Delaware County and Municipal Pension Plan

Actuarial Valuation as of June 30, 2004

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries

March 2005

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A MILLIMAN GLOBAL FIRM

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March 18, 2005

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

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the Delaware County and Municipal Pension Plan. The results of the valuation are contained in the following report. The purpose of the valuation is discussed in the Board Summary.

In performing this valuation, Milliman used assumptions and methods that meet the parameters set by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans.* The actuarial assumptions have been recommended by the actuary and adopted by the Board of Trustees based on Milliman's experience study completed in 2004. We believe that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in the enclosed exhibits have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the Office of Pension Staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. We did not audit this data. However, we compared the census data and financial information with the previous year's information and reviewed the results for reasonableness. 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.

I believe that the State's pension plans are adequately and appropriately financed, in that the contributions are determined and funded on a level cost basis using reasonable actuarial methods and assumptions.

I understand this report is considered a public document and, as such, may be subject to disclosure to third parties. However, we do not intend to benefit, and assume no liability to, any third party who receives the report in this fashion. Any distribution of this report must be in its entirety including this cover letter, unless prior written consent from Milliman is obtained.

I, John Muehl, am a consulting actuary for Milliman Inc. and also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my 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 applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

Milliman Inc.

John Muehl

John Muehl, FSA
Consulting Actuary

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SECTION I

BOARD SUMMARY

BOARD SUMMARY

This report presents the results of the June 30, 2004 actuarial valuation of the Delaware County and Municipal Pension Plan. The primary purposes of performing the annual actuarial valuation are to:

1) **Determine the contributions** to be paid by the Employers in Fiscal Year 2006;

2) **Measure and disclose**, as of the valuation date, the financial condition of the plan;

3) **Indicate trends** in the financial progress of the plan;

4) **Provide specific information** and documentation required by the Government Accounting Standards Board (GASB).

In this section of the report, we will present a summary of the above information in the form of:

- The actuary's comments;
- The prior year's experience of the plan's assets, liabilities, contributions, and membership;
- A series of graphs which highlight key trends experienced by the plan; and
- A summary of all the principal results from this year's valuation, compared to the prior year's, in a single table, intended for quick reference purposes.

Actuary's Comments

The actuarially determined contribution rate decreased from 4.93% for FY 2005 to 1.35% for FY 2006. There were several reasons for this decrease: a gain on the plan's liability and a decrease in liability due to assumption changes, offset by a loss on the actuarial value of assets. During the year ended June 30, 2004, the plan's assets earned **15.8%** 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 **7.7%.** This return is below the assumed rate of return of 8.5% and resulted in an actuarial loss on investments of **$28,600**.

The plan experienced an actuarial gain on plan liabilities resulting from members retiring, terminating, becoming disabled and dying at rates different from the actuarial assumptions. The gain reduced the actuarial liability by about **$192,400**. 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.

During the past year, Milliman performed a study of the plan's experience as compared to the actuarial assumptions. As a result, we recommended changes to the assumptions and the Board adopted these recommendations. In conjunction with that study, the Board recommended a reduction in the investment return assumption from 8.5% to 8.0%. The assumption changes resulted in a decrease in the contribution rate of **3.59%** of pay.

As of the June 30, 2004 actuarial valuation, the plan's actuarial surplus (excess of plan assets over plan liabilities) was **$935,000**. This is an increase from last year's actuarial surplus of $270,000. Components of the increase include a $192,400 gain on plan liabilities and a $546,900 increase due to the assumption changes (the assumption changes decreased the actuarial liability, thereby increasing the surplus) offset by a $28,600 loss on plan assets.

The balance of this section presents summarized information regarding plan trends, details on the 2003/2004 experience, and tables presenting a summary of the principal results.

Prior Year Experience

ASSETS

The Plan has two measures of plan assets: (i) the market value and (ii) the actuarial value. The market value is a snapshot of the asset value as of June 30, 2004.

The actuarial value 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 8.5% (the assumption as of last year's valuation date). This method tempers the volatile fluctuations in market value.

The actuarial value of assets as of June 30, 2004 exceeds the market value by $114,200. This represents an accumulation of stored investment losses as a result of several years of investment returns lower than the assumed rate. The amount of accumulated asset losses decreased from last year's amount of $362,600 in accumulated losses. The decrease is due to investment performance higher than assumed on the market value of assets. However, since we still have accumulated losses, if the market value earns 8.0% (the current investment return assumption) in the upcoming fiscal year, the return on the actuarial value will lag the return on the market value and result in another loss on the actuarial value of assets.

For the plan year ending June 30, 2004, the Fund earned 15.8% on a market value basis and 7.7% on an actuarial value basis. These returns resulted in an actuarial gain to the fund of $250,500 on a market value basis and a $28,600 loss on an actuarial value basis. The specific changes between the prior year's amounts and this year's are presented below.

Item	Market Value	Actuarial Value
June 30, 2003 value	$3,239,500	$3,602,100
Employer Contributions	321,100	321,100
Member Contributions	167,200	167,200
Benefit Payments and Expenses	(109,300)	(109,300)
Expected Investment Earnings (8.5%)	291,500	322,200
Expected Value June 30, 2004	$3,910,000	$4,303,300
Investment Gain (Loss)	250,500	(28,600)
June 30, 2004 value	4,160,500	$4,274,700

LIABILITIES

Three different measures of liabilities are calculated for this plan: a total value of future obligations, an actuarial liability, and an accrued benefit liability. Section III of this report describes the development of each. The actuarial liability is used to determine the Employer contribution rate and the Government Accounting Standards Board (GASB) disclosures. Plan experience is measured by changes in the actuarial liability. During the plan year ending in 2004, the actuarial liabilities experienced a gain of **$192,400** for funding purposes, which is 5.0% of the total actuarial liability under the old assumptions. In addition, the liability decreased by $546,900 due to the change in assumptions.

Liabilities	Total Value	Actuarial	Accrued Benefit
June 30, 2003	$8,281,100	$3,332,100	$2,094,100
June 30, 2004 (old assumptions)	$9,392,400	$3,886,600	$2,464,500
June 30, 2004 (new assumptions)	$6,479,400	$3,339,700	$2,283,500

UNFUNDED LIABILITIES AND FUNDING RATIOS

The difference between assets and liabilities is the unfunded liability. This is measured in two ways: (i) unfunded actuarial liability, which compares the actuarial liability to the actuarial asset value, and (ii) unfunded accrued benefit liability, which compares the accrued benefit liability to the market value of assets. Here we show the June 30, 2003 and June 30, 2004 unfunded liability/(surplus) amounts, as well as the corresponding funding ratios for each (assets divided by liabilities).

	Actuarial	Accrued Benefit
6/30/2003 Net (Surplus) Unfunded	($270,000)	($1,145,400)
Funding Ratio	108.1%	154.7%
6/30/2004 (old assumptions)		
Net (Surplus) / Unfunded	(388,100)	($1,696,000)
Funding Ratio	110.0%	168.8%
6/30/2004 (new assumptions)		
Net (Surplus) Unfunded	($935,000)	($1,877,000)
Funding Ratio	128.0%	182.2%

CONTRIBUTIONS

In Section IV, we develop the County and Municipal employer contribution rate. In this summary, we present the rate developed in the current year's actuarial valuation, and compare it to the rate developed in the June 30, 2003 actuarial valuation.

