan

Actuarial Valuation as of June 30, 2016

Produced by Cheiron

March 2017

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March 10, 2017

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 (Plan) as of June 30, 2016. The results of this valuation are contained in this report. The purpose of the valuation is discussed in the Foreword.

This report contains information on Plan assets and liabilities, as well as analyses combining asset and liability performance and projections. It also discloses employer contribution levels and required disclosures under the Governmental Accounting Standards Board (GASB) Statement No. 67.

In completing the valuation and preparing our report, we relied on information, some oral and some written, supplied by staff of the Office of Pensions. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The contribution results of this report are only applicable to the employer contribution for Fiscal Year (FY) 2018 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.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This report was prepared for the Diamond State Port Corporation Pension Plan for the purposes described herein and for the use by the Plan auditor in completing an audit related to the matters herein. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron

Fiona E. Liston, FSA
Principal Consulting Actuary

Elizabeth Wiley, FSA, EA
Consulting Actuary

FOREWORD

Cheiron has performed the annual actuarial valuation of the Diamond State Port Corporation Pension Plan (Plan) as of June 30, 2016. 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 condition of the Plan,

3) **Determine the contribution rate** to be paid by the employer for Fiscal Year (FY) 2018, and

4) **Provide** accounting statement information.

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 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 liabilities, measured for actuarial, accounting, and governmental reporting purposes.

Section IV presents the FY 2018 actuarially determined contribution.

Section V includes required disclosures under Governmental Accounting Standards Board (GASB) Statement No. 67 and items recommended by the Government Finance Officers Association (GFOA).

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 a summary of the actuarial methods and assumptions used in the valuation.

The actuarial assumptions reflect our understanding of the likely future experience of the Plan, and the assumptions individually and as a whole represent our best estimate for the future experience of the Plan. The results of this report rely on future Plan experience conforming to the underlying assumptions and methods outlined in this report. To the extent that the actual Plan experience deviates from the underlying assumptions and methods, or there are any changes in Plan provisions, the true cost of the Plan would vary from our results.

SECTION I - BOARD SUMMARY

General Comments

The actuarially determined contribution (ADC) rate decreased from 9.43% for FY 2017 to 8.38% for FY 2018.

During the year ending June 30, 2016, the Plan's assets earned negative 1.5% on a market value basis. However, due to the Plan's asset smoothing method, which recognizes only a portion of the investment gains and losses, the return on an actuarial value basis was 5.6%. This return was less than the assumed investment rate of return of 7.2% for last year, resulting in an actuarial loss on investments of $426 thousand.

The Plan experienced an actuarial gain on Plan liabilities resulting from salary increases different from those assumed and members retiring, terminating, becoming disabled, and dying at rates different from the actuarial assumptions. This liability gain decreased the actuarial liability by $975 thousand. The Plan will experience actuarial gains or losses over time, as we cannot predict exactly how people will behave. In addition to the actuarial gain, the Plan's liabilities also decreased by $873 thousand due to changes in assumptions as recommended in an experience study performed in 2016.

This valuation report also contains information to be reported in the June 30, 2016 Comprehensive Annual Financial Report (CAFR) of the Delaware Public Employees' Retirement System (Delaware PERS) under GASB Statement No. 67, as well as additional disclosure information recommended by the Government Finance Officers Association (GFOA). The GASB disclosures are based on the use of updated procedures to roll forward the 2015 actuarial valuation liability results. The calculation of net pension liability in Section V is shown as disclosed for the plan year ending June 30, 2016, based on the 2015 funding actuarial valuation liability results, updated to reflect the assumption changes adopted by the Board of Trustees as recommended in the recent experience study. We also present a projection of the June 30, 2017 disclosure in Section V, assuming all actuarial assumptions are met over the coming year, which is based on the 2016 funding actuarial valuation liability results.

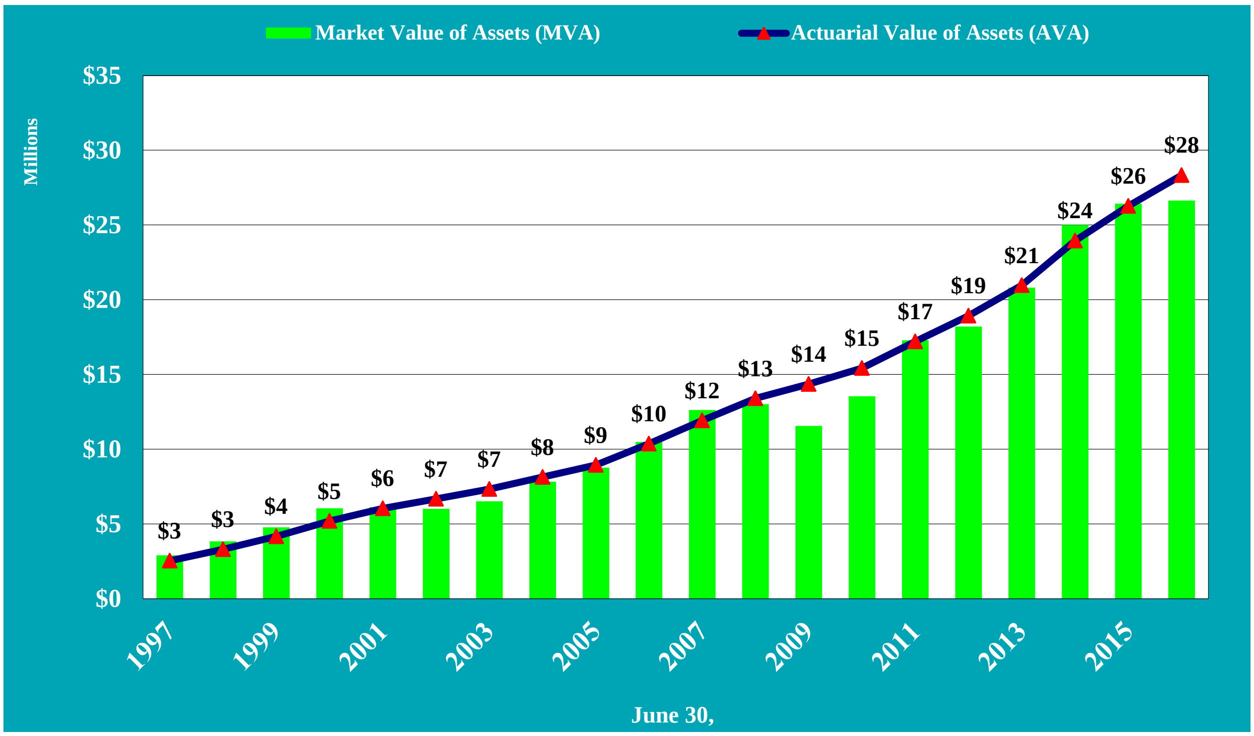
As of the June 30, 2016 funding actuarial valuation, the Plan's unfunded actuarial liability (UAL) was $3.30 million. This is a decrease from the $4.87 million UAL in the funding valuation for the prior year.

SECTION I - BOARD SUMMARY

Trends

<u>Growth in Assets</u>

The graph below shows measurements of the Plan's assets over the last 20 years based on both market values and actuarial values. The green bars represent the market value measurements, while the blue line shows the actuarial value measurements. The black numbers are the actuarial value of asset measurements as of the valuation date for each year in millions of dollars.



The market value of assets (MVA) returned negative 1.5% over the last year. The determination of the Plan's actuarial value of assets (AVA) for the current year reflects a portion of the return below the 7.2% assumed for the year, and continued recognition of prior years' gains and losses, and thus returned 5.6% over FY 2016.

Over the period July 1, 1997 to June 30, 2016, the Plan's assets have had an approximately 8.1% annual average geometric return on an actuarial value basis, compared to the current valuation assumption of 7.2%.

