

Via Electronic Mail

January 29, 2018

Mr. David C. Craik
 Pension Administrator
 Delaware Public Employees' Retirement System
 McArdle Building
 860 Silver Lake Boulevard, Suite 1
 Dover, Delaware 19904

Re: Special Pensioners June 30, 2017 Actuarial Valuation

Dear Dave:

We have completed our Actuarial Valuation of the seven members remaining in the Special Pension Plan as of June 30, 2017. Our results are as follows.

Valuation Results	
Actuarial Liability (AL)	\$ 145,100
Actuarial Value of Assets (AVA)	<u>226,200</u>
AVA Unfunded AL (UAL)	\$ (81,100)
Funded Ratio on AVA [AVA/AL]	155.9%
Market Value of Assets (MVA)	208,500
Funded Ratio on MVA [MVA/AL]	143.7%
Present Value Accumulated Plan Benefits (PVAB)	\$ 145,100
MVA	<u>208,500</u>
Unfunded PVAB	\$ (63,400)
Accrued Benefit Funded Ratio [MVA/PVAB]	143.7%

The Actuarial Value of Assets is a smoothed asset value that recognizes 20% of the difference between the expected actuarial value and the Market Value of Assets. The expected actuarial value equals the prior year's actuarial value adjusted with contributions, payments, and investment earnings of 7.2%, the assumption as of last year's valuation date. This method tempers the volatile fluctuations in market value.

We found that there continue to be no contributions required as of this valuation. Therefore, the Actuarially Determined Contribution for fiscal year 2018 for this plan is \$0.

Data and Assumptions

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.

We found the data to be reasonably consistent and comparable with data used in the prior valuation. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Appendix A outlines the actuarial assumptions used. Appendix B contains a summary of the data, and Appendix C contains the disclosure information.

The Actuarial Liability was based on a 7.00% net investment return and mortality tables as outlined in appendix A.

We believe these assumptions reflect our best estimate of anticipated future experience of the Plan. Our results are dependent upon future experience conforming to these assumptions. It is certain that actual experience will not conform exactly to these assumptions. Actual amounts will differ from projected amounts to the extent actual experience differs from expected experience.

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, including the use of assumptions and methods for funding purposes that comply with the Actuarial Standards of Practice. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion 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 Delaware State Special Pension Plan for the purposes described herein and for the use by the Plan's 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, MAAA, EA
Principal Consulting Actuary



Elizabeth Wiley, FSA, FCA, MAAA, EA
Consulting Actuary

Attachments

DELAWARE CLOSED SPECIAL PENSIONERS PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2017

APPENDIX A – ACTUARIAL ASSUMPTIONS

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 Healthy Annuitant Lives at Selected Ages (number of deaths per 10,000 members):

(2017 Values Shown)		
Age	Male	Female
50	43	27
55	62	36
60	83	52
65	118	80
70	183	129
75	299	211
80	503	357
85	877	633
90	1,545	1,131
95	2,439	1,862
100	3,491	2,789

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.

**DELAWARE CLOSED SPECIAL PENSIONERS PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2017**

APPENDIX A – ACTUARIAL ASSUMPTIONS

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

(2017 Values Shown)		
Age	Male	Female
25	92	27
30	88	35
35	104	48
40	125	67
45	194	104
50	237	137
55	273	173
60	311	205
65	372	249
70	481	339
75	659	497
80	940	750
85	1,399	1,135
90	2,145	1,681
95	3,009	2,445
100	3,963	3,437

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.

2. Economic Assumptions

- a. Investment Rate of Return: 7.00%
- b. Annual Assumed Cost-of-Living Increase Rate for Retirees: 2.50%

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. The Board continually reviews the investment rate of return assumption and adopted a reduced rate of 7.0% at the advice of its investment consultants, first effective for funding with the 2017 valuation.

**DELAWARE CLOSED SPECIAL PENSIONERS PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2017**

APPENDIX A – ACTUARIAL ASSUMPTIONS

4. Changes since Last Valuation

The investment rate of return was reduced from 7.2% to 7.0%.

DELAWARE CLOSED SPECIAL PENSIONERS PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2017

APPENDIX B – DATA SUMMARY

Data Summary			
	Count	Average Age	Average Monthly Benefit
Disabled Retirees	1	89	637.83
Beneficiaries	6	85	270.15

DELAWARE CLOSED SPECIAL PENSIONERS PLAN
ACTUARIAL VALUATION AS OF JUNE 30, 2017

APPENDIX C – DISCLOSURE INFORMATION

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	2012	2013	2014	2015	2016	2017
Investment Income on Actuarial Assets	\$ (11)	\$ (8)	\$ (1)	\$ (3)	\$ (7)	\$ (4)
Combined Liability Experience	(13)	4	(18)	(25)	31	11
(Loss)/Gain During Year from Financial Experience	\$ (24)	\$ (4)	\$ (19)	\$ (28)	\$ 24	\$ 7
Non-Recurring Items	0	0	(3)	0	(4)	0
Composite Gain (or Loss) During Year	\$ (24)	\$ (4)	\$ (22)	\$ (28)	\$ 20	\$ 7

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)
2017	\$0 ✓	\$145 ✓	\$0	\$226 ✓	N/A ✓ 156% ✓ N/A ✓
2016	0 ✓	151 ✓	0	242 ✓	N/A ✓ 160 ✓ N/A ✓
2015	0	210	0	279	N/A 133 N/A
2014	0	217	0	308	N/A 142 N/A
2013	0	224	0	329	N/A 147 N/A
2012	0	264	0	366	N/A 139 N/A

