

Delaware Public Employees' Retirement System

- a component unit of the State of Delaware

33rd Comprehensive Annual Financial Report

*Presented by the Board of Pension Trustees
For the Fiscal Year Ended June 30, 2004*

*STATE EMPLOYEES' PENSION PLAN
SPECIAL PENSION PLAN
NEW STATE POLICE PENSION PLAN
JUDICIARY PENSION PLANS
COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PLANS
COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN
VOLUNTEER FIREMEN'S PENSION PLAN
DIAMOND STATE PORT CORPORATION PENSION PLAN
COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' COLA FUND
POST-RETIREMENT INCREASE FUND
POST-RETIREMENT HEALTH INSURANCE PREMIUM FUND
DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
CLOSED STATE POLICE PENSION PLAN*

This Comprehensive Annual Financial Report has been
Prepared by the Office of Pensions

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Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Delaware Public Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS

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October 1, 2004

The Honorable Ruth Ann Minner
and
Members of the 142nd General Assembly

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (System) is proud to present its 33rd Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2004.

This report provides information on nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police and Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] plus four commingled pension funds [County & Municipal Police and Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DEL RIP), and State Employees' Post-Retirement Health Insurance Premium]. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the State Board of Pension Trustees (Board). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and present fairly the System's financial position and operational results for the Fiscal Year ended June 30, 2004.

The 2004 Financial Report is presented in five sections:

- ◆ Introductory Section -- contains this transmittal letter, organization charts, Board and Legislative highlights.
- ◆ Financial Section -- provides the independent auditors' opinion, management's discussion and analysis, the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's financial position at the Plan level.



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- ◆ Investment Section -- details total System performance, investment policy, and investment activities.
- ◆ Actuarial Section -- outlines the actuarial assumptions and describes the funding basis, contributions, and funded ratios of each Plan.
- ◆ Statistical Section -- includes tables and graphs about each Plan's membership.

(A detailed Table of Contents may be found on page 2.)

The System was established on June 11, 1970, with the incorporation of the State Employees', Judiciary, Closed State Police, and Retired & Disabled Teachers Pension Plans. The State Employees' and the Judiciary Plans were changed to actuarial reserve funding shortly thereafter. The Closed State Police Pension Plan remains a pay-as-you-go plan. Fiscal Year 1994 was the last year the Retired & Disabled Teachers' Pension Plan had members entitled to benefits.

When calendar year 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of Fiscal Year 2004, pensioners numbered 19,540; monies from nine plans, three post-retirement trusts and one investment pool were commingled in a total System of \$5.5 billion. The State's contribution rate for the State Employees' Pension Plan for Fiscal Year 2004 was 4.2% of payroll. Employer rates in the other plans that we administer range from 3.78% to 16.8% of covered payroll. Benefit coverage varies by plan as shown on pages 29-32. In the major plans, benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states, especially considering post-retirement health and spousal benefits. The majority of beneficiaries' pension benefits are fully funded. The funding status of each plan is detailed on pages 38-39.

Major Accomplishments

Disability Pension Review - The disability pension review, which began in Fiscal Year 2003, has been refined into a plan to implement a new disability pension program for the State Employees' Pension Plan. Since the new program requires legislative action, the target date for implementation has been moved to Fiscal Year 2006.

Local Government Participation - Membership in the County & Municipal plans continues to grow. New members include the Towns of Clayton and Newport.

Improved Pension Benefits - Legislation granting a post-retirement increase to retired members of the State Employees', Special, New State Police, Judiciary, and the County & Municipal Police and Firefighter's Pension Plans was granted during Fiscal Year 2004. Effective July 1, 2004, this increase applies to all members with an effective date prior to May 31, 2004. The Delaware State Legislature has granted 10 post-retirement increases over the last 11 years.



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House Bill 462 was also passed during the Fiscal Year 2004 legislative session. This bill allows members of the New State Police Pension Plan to retire at age 55 with 10 years of service.

Due Diligence - During Fiscal Year 2004, our custodian bank, Mercantile Safe-Deposit & Trust Co, conducted a Request for Proposal for sub-custodian bank services. As a result of that process, Bank of New York has been selected as our sub-custodian bank for international accounts at a significant reduction in cost to the Fund. This transition will occur during Fiscal Year 2005.

Governance Issues - The Audit Committee reviewed the Sarbanes-Oxley Act and discussed how portions of this legislation can be applied to State Government. In addition, the Board with the help of its legal counsel, has undertaken an extensive review of Board/Committee member attendance policies, ethics policies, delegation of authority to subcommittees, size of existing committees, Board/Committee member payment policies, frequency/procedure to re-evaluate actuary and investment advisor contracts, and recruitment process for new Board/Committee members.

Technology Improvements - Furthering the commitment to remain at the forefront of technology, the Office of Pensions embarked on an upgrade to PeopleSoft version 8.8 that was successfully completed in December 2003. This upgrade will enable more web functionality for the membership. In an effort to ensure business continuity for the pension system, the Pension Office has established a "hot site" at another State facility outside of Dover.

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware Public Employees' Retirement System for its comprehensive annual financial report (CAFR) for the Fiscal Year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the eighth consecutive year that DPERS has received a Certificate of Achievement. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Public Pension Coordinating Council Award - Delaware Public Employees' Retirement System received its first Public Pension Coordinating Council (PPCC) Award for 2003. The PPCC is a coalition of National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), and National Conference on Public Employee Retirement Systems (NCPERS). The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards are intended to reflect minimum expectations for



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public retirement system management and administration and serve as a benchmark by which all defined benefit public plans should be measured. Public Pension Standards include: Comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment Committee, and communications with membership.

Investments and Economic Climate

The System's investments had a 15.9% return in Fiscal Year 2004. The System's annualized total returns for the last five, ten and fifteen years are 4.4%, 10.6% and 10.1%, respectively. Relative to other public pension funds, the ranking of the System's performance is above median for the latest fiscal year, in the top 25% over the last five years, and in the top 10% over the last ten years.

System investments are managed to control the downside risk to which assets are exposed while maximizing long-term gain potential. This strategy positions the System to limit the impact of adverse market conditions. The investment climate during the latest fiscal year improved substantially over the prior three years. The fiscal year return of the S&P 500 was 19.1%, as corporate earnings and prospects benefited from the recovering economy. Contrasting the gain in stocks, the Lehman Aggregate bond index was up only 0.3%, as coupon income was almost entirely offset by bond price declines caused by signs of economic growth and potential inflation. Investment strategy continues to reflect return expectations that are significantly below those achieved during the 1990's. In light of the System's focus on risk control and diversification, the latest fiscal year return of 15.9% is a positive achievement. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 49 of this report.

The System's investment activity is governed by the "prudent person rule," a fiduciary standard, which applies to anyone with System authority. Fiduciaries must discharge their duties solely in the interest of System participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstances.

The Board has established the investment policy shown on page 53. Investment constraints are outlined, including the appropriate degree of risk. Investment managers are hired to execute the investment policy. They have full discretion for investment decisions within statutory authority, Board policy, and their respective guidelines. A list of the investment managers under contract with the System as of June 30, 2004, may be found on page 57 of this report. A summary of the total System's asset allocation can be found on page 56.

Funding Status

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. It



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should be noted that five of the plans included in the System continue to be fully funded - this is quite an accomplishment given the recent economic conditions and market climate. Three of the remaining plans are not totally funded, but annual contributions are being made at the actuarially determined rates to reach full funding. The Closed State Police Pension Plan remains a pay-as-you-go plan. The Notes to Trend Data Schedule presented on page 42 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 68.

Internal Control

System internal accounting controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial reporting. Control procedures and responsibilities are well documented both in writing and with graphic flowcharts. These are reviewed and updated annually.

The Audit Committee, a committee appointed by the Board, monitors operations and controls throughout the year. Both the Delaware Auditor of Accounts and an independent auditing firm audit the System's basic financial statements annually. Siegfried & Schieffer, LLC, a subsidiary of The Siegfried Group, LLP, was the independent auditing firm for the Fiscal Year 2004 audit.