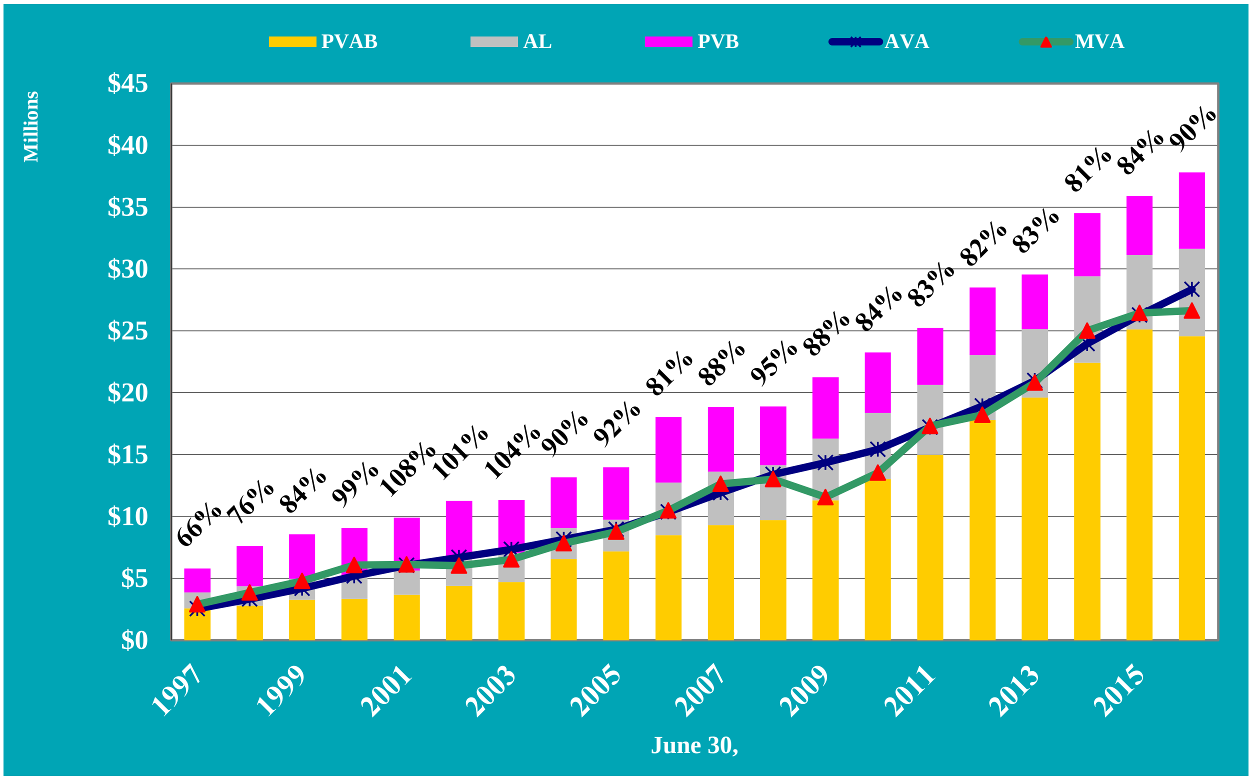
SECTION I - BOARD SUMMARY

Assets and Liabilities

The three colored bars below represent the three different measures of liability discussed in this report. The first measure is given by the yellow bars, the present value of accrued benefits (PVAB). The PVAB values represent the value of all benefits earned by current members through the valuation date. These values do not reflect any future additional service or salary increases for current members beyond the valuation date.

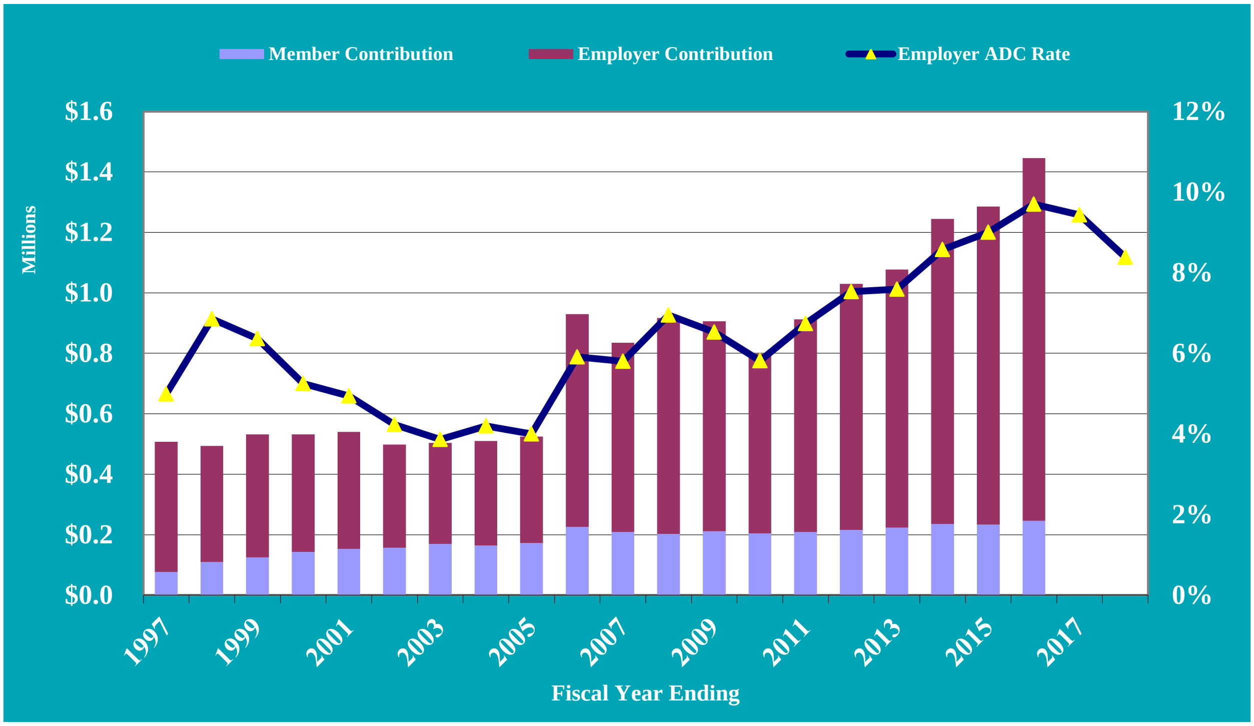
The second liability measure is the one currently used for the Plan's funding target, the actuarial liability (AL). These target amounts are represented by the top of the gray bars. This measurement is also the basis of the liability measure used in GASB 67. The funded ratios reported by the Plan are the percentages shown above the bars and are developed by comparing these target measurements of liability to the actuarial value of assets at each valuation date.

The amount represented by the top of the pink bars, the present value of future benefits (PVB), is the amount needed to provide all benefits for the current members and their beneficiaries, including reflection of assumed future service and pay increases. If the Plan had assets equal to the PVB as of a certain date, no additional contributions would, in theory, be needed to pay the benefits of the current members if all assumptions were exactly met from that point forward.



SECTION I - BOARD SUMMARY

Contribution Rates



The stacked bars in the graph above show the dollar amounts of the contributions made by the employer and the members for each fiscal year and are read using the left-hand scale. The contribution amounts shown in the bars represent what was actually paid. The blue line shows the Employer ADC rate for each fiscal year as a percentage of payroll (right-hand scale).

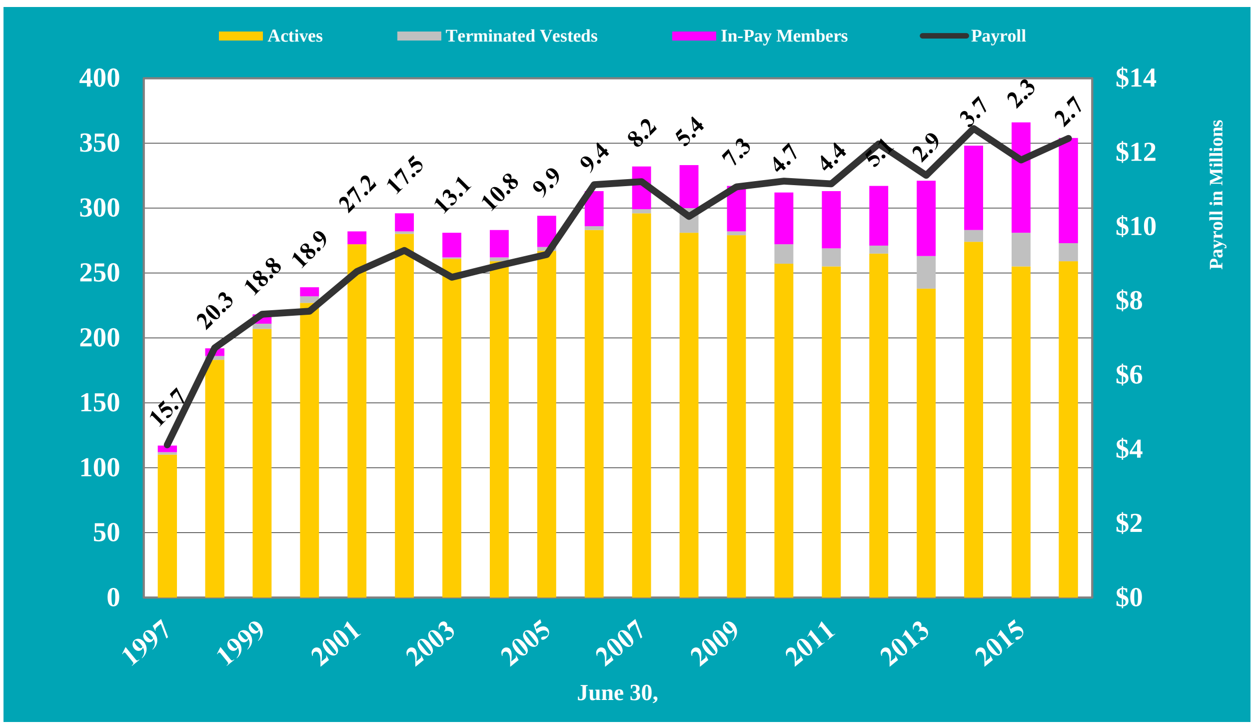
The member contribution rate is set by the plan document, based on the Plan in which the member participates. The participating employer contribution rate is set by the actuarial process. Please note that there is a lag in the participating employer contribution rates shown. For example, the value shown for the Fiscal Year 2016 is the rate prepared by the June 30, 2014 valuation and implemented for the period July 1, 2015 to June 30, 2016.

SECTION I - BOARD SUMMARY

Participant Trends

The bars below show the number of members as of each valuation date, divided between active members, terminated vested members, and retirees/beneficiaries. These bars are read using the left-hand scale. Since this is a relatively young pension plan, there are still more active members than inactive members. However, as this fund continues to mature, this plan will continue to show growth in the number of inactive members. The numbers that appear above each bar represent the ratio of active members to inactive members (retirees, beneficiaries, and terminated vested members) at each valuation date. The active-to-inactive ratio has decreased from 15.7 actives to each inactive in 1997 to 2.7 actives to each inactive in 2016.