Rate as Percent of Covered Payroll	
June 30, 2003 Rate	4.93%
Increase / (Decrease) due to Investments	0.05%
Increase / (Decrease) due to Liabilities	(0.34%)
Increase / (Decrease) due to Assumption Changes	(3.59%)
Increase / (Decrease) due to Payroll Growth	0.06%
Other	0.24%
June 30, 2004 Rate	1.35%

The increase / (decrease) due to payroll growth reflects the difference between the actual aggregate payroll increase and the assumed 4% increase implicit in the amortization method. Since the Plan has a net surplus, the net amortization amount is a credit. We assume the credit will increase 4% per year. Since the aggregate payroll increase exceeded 4%, the amortization credit decreases when expressed as a percentage of payroll. A decrease in the amortization credit results in an increase in the overall contribution rate.

MEMBERSHIP

There are four types of plan participants: (i) current active workers; (ii) previous terminations who retain a right to a deferred vested benefit; (iii) previous terminations who are not vested but have member contributions in the System (inactives); and (iv) participants in pay status. In Appendix A, we present extensive details on membership statistics. Below, we compare totals in each group between June 30, 2003 and 2004.

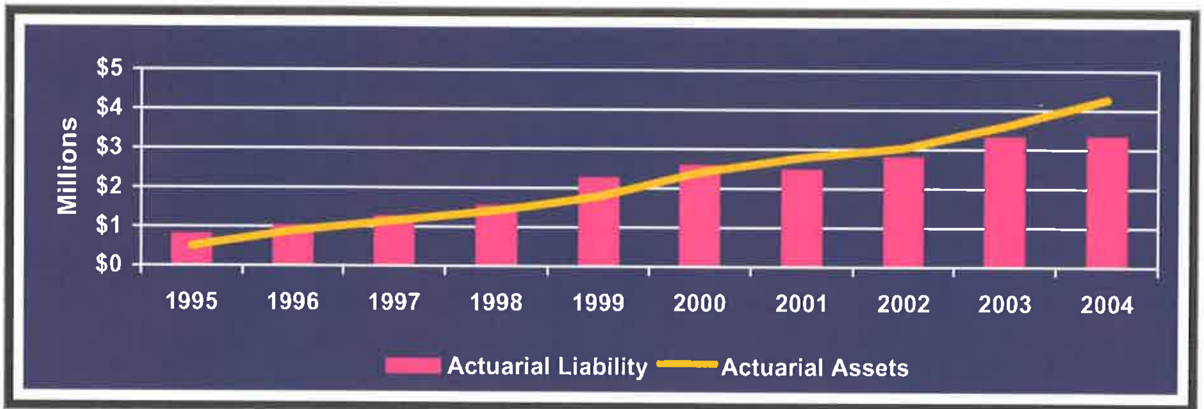
There was a significant overall increase in participation during the year.

	6/30/2004	6/30/2003	Change
Active Participants	221	203	8.9%
Terminated Vested Participants	1	1	0.0%
Inactive Participants	2	2	0.0%
Participants In Pay Status	15	14	7.1%
TOTAL PARTICIPANTS	239	220	8.6%

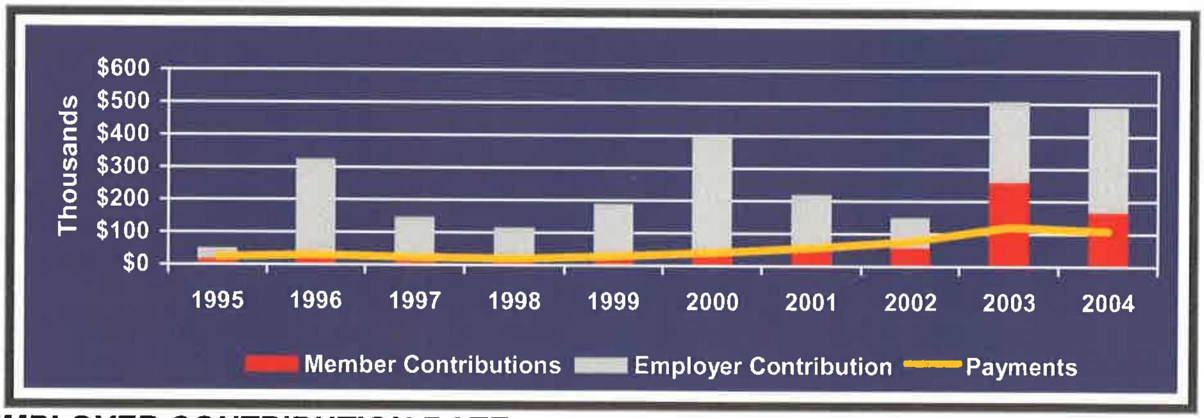
Trends

To truly understand the financial condition of the pension plan, a review of the prior year's funded status is helpful in seeing the big picture and general trend evolving. Below, we present three charts which present trend information from 1995 through the end of 2004.

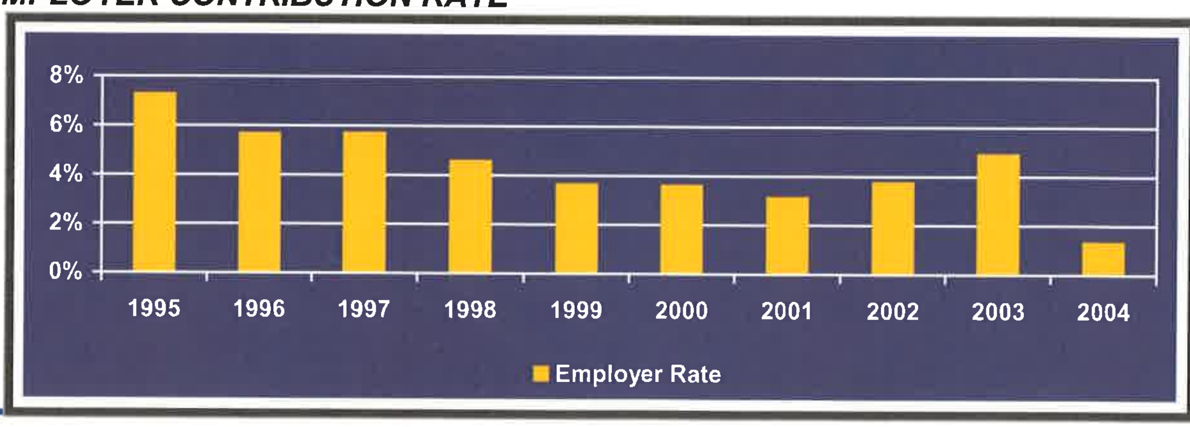
ASSET / LIABILITIES



CASH FLOWS



EMPLOYER CONTRIBUTION RATE



COUNTY & MUNICIPAL GENERAL EMPLOYEES' PLAN

SUMMARY OF PRINCIPAL PLAN RESULTS

Valuation As Of -->	6/30/2004	6/30/2003	% Change
PARTICIPANT COUNTS			
Actives	221	203	8.9%
Terminated Vesteds	1	1	0.0%
Inactives	2	2	0.0%
In Pay Status	15	14	7.1%
TOTAL	239	220	8.6%
Annual Salaries of Active Members	$ 7,473,700	$ 6,208,800	20.4%
Annual Retirement Allowances for Retired Members and Beneficiaries	$ 68,700	$ 56,200	22.2%
ASSETS & LIABILITIES			
Total Actuarial Liability	3,339,700	$ 3,332,100	0.2%
Assets for Valuation Purposes	4,274,700	3,602,100	18.7%
Unfunded Actuarial Liability	(935,000)	(270,000)	246.3%
Funding Ratio	128.0%	108.1%	N/A
Present Value of Accrued Benefits	$ 2,283,500	$ 2,094,100	9.0%
Market Value of Assets	4,160,500	3,239,500	28.4%
Unfunded Accrued Liability	($ 1,877,000)	($ 1,145,400)	63.9%
Accrued Benefit Funding Ratio	182.2%	154.7%	N/A