Professional Services

Professional consultants are appointed by the Board to perform services essential to the effective and efficient operation of the System. Since 1990, Ernst & Young LLP had been retained as the System's independent auditor. Due to last minute contract issues, Ernst & Young LLP was replaced by Siegfried & Schieffer, LLC, a subsidiary of The Siegfried Group, LLP, as the independent auditor for Fiscal Year 2004. Over the past three years, Ernst & Young LLP had sub-contracted a portion of the System's audit to The Siegfried Group, LLP. A joint opinion on the System's basic financial statements from the independent auditors, Siegfried & Schieffer, LLC, and the State Auditor, as well as an opinion from the actuary, Milliman USA, are included in this report. Ashford Capital Management, Inc., serves as the investment advisor.

Acknowledgments

The preparation of this report reflects the combined efforts of the System staff under the direction of the Board. Specific sections and overall editing include contributions from various Board committees and professional consultants.

Ralph J. Adkins resigned as Board Chair and Investment Committee member in January 2004. Mr. Adkins brought extensive management experience to the Board. His quiet but effective leadership style steered a



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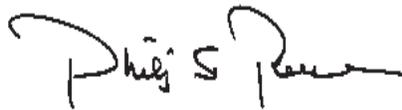
comprehensive review of disability pension provisions. As the Investment Committee explored alternative investments, Mr. Adkins' knowledge of natural resource markets advanced asset allocation discussions. The Board and Investment Committee will miss his knowledge and leadership and appreciate the time and talent shared during his tenure.

Herbert J. Nehrling, Jr., resigned effective December 31, 2003, after thirteen years as an Investment Committee member. Mr. Nehrling was a dedicated and reliable member of the Investment Committee who was well prepared and insightful. The Committee was particularly well served by his thoughtful comments on international investments based on his overseas business experience and his generous commitment of time and effort in the private programs area.

Dr. John B. Kramer resigned from the Medical Committee effective December 31, 2003 after two years of service. Dr. Kramer's advice and abilities were invaluable to the Committee. He was always willing to give freely of his time to help revise medical forms and any other task that was needed. He was very thorough in his approach as to how cases should be reviewed and was always frank in his opinions. We will miss his smile and his good sense of humor.

The Board thanks the many people who work so diligently to assure the successful operation and financial soundness of the Delaware Public Employees' Retirement System. These include the Pension Office staff; the State Personnel Director who provides administrative supervision to the Pension Office; other State support personnel; professional consultants; members of the Investment, Medical, and Audit Committees; and the Pension Advisory Council.

Respectfully submitted,



Philip S. Reese, Chair
Board of Pension Trustees



Public Pension Coordinating Council
Public Pension Standards
2003 Award

Presented to

Delaware Public Employees Retirement Systems

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator



BOARD OF PENSION TRUSTEES, BOARD COMMITTEES, & PROFESSIONAL CONSULTANTS

Board of Pension Trustees

Philip S. Reese, Chair
Former Vice President Corporate
Development and Treasurer
Conectiv

Robert W. Allen
President
Allen Petroleum

Jan M. King
Former Vice President and Treasurer
Hercules, Inc.

Nancy J. Shevock
Former Director
Delaware Transit Corporation

Helen R. Foster, J.D.
President
CTW & Consulting Associates, LLC

Ex-Officio Board Members

David W. Singleton
State Secretary of Finance

Lisa Blunt-Bradley
State Personnel Director

Executive Secretary to the Board
and Pension Administrator

David C. Craik

Legal Counsel

Marsha Kramarck, Esq.
Deputy Attorney General

Investment Committee

Elva B. Ferrari, Chair
Jan M. King
Philip S. Reese
A. Dale Stratton

Audit Committee

Joel S. Poorman, Chair
Robert W. Allen
William Markell, Ed.D.
Harold D. Smith, II

Medical Committee

William D. Shellenberger, M.D., Chair
Vincent DelDuca, Jr., M.D.
Robert W. Frelick, M.D.
Albert Gelb, M.D.
Charles S. Riegel, M.D.
Phyllis M. Smoyer, M.D.
Ignatius J. Tikellis, M.D.
Charles O. Webber, M.D.
Thomas F. Weir, M.D.

Pension Advisory Council

James B. Testerman, Chair
Member, Delaware State Education Assoc.

Consulting Actuary

Milliman USA

Investment Advisor

Ashford Capital Management, Inc.

Auditors

State Auditor of Accounts
Siegfried & Schieffer, LLC, a subsidiary of
The Siegfried Group, LLP

Custodial Bank

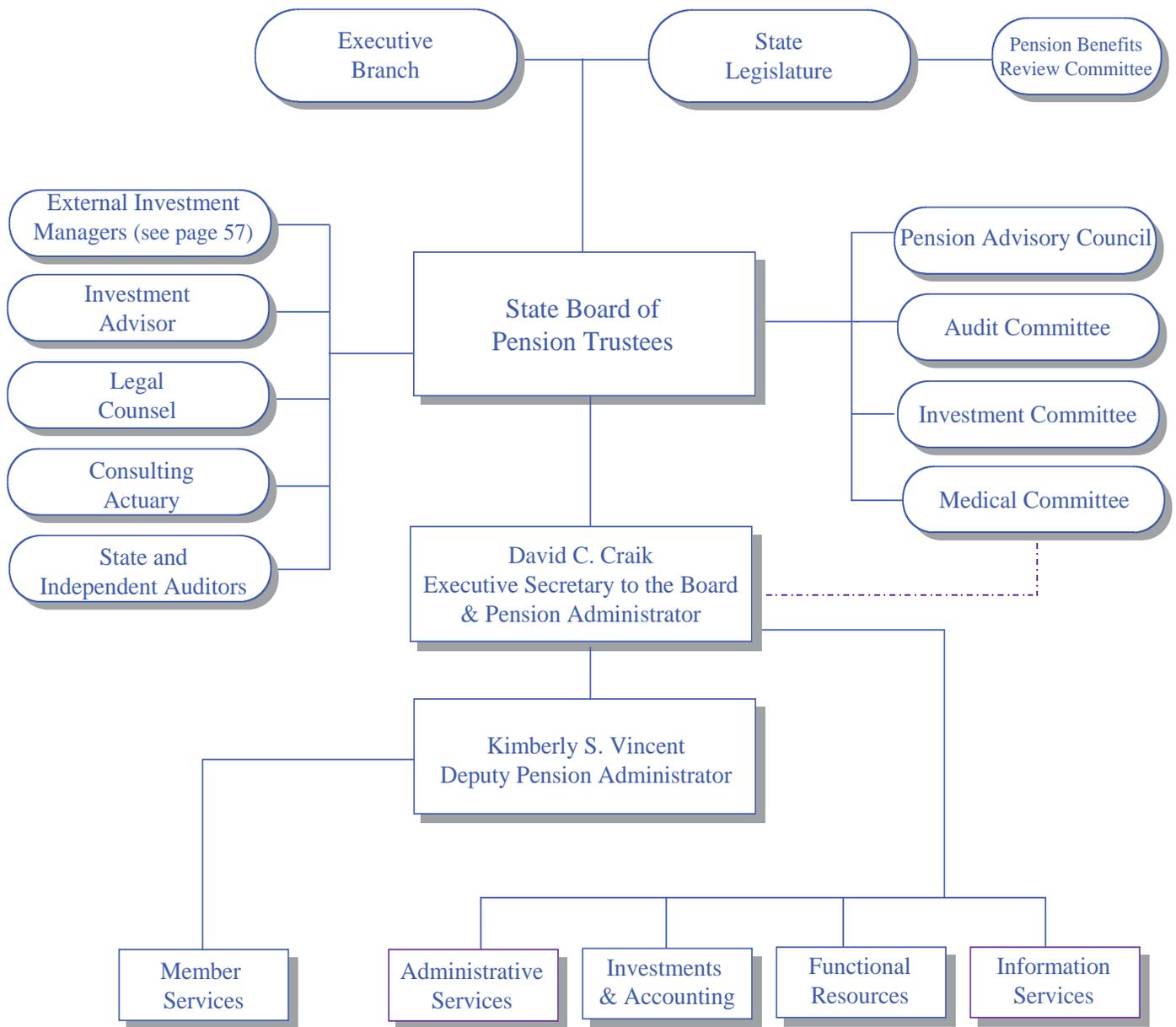
Mercantile-Safe Deposit & Trust Co.