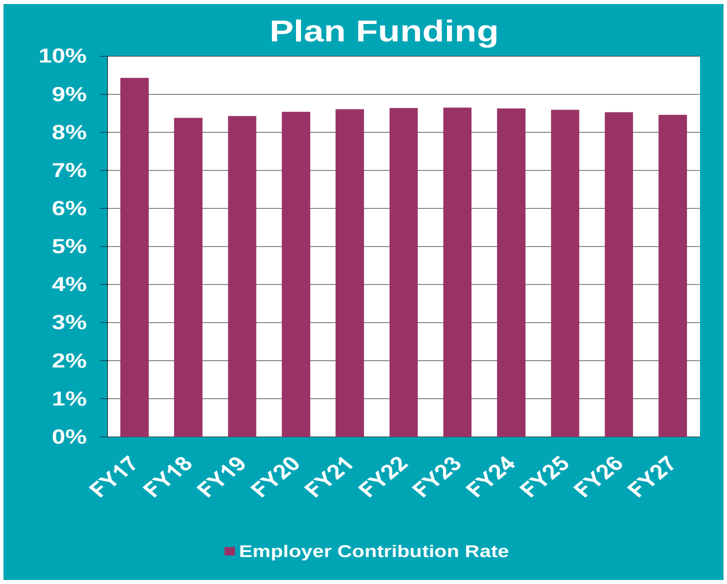
The black line shows the covered payroll for the Plan as of each valuation date and is read using the right-hand scale.



SECTION I - BOARD SUMMARY

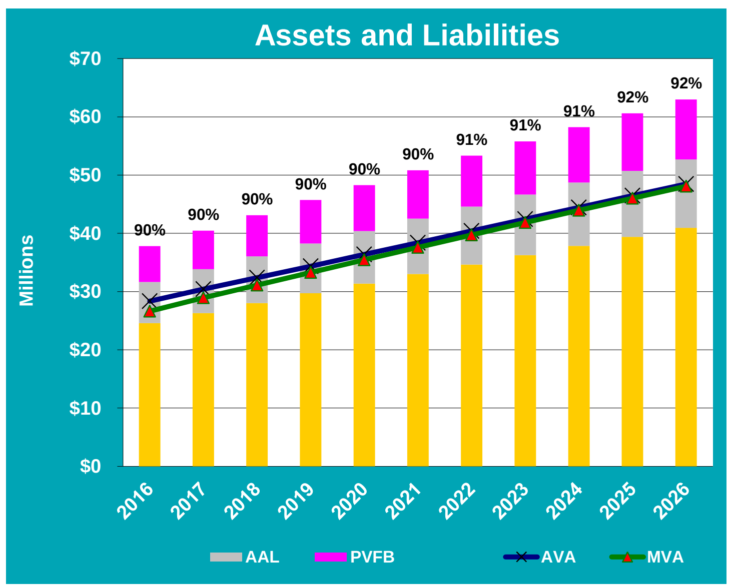
Future Outlook

Baseline Projections



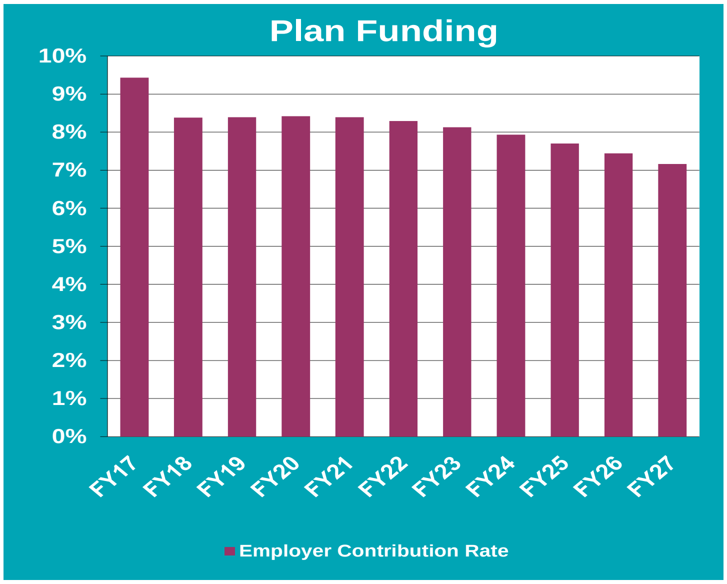
These graphs show the expected progress of the Plan over the next 10 years, assuming the Plan's assets earn 7.2% on a *market value* basis and assuming all assumptions are exactly met, including that the actuarially determined contribution (ADC) amounts are made in full. The chart entitled "Plan Funding" shows a decrease in contribution rate in FY 2018, and thereafter a fairly level contribution rate throughout this period.

The "Assets and Liabilities" graph shows the projected funded ratios of the Plan over the next 10 years. The Plan's funded status is projected to remain about the same, as stored investment losses are recognized by the asset smoothing method and payments come in from the employer and members.



SECTION I - BOARD SUMMARY

Projections with Asset Returns of 8.2%

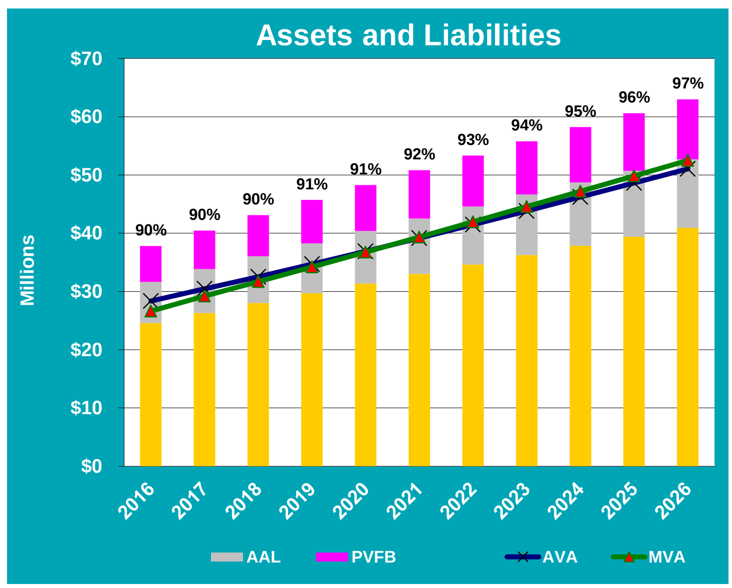


The Plan's investment earnings will affect the future funding status of the Plan. The two graphs on this page show what the next 10 years would be expected to look like if the Plan's investment performance is 8.2% each year, 1.0% higher than the valuation investment rate of return assumption.

These two graphs assume all other assumptions are exactly met, including participating employer contributions equal to the full actuarially determined amounts.

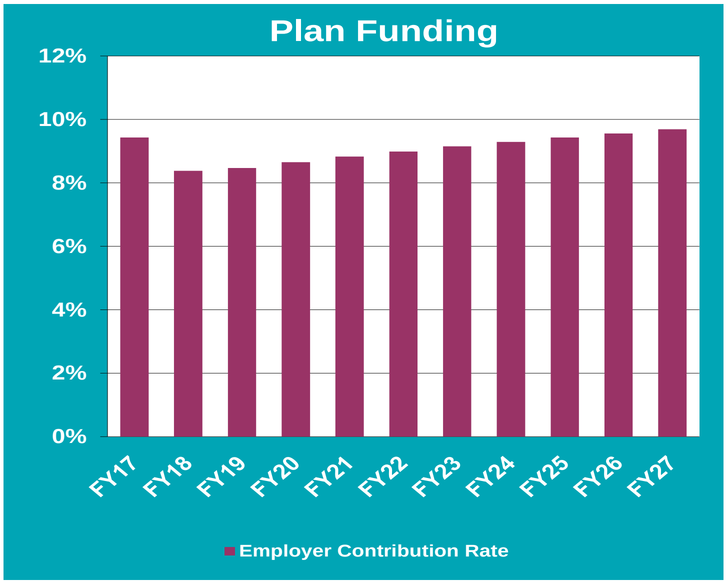
The "Plan Funding" graph shows that under this scenario the Employer ADC rate would decrease over the 10-year period.

The "Assets and Liabilities" graph shows that under this scenario the Plan would stay around the same funded ratio for the next three years and then begin to increase, reaching a 97% funded ratio by 2026, an improvement over the baseline scenario's ultimate level of 92%.



SECTION I - BOARD SUMMARY

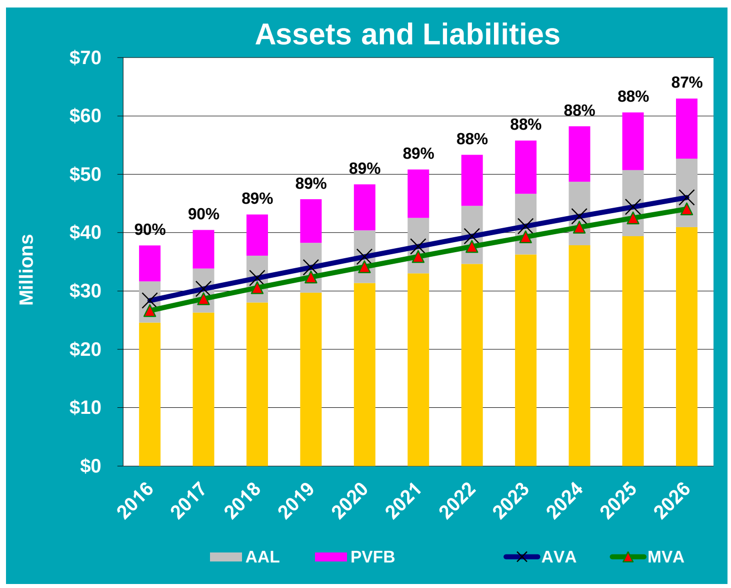
Projections with Asset Returns of 6.2%



The graphs on this page show projections of the Plan's funding status and contributions assuming that the Plan's investment performance is 6.2% each year of the projection, 1.0% lower than the valuation investment rate of return assumption.