CONTRIBUTIONS AS % OF PAYROLL	Fiscal Year 2006	Fiscal Year 2005
Normal Cost Contribution	2.60%	5.50%
Unfunded Actuarial Liability Contribution	(1.65%)	(0.82%)
Expense	0.40%	0.25%
Total Employer Contribution	1.35%	4.93%

SECTION II

ASSETS

ASSETS

Pension plan assets and the decisions the Trustees may make with respect to future deployment of those assets play a key role in the financial operation of the plan. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely affect benefit levels, negotiated 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, 2004 and June 30, 2003;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**; and
- An assessment of **investment performance.**

Disclosure:

Market values represent "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 market place. As a result, market values are usually not suitable for long range planning.

Actuarial values, or "smoothed 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 Fund's ongoing ability to meet its obligations.

The current method employed by the plan sets the actuarial value equal to the expected actuarial value plus 20% of the difference between the expected actuarial value and the actual market value. The expected actuarial value is the previous year's actuarial asset value adjusted with contributions, payments and investment earnings of 8.5% (the assumed investment return as of June 30, 2003).

Changes in Market Value:

The components of asset change are:

- Contributions
- Benefit payments
- Expenses
- Investment Income (realized and unrealized)

The specific changes during 2004 are presented below:

CHANGES IN MARKET VALUES		
Value of Assets – June 30, 2003	$	3,239,539
Adjustments		1,971
Actual Value of Assets	$	3,241,510
RECEIPTS		
Member Contributions	$	167,161
Employer Contributions		321,070
Investment Returns		540,049
Total Receipts	$	1,028,280
DISBURSEMENTS		
Benefit Payments	$	80,501
Administrative Expenses		28,781
Total Disbursements	$	109,282
TOTAL		
Value of Assets – June 30, 2004	$	4,160,508

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 ups and downs in the Market Value of Assets. For this plan, the Actuarial Value has been calculated by adding 20% of any difference between Market Value and Expected Actuarial Value to the Expected Actuarial Value. The following table shows the calculation of the Actuarial Value of Assets for the June 30, 2004 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2004		
1.	Actuarial Value of Assets at June 30, 2003	$ 3,602,100
2.	Amount in (1) with interest (at 8.5%) to June 30, 2004	3,908,300
3.	Employer and member contributions for the Plan Year ended June 30, 2004	488,300
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2004 at 8.50% per year	20,800
5.	Disbursements from Trust except investment expenses, June 30, 2003 through June 30, 2004	109,300
6.	Interest on disbursements to June 30, 2004 at 8.50% per year	4,600
7.	Expected Actuarial Value of Assets at June 30, 2004 = (2) + (3) + (4) - (5) - (6)	4,303,500
8.	Actual Market Value of Assets at June 30, 2004	4,160,500
9.	Excess of (8) over (7)	(143,000)
10.	Actuarial Value of Assets at June 30, 2004 = (7) + 20% of (9)	$4,274,700

Investment Performance:

The Market Value of Assets (MVA) returned 15.8% for the year ended June 30, 2004.

The return on the actuarial value of assets was 7.7%. This return is lower than the market value due to the asset smoothing method. The smoothing method recognizes 20% of the difference between the expected actuarial value and the actual market value. This technique helps temper the large fluctuations in contribution rate that would result from using a straight market value in determining the contribution.

SECTION III

LIABILITIES

In this section we present detailed information on plan liabilities including:

- **Disclosure** of plan liabilities at June 30, 2004 and June 30, 2003;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

Disclosure:

This report discloses three types of liabilities. Each liability has a specific purpose depending on the nature of the liability and the people ultimately using the information.

- **Total Future Obligations:** 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 Liabilities:** Used for funding calculations and GASB disclosures, this liability is calculated by taking the Total Obligations above 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.
- **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 used to assess whether the plan can meet its current benefit commitments.

The table below discloses each of these liabilities for the current, and prior, valuation. 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.**

LIABILITIES/NET (SURPLUS) UNFUNDED	6/30/2004		6/30/2003	
Total Obligations				
Active Participant Benefits	$	5,826,100	$	7,779,100
Retiree and Inactive Benefits		653,300		502,000
Total Obligations	**$**	**6,479,400**	**$**	**8,281,100**
Market Value of Assets		4,160,500		3,239,500
Future Member Contributions		1,580,100		1,600,400
Future Employer Contributions		738,800		3,441,200
Total Resources	**$**	**6,479,400**	**$**	**8,281,100**
Actuarial Liability				
Total Liabilities	$	6,479,400	$	8,281,100
Present Value of Future Normal Costs Under Entry Age Method		1,559,600		3,348,600
Present Value Of Future Member Contributions		1,580,100		1,600,400
Actuarial Liability	**$**	**3,339,700**	**$**	**3,332,100**
Actuarial Value of Assets		4,274,700		3,602,100
Net (Surplus) Unfunded	**$**	**(935,000)**	**$**	**(270,000)**
Accrued Liability				
Total Liabilities	$	6,479,400		8,281,100
Less Present Value of Future Benefit Accruals		(4,195,900)		(6,187,000)
Accrued Liability	**$**	**2,283,500**	**$**	**2,094,100**
Market Value of Assets		4,160,500		3,239,500
Net (Surplus) Unfunded	**$**	**(1,877,000)**	**$**	**(1,145,400)**

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:

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

Unfunded liabilities will change because of all the above, and also due to changes in expected 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 the key changes in liabilities since the last valuation.