Sub-Custodial Bank

State Street Bank & Trust Co.



ORGANIZATION CHART



MANAGEMENT TEAM

- Member Services:** *vacant*, Human Resource Manager
- Administrative Services:** Christy L. Ulmer, Office Manager
- Investments & Accounting:** Alice L. Simon, Pension Financial Manager
- Functional Resources:** W. Ray Johnson, Human Resource Manager
- Information Services:** John T. McCartney, SPO Information Systems Manager



HIGHLIGHTS OF BOARD ACTIVITIES

The Board of Pension Trustees (Board) -- comprised of five members appointed by the Governor and confirmed by the Senate, and two ex-officio members -- is responsible for the general administration of these pension plans:

- ♦ State Employees' Pension Plan.
- ♦ Special Pension Plan.
- ♦ New State Police Pension Plan.
- ♦ Judiciary Pension Plans (Closed and Revised).
- ♦ County & Municipal Police and Firefighters' Pension Plans.
- ♦ County & Municipal Other Employees' Pension Plan.
- ♦ Volunteer Firemen's Pension Plan.
- ♦ Diamond State Port Corporation Pension Plan.
- ♦ Closed State Police Pension Plan.

In addition to its general administrative responsibilities, the Board is responsible for these specific functions:

- ♦ Maintain and oversee the investment of the Delaware Public Employees' Retirement System (System).
- ♦ Appoint an independent actuary to perform annual actuarial valuations used as the basis for contributions to the System.
- ♦ Control and manage State pension payments.
- ♦ Hear appeals from State Pension Office decisions regarding eligibility for pension benefits.
- ♦ Adopt rules and regulations for the general administration of State pension plans.
- ♦ Prepare and publish an annual report to the Governor and General Assembly.
- ♦ Execute contracts with State agencies and others for assistance in pension plan administration and pension investment.
- ♦ Determine interest rates to be credited to members' contributions and rates to be charged on repayment of contributions previously withdrawn.

The day-to-day administration of these pension plans is performed by the State Pension Office, which also determines the eligibility of individual employees for pension benefits. The Pension Administrator reports to the State Personnel Director and also serves as Executive Secretary to the Board.

The Medical Committee of the Board is now comprised of nine medical doctors, all in private practice. It evaluates and makes recommendations concerning the medical condition of applicants for and recipients of disability pensions. The Medical Committee meets each month prior to the regular monthly meeting of the Board.

The four-person Audit Committee of the Board monitors operations and internal controls throughout the year to identify issues requiring Board and Pension Office action. They are responsible for interfacing with the Delaware Auditor of Accounts and the independent auditing firm to assure System compliance with generally accepted accounting practices and procedures.



HIGHLIGHTS OF BOARD ACTIVITIES *(continued)*

The Board retains the firm of Milliman USA to provide professional actuarial and consulting services. Such services include the preparation of comprehensive actuarial valuations and reports, analysis of the costs and other aspects of proposed changes in pension provisions, general consulting advice, and background information on other public pension plans.

The Department of Justice assigns a Deputy Attorney General to serve as legal advisor to the Board. The Deputy deals with legal questions involving interpretations and administration of pension laws, advises the Board in connection with appeals hearings, works with the Board on drafting legislation and regulations, and negotiates contracts.

The following retirement funds have been established under the custody of the Board for investment purposes only:

- ♦ County & Municipal Police and Firefighters' COLA Fund.
- ♦ Post-Retirement Increase Fund.
- ♦ Delaware Local Government Retirement Investment Pool.
- ♦ Post-Retirement Health Insurance Premium Fund.

The Investment Committee of the Board is currently comprised of four members. This Committee operates within the investment objectives established by the Board. The Committee establishes policies to meet these objectives and monitors these policies with the assistance of the Investment Advisor. The Committee also reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by selecting managers whose demonstrated performance reflects different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives. Further discussion of the Investment Committee's activities may be found in the Investment Section of this report beginning on page 51.

The Board retains Ashford Capital Management, Inc., as investment advisor for the System. Ashford Capital Management provides a variety of services to the System including investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, investment policy, and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the System as of June 30, 2004, may be found on page 57 of this report.

The major activities of the Board and its committees during the 12-month period July 2003 through June 2004 were:

- ♦ Held regular monthly meetings and met with representatives of investment management firms and custodian banks on a regular basis.
- ♦ Held hearings for individual plan members who appealed decisions of the Pension Office or questioned the Board's interpretation of State pension laws.
- ♦ Held hearings on the eligibility of individual employees for disability pension benefits.
- ♦ Participated in meetings with the Governor's staff, members of the General Assembly, officials of State agencies and school districts, the Pension Advisory Council, representatives of employee organizations, and other interested parties.



2004 LEGISLATION AFFECTING PENSIONS

- S. B. 356
(74 Del. Laws, C398) This Act grants pension increases to retired State Employees', Special, retired Judges, retired "New" State Police and retired County & Municipal Police and Firefighters on July 1, 2004 for persons retired before May 31, 2004.
- H. B. 462
(74 Del. Laws, C412) This bill allows State troopers who are retired by application of law to collect their pension starting a month after the end of their duty.
- H. B. 541
(74 Del. Laws, C413) This bill ensures that Samantha Fuller, daughter of Frances Collender, a Delaware State Trooper who was killed in the line of duty, will receive the State's share of health care coverage as long as she is a primary survivor receiving a survivor's pension under Title 11, Section 8372(a) of the Delaware Code. Due to the fact that Frances Collender was only a Delaware State Trooper for four (4) years at the time of her death, the current health care insurance laws do not provide the State's share of health care benefits for her daughter.

Financial Section

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STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS



THE SIEGFRIED GROUP, LLP
Professional Service Partners

Report of Independent Auditors

State of Delaware
Board of Pension Trustees

We have audited the Statement of Plan Net Assets of the Delaware Public Employees' Retirement System (System) as of June 30, 2004, and the related Statement of Changes in Plan Net Assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's June 30, 2003 financial statements, which were audited by the State of Delaware Auditor of Accounts and other auditors, and, in that report dated August 15, 2003, expressed an unqualified opinion thereon.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System at June 30, 2004, and the changes in its financial status for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated August 27, 2004 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants, as applicable. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Report of Independent Auditors
Page Two

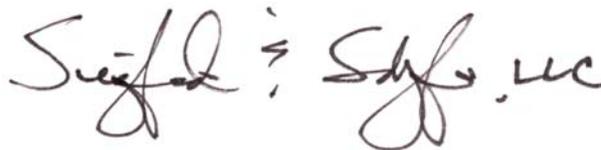
The financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2003, which was audited by the State of Delaware Auditor of Accounts and other auditors, from which such summarized information was derived.

The Management Discussion and Analysis, Schedules of Funding Progress, Employer Contributions and Notes to Trend Data on pages 21 through 23 and 38 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the System's basic financial statements. The supporting schedules of administrative expenses and investment expenses for the year ended June 30, 2004, on Schedules 4 and 5, the Schedules for the Delaware Local Government Investment Pool, and the introductory, investment, actuarial, and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Auditor of Accounts
Dover, Delaware



Siegfried & Schieffer, LLC,
a subsidiary of The Siegfried Group, LLP
Wilmington, Delaware

August 27, 2004

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance provides an overview of the System's financial activities for the Fiscal Year ended June 30, 2004. It is intended to be a narrative supplement to the System's financial statements, which begin on page 24 of this report.