Note that these projections assume all other assumptions are exactly met, including payment of participating employer contributions equal to the full actuarially determined contribution.

Under this scenario, the employer ADC rate increases to approximately 9.69% of payroll by the end of the 10-year period, significantly greater than the 8.46% ultimate rate in the baseline projection. Additionally, the funded ratio is projected to drop in this scenario, reaching 87% at the end of the 10-year period, significantly lower than the 92% ultimate ratio in the baseline scenario.



SECTION I - BOARD SUMMARY

Table I-1
Summary of Principal Plan Results

Valuation as of:	**June 30, 2015**	**June 30, 2016**	**% Change**
Member Counts			
Active Members	255	259	1.57%
Disabled Members	4	4	0.00%
Retirees and Beneficiaries	76	77	1.32%
Terminated Vested Members	26	14	(46.15%)
Terminated Non-Vested Members	5	0	(100.00%)
Total Member Counts	**366**	**354**	**(3.28%)**
Covered Payroll of Active Members*	$ 11,790,800	$ 12,376,200	4.96%
Annual Benefit Payments for Retirees, Disabled Members, and Beneficiaries	$ 767,000	$ 795,100	3.66%
Assets and Liabilities			
Actuarial Liability (AL)	$ 31,128,000	$ 31,637,100	1.64%
Actuarial Value of Assets (AVA)	26,262,600	28,340,500	7.91%
Unfunded AL (UAL)	$ 4,865,400	$ 3,296,600	(32.24%)
Funded Ratio on AVA Basis (AVA/AL)	84.4%	89.6%	
Funded Ratio on MVA Basis (MVA/AL)	84.9%	84.2%	
Present Value of Accrued Benefits (PVAB)	$ 25,104,000	$ 24,576,600	(2.10%)
Market Value of Assets (MVA)	26,439,200	26,636,900	0.75%
Unfunded PVAB	$ (1,335,200)	$ (2,060,300)	(54.31%)
Accrued Benefit Funded Ratio (PVAB/MVA)	105.3%	108.4%	
Employer Contribution Rate	**Fiscal Year 2017**	**Fiscal Year 2018**	
Entry Age Normal Cost	5.66%	5.61%	
UAL Amortization Payment	3.47%	2.47%	
Administrative Expense	0.30%	0.30%	
Actuarially Determined Contribution (ADC)	9.43%	8.38%	

* Assumes one year of payroll increase projection, representing payroll beginning on each valuation date.

SECTION II - ASSETS

Pension plan assets play a key role in the financial operation of the Plan and in the decisions that the Board of 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 affect benefit levels, employer actuarially determined contributions, and the ultimate security of members' benefits.

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

- **Disclosure** of the Plan's assets at June 30, 2015 and June 30, 2016,
- Statement of the **changes** in market values during FY 2016,
- Development of the **actuarial value of assets**,
- An assessment of **investment performance**, and
- A projection of the Plan's expected **cash flows** for the next 10 years.

Market Value of Assets Disclosure

The market values of assets represent "snap-shot" or "cash-out" values that provide the principal basis for measuring financial performance from one year to the next. However, market values can fluctuate widely with swings in the marketplace, and as such, are usually not suitable for budgeting and long-range planning.

Table II-1 below shows the market values as of June 30, 2015 and June 30, 2016, along with the changes between the two.

Table II-1
Changes in Market Values of Assets

Market Value of Assets – June 30, 2015			**$**	**26,439,200**
Additions				
Member Contributions	$	245,800		
Employer Contributions		1,200,300		
Investment Returns		(393,900)		
Total Additions	**$**	**1,052,200**		
Deductions				
Benefit Payments	$	822,500		
Administrative Expenses		32,000		
Total Deductions	**$**	**854,500**		
Market Value of Assets – June 30, 2016			**$**	**26,636,900**

Actuarial Value of Assets

The actuarial value of assets represents a "smoothed" value developed by the actuary to reduce, or eliminate, erratic results that could develop from short-term fluctuations in the market value of assets. The actuarial value for this plan equals the expected actuarial value of assets, developed from the immediately prior valuation, plus 20% of the difference between the actual market value of assets and that expected actuarial value of assets at the valuation date. The table below illustrates the calculation of the actuarial value of assets as of June 30, 2016.

Table II-2
Development of Actuarial Value of Assets

1.	Actuarial Value of Assets at June 30, 2015	$	26,262,600
2.	Amount in (1) with interest to June 30, 2016 at 7.20% per year	$	28,153,500
3.	Employer and member contributions for the Plan Year ended June 30, 2016		1,446,100
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2016 at 7.20% per year		52,100
5.	Disbursements from Trust except investment expenses, July 1, 2015 through June 30, 2016		854,500
6.	Interest on disbursements to June 30, 2016 at 7.20% per year		30,800
7.	Expected Actuarial Value of Assets at June 30, 2016 = (2) + (3) + (4) – (5) – (6)	$	28,766,400
8.	Actual Market Value of Assets at June 30, 2016	$	26,636,900
9.	Excess of (8) over (7)	$	(2,129,500)
10.	Actuarial Value of Assets at June 30, 2016 = (7) + 20% of (9)	$	28,340,500

Investment Performance

The market value of assets (MVA) returned negative 1.5% during 2016, which is less than the assumed 7.2% investment rate of return. The actuarial value of assets (AVA) returned 5.6% over this same year, reflecting the asset smoothing method being utilized by the Plan for the measurement of the actuarial value of assets. Since only 20% of the gain or loss from the performance of the Plan is typically recognized in a given year under the asset smoothing method, in periods of very good performance, the AVA can lag significantly behind the MVA, and in a period of negative returns, the AVA does not decline as rapidly as the MVA.

Projection of Cash Flows

Table II-3
Cash Flow Projections

Year Beginning July 1,	Expected Benefit Payments	Expected Contributions*
2016	$ 997,000	$ 1,415,000
2017	1,190,000	1,317,000
2018	1,382,000	1,350,000
2019	1,589,000	1,384,000
2020	1,793,000	1,418,000
2021	1,996,000	1,454,000
2022	2,195,000	1,490,000
2023	2,389,000	1,527,000
2024	2,591,000	1,565,000
2025	2,788,000	1,605,000

* Expected contributions include employer contributions and member contributions. For illustration purposes, we have assumed the employer contribution rate will remain level from FYE 2017 and that payroll will increase at the actuarially assumed rate of 2.50% per year.

Expected benefit payments are projected for the closed group valued at June 30, 2016. Projecting any further than 10 years using a closed group would not yield reliable projections due to the omission of new hires in the benefit payments, compounded by their inclusion in the expected contributions.

SECTION III - LIABILITIES

In this section, we present detailed information on the Plan's liabilities for funding purposes, including:

- **Disclosure** of the Plan's liabilities at June 30, 2015 and June 30, 2016, and
- Statement of **changes** in these liabilities during the year.

Disclosure

Three liability measurements are calculated and presented in this report. Each type is distinguished by the purpose, or purposes, for which they are used.

- **Present Value of Benefits (PVB):** Used for analyzing the financial outlook of plans, this represents the amount of money needed today to fund all future benefits and expenses of a plan, assuming current members continue to accrue benefits and there are no new entrants, and that all actuarial assumptions are met.

- **Actuarial Liability (AL):** Used for funding calculations for a plan and GASB disclosures, this liability is calculated by taking the present value of benefits (PVB) and subtracting the present value of future member contributions (PVFEEC) and the present value of future employer normal costs (PVFNC) under an acceptable actuarial funding method. The Plan uses the **Entry Age Normal** funding method.

- **Present Value of Accrued Benefits (PVAB):** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fund the current accrued obligations of a plan, assuming no future accruals of benefits or salary increases. These liabilities are also required for some accounting purposes of some plans (Topic No. 960) and are sometimes used as part of assessing whether a plan can meet its current benefit commitments. Note that the development of this amount also assumes that all actuarial assumptions are met, including the assets earning 7.2% per year.

Note that none of the liability amounts disclosed in this report is appropriate for measuring a settlement of the Plan's liabilities.

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

SECTION III - LIABILITIES

Table III-1
Liabilities and Net (Surplus)/Unfunded Amounts

	June 30, 2015	June 30, 2016
Present Value of Benefits		
Active Member Benefits	$ 27,564,700	$ 29,602,000
Retiree, Beneficiary, Disabled, and Terminated Members Benefits	8,332,900	8,216,600
Present Value of Benefits (PVB)	**$ 35,897,600**	**$ 37,818,600**
Market Value of Assets (MVA)	$ 26,439,200	$ 26,636,900
Future Member Contributions	1,375,100	1,729,200
Future Employer Contributions	8,083,300	9,452,500
Total Resources	**$ 35,897,600**	**$ 37,818,600**
Actuarial Liability		
Present Value of Benefits (PVB)	$ 35,897,600	$ 37,818,600
Present Value of Future Employer Normal Costs (PVFNC)	3,394,500	4,452,300
Present Value of Future Member Contributions (PVFEEC)	1,375,100	1,729,200
Actuarial Liability (AL=PVB–PVFNC–PVFEEC)	**$ 31,128,000**	**$ 31,637,100**
Actuarial Value of Assets (AVA)	26,262,600	28,340,500
Net (Surplus)/Unfunded AL (AL – AVA)	**$ 4,865,400**	**$ 3,296,600**
Present Value of Accrued Benefits		
Present Value of Benefits (PVB)	$ 35,897,600	$ 37,818,600
Present Value of Future Benefit Accruals (PVFBA)	10,793,600	13,242,000
Present Value of Accrued Benefits (PVAB=PVB–PVFBA)	**$ 25,104,000**	**$ 24,576,600**
Market Value of Assets (MVA)	$ 26,439,200	$ 26,636,900
Net (Surplus)/Unfunded PVAB (PVAB – MVA)	**$ (1,335,200)**	**$ (2,060,300)**

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 entrants 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 assumptions
- A change in actuarial methods

Unfunded liabilities (or surpluses), developed from subtraction of an appropriate value of Plan assets from these liability measures, will change because of all of the above as well as due to changes in Plan asset measures 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 that 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.