	Total Obligation	Actuarial Liability	Accrued Liability
Liabilities 6/30/2003	$ 8,281,100	$ 3,332,100	$ $2,094,100
Liabilities 6/30/2004	$ 6,479,400	$ 3,339,700	$ $2,283,500
Liability Increase (Decrease)	$ (1,801,700)	$ 7,600	$ 189,400
Change due to:			
Plan Amendment	0	0	0
Assumption Change	$ (2,913,000)	$ (546,900)	$ (181,000)
Actuarial (Gain)/Loss	N/A	$ (192,400)	N/A
Benefits Accumulated and Other Sources	$ 1,111,300	$ 746,900	$ 370,400

ACTUARIAL ACCRUED LIABILITIES	6/30/2004	6/30/2003
1. Actuarial Accrued Liabilities		
Retiree and Inactive Benefits	$ 653,300	$ 502,000
Active Members	2,686,400	2,830,100
Total AAL	**$ 3,339,700**	**$ 3,332,100**
2. Actuarial Value of Assets	$ 4,274,700	$ 3,602,100
3. Unfunded Actuarial Liability	**$ (935,000)**	**$ (270,000)**
4. Allocation of Unfunded Actuarial Liability		
Unpaid UAL from participating municipalities	$ 58,200	$ 137,600
Net Gain Base for Amortization	**$ (993,200)**	**$ (407,600)**

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 is needed to properly maintain the funding status of the plan. Typically, the actuarial process will use a funding method that will result in a pattern of contributions that is both stable and predictable.

For this plan, the funding method is the **Entry Age Normal Actuarial Cost Method**. Under this method there are two components to the total contribution, a **normal cost**, and an **amortization payment**. A normal cost is determined as a percent of compensation for a typical new entrant. Each year's normal cost represents the cost to fund that portion of the total future obligations which has been allocated to the current year, based upon the actuarial cost method in use.

The amortization payment, on the other hand, is not calculated for individual participants but calculated for the plan as a whole, and represents an annual installment to fund the **unfunded actuarial liability (UAL)** for the plan. The UAL is the excess of the actuarial liability over the actuarial value of assets. The actuarial liability represents the amount of additional funds that would have been accumulated by the valuation date, had all prior normal costs been contributed, and all actuarial assumptions been realized.

In Appendix B we describe more fully this technical topic.

The table below presents and compares the actuarially determined contributions for the plan for this valuation and the prior one, and includes a calculation of the average annual normal cost per participant for each year.

ACTUARIALLY DETERMINED CONTRIBUTION	7/1/2004	7/1/2003
Entry Age Normal Cost	2.60%	5.50%
Amortization Payment	(1.65%)	(0.82%)
Expense	0.40%	0.25%
Actuarially Determined Contribution	1.35%	4.93%

DEVELOPMENT OF PLAN COST As of June 30, 2004		
	In Dollars	As % of Payroll
1. Present value of projected benefits attributable to:		
a. Total Normal Cost	$391,200	5.23%
b. Expected Member Contributions	196,900	2.63%
c. Employer Paid Normal Cost (a) – (b)	$194,300	2.60%
2. Amortization of Unfunded Liability		
a. Unfunded actuarial liability / (surplus)	(123,200)	(1.65%)
b. Total Amortization Payments	$(123,200)	(1.65%)
3. Allowance for Expense	$29,900	0.40%
4. Total Employer Contribution Rate (1) + (2) + (3)	$101,000	1.35%

SECTION V

ACCOUNTING STATEMENT INFORMATION

ACCOUNTING STATEMENT INFORMATION

Two types of liabilities are disclosed for accounting purposes:

- **Statement No. 35 of the Financial Accounting Standards Board (FASB)** requires the Plans to disclose certain information regarding its funded status.
- **Statement No. 25 of the Governmental 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 liability as of the valuation date. The liability is determined as if contributions stopped and the 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 FASB-35 liability is compared to the market value of assets to determine the funding ratio.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes. The GASB-25 liability is compared to the actuarial value of assets to determine the funding ratio.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the employer 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 8.0% per annum.

FASB Statements 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, 2004 are exhibited in Table V-1. As directed by FASB-35, the liabilities shown in Section A of Table V-1 do not include any projection for future service and salary. Finally, Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, June 30, 2003, to the liabilities as of June 30, 2004.

TABLE V-1
ACCOUNTING STATEMENT INFORMATION
DELAWARE COUNTY & MUNICIPAL GENERAL EMPLOYEES' PLAN

	June 30, 2004	June 30, 2003
A. FASB #35 Basis		
1. Present Value of Benefits Accrued to Date:		
a. Members Currently Receiving Payments	$649,400	$498,600
b. Former Vested Members	3,900	3,400
c. Active Members	1,630,200	1,592,100
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	$2,283,500	$2,094,100
3. Assets at Market Value	$4,160,500	$3,239,500
4. Unfunded Value of Benefits (2 - 3)	($1,877,000)	($1,145,400)
5. Ratio of Assets to Value of Benefits (3 / 2)	182.2%	154.7%
B. GASB #25 Basis		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$653,300	$502,000
2. Actuarial accrued liabilities for current Employees	2,686,400	2,830,100
3. Total actuarial accrued liability (1 + 2)	$3,339,700	$3,332,100
4. Net actuarial assets available for benefits	$4,274,700	$3,602,100
5. Unfunded actuarial accrued liability (3 – 4)	($935,000)	($270,000)

TABLE V-2
Statement of Changes in Total Actuarial Present Value of All Accrued Benefits

Actuarial Present Value of Accrued Benefits at June 30, 2003	$2,094,100
Increase (Decrease) During years Attributable to:	
Passage of Time	174,600
Benefits Paid	(80,500)
Assumption Change	(181,000)
Benefits Accrued, Other Gains/Losses	276,300
Net Increase (Decrease)	189,400
Actuarial Present Value of Accrued Benefits at June 30, 2004	$2,283,500