Financial Highlights

The following financial highlights occurred during the Fiscal Year ended June 30, 2004:

- ◆ Plan net assets of all the pension funds administered by the System increased by \$640.5 million during the 2003-2004 Fiscal Year.
- ◆ The covered payroll requiring both employee and employer pension contributions reported during the year totaled \$1,490.0 million, representing an increase of 3.8%. Employee contributions increased marginally as the State experienced a hiring freeze and no merit raises were granted. Employer contributions increased by 19.5% representing increased employer contribution rates for Fiscal Year 2004.
- ◆ Net investment earnings (net increase in fair value, plus investment earnings, less investment administrative expenses) increased by \$619.2 million compared to the depressed levels experienced in the previous fiscal year.
- ◆ Pension benefits paid to retirees and beneficiaries increased \$27.3 million bringing the total benefit payments to \$267.2 million. A net increase of 3.7% in the number of retirees and a post retirement increase averaging 3% are responsible for the 11.4% increase in pension benefits. Refunds of contributions paid to former members upon termination of employment decreased from \$3.0 million to \$2.6 million.
- ◆ Administrative expenses (including special project expenses) totaled \$4.6 million, a decrease of 11.6% compared to last Fiscal Year. This decrease is largely due to the completion of the eCRIS project in early Fiscal Year 2004. (See Schedule 4 on page 44 for more details.)

Using this Financial Report

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the System's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The Statement of Plan Net Assets and Statement of Changes in Plan Net Assets (pages 24-27) provide information about the activities of the nine individual pension plans administered and the four funds managed, as well as comparative summary information about these activities for the System as a whole.

The Schedule of Funding Progress (pages 38-39) includes historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions (pages 40-41) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.



NET ASSETS

(Dollar values expressed in thousands)

Fiscal Years Ended June 30,	2004	2003	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 5,516,500	\$ 4,881,112	\$ 635,388	13.0%
Receivables	6,306	5,221	1,085	20.8%
TOTAL ASSETS:	\$ 5,522,806	\$ 4,886,333	\$ 636,473	13.0%
TOTAL ACCRUED LIABILITIES:	1,579	5,617	(4,038)	(71.9%)
TOTAL PLAN NET ASSETS:	\$ 5,521,227	\$ 4,880,716	\$ 640,511	13.1%

CHANGES IN NET ASSETS

(Dollar values expressed in thousands)

Fiscal Years Ended June 30,	2004	2003	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
ADDITIONS:				
Employer Contributions	\$ 106,523	\$ 89,140	\$ 17,383	19.5%
Transfer of Contributions from PRI Fund	28,079	26,152	1,927	7.4%
Transfer of Assets from Outside the System	8,518	3,612	4,906	135.8%
Member Contributions	40,981	40,280	701	1.7%
Other	14	10	4	40.0%
Total Net Investment Earnings:	768,780	149,608	619,172	413.9%
TOTAL ADDITIONS:	\$ 952,895	\$ 308,802	\$ 644,093	208.6%
DEDUCTIONS:				
Transfer of Contributions from PRI Fund	\$ 28,079	\$ 26,152	\$ 1,927	7.4%
Transfer of Assets Outside the System	5,356	7,399	(2,043)	(27.6%)
Benefit Payments	267,172	239,859	27,313	11.4%
Refunds of Contributions to Members	2,592	2,973	(381)	(12.8%)
Group Life Payments	4,563	4,172	391	9.4%
Administrative Expenses:				
General Administrative Expenses	4,079	4,030	49	1.2%
eCRIS Project Administrative Expenses	335	1,171	(836)	(71.4%)
Disability Pension Review	38	26	12	46.2%
Actuarial Experience Study	60	-	60	100.0%
Health Care Review	45	-	45	100.0%
Disaster Recovery Project	65	-	65	100.0%
Total Administrative Expenses:	4,622	5,227	(605)	(11.6%)
TOTAL DEDUCTIONS:	\$ 312,384	\$ 285,782	\$ 26,602	9.3%
INCREASE IN PLAN NET ASSETS	\$ 640,511	\$ 23,020	\$ 617,491	2,682.4%



Analysis of Net Assets

The System was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the System. Combined plan net assets increased by \$640.5 million over the last fiscal year. Looking at additions to and deductions from Plan net assets, this increase is directly attributable to the improved investment returns of 15.9%.

Employer contributions increased approximately \$17.4 million primarily due to higher required actuarial contribution rates across all plans except the Diamond State Port Corporation and an increased number of member employers in the County & Municipal plans. Member contributions increased by approximately \$0.7 million due to an increase in the number of active employees primarily in the County & Municipal plans. Transfers from outside the System increased by approximately 136% as a result of increased contributions from the Delaware Local Government Pool participants and transfers from the Post-Retiree Health Insurance Premium Fund to the State Employees' Pension Plan. Transfers from the Post-Retirement Increase Fund (PRI) increased by 7.4% reflecting the post retirement increase granted effective September 1, 2003.

Transfers of Assets Outside the System include transfers from the County & Municipal Police and Firefighters' COLA Fund (COLA Fund) to individual participating entities, a transfer to the Post-Retiree Health Insurance Premium Fund from the State Employees' Pension Plan, and a reversion from the COLA Fund as required by statute. The reversion from the COLA Fund was transferred to the Closed State Police Plan. Benefit payments increased by approximately 11.4% as a result of a 3.7% increase in the number of retirees over Fiscal Year 2003 and a post retirement increase granted to over 90% of our retirees effective September 1, 2003 which averaged 3%. Total administrative expenses (including special projects) decreased 11.6% to approximately \$4.6 million. This was mainly due to the completion of the eCRIS project in early Fiscal Year 2004 and the continued decreased reliance on outside computer contractors.

Historical Trends

Accounting standards require that the Statement of Plan Net Assets reports asset values at fair value and includes only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 38-39). The asset value stated in the Schedule of Funding Progress is the actuarial value of assets as determined by calculating the ratio of market value to book value of assets over a five-year period. The actuarial assumptions used in the most recent valuation are identified by plan on Schedule 3 - Notes to Trend Data (page 42).

Annual required contributions of employers and contributions made by employers in relation to the required contributions are provided in the Schedule of Employer Contributions (pages 40-41). This schedule indicates that employers are meeting their responsibilities to provide financial resources to the plans.



STATEMENT OF PLAN NET ASSETS

AS OF JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
ASSETS:						
Cash	\$ 3,762	16	412	26	496	42
Receivables:						
Employer Contributions	2,710	-	133	48	157	21
Member Contributions	1,648	-	93	8	77	14
Total Receivables:	\$ 4,358	-	226	56	234	35
Investments at Fair Value:						
Domestic Fixed Income	931,882	155	23,142	5,670	8,329	731
Domestic Equities	1,567,496	260	38,927	9,537	14,010	1,230
Pooled Equity & Fixed Income	1,262,104	209	31,343	7,678	11,281	991
Managed Futures	102,111	17	2,536	621	912	80
Private Investments	475,334	79	11,804	2,892	4,249	373
Short Term and Money Markets	128,860	18	3,135	773	1,094	74
Foreign Equities	773,792	128	19,216	4,708	6,917	607
Total Investments:	\$ 5,241,579	866	130,103	31,879	46,792	4,086
TOTAL ASSETS:	\$ 5,249,699	882	130,741	31,961	47,522	4,163
LIABILITIES:						
Transfer of Assets Outside the System	-	-	-	-	-	-
Benefits Payable	710	-	-	6	-	-
Accrued Administrative Expenses	309	-	4	1	7	1
TOTAL LIABILITIES:	\$ 1,019	-	4	7	7	1
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	\$ 5,248,680	882	130,737	31,954	47,515	4,162

(A Schedule of Funding Progress for each Plan is presented on pages 38-39)

The notes to the financial statements are an integral part of this Statement.



Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post- Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Post- Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals as of June 30,	
							2004	2003
23	25	2,140	505	-	-	2,888	\$ 10,335	\$ 8,380
-	27	-	1,355	-	-	-	4,451	3,395
-	13	-	-	-	-	2	1,855	1,826
-	40	-	1,355	-	-	2	\$ 6,306	\$ 5,221
1,744	1,384	1,078	92	2,714	2,039	-	978,960	931,235
2,933	2,328	1,813	155	4,566	3,430	-	1,646,685	1,195,211
2,362	1,875	1,459	124	3,676	2,762	-	1,325,864	1,708,682
191	152	118	11	297	224	-	107,270	103,462
889	706	550	47	1,384	1,040	-	499,347	456,366
224	160	148	15	374	281	-	135,156	115,283
1,448	1,149	895	76	2,254	1,693	-	812,883	362,493
9,791	7,754	6,061	520	15,265	11,469	-	\$ 5,506,165	\$ 4,872,732
9,814	7,819	8,201	2,380	15,265	11,469	2,890	\$ 5,522,806	\$ 4,886,333
-	-	530	-	-	-	-	530	4,630
3	-	-	3	-	-	-	722	734
-	2	-	-	-	-	3	327	253
3	2	530	3	-	-	3	\$ 1,579	\$ 5,617
9,811	7,817	7,671	2,377	15,265	11,469	2,887	\$ 5,521,227	\$ 4,880,716

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
ADDITIONS:						
<u>Contributions:</u>						
Employer Contributions	\$ 57,459	-	3,125	1,235	3,179	321
Transfer of Contributions from PRI Fund	27,790	-	36	253	-	-
Transfer of Assets from Outside the System	1,500	-	-	-	-	-
Member Contributions	36,007	-	2,436	249	1,696	168
Other	-	-	14	-	-	-
Total Contributions:	\$ 122,756	-	5,611	1,737	4,875	489
<u>Investments:</u>						
Investment Earnings	116,956	20	2,904	711	1,045	92
Net Increase in Fair Value	631,656	115	15,065	3,817	5,193	461
	\$ 748,612	135	17,969	4,528	6,238	553
Less Investment Manager/Advisor/Custody Fees	(15,995)	(3)	(397)	(97)	(143)	(13)
Less Investment Administrative Expenses	(279)	-	(7)	(2)	(2)	-
Total Net Investment Earnings:	\$ 732,338	132	17,565	4,429	6,093	540
TOTAL ADDITIONS:	\$ 855,094	132	23,176	6,166	10,968	1,029
<u>DEDUCTIONS:</u>						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	1,500	-	-	-	-	-
Benefit Payments	243,238	119	922	2,177	447	61
Refunds of Contributions to Members	2,333	-	75	60	48	19
Group Life Payments	4,479	21	-	-	-	-
Administrative Expenses	4,622	-	-	-	-	-
Allocation of Administrative Expenses	(250)	3	53	8	60	29
TOTAL DEDUCTIONS:	\$ 255,922	143	1,050	2,245	555	109
NET INCREASE/(DECREASE):	\$ 599,172	(11)	22,126	3,921	10,413	920
NET ASSETS HELD IN TRUST FOR PENSION						
BENEFITS BEGINNING OF YEAR:	\$ 4,649,508	893	108,611	28,033	37,102	3,242
NET ASSETS HELD IN TRUST FOR PENSION						
BENEFITS END OF YEAR:	\$ 5,248,680	882	130,737	31,954	47,515	4,162

The notes to the financial statements are an integral part of this Statement.



Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals for Fiscal Years ended June 30,	
							2004	2003
694	346	-	20,744	-	-	19,420	\$ 106,523	\$ 89,140
-	-	-	-	-	-	-	28,079	26,152
-	-	2,660	-	2,852	1,500	6	8,518	3,612
208	164	-	-	-	-	53	40,981	40,280
-	-	-	-	-	-	-	14	10
902	510	2,660	20,744	2,852	1,500	19,479	\$ 184,115	\$ 159,194
219	174	135	11	341	256	51	122,915	121,646
1,132	898	888	837	1,537	1,361	-	662,960	41,739
1,351	1,072	1,023	848	1,878	1,617	51	\$ 785,875	\$ 163,385
(30)	(24)	(18)	(1)	(46)	(35)	-	(16,802)	(13,554)
(1)	-	-	-	(1)	(1)	-	(293)	(223)
1,320	1,048	1,005	847	1,831	1,581	51	\$ 768,780	\$ 149,608
2,222	1,558	3,665	21,591	4,683	3,081	19,530	\$ 952,895	\$ 308,802
-	-	-	28,079	-	-	-	28,079	26,152
-	-	2,356	-	-	1,500	-	5,356	7,399
1,108	199	-	-	-	-	18,901	267,172	239,859
31	23	-	-	-	-	3	2,592	2,973
-	-	-	-	-	-	63	4,563	4,172
-	-	-	-	-	-	-	4,622	5,227
17	30	-	-	-	-	50	-	-
1,156	252	2,356	28,079	-	1,500	19,017	\$ 312,384	\$ 285,782
1,066	1,306	1,309	(6,488)	4,683	1,581	513	\$ 640,511	\$ 23,020
8,745	6,511	6,362	8,865	10,582	9,888	2,374	\$4,880,716	\$4,857,696
9,811	7,817	7,671	2,377	15,265	11,469	2,887	\$5,521,227	\$4,880,716

1. Plan Descriptions and Contribution Information

The State of Delaware General Assembly enacted legislation to provide for the following State-sponsored pension plans:

- ◆ State Employees' Pension Plan.
- ◆ Special Pension Plan.
- ◆ New State Police Pension Plan.
- ◆ Judiciary Pension Plans (Closed and Revised).
- ◆ County & Municipal Police and Firefighters' Pension Plans.
- ◆ County & Municipal Other Employees' Pension Plan.
- ◆ Volunteer Firemen's Pension Plan.
- ◆ Diamond State Port Corporation Pension Plan.
- ◆ Closed State Police Pension Plan.

With the exception of the Diamond State Port Corporation Pension Plan, the General Assembly is responsible for setting benefits and contributions and amending plan provisions. The Board of Directors for the Diamond State Port Corporation is responsible for setting benefits and contributions and amending their plan provisions.

As of June 30, 2004, employee membership data related to each of the Plans was as follows:

Plan	Retirees & Beneficiaries Currently Receiving Benefits	Terminated Employees Entitled to Benefits But Not Yet Receiving Them	Active Participants	Total Membership	Total Participating Employers
State Employees'	17,612	984	32,498	51,094	7
Special	31	-	-	31	N/A
New State Police	33	8	591	632	1
Judiciary	37	-	52	89	1
County & Municipal Police/Firefighters'	23	12	563	598	15
County & Municipal Other Employees'	15	1	221	237	18
Volunteer Firemen's	1,210	10	5,055	6,275	61
Diamond State Port Corporation	21	3	259	283	1
Closed State Police	558	-	27	585	1
Total:	19,540	1,018	39,266	59,824	105

The following are brief descriptions of the individual plans. For a more complete description, please refer to the plan documents.

State Employees' Pension Plan

Plan Description and Eligibility: The State Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

Service Benefits: Final average monthly compensation multiplied by 2.0% and multiplied by years of credited service prior to January 1 1997, plus final average compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three years of compensation.

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age.

Disability Benefits: Same as Service Benefits. Employee must have 5 years of credited service.

Survivor Benefits: If employee is receiving a pension or is active with at least 5 years of credited service, eligible survivor receives 50% (or 75% with 3% reduction of benefit) of the benefit the employee would have received at age 62.

Contributions:
Employer - determined by Board of Pension Trustees.
Employee - 3% of earnings in excess of \$6,000.

Death Benefit: \$7,000 per member.

Special Pension Plan

Plan Description and Eligibility: The Special Pension Plan is a cost-sharing multiple employer defined benefit plan that covers benefits granted to certain retirees or groups of retirees through legislation passed by the General Assembly.

Service Benefits: Defined by special legislation.

Vesting: Not applicable.

Retirement: Not applicable.

Disability Benefits: Not applicable.

Survivor Benefits: Same as State Employees' Plan.

Contributions: Employer contributions are actuarially determined and fully funded in advance by the General Assembly.

Death Benefit: \$7,000 per member.