Table III-2
Liability Changes

(In Thousands)	Present Value of Benefits	Actuarial Liability	Present Value of Accrued Benefits
Liabilities June 30, 2015	$ 35,898	$ 31,128	$ 25,104
Liabilities June 30, 2016	37,819	31,637	24,577
Liability Increase/(Decrease)	1,921	509	(527)
Change Due to:			
Benefit Changes	0	0	0
Assumption Changes	391	(873)	(1,473)
Actuarial (Gain)/Loss	NC *	(975)	NC *
Benefits Accumulated and Other Sources	1,530	2,357	946

* NC = not calculated

SECTION III - LIABILITIES

Table III-3 below provides additional information about the liability measurements for funding purposes as of both the current and the immediately prior valuations.

Table III-3 Actuarial Liabilities for Funding			
		June 30, 2015	June 30, 2016
1.	Actuarial Liabilities		
	Retiree, Beneficiary, Disabled, and Terminated Members	$ 8,332,900	$ 8,216,600
	Active Members	22,795,100	23,420,500
	Total Actuarial Liability	**$ 31,128,000**	**$ 31,637,100**
2.	Actuarial Value of Assets	$ 26,262,600	$ 28,340,500
3.	Unfunded Actuarial Liability (UAL)	$ 4,865,400	$ 3,296,600

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 are 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 fairly stable and predictable.

For this plan, the funding method employed is the **Entry Age Normal** actuarial funding method. Under this method, there are three components to the total contribution: the **normal cost contribution**, the **unfunded actuarial liability contribution** (UAL contribution), and the **administrative expense contribution**.

The employer normal cost contribution rate is determined in the following steps. First, for each active member an individual total normal cost rate is determined by taking the value, as of entry age into the Plan, of that member’s projected future benefits and dividing it by the value, also at entry age, of the member’s expected future salary. Then, this individual total normal cost rate is reduced by the member’s contribution rate to produce the employer normal cost rate for each member. The employer normal cost rate multiplied by payroll for each active member equals the employer normal cost. The sum of the employer normal cost amounts for all active members is then divided by the covered payroll for all active members to produce the employer normal cost contribution rate.

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

The UAL amortization payment rate is calculated by amortizing this UAL over an open 15-year period. All payments are determined assuming total pay increases by the current annual inflation assumption of 2.50%.

The current assumed administrative expense rate is 0.30% 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 based on this funding valuation and the immediately prior one.

Table IV-1
Employer Contribution Rate

Valuation Date	**June 30, 2015**	**June 30, 2016**
FY Contribution Rate Payable	**FY 2017**	**FY 2018**
Entry Age Normal Cost Rate	5.66%	5.61%
UAL Amortization Payment Rate	3.47%	2.47%
Administrative Expense Rate	0.30%	0.30%
Actuarially Determined Contributions	9.43%	8.38%

SECTION IV - CONTRIBUTIONS

Table IV-2 below provides additional detail about the development of the contribution rate as well as the expected dollar amounts these rates will result in for FY 2018.

Table IV-2
Expected FY 2017
Employer Contributions

	In Dollars	As % of Payroll
1. Present Value of Projected Benefits Attributable to:		
a. Total Normal Cost	$ 941,800	7.61%
b. Expected Member Contributions	247,500	2.00%
c. Employer-Paid Normal Cost (a) – (b)	$ 694,300	5.61%
2. Amortization of Unfunded Liability	$ 305,700	2.47%
3. Allowance for Administrative Expense	$ 37,100	0.30%
4. Total Employer Actuarially Determined Contributions (1) + (2) + (3)	$ 1,037,100	8.38%

SECTION V - ACCOUNTING STATEMENT INFORMATION

ASC Topic No. 960 of the Financial Accounting Standards Board (FASB) requires plans subject to it to disclose certain information regarding their funded status. This plan is not subject to this requirement, but this information is provided for informational purposes. Statement No. 67 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.

Disclosures based on FASB ASC Topic No. 960 provide a quasi "snapshot" 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 and should not be considered a settlement value.

FASB ASC Topic No. 960 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. Again, this plan is not subject to this requirement, but the relevant amounts as of June 30, 2015 and June 30, 2016 are provided for informational purposes and are exhibited in Table V-1, which also includes a reconciliation of liabilities determined as of the prior valuation, July 1, 2015, to the liabilities as of June 30, 2016. These values are based on the June 30, 2016 funding liability results.

This valuation contains information reported in the June 30, 2016 Comprehensive Annual Financial Report (CAFR) of Delaware PERS under GASB Statement No. 67. Disclosures are based on the use of updated procedures to roll forward the 2015 funding valuation results. The calculation of Net Pension Liability in Table V-2 shows the amounts to be disclosed for FY 2016, based on the liabilities of the roll forward of the 2015 funding valuation, as well as a projection of the anticipated FY 2017 disclosures, based on liabilities from the 2016 funding valuations, assuming all actuarial assumptions are met over the coming year. The actual disclosures for FY 2017 will be developed once the asset measure for GASB as of June 30, 2017 is known.

Tables V-3 through V-5 are exhibits to be used for the System's CAFR. 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 the actuarial value of assets. The Government Finance Officers Association (GFOA) has named this exhibit the Solvency Test. None of the liabilities or assets shown are appropriate for settlement purposes. Furthermore, the Solvency Test does not accurately depict a plan's future financial condition but rather is a test developed by the GFOA to assess the level of funding that relies on the payroll for future hires to pay for the benefits that have already been accrued by the current population. This valuation does not contain the additional disclosures required by GASB Statement No. 68 only for the employer and the State's CAFR.

SECTION V - ACCOUNTING STATEMENT INFORMATION

Table V-1
Accounting Statement Disclosure and
Reconciliation of Present Value of Accrued Benefits

	June 30, 2015	June 30, 2016
FASB ASC Topic No. 960 Basis		
1. Present Value of Accrued Benefits		
a. Members Currently Receiving Payments	$ 7,387,300	$ 7,881,800
b. Former Vested Members	945,600	334,800
c. Active Members	16,771,100	16,360,000
2. Total Present Value of Accrued Benefits (1 (a) + 1(b) + 1(c))	$ 25,104,000	$ 24,576,600
3. Market Value of Assets	26,439,200	26,636,900
4. Unfunded Present Value of Accrued Benefits (2 – 3)	$ (1,335,200)	$ (2,060,300)
5. Ratio of Market Value of Assets to Present Value of Benefits (3 / 2)	105.3%	108.4%

Reconciliation of Present Value of Accrued Benefits

Actuarial Present Value of Accrued Benefits at June 30, 2015	$ 25,104,000
Increase/(Decrease) During Years Attributable to:	
Passage of Time	1,777,900
Benefits Paid – FY 2016	(822,500)
Benefit Changes	0
Assumption Changes	(1,472,600)
Benefits Accrued, Other Gains/Losses	(10,200)
Net Increase/(Decrease)	(527,400)
Actuarial Present Value of Accrued Benefits at June 30, 2016	$ 24,576,600

SECTION V - ACCOUNTING STATEMENT INFORMATION

Table V-2
GASB No. 67 Disclosures

	June 30, 2016	Estimated June 30, 2017
Total Pension Liability		
Service cost	**$ 899,000**	**$ 942,000**
Interest	2,218,000	2,310,000
Changes in benefit terms	0	0
Differences between expected and actual experience	(600,000)	(975,000)
Changes in assumptions	(873,000)	0
Benefit payments, including refunds of member contributions	(822,000)	(997,000)
Net change in Total Pension Liability	**$ 822,000**	**$ 1,280,000**
Total Pension Liability - beginning	**$ 31,790,000**	**$ 32,612,000**
Total Pension Liability - ending (a)	**$ 32,612,000**	**$ 33,892,000**
Plan Fiduciary Net Position		
Contributions - Employer	$ 1,200,000	$ 1,167,000
Contributions - Non-employer	0	0
Contributions - Member	246,000	248,000
Net investment income	(394,000)	1,931,000
Benefit payments, including refunds of member contributions	(822,000)	(997,000)
Administrative expenses	(32,000)	(37,000)
Net change in Plan Fiduciary Net Position	**$ 198,000**	**$ 2,312,000**
Plan Fiduciary Net Position - beginning	**$ 26,439,000**	**$ 26,637,000**
Plan Fiduciary Net Position - ending (b)	**$ 26,637,000**	**$ 28,949,000**
Plan Net Pension Liability (Asset) - ending [(a)-(b)]	**$ 5,975,000**	**$ 4,943,000**

Items printed in red will be replaced with actual amounts once known at the end of FY 2017.