TABLE V-3
SOLVENCY TEST
DELAWARE COUNTY & MUNICIPAL GENERAL EMPLOYEES' PLAN

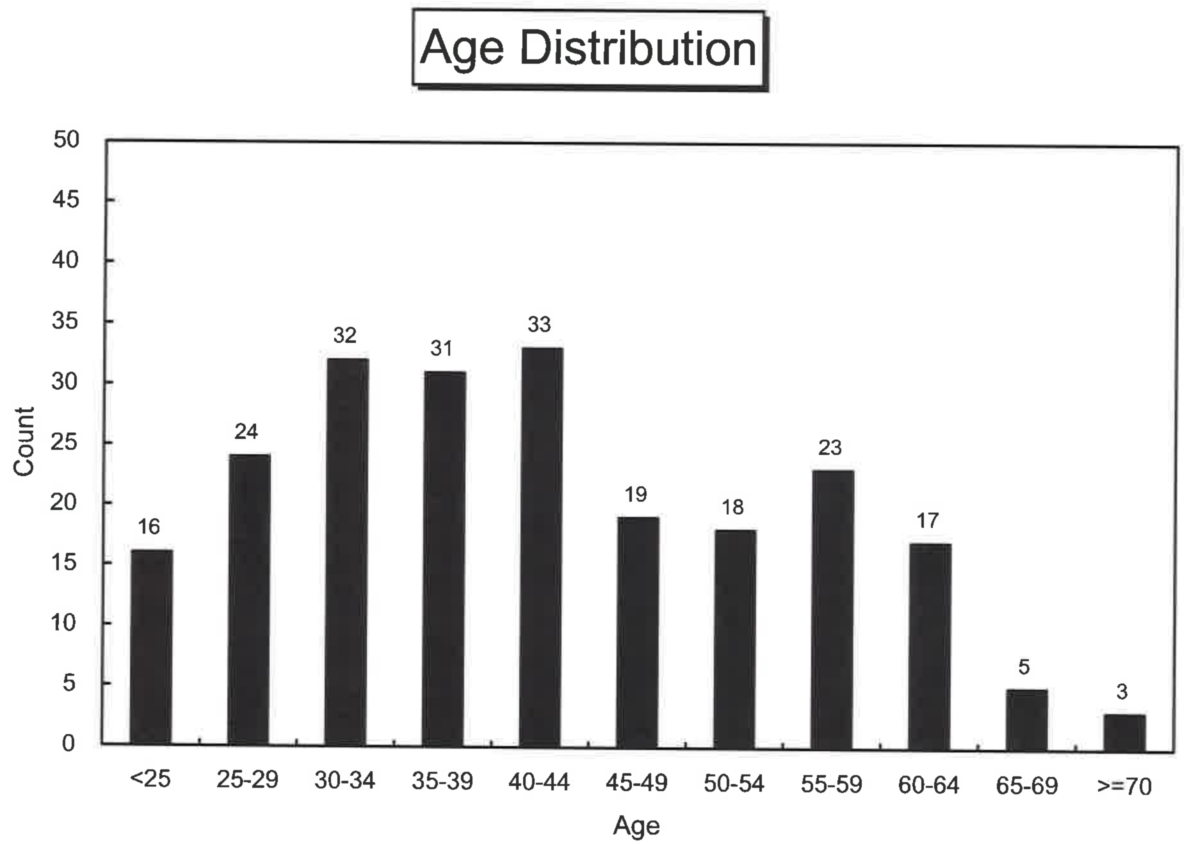
	June 30,2004	June 30,2003
1. Actuarial Accrued Liability for:		
a. Retirees and Disabled Members and Survivors	$649,400	$498,600
b. Vested Deferred and Inactive Status Members	3,900	3,400
c. Active Members		
i) Accumulated employee contributions with interest	626,300	501,600
ii) Employer-financed Liabilities	2,060,100	2,328,500
2. Total	$3,339,700	$3,332,100
3. Net Assets Available for Benefits at Market Value	$4,160,500	$3,239,500
4. Ratio of Assets to Actuarial Accrued Liabilities: (3) / (2)	124.6%	97.2%

APPENDIX A
MEMBERSHIP INFORMATION

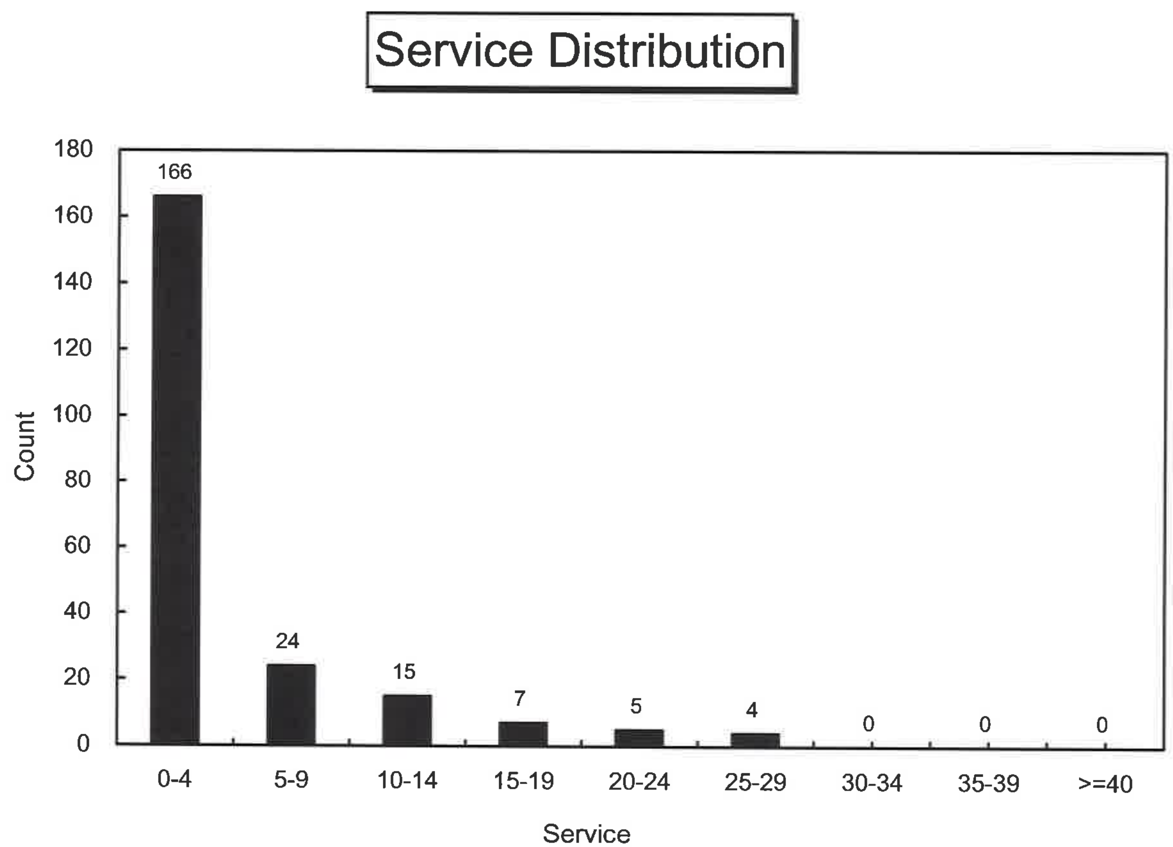
Delaware County & Municipal Pension Plan
Distribution of Active Members - by Age and Service
as of June 30, 2004

	Service									
Age	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & UP	**Total**
Under 25	16									16
25 - 29	21	3								24
30 - 34	24	5	3							32
35 - 39	24	5		2						31
40 - 44	27	3	1		2					33
45 - 49	12		3		2	2				19
50 - 54	11	4	1	1		1				18
55 - 59	15	2	2	2	1	1				23
60 - 64	13	1	2	1						17
65 - 69	2	1	2							5
70 & UP	1		1	1						3
Total	166	24	15	7	5	4				221

Delaware County & Municipal Pension Plan
Distribution of Active Members - by Age
as of June 30, 2004