New State Police Pension Plan

Plan Description and Eligibility: The New State Police Pension Plan is a single-employer defined benefit plan that covers all State police officers appointed on or after July 1, 1980.

Service Benefits: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 10 years of credited service at age 62.

Retirement: Age 55 with 10 years of credited service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits:
Duty - *Total Disability* - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.
Partial Disability - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Non-Duty - Same as Service Benefits.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of compensation.

Contributions:
Employer - determined by Board of Pension Trustees.
Employee - 7% of compensation.

Death Benefit: \$7,000 per member.



Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

The Closed Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed before July 1, 1980.

The Revised Judiciary Pension Plan is a single-employer defined benefit plan that covers members of State Judiciary appointed on or after July 1, 1980 or members appointed before July 1, 1980 who accept the provisions of this Plan.

Assets of one plan can be used to satisfy the liabilities of the other plan.

Service Benefits:

Closed - 3% of final average compensation multiplied by years of credited service, subject to maximum and minimum limitations.

Revised - 1/24th of final average monthly compensation multiplied by years of service up to 12 years, plus 1/48th of final average monthly compensation, multiplied by years of service from 13 to 24 years, subject to maximum limitations.

For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 12 years of credited service.

Retirement:

Closed - Age 65 with 12 years of credited service, or any age with 24 years of credited service.

Revised - Age 62 with 12 years of credited service, or any age with 24 years of credited service.

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

Closed - If employee is receiving a pension, then eligible survivor receives 2/3 of pension; if employee is active with 12 years of credited service, then eligible survivor receives 2/3 of pension the employee would have been eligible to receive.

Revised - If employee is receiving a pension, then eligible survivor receives 1/2 of pension (2/3 with 3% reduction); if employee is active, eligible survivor receives 2/3 of pension the employee would have received at age 62.

Contributions:

Employer - determined by Board of Pension Trustees.

Employee -

Closed - \$500 per year for the first 25 years of service.

Revised - 3% of earnings that exceed \$6,000 per year, plus 2% of earnings that exceed the Social Security Wage Base for the first 24 years of service.

Death Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension Plans

Plan Description and Eligibility: County & Municipal Police and Firefighters' Pension Plan, both FICA and Non-FICA, are cost-sharing multiple employer defined benefit plans that cover police officers and firefighters employed by a county or municipality of the State which has become part of the Plan.

Service Benefits: 1/40th of final average monthly compensation multiplied by years of credited service, subject to limitations. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 10 years of credited service.

Retirement: Age 62 with 10 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits:

Duty - Total Disability - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Partial Disability - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Non-Duty - Same as Service Benefits.

Survivor Benefits: If employee is receiving a pension, then eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - FICA covered - 5% of compensation.

Non-FICA covered - 7% of compensation.

Death Benefit: Not applicable.



County & Municipal Other Employees' Pension Plan

Plan Description and Eligibility: County & Municipal Other Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers employees of counties or municipalities which have become part of the Plan.

Service Benefits: 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, final average monthly compensation is the monthly average of the highest five years of compensation.

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.

Disability Benefits: Same as Service Benefits. Employee must have 5 years of credited service.

Survivor Benefits: If employee is receiving a pension or is active with at least 5 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions:
Employer - determined by Board of Pension Trustees.
Employee - 3% of earnings in excess of \$6,000, plus 2% of earnings that exceed the Social Security Wage Base.

Death Benefit: Not applicable.

Volunteer Firemen's Pension Plan

Plan Description and Eligibility: The Volunteer Firemen's Pension Plan is a cost-sharing multiple employer defined benefit plan which covers all actively participating volunteers of fire departments, ladies auxiliaries, or ambulance organizations within the State of Delaware.

Service Benefits: \$5 multiplied by years of credited service (not to exceed 25 years) per month.

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:
Employer - determined by Board of Pension Trustees.
Volunteer Member - \$60 per member per calendar year.

Death Benefit: Not applicable.

Diamond State Port Corporation Pension Plan

Plan Description and Eligibility: The Diamond State Port Corporation Pension Plan is a single-employer defined benefit plan which covers all employees of the Diamond State Port Corporation.

Service Benefits: 1.75% of final average monthly compensation multiplied by the years of credited service (not to exceed 30 years). For this plan, final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the last ten years of employment.

Vesting: 5 years of credited service.

Retirement: Age 65 with 5 years of credited service; or age (not less than 55 years) plus credited service equals 90.

Disability Benefits: Same as Service Benefits. Employee must have 15 years of credited service.

Survivor Benefits: If employee is receiving a pension or is active with at least 15 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 65.

Contributions:
Employer - determined by Board of Pension Trustees.
Employee - 2% of compensation.

Death Benefit: Not applicable.

Closed State Police Pension Plan

Plan Description and Eligibility: The Closed State Police Pension Plan is a single-employer defined benefit plan that covers all State police officers appointed before July 1, 1980.

Service Benefits: 50% of monthly salary.

Vesting/Retirement:
20 years of credited service or age 55.

Disability Benefits: Duty - 75% of monthly salary.
Non-Duty - Same as Service Benefits.

Survivor Benefits: If employee is active or is receiving a service or service-related disability pension, the eligible survivor receives 75% of pension; if employee is receiving a non-service related disability pension, eligible survivor receives 50% of pension.

Contributions:

Employer - The Closed State Police Plan is funded on a pay-as-you-go basis.

Employee - 5% of salary with 20 years or less of credited service; 2% of salary with over 20 years credited service.

Death Benefit: \$7,000 per member.

2. Fund Descriptions and Contributions

County & Municipal Police and Firefighters' COLA Fund

During 1990, the State of Delaware passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans. This mechanism allows the State to appropriate funds to a separate COLA Fund managed by the Board of Pension Trustees (Board). The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are transferred to the State and local governments on a per member basis. The portion of the tax payable relating to the State Police is re-directed into the COLA Fund. When a participating employer grants a post-retirement increase, funds are transferred from the COLA Fund to the employer. The participating employer must provide funds to match the State's contribution.

Post-Retirement Increase Fund

During 1993, the State of Delaware passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to employees retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in Fiscal Year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate Post-Retirement Increase Fund (PRI) managed by the Board. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI Fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed.

Investment Trust Fund

In June 1996, the State of Delaware passed legislation which established the Delaware Local Government Retirement Investment Pool (DELRIP) in the custody of the Board to allow local governments within the State of Delaware the option to pool their pension assets with the System. The DELRIP is an external investment pool that allows local governments to maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is totally voluntary. There were two participating entities in DELRIP as of June 30, 2004 which comprise the pool in its entirety. Schedules of net assets and changes in net assets may be found in the Supporting Schedules section of this report in accordance with Government Accounting Standards Board (GASB) Statement 31 (pages 46-47). No separate comprehensive annual report is issued for this Pool.



DELRIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any legal binding guarantees during the year to support the value of shares. The fair value of the shares in the pool is determined in the same manner as the value of the Master Trust shares (see page 34). Since this pool is a portion of the total System, the same accounting and investment policies described in the following financial footnotes apply.

Post-Retirement Health Insurance Premium Fund

The Post-Retirement Health Insurance Premium Fund, which was established in June of 2000, is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of the State Employees' Pension Plan. The State of Delaware provides health insurance to eligible retirees and their dependents. The State Legislature under 29 Del Code Chapter 52 has the authority to establish and amend benefit provisions, including contributions requirements. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums. For the Fiscal Year ended June 30, 2004, plan members contributed \$2.5 million, or 3.0% of total premiums through their required contributions. The State of Delaware is required to contribute the balance of the current premium cost (\$79.8 million, or 97.0% of total premiums for Fiscal Year 2004). These additional funds are deposited in a separate fund managed by the Board. Pre-funding levels are set annually by the Delaware State Legislature as a part of the budget process. Funding began in July 2001 in the amount of 0.65% of payroll. Funding for Fiscal Year 2003 was 0.37% of payroll. Funding was suspended for Fiscal Years 2004 and continues to be suspended for Fiscal Year 2005.