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 measurement at the date indicated. Additional information as of the latest measurement date follows:

Measurement date	July 1, 2016
Actuarial cost method	Entry age normal
Amortization method	Percentage of pay - open
Amortization period	15 years
Asset valuation method	Smoothed market, 20% annual market weight
Actuarial assumptions:	
Investment rate of return*	7.20%
Projected salary increases*	2.50% plus merit component based on service
Cost-of-living adjustments	ad hoc
*Includes inflation at	2.50%

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 2016.

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

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)

Type of Activity	2011	2012	2013	2014	2015	2016
Investment Income on Actuarial Assets	$ 24	$ (181)	$ (37)	$ 374	$ 44	$ (426)
Combined Liability Experience	186	(499)	147	(1,403)	662	975
(Loss)/Gain During Year from Financial Experience	$ 210	$ (680)	$ 110	$ (1,029)	$ 706	$ 549
Non-Recurring Items	(571)	0	6	(361)	0	873
Composite Gain (or Loss) During Year	$ (361)	$ (680)	$ 116	$ (1,390)	$ 706	$ 1,422

Table V-5
Solvency Test
Aggregate Accrued Liabilities for

(expressed in thousands)

Valuation Date June 30,	Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Member State-Financed Contributions (3)	Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
2016	$ 4,374	$ 7,882	$ 19,381	$ 28,341	100%	100%	83%
2015	3,975	7,387	19,766	26,263	100	100	75
2014	3,906	5,980	19,523	23,955	100	100	72
2013	3,550	3,870	17,716	20,964	100	100	76
2012	3,480	3,564	15,995	18,930	100	100	74
2011	3,043	3,602	13,987	17,198	100	100	75

APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan
Data Reconciliation

	A	P-TDV	P-RET	P-DIS	P-SURV	Total
1. June 30, 2015 valuation	**255**	**26**	**58**	**4**	**18**	**361**
2. Additions						
(a) New entrants	9		1		3	13
(b) New Beneficiary/QDRO						
(c) Total	9		1		3	13
3. Reductions						
(a) Terminated - not vested	(1)					(1)
(b) Paid Out/Expired/Death		(12)	(4)		(3)	(19)
(c) Total	(1)	(12)	(4)		(3)	(20)
4. Changes in status						
(a) P-TDV	(2)	2				
(b) Returned to work	1	(1)				
(c) P-RET	(3)	(1)	4			
(d) P-DIS						
(e) P-LTD						
(f) P-SURV						
(g) Data corrections						
(h) Total	(4)		4			
5. June 30, 2016 valuation	**259**	**14**	**59**	**4**	**18**	**354**

A=Active, P-TDV=Terminated Deferred Vested, P-RET=Retired, P-DIS=Disabled, P-SURV=Survivor Beneficiary

APPENDIX A - MEMBERSHIP INFORMATION

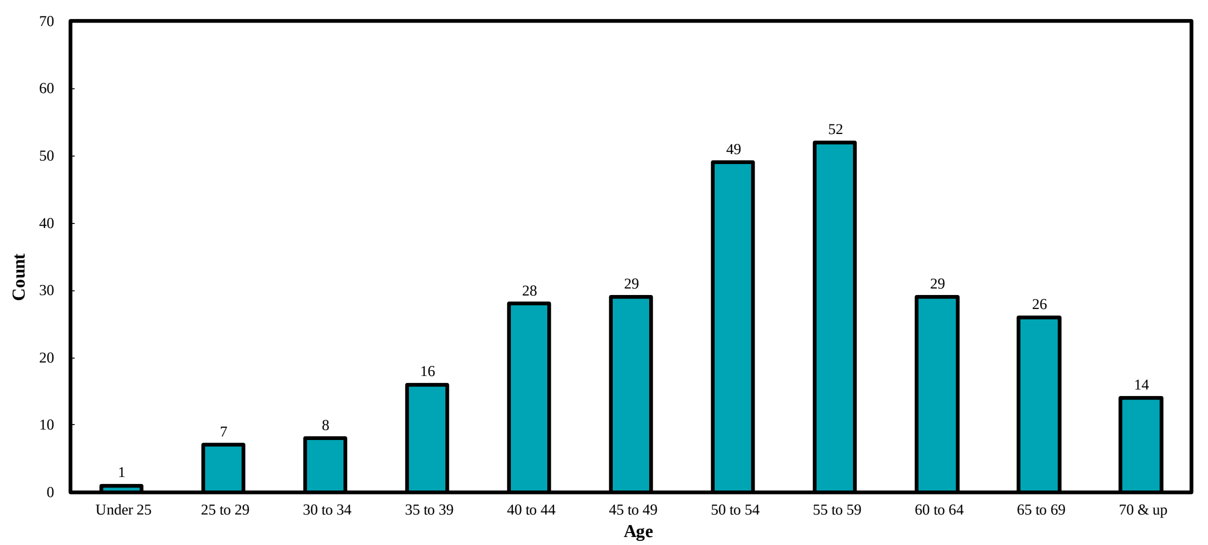
Diamond State Port Corporation Pension Plan Distribution of Active Members by Age and Service as of June 30, 2016

Counts By Age/Service

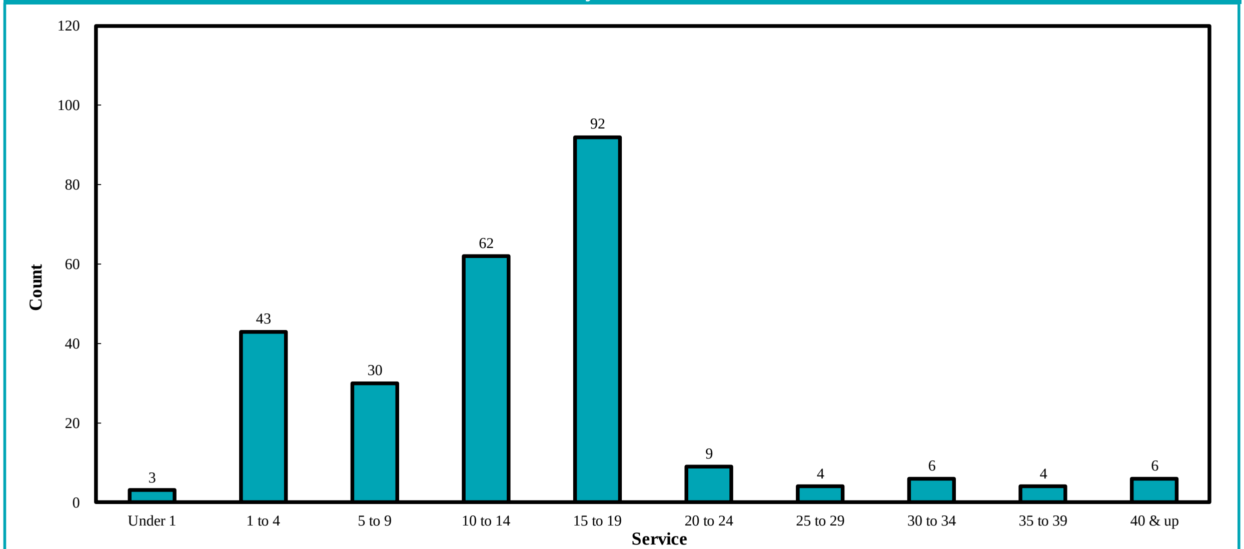
	Service										
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	**Total**
Under 25	0	1	0	0	0	0	0	0	0	0	1
25 to 29	0	5	1	1	0	0	0	0	0	0	7
30 to 34	0	2	0	6	0	0	0	0	0	0	8
35 to 39	1	7	3	1	4	0	0	0	0	0	16
40 to 44	0	7	4	8	9	0	0	0	0	0	28
45 to 49	0	10	5	2	9	0	1	2	0	0	29
50 to 54	1	4	7	11	22	1	1	2	0	0	49
55 to 59	1	3	8	15	15	3	2	1	3	1	52
60 to 64	0	3	0	8	13	1	0	1	0	3	29
65 to 69	0	1	0	9	13	1	0	0	0	2	26
70 & up	0	0	2	1	7	3	0	0	1	0	14
Total	3	43	30	62	92	9	4	6	4	6	259

APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Distribution of Active Members by Age as of June 30, 2016



Diamond State Port Corporation Pension Plan Distribution of Active Members by Service as of June 30, 2016