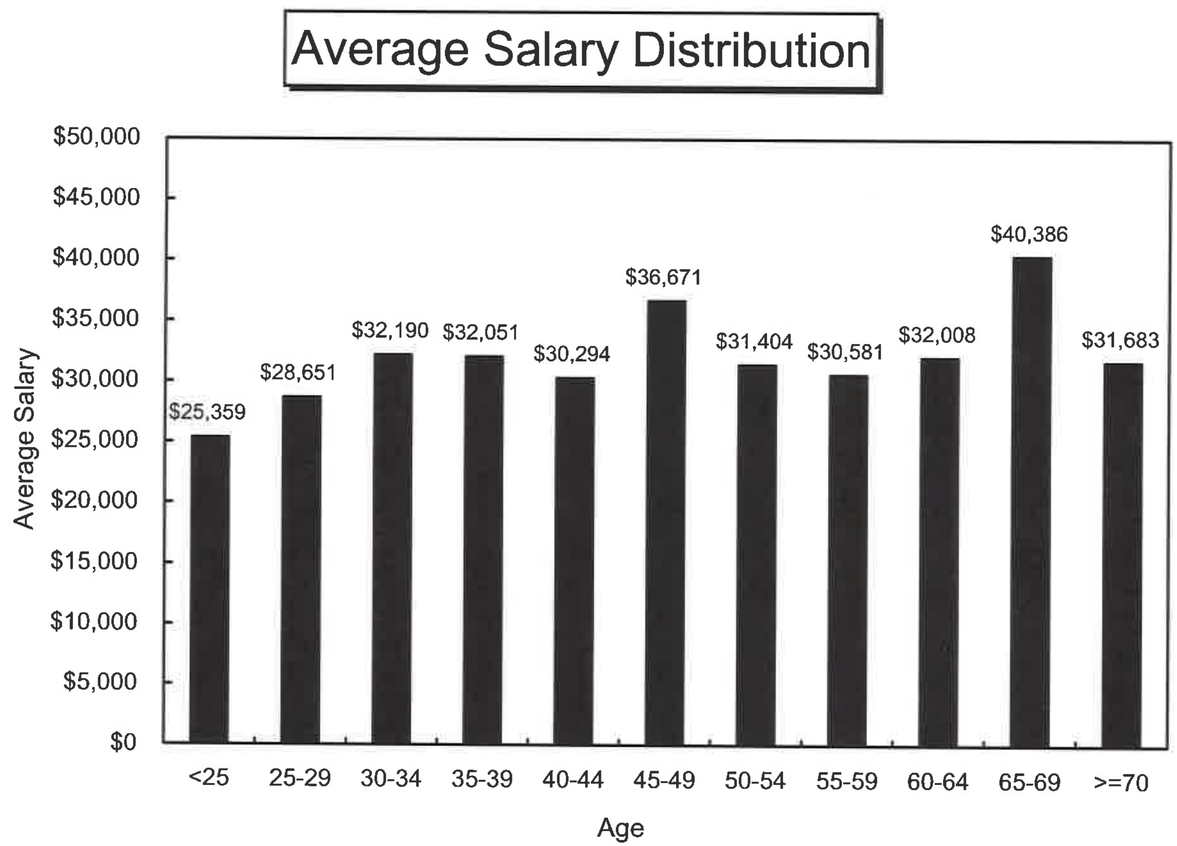
Delaware County & Municipal Pension Plan
Distribution of Active Members - by Service
as of June 30, 2004



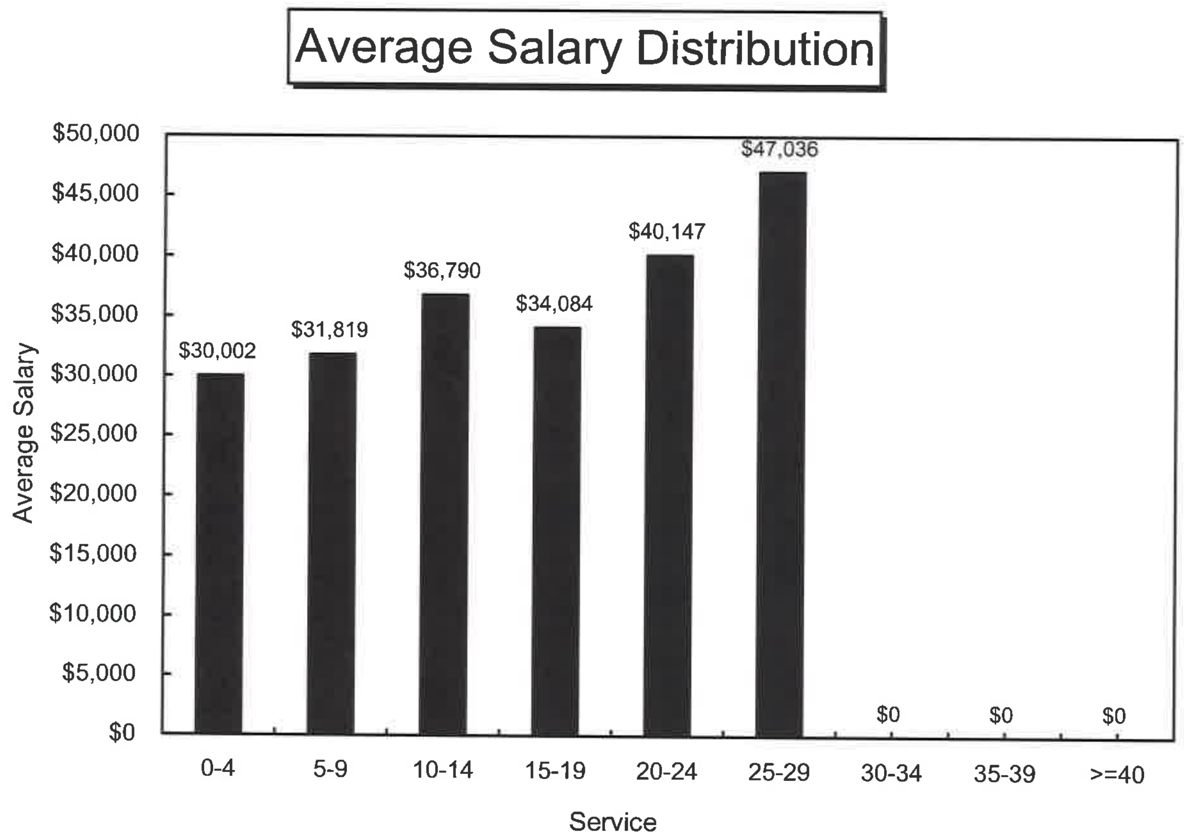
Delaware County & Municipal Pension Plan
Distribution of Average Salary - by Age and Service
as of June 30, 2004

	Average Salary Years of Service									
Age	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & UP	**Total**
Under 25	$25,359									$25,359
25 - 29	$29,588	$22,092								$28,651
30 - 34	$31,286	$39,075	$27,947							$32,190
35 - 39	$30,542	$33,880		$45,585						$32,051
40 - 44	$29,151	$31,439	$44,117		$37,096					$30,294
45 - 49	$33,612		$36,201		$47,039	$45,364				$36,671
50 - 54	$29,938	$29,919	$36,576	$30,975		$48,725				$31,404
55 - 59	$28,396	$34,566	$33,267	$30,301	$32,468	$48,693				$30,581
60 - 64	$32,992	$19,011	$36,357	$23,515						$32,008
65 - 69	$33,606	$30,472	$52,124							$40,386
70 & UP	$27,499		$35,219	$32,330						$31,683
Total	$30,002	$31,819	$36,790	$34,084	$40,147	$47,036				$31,327

Delaware County & Municipal Pension Plan
Distribution of Average Salary - by Age
as of June 30, 2004