3. Summary of Significant Accounting Policies

Reporting Entity

The management of all the Plans and Funds in the System is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation of the System is the responsibility of the Office of Pensions. Although the assets of the Plans and Funds are commingled for investment purposes, each Plan's or Fund's assets may be used only for the payment of benefits to the members of that Plan or Fund in accordance with the terms of that Plan or Fund.

Although separate financial statements are presented for the System as a whole, the System is also considered a component unit of the State of Delaware financial reporting entity.

Basis of Accounting

The financial statements are presented on the accrual basis. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan or Fund.

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Certain Fiscal Year 2003 amounts have been reclassified to conform with the 2004 presentation.



The following GASB pronouncements were issued as of June 30, 2004, however, are not required to be implemented at this time:

GASB STATEMENT 43: Postemployment Benefit Plans other than Pensions. This Statement establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (for example, health insurance, life insurance). Implementation will be required in the Fiscal Year 2007 annual report. The adoption of this Statement is not anticipated to have a material impact on the System's financial position or results of operations.

GASB STATEMENT 44: Economic Condition Reporting: The Statistical Section. This Statement establishes the objectives of the statistical section and the five categories of information it contains: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information. Implementation will be required in the Fiscal Year 2006 annual report. The adoption of this Statement is not anticipated to have a material impact on the System's financial position or results of operations.

GASB STATEMENT 45: Employer Accounting for Other Postemployment Benefits. This Statement addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Implementation will be required in the Fiscal Year 2007 annual report. The adoption of this Statement is not anticipated to have a material impact on the System's financial position or results of operations.

Investments

All of the investment assets of the Plans and Funds, with the exception of the Closed State Police Pension Plan, are pooled and invested in a common Master Trust. Each of the Plans or Funds described herein participate in the Master Trust based on funds contributed and earnings allocated.

Investments are presented at fair value. Fair values are determined by quoted market prices based on national exchanges when available. Venture capital and other limited partnership values are determined based on appraised values which approximate fair value.

Administrative Expenses

Expenses for the administration of the System are budgeted and approved by the Board and are paid from the assets of the System.

4. Deposits and Investments

In March 2003, GASB issued Statement No. 40, "Deposit and Investment Risk Disclosures." The System has chosen to early implement this Statement. Adoption of this Statement had no material impact on the System's financial statements.

Investment Policy

There are no State statutes setting forth allowable investments for the System. The investment decisions are dictated by the internal investment policy established by the Board as outlined below:

- ◆ maintain a minimum of 20% - 25% of total assets of the System in fixed income investments such as bonds and other short-term investments (assets with maturity of less than one year);
- ◆ conduct an ongoing review of prospective risk levels and rates of return available from all classes of assets eligible for investment;
- ◆ employ a diversity of investment managers with demonstrated skills in managing funds through different styles of management with expertise in particular kinds of assets such as stocks, bonds, real estate, mortgages, venture capital, money market instruments, or combinations thereof; and
- ◆ closely monitor the performance of all investment managers not only in relation to specific absolute objectives, but also in relation to other fund managers following similar investment objectives.

For the Fiscal Year ended June 30, 2004, the System has operated in all material respects in accordance with these policies.

Investments

The following is a listing of directly held fixed income and short term investments and related maturity schedule.

Investment Type	Fair Value	Investment Maturities (in Years)					
		Less than 1	1 - 4.9	5 - 9.9	10 - 19.9	20 - 30	More than 30
Financials	\$ 74,887	\$ 9,761	18,598	26,960	7,318	12,250	-
Foreign Government	59,257	-	31,007	15,507	3,520	9,223	-
Industrials	248,728	2,260	36,908	148,873	19,223	41,464	-
Other Bonds/Bond Mutual Funds	111,226	81	34,423	17,771	11,974	33,948	13,029
Telephone	46,011	-	4,153	14,423	12,016	15,419	-
Transportation	5,666	-	1,060	356	3,482	768	-
Treasury Notes & Bonds	93,576	1,759	57,994	15,411	14,362	4,050	-
U.S. Agencies	112,687	7,449	40,249	10,497	14,666	39,166	660
Utilities	34,267	-	6,043	14,123	3,156	10,945	-
World Bank	14,857	-	10,779	1,527	1,148	1,403	-
Certificates of Deposit	20,201	20,201	-	-	-	-	-
Discount Commercial Paper	123,656	123,656	-	-	-	-	-
Discount Commercial Notes	18,665	18,665	-	-	-	-	-
Total:	\$ 963,684	\$ 183,832	241,214	265,448	90,865	168,636	13,689

Interest Rate Risk

The State has delegated investment policy for the System to the Board and its Committees. The Investment Committee sets its own rigorous policy in conjunction with the Board to manage and review the System's exposure to interest rates.

Credit Risk

The System's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices. As of June 30, 2004, the System's fixed income and short-term investments had the following risk characteristics:

Moody's Ratings or Comparable	Percent of Total Fund	Market Value <i>(expressed in thousands)</i>	Callable Amount <i>(expressed in thousands)</i>	Callable Dates
AAA to A	10.1%	\$ 557,980	\$ 10,655	through August 15, 2009
BBB to B	6.6%	366,753	170,839	through April 15, 2007
CCC to C	0.3%	17,586	23,547	through March 1, 2009
Less than C	0.0%	-	-	-
Not Rated	0.4%	21,365	7,240	through April 15, 2006
Total:	17.5%	\$ 963,684	\$ 212,281	

Custodial Credit Risk

Of the System's \$10,335,000 cash balance, \$423,000 represents pooled deposits held by the State Treasurer's Office. The balance of \$9,912,000 represents pooled deposits in short-term investments held by the custodian bank. Both of these accounts are uninsured and uncollateralized.

Investments in Excess of 5% of Net Assets Held in Trust for Pension Benefits

The following managers have investments at fair value in excess of 5% of the System's net assets held in trust for pension benefits as of June 30, 2004:

	Fair Value <i>(expressed in thousands)</i>
Mellon Capital Asset Allocation Fund	\$ 1,244,914
T. Rowe Price Natural Resource	444,962
Oaktree International Convertibles	373,185
Lincoln Capital - Fixed	333,855

Management Fees

The System has paid \$14.2 million and \$12.7 million in management fees to the venture capital limited partnerships and transition managers for the Fiscal Years ended June 30, 2004 and 2003, respectively. These fees are netted against investment income.

Investment Commitments

The System has made commitments to invest up to an additional \$205.5 million in venture capital limited partnerships in varying amounts as of June 30, 2004, to be drawn down as called over a period of years.



Risk Management

Risks of loss to the System, investment losses and other, are covered by the System. Fixed assets used by the System are considered to be the property of the State of Delaware at an approximate book value of \$443,000. Risk of loss related to worker's compensation, self-insurance, theft, torts, and other similar risks, is assumed by the State of Delaware.

Foreign Investments/Forward Exchange Contracts

Foreign investments include equity securities, bonds, and short-term investments.

In conjunction with certain of these foreign investments, the System has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. At June 30, 2004, the System had one directly held open forward exchange contract in the amount of \$54,000 with a close date of July 2, 2004. This contract was not renewed; however, the System continues to invest in similar contracts.

Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels, or currency exchange rates. In June 1994, the Board adopted a formal written policy on the use of derivatives which is reviewed periodically. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis; so-called "exotic" derivatives and leverage are never used as appropriate investment vehicles. Managers authorized to use derivatives do so to reduce foreign exchange risk and minimize transaction costs. Managers may also use derivatives as part of an overall strategy to enhance returns.