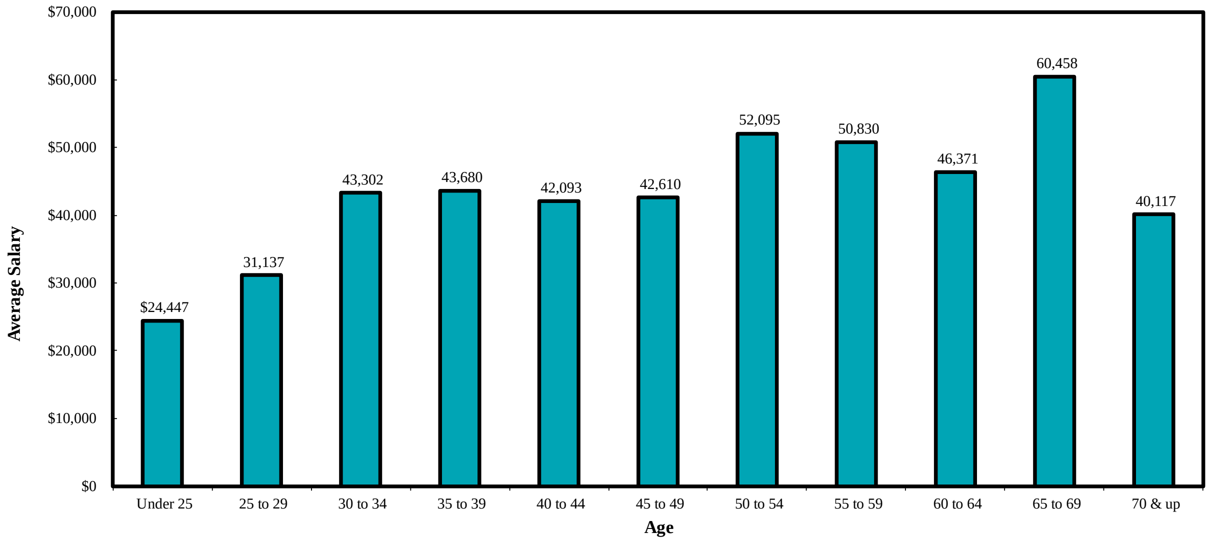


APPENDIX A - MEMBERSHIP INFORMATION

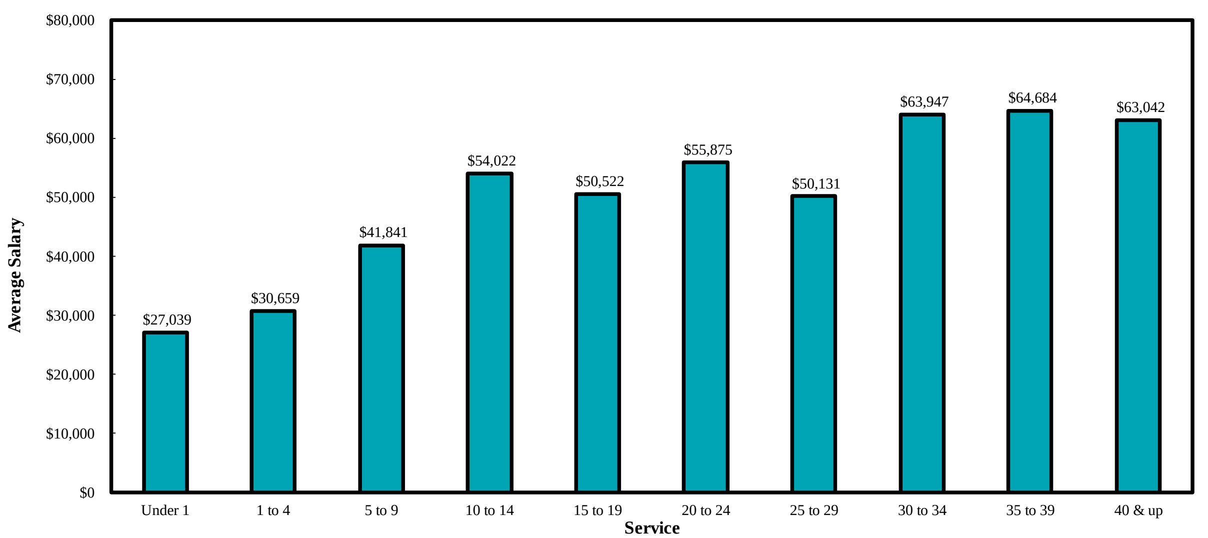
Diamond State Port Corporation Pension Plan Salary Distribution of Active Members by Age and Service as of June 30, 2016											
Average Salary by Age/Service											
	Service										
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	Total
Under 25	$ 0	$ 24,447	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 24,447
25 to 29	0	23,075	52,842	49,741	0	0	0	0	0	0	31,137
30 to 34	0	33,614	0	46,531	0	0	0	0	0	0	43,302
35 to 39	18,282	35,845	55,094	57,029	51,844	0	0	0	0	0	43,680
40 to 44	0	22,579	45,881	48,211	50,150	0	0	0	0	0	42,093
45 to 49	0	33,237	34,630	49,947	52,281	0	47,291	56,228	0	0	42,610
50 to 54	36,505	33,223	49,289	52,847	52,735	65,624	65,624	82,748	0	0	52,095
55 to 59	26,330	47,745	37,442	52,198	54,728	61,460	43,804	46,733	66,468	52,069	50,830
60 to 64	0	30,977	0	48,329	46,626	22,908	0	58,994	0	59,056	46,371
65 to 69	0	906	0	76,033	52,606	53,825	0	0	0	74,507	60,458
70 & up	0	0	17,940	42,593	35,385	58,712	0	0	59,332	0	40,117
Total	$ 27,039	$ 30,659	$ 41,841	$ 54,022	$ 50,522	$ 55,875	$ 50,131	$ 63,947	$ 64,684	$ 63,042	$ 47,784

APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Salary Distribution of Active Members by Age as of June 30, 2016



Diamond State Port Corporation Pension Plan Salary Distribution of Active Members by Service as of June 30, 2016



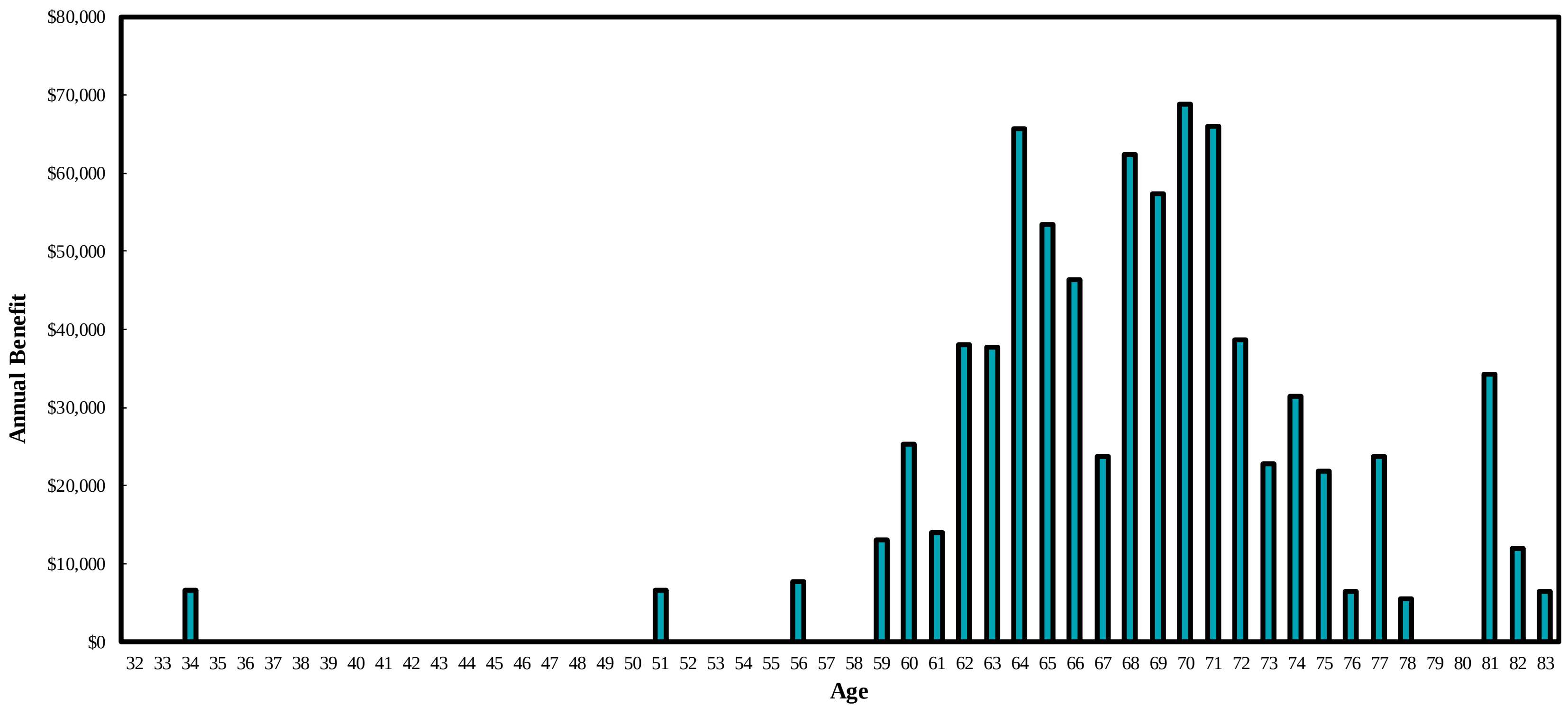
APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Annual Benefit Distribution of Retired Members, Survivors, and Disabled Members as of June 30, 2016

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	$0	73	1	$22,707
25	0	$0	74	3	$31,440
26	0	$0	75	2	$21,820
27	0	$0	76	2	$6,426
28	0	$0	77	4	$23,661
29	0	$0	78	1	$5,466
30	0	$0	79	0	$0
31	0	$0	80	0	$0
32	0	$0	81	3	$34,284
33	0	$0	82	1	$11,947
34	2	$6,531	83	1	$6,338
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	2	$6,531	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	2	$7,597	105	0	$0
57	0	$0	106	0	$0
58	0	$0	107	0	$0
59	1	$12,980	108	0	$0
60	2	$25,222	109	0	$0
61	2	$13,971	110	0	$0
62	5	$38,048	111	0	$0
63	3	$37,740	112	0	$0
64	7	$65,664	113	0	$0
65	4	$53,381	114	0	$0
66	5	$46,325	115	0	$0
67	2	$23,676	116	0	$0
68	4	$62,365	117	0	$0
69	6	$57,449	118	0	$0
70	7	$68,904	119	0	$0
71	6	$66,047	120	0	$0
72	3	$38,611			
			Totals	81	$795,133

APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Corporation Port Pension Plan Annual Benefit Distribution of Retired Members, Survivors, and Disabled Members as of June 30, 2016



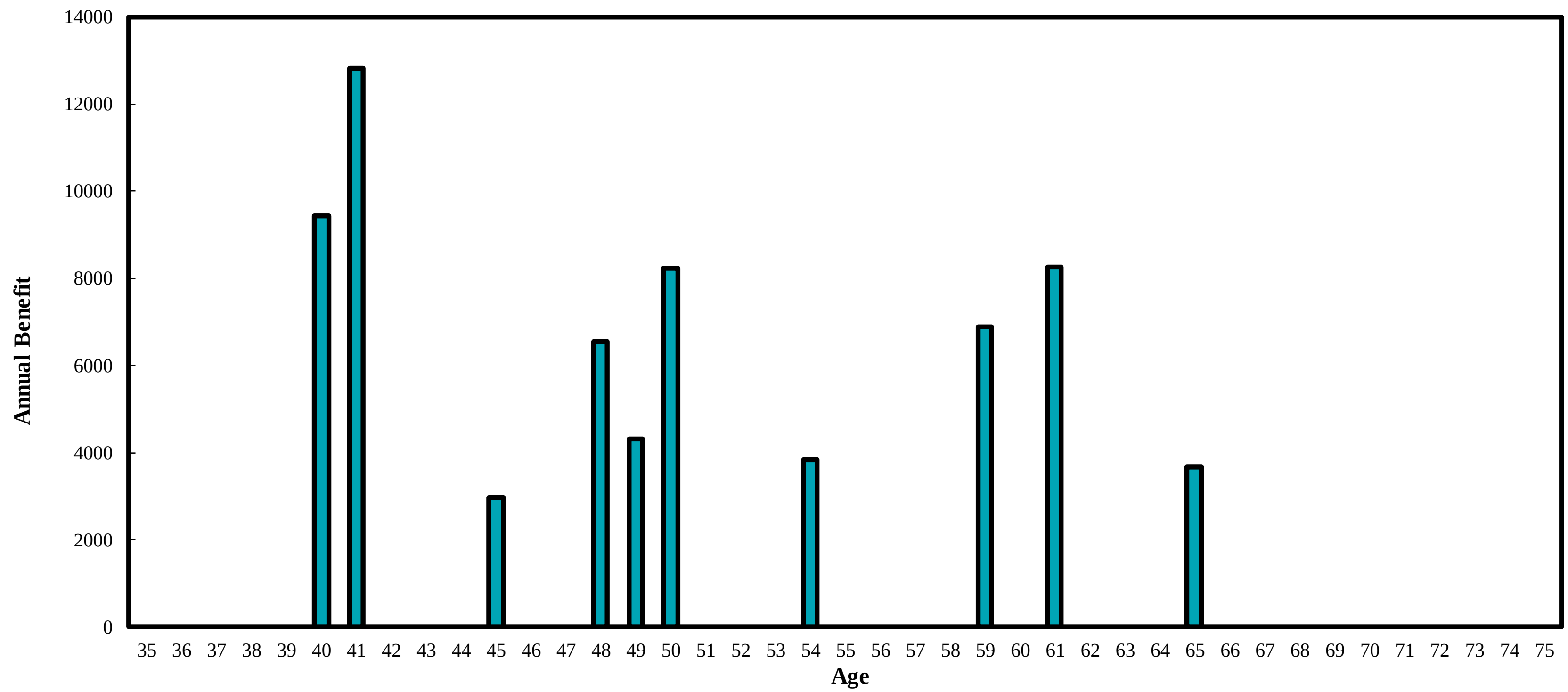
APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Annual Benefit Distribution of Vested Members as of June 30, 2016

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	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	1	$9,450	89	0	$0
41	1	$12,818	90	0	$0
42	0	$0	91	0	$0
43	0	$0	92	0	$0
44	0	$0	93	0	$0
45	1	$2,967	94	0	$0
46	0	$0	95	0	$0
47	0	$0	96	0	$0
48	2	$6,550	97	0	$0
49	1	$4,323	98	0	$0
50	2	$8,226	99	0	$0
51	0	$0	100	0	$0
52	0	$0	101	0	$0
53	0	$0	102	0	$0
54	2	$3,823	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	1	$6,891	108	0	$0
60	0	$0	109	0	$0
61	2	$8,255	110	0	$0
62	0	$0	111	0	$0
63	0	$0	112	0	$0
64	0	$0	113	0	$0
65	1	$3,675	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	14	$66,976

APPENDIX A - MEMBERSHIP INFORMATION

Diamond State Port Corporation Pension Plan Annual Benefit
Distribution of Vested Members as of June 30, 2016



APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

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

1. Demographic Assumptions

a. Rates of Mortality

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables described below, including adjustment factors applied to the published tables for each group. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year shown below.

i. Sample Rates of Mortality for Active Healthy Lives at Selected Ages (number of deaths per 10,000 members):

(2016 Values Shown)		
Age	Male	Female
25	5	2
30	5	2
35	5	3
40	7	4
45	10	6
50	18	11
55	30	17
60	51	25
65	90	37
70	153	64
75	261	110
80	441	190

Rates are based on 110% and 100% of the RP-2014 Total Dataset Employee Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Healthy Annuitant Mortality Table rates after the end of the Employee Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

ii. Healthy Mortality

(2016 Values Shown)		
Age	**Male**	**Female**
50	44	27
55	62	36
60	84	53
65	119	81
70	185	130
75	302	213
80	508	360
85	885	638
90	1,553	1,138
95	2,447	1,868
100	3,500	2,796

Rates are based on 110% and 100% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0% for ages 115-120, and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

iii. Sample Rates of Mortality for Disabled Annuitant Lives at Selected Ages (number of deaths per 10,000 members)

(2016 Values Shown)		
Age	Male	Female
25	93	28
30	89	35
35	105	49
40	126	67
45	196	105
50	240	138
55	276	174
60	313	207
65	375	252
70	486	342
75	666	502
80	949	757
85	1,411	1,145
90	2,157	1,690
95	3,019	2,453
100	3,973	3,446

Rates are based on 120% of the RP-2014 Total Dataset Disabled Annuitant Mortality Table, projected from the 2006 base rates using the RPEC-2015 model, with an ultimate rate of 0.85% for ages 20-85, grading down to an ultimate rate of 0% for ages 115-120 and convergence to the ultimate rate in the year 2020. The valuation uses fully generational projection of mortality improvements. Sample rates shown are those projected through the valuation date.

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

b. Rates of Active Disability

Rates of Active Disability*	
Age	Rate
20	0.0522%
25	0.0522
30	0.1831
35	0.2694
40	0.3821
45	0.4643
50	0.6214
55	0.8579
60	1.0699

* No Workers' Compensation offset is assumed.

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

Rates of Termination*	
Service	Rates
0-1	16.0%
2-3	12.0
4-5	8.0
6-7	7.0
8	5.0
9+	3.0

* Termination rates zero once member has reached early or normal retirement eligibility regardless of service.

d. Retirement

Rates of Retirement*	
Age	Rates
55	10.0%
56-61	5.0
62	10.0
63	15.0
64-67	10.0
68-74	30.0
75+	100.0

* Rates only applicable if member meets eligibility.

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

1.5% merit increase for all ages plus an inflation rate of 2.50%

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

f. 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.

2. Economic Assumptions

a.	Investment Rate of Return:	7.20%
b.	General Wage Increase Rate:	2.50%
c.	Annual Assumed Cost-of-Living Increase Rate for Retirees:	0.00%
d.	Total Payroll Increase Rate (for Amortization):	2.50%
e.	Administrative Expenses as a Percentage of Covered Payroll:	0.30%

3. Rationale for Assumptions

The assumptions were adopted by the Board of Trustees upon the recommendation of the actuary, based on an experience study review performed in 2016 and covering the period July 1, 2010 through June 30, 2015.

4. Changes Since Last Valuation

As a result of an experience study completed in spring 2016, the following assumptions were changed:

Healthy Inactive, Active and Disabled Mortality
Rates of Active Disability
Termination Employment (Prior to Retirement Eligibility)
Retirement
Salary Increase
Rate of General Wage Increase
Rate of Increase in Total Payroll

APPENDIX B - ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

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

The actuarial 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 liability in excess of Plan assets is amortized to develop an additional cost or savings that is added 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 portion of unfunded liability, after subtracting payments due from municipalities paying for prior service, is amortized over a rolling 15-year period as a percentage of payroll. All payments are determined assuming total payroll increases by the annual inflation rate. Use of a rolling amortization period means that the UAL amount is never anticipated to be fully paid off. This method was chosen to provide a more level contribution rate over time.

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 smoothing 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 contributions, less payment 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

APPENDIX C - SUMMARY OF PLAN PROVISIONS

This appendix provides a summary of Plan provisions. Where the Plan, as determined by the State Code and the Plan Rules and Regulations, and this summary differ, the Plan governs.

1. Membership

The Plan covers any employee who is paid regular salary or 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 year 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 10 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.

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: Five years of credited service

Benefit: The benefit calculated for normal retirement, using final average compensation and credited service as of the termination date. 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.

APPENDIX C - SUMMARY OF PLAN PROVISIONS

11. Withdrawal of Employer Contributions

Eligibility: Terminates service and is not eligible for other benefits

Benefit: Accumulated employee contributions with interest

12. Form of Payment

The normal form of payment is a 50% joint and survivor annuity

13. Cost-of-Living Adjustment

Cost-of-living adjustments are made only on an ad hoc basis

14. Changes Since Last Valuation

None

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