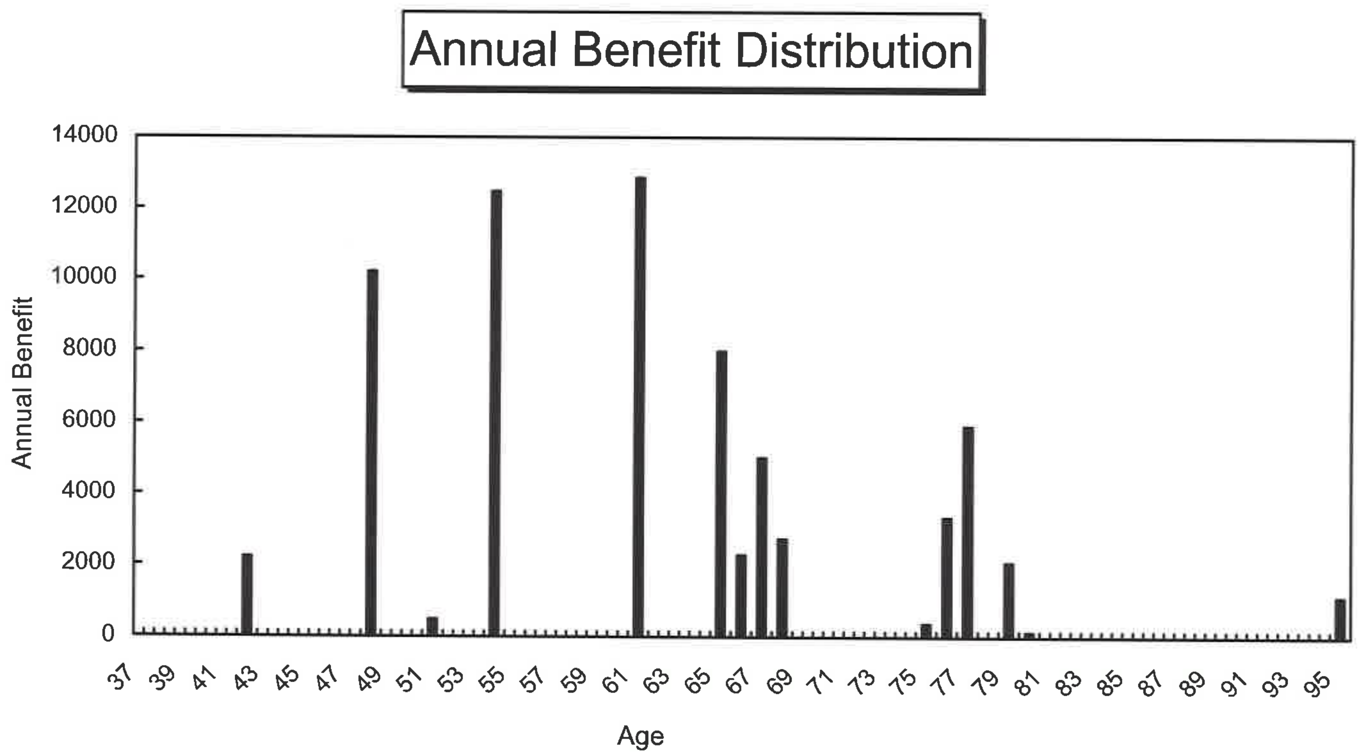
Delaware County & Municipal Pension Plan
Distribution of Average Salary - by Service
as of June 30, 2004



Delaware County & Municipal Pension Plan
Distribution of Retired Members, Survivors,
Disabled Members and Vested Former Members
as of June 30, 2004

Age	Count	Annual Benefit	Age	Count	Annual Benefit
37	0	$0	66	1	$2,273
38	0	0	67	1	$5,007
39	0	0	68	1	$2,725
40	0	0	69	0	$0
41	0	0	70	0	$0
42	1	2,207	71	0	$0
43	0	0	72	0	$0
44	0	0	73	0	$0
45	0	0	74	0	$0
46	0	0	75	1	$376
47	0	0	76	1	$3,328
48	1	10,206	77	1	$5,889
49	0	0	78	0	$0
50	0	0	79	1	$2,069
51	1	483	80	1	$133
52	0	0	81	0	$0
53	0	0	82	0	$0
54	1	12,471	83	0	$0
55	0	0	84	0	$0
56	0	0	85	0	$0
57	0	0	86	0	$0
58	0	0	87	0	$0
59	0	0	88	0	$0
60	0	0	89	0	$0
61	2	12,857	90	0	$0
62	0	0	91	0	$0
63	0	0	92	0	$0
64	0	0	93	0	$0
65	1	7,990	94	0	$0
			95	1	$1,122
			Total	16	$69,136

**Delaware County & Municipal Pension Plan
Distribution of Retired Members, Survivors,
Disabled Members and Vested Former Members
as of June 30, 2004**



APPENDIX B

ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Investment Return:

   Current: 8.00%

   Previous: 8.50%

2. Healthy Inactive Mortality:

   Current: with Mortality Improvements (Projection Scale)
   Male: 85% of RP-2000 MB Mortality Table
   Female: 87% of RP-2000 FW Mortality Table

   Previous: 1983 Group Annuity Mortality Table

Rates of Healthy Inactive Mortality

	Current		Projection Scale		Previous	
Age	Male	Female	Male	Female	Male	Female
20	0.07%	0.02%	1.90%	1.60%	0.04%	0.02%
25	0.10	0.03	1.00	1.40	0.05	0.03
30	0.13	0.04	0.50	1.00	0.06	0.03
35	0.18	0.06	0.50	1.10	0.09	0.05
40	0.25	0.09	0.80	1.50	0.12	0.07
45	0.35	0.14	1.30	1.60	0.22	0.10
50	0.48	0.21	1.80	1.70	0.39	0.16
55	0.61	0.31	1.90	1.80	0.61	0.25
60	0.90	0.49	1.60	0.50	0.92	0.42

3. Healthy Active Mortality:

   Current: with Mortality Improvements (Projection Scale)
   Male: 95% of RP-2000 RE Mortality Table
   Female: 80% of RP-2000 RE Mortality Table

   Previous: 1983 Group Annuity Mortality Table

Rates of Healthy Active Mortality				
	Current		Previous	
Age	Male	Female	Male	Female
20	0.03%	0.02%	0.04%	0.02%
25	0.04	0.02	0.05	0.03
30	0.04	0.02	0.06	0.03
35	0.07	0.04	0.09	0.05
40	0.10	0.06	0.12	0.07
45	0.14	0.09	0.22	0.10
50	0.20	0.13	0.39	0.16
55	0.29	0.20	0.61	0.25
60	0.46	0.31	0.92	0.42

4. Disabled Inactive Mortality:

Current: Male: 63% of 1965 Railroad Retirement Board Disabled Mortality
Female: 92% of 1981 PBGC Disabled Mortality with Social Security

Previous: 1983 Group Annuity Mortality Table set forward ten years

Rates of Disabled Inactive Mortality				
	Current		Previous	
Age	Male	Female	Male	Female
20	2.27%	2.42%	0.06%	0.03%
25	2.27	2.42	0.09	0.05
30	2.27	2.18	0.12	0.07
35	2.78	1.97	0.22	0.10
40	2.78	1.92	0.39	0.16
45	2.82	2.06	0.61	0.25
50	3.06	2.36	0.92	0.42
55	3.73	2.71	1.56	0.71
60	4.57	3.05	2.75	1.24

5. Rates of Active Disability:

RATES OF ACTIVE DISABILITY		
AGE	CURRENT	PREVIOUS
20	0.05%	0.08%
25	0.05	0.11
30	0.18	0.15
35	0.27	0.20
40	0.38	0.29
45	0.46	0.48
50	0.62	0.81
55	0.95	1.34
60	1.57	2.16

6. Rates of Salary Increase:

Current: 10-year Select (service-based) & Ultimate (age-based) merit tables plus an annual inflation rate of 3.75%. Rates shown below exclude amount for inflation.

