Delaware Public Employees' Retirement System

Administered by the State Board of Pension Trustees and Office of Pensions

Definitions:

Total Actuarial Liability

Also called the Actuarial Accrued Liabilities are the present value of promised pension benefits, or pension obligations. In any given year, the plan's actuary calculates the total value of liabilities that have accrued, and this figure is used to determine the plan's unfunded liability. At any given time the recognized value of accrued liabilities on the pension plan's books is dependent on the rate used to discount the promised benefits to their net present value. Ultimately, the value of the obligations will be based on how long retirees live; the actuarial present day value of these benefits is based on the discount rate used to estimate those benefits.

Membership

Unfunded Actuarial Liability

Unfunded liabilities are the amount of liabilities (or promised benefits) that are greater than assets of a pension plan. In most cases it is measured as the amount of actuarially accrued liabilities (AAL) greater than the actuarially valued assets (AVA) of a plan, or simply the AAL minus the AVA. Colloquially, the phrase "unfunded liabilities" is interchangeable with "unfunded actuarially accrued liabilities" (UAAL), "unfunded actuarial liability" (UAL), or "net pension liability" (NPL).

If a plan's assets were to be greater than the liabilities of the fund, the plan would be considered "overfunded" and in some cases the plan's actuary would report a "negative" unfunded liability.

Funded Ratio

The ratio of the plan's assets to its liabilities. This could be measured on a market value or actuarial value of assets. It is simply the MVA or AVA divided by the AAL. A funded ratio above 100% means the plan has more assets than liabilities; a funded ratio below 100% means the plan has not saved enough relative to the estimated value of the benefits it has promised.

Market Value of Assets

The real value of the plan's total assets, measured by the price that would be received to sell an asset in an orderly transaction between market participants at that date.

Additions by Source

Money added to the pension system by members, employers, investment income, and transfers from the Post retirement Increases Fund (PRI).

Note: The PRI Fund accumulates resources to fund ad hoc post-retirement increases granted by the General assembly. The increases are funded over a 5-year period from the PRI fund.

Pension Appropriation

Return on Investment (MVA)

Asset Allocation

The allocation of invested pension assets between different types of investments. Asset allocation typically involves a mix of investments representing different levels of risk and return, and may behave differently over time. The pension plan’s board develops an investment strategy that apportions a plan’s assets according to a particular tolerance for risk and investment goals.

Expenses