Select

Service (years)	Increase
0 - 1	6.14%
2	4.25
3 - 9	2.66

Ultimate

Age	Increase
< 40	1.50%
40 - 49	1.00
50 +	0.50

Previous: This salary scale includes allowance for inflation of 5% per year.

AGE	65 AS PERCENT OF SALARY AT AGE SHOWN	INCREASE
20	2,100%	7.00%
25	1,497	7.00
30	1,068	7.00
35	761	7.00
40	543	7.00
45	387	7.00
50	276	7.00
55	197	7.00
60	140	7.00

7. Rates of Termination Prior to Retirement (Withdrawal):

Current: 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	25.00%	25.00%	25.00%	15.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
55 +	12.50%	12.50%	12.50%	12.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Previous: age-based (sample rates below)

AGE	RATE
20	6.58%
25	5.27
30	4.83
35	4.47
40	3.84
45	3.21
50	1.52
55	0.33
60	0.00

8. Rates of Retirement:

Current: Early Retirement: 1-year Select & Ultimate (age-based)
Normal Retirement: 1-year Select & Ultimate (age-based)
upon attaining the earliest of:

a) age 65 with 5 years of credited service
b) age 60 with 15 years of credited service
c) 30 years of credited service

MALE EARLY RETIREMENT		
AGE	SELECT	ULTIMATE
< 41	1.00	0.00%
41 - 44	1.00	0.50
45 - 46	3.00	0.50
47 - 49	3.00	2.00
50 - 51	3.00	3.00
52 - 59	3.00	5.00

MALE NORMAL RETIREMENT		
AGE	SELECT	ULTIMATE
< 45	13.00%	0.00%
45 - 56	13.00	11.00
57	13.00	15.00
58 - 60	10.00	15.00
61	10.00	26.00
62	20.00	26.00
63	10.00	20.00
64	16.00	20.00
65 - 66	16.00	26.00
67	16.00	20.00
68 - 79	16.00	16.00
80 +	100.00	100.00

Female Early Retirement		
Age	Select	Ultimate
< 41	1.50%	0.00%
41 - 48	1.50	2.00
49 - 50	2.00	2.00
51 - 52	2.00	3.00
53 - 54	5.00	3.00
55	5.00	5.00
56 - 57	6.00	5.00
58 - 59	7.00	5.00

Female Normal Retirement		
Age	Select	Ultimate
< 45	15.00%	0.00%
45 - 51	15.00	6.00
52 - 53	15.00	8.00
54	15.00	11.00
55 - 57	20.00	11.00
58 - 59	20.00	14.00
60	12.00	14.00
61 - 62	21.00	24.00
63	10.00	24.00
64	10.00	17.00
65	26.00	24.00
66	15.00	24.00
67 - 70	15.00	21.00
71 - 79	15.00	12.00
80+	100.00	100.00

Previous: Immediate retirement upon attaining the earliest of:
a) age 65 with 5 years of credited service
b) age 60 with 15 years of credited service
c) 32 years of credited service

9. Administrative Expenses:

Current: 0.40% of projected annual payroll for the coming year.

Previous: 0.25% of projected annual payroll for the coming year.

10. Family Composition

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

Current: 70% are assumed married for both male and female employees

Previous: Social Security awards during 1972 for active employees
Sample rates follow:

PERCENT MARRIED		
AGE	MALE	FEMALE
40 - 44	71.4%	63.1%
45 - 49	73.3	61.0
50 - 54	75.7	64.0
55 - 59	77.0	57.6
60 - 64	74.0	49.5
65 - 69	69.9	22.7

11. Changes Since Last Valuation

All assumptions based on our 2003 Experience Study using 10 years of historical data.

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 and the present value of future amortization payments due from participating municipalities 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 payment to amortize the unfunded liability is amortized over a 10 year period from each valuation date. The payments are determined so that they will increase by the annual inflation rate.

2. Asset Valuation Method

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 contributions, 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.

APPENDIX C

SUMMARY OF PLAN PROVISIONS

SUMMARY OF PLAN PROVISIONS
AS OF JUNE 30, 2004
DELAWARE COUNTY AND MUNICIPAL PENSION PLAN

1. **Membership**

   The plan covers full-time or regular part-time employees and elected or appointed officials of a county or municipality including state governmental subdivisions.

2. **Member Contributions**

   3% of compensation which exceeds $6,000 per annum plus an additional 2% of compensation in excess of the Social Security wage base.

   Interest is credited at the rate of 5% per year.

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

3. **Credited Service**

   All service as a member plus certain claimed and purchased service.

4. **Final Average Compensation**

   Final average compensation is the average over the highest 60 consecutive months (or shorter period of total service).

5. **Social Security Wage Base**

   The amount of wages subject to Social Security (FICA) taxes ($87,900 in 2004).

6. **Age 62 Social Security Benefit**

   The Age 62 Social Security benefit is determined using tables prepared by the Board of Pension Trustees' actuary based upon the Social Security Law in effect in the year of retirement. Adjustments are made if the Member can demonstrate that the actual Social Security benefit is lower than that used in the calculation.

7. **Normal Retirement**

Eligibility: (i) age 65 with 5 years of credited service; or (ii) age 60 with 15 years of credited service; or (iii) any age with 30 years of credited service.

Benefit: 1 2/3% of final average compensation for each year of credited service.

At age 62 the plan benefit may not exceed 75% of final average compensation minus the Age 62 Social Security Benefit, multiplied by a ratio (not to exceed 1.25) of actual years of service over 30.

8. **Early Retirement**

Eligibility: age 55 with 15 years of credited service.

Benefit: Normal retirement benefit reduced by 0.4% for each month the member is under age 60 at the time of retirement.

9. **Disability Benefit**

Eligibility: 5 years of credited service

Benefit: Normal retirement benefit except benefits may not exceed 75% of final average compensation minus the Social Security disability benefit.

10. **Survivor's Benefit**

Eligibility: death while active with 5 years of credited service or death after retirement.

Benefit: For eligible survivors of employees who die in active service - 50% of normal retirement benefit employee would have been eligible to receive at age 62.

For eligible survivors of pensioners who die - 50% of pension received immediately prior to death.

Eligible survivors include: (1) widow or widower; or (2) child or children under 18, or between 18 and 22 and attending school on a full-time basis, or over 18 and permanently disabled before 18; or (3) dependent parent or parents.

11. **Vesting**

Eligibility: 5 years of credited service.

Benefit: Normal retirement benefit payable at age 62 based on final average compensation and service at date of termination. In lieu of a pension, a member may receive a refund of accumulated employee contributions with interest. Upon application for a refund of contributions a member's vested right to a monthly benefit shall be forfeited.

12. **Withdrawal of Employee Contributions**

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

Benefit: Accumulated employee contributions with interest.

13. **Changes Since Last Valuation**

None.