The following lists principal categories of derivatives and their uses during the year:

Category	Purpose
Foreign exchange forward contracts	Hedge currency risk of investments denominated in foreign currencies
Exchange traded equity futures	Reduce transaction costs; hedge equity market risk; enhance return
Exchange traded fixed income futures	Reduce transaction costs; control portfolio duration; enhance return
Exchange traded options	Enhance return; reduce transaction costs
Asset backed securities	Enhance return

Generally, derivatives are subject both to market risk and to counterparty risk. The derivatives utilized by the System typically have no greater market risk than their physical counterparts, and in many cases are offset by exposures elsewhere in the portfolio (for example, a short S&P 500 futures contract partially hedging a long position in S&P 500 securities). Counterparty risk, the risk that the "other party" to a contract will default, is managed by utilization of exchange traded futures and options where practical (in which case the futures exchange is the counterparty and guarantees performance) and by careful screening of counterparties where use of exchange traded products is impractical or uneconomical.

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMO), commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

The Board believes that it is unlikely that any of the derivatives used by managers of the System could have a material adverse effect on its financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS

(dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2)	(3)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6)
			Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)			UAAL as a % of Covered Payroll (3)/(5)
State Employees**	30-Jun-2004	\$ 5,387,560	\$ 5,229,927	\$ (157,633)	103.0%	\$ 1,399,279	(11.3%)
	30-Jun-2003	5,125,442	4,794,944	(330,498)	106.9%	1,355,800	(24.4%)
	30-Jun-2002	4,956,156	4,521,732	(434,424)	109.6%	1,351,112	(32.2%)
	30-Jun-2001	4,759,031	4,232,244	(526,787)	112.4%	1,270,632	(41.5%)
	30-Jun-2000	4,409,079	3,769,596	(639,483)	117.0%	1,198,626	(53.4%)
	30-Jun-1999	3,888,852	3,350,127	(538,725)	116.1%	1,125,857	(47.9%)
Special	30-Jun-2004	\$ 933	\$ 785	\$ (148)	118.9%	N/A	N/A
	30-Jun-2003	1,009	768	(241)	131.4%	N/A	N/A
	30-Jun-2002	1,832	742	(1,090)	246.9%	N/A	N/A
	30-Jun-2001	1,866	993	(873)	187.9%	N/A	N/A
	30-Jun-2000	1,834	834	(1,000)	219.9%	N/A	N/A
	30-Jun-1999	1,720	826	(894)	208.2%	N/A	N/A
New State Police*	30-Jun-2004	\$ 134,507	\$ 128,932	\$ (5,575)	104.3%	\$ 36,718	(15.2%)
	30-Jun-2003	120,457	106,272	(14,185)	113.3%	31,778	(44.6%)
	30-Jun-2002	109,615	91,928	(17,687)	119.2%	30,281	(58.4%)
	30-Jun-2001	99,138	80,040	(19,098)	123.9%	27,624	(69.1%)
	30-Jun-2000	86,810	68,367	(18,443)	127.0%	25,558	(72.2%)
	30-Jun-1999	72,425	54,713	(17,712)	132.4%	23,518	(75.3%)
Judiciary*	30-Jun-2004	\$ 32,841	\$ 38,864	\$ 6,023	84.5%	\$ 7,672	78.5%
	30-Jun-2003	30,961	32,319	1,358	95.8%	7,173	18.9%
	30-Jun-2002	29,049	30,122	1,073	96.4%	7,329	14.6%
	30-Jun-2001	27,231	29,635	2,404	91.9%	6,371	37.7%
	30-Jun-2000	24,884	28,108	3,224	88.5%	5,794	55.6%
	30-Jun-1999	21,256	25,402	4,146	83.7%	5,673	73.1%
County & Municipal Police and Firefighters'	30-Jun-2004	\$ 48,893	\$ 45,204	\$ (3,689)	108.2%	\$ 27,930	(13.2%)
	30-Jun-2003	41,228	36,698	(4,530)	112.3%	24,128	(18.8%)
	30-Jun-2002	35,053	30,344	(4,709)	115.5%	21,342	(22.1%)
	30-Jun-2001	29,389	29,465	76	99.5%	19,605	1.1%
	30-Jun-2000	23,496	23,582	86	99.3%	18,011	1.4%
	30-Jun-1999	17,272	17,697	425	96.0%	15,230	8.6%



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS (continued)

(dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
County & Municipal Other Employees'	30-Jun-2004	\$ 4,275	\$ 3,340	\$ (935)	128.0%	\$ 7,474	(12.5%)
	30-Jun-2003	3,602	3,332	(270)	108.1%	6,209	(4.3%)
	30-Jun-2002	3,033	2,816	(217)	107.7%	2,545	(8.5%)
	30-Jun-2001	2,794	2,962	168	94.3%	2,292	7.3%
	30-Jun-2000	2,410	2,604	194	92.5%	2,004	9.7%
	30-Jun-1999	1,783	2,272	489	78.5%	1,706	28.7%
Diamond State Port Corporation	30-Jun-2004	\$ 8,140	\$ 9,049	\$ 909	88.5%	\$ 8,950	10.2%
	30-Jun-2003	7,328	7,056	(272)	103.9%	8,636	(3.1%)
	30-Jun-2002	6,675	6,617	(58)	100.9%	9,354	(0.6%)
	30-Jun-2001	6,044	5,618	(426)	107.6%	8,788	(4.8%)
	30-Jun-2000	5,188	5,222	34	99.3%	7,715	0.4%
	30-Jun-1999	4,171	4,951	780	84.2%	7,637	10.2%
Closed State Police+	30-Jun-2004	\$ 2,979	\$ 285,044	\$ 282,065	1.0%	\$ 2,608	10,815.4%
	30-Jun-2003	2,322	318,250	315,928	0.7%	2,869	11,011.8%
	30-Jun-2002	2,036	318,687	316,651	0.6%	3,105	10,198.1%
	30-Jun-2001	1,749	306,194	304,445	0.6%	3,247	9,376.2%
	30-Jun-2000	1,468	302,795	301,327	0.5%	3,888	7,750.2%
	30-Jun-1999	1,164	304,438	303,274	0.4%	4,930	6,151.6%
Volunteer Firemen's	30-Jun-2004	\$ 10,121	\$ 21,950	\$ 11,829	46.1%	\$ 5,055	\$ 2,340
	30-Jun-2003	9,644	15,619	5,975	61.7%	4,933	1,211
	30-Jun-2002	9,333	14,940	5,607	62.5%	4,856	1,155
	30-Jun-2001	9,022	13,837	4,815	65.2%	4,769	1,010
	30-Jun-2000	8,412	13,703	5,291	61.4%	4,579	1,155
	30-Jun-1999	7,447	13,077	5,630	56.9%	4,706	1,196

* Excludes liability and amortization payments due to ad hoc benefit adjustments. This liability is funded from the Post-Retirement Increase Fund and is funded over five years.

+ The Closed State Police Pension Plan is a pay-as-you-go pension plan.

++ Not expressed in thousands.



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees**	30-Jun-2004	\$ 57,459	100.00%
	30-Jun-2003	40,175	100.00%
	30-Jun-2002	18,148	100.00%
	30-Jun-2001	20,542	100.00%
	30-Jun-2000	43,433	100.00%
	30-Jun-1999	52,338	100.00%
Special	30-Jun-2004	\$ -	N/A
	30-Jun-2003	-	N/A
	30-Jun-2002	-	N/A
	30-Jun-2001	-	N/A
	30-Jun-2000	-	N/A
	30-Jun-1999	-	N/A
New State Police*	30-Jun-2004	\$ 3,125	100.00%
	30-Jun-2003	2,786	100.00%
	30-Jun-2002	2,476	100.00%
	30-Jun-2001	2,480	100.00%
	30-Jun-2000	2,585	100.00%
	30-Jun-1999	2,624	100.00%
Judiciary*	30-Jun-2004	\$ 1,235	100.00%
	30-Jun-2003	1,342	100.00%
	30-Jun-2002	1,399	100.00%
	30-Jun-2001	1,333	100.00%
	30-Jun-2000	1,666	100.00%
	30-Jun-1999	1,327	100.00%
County & Municipal Police and Firefighters'	30-Jun-2004	\$ 3,179	100.00%
	30-Jun-2003	2,931	100.00%
	30-Jun-2002	2,779	100.00%
	30-Jun-2001	2,664	100.00%
	30-Jun-2000	2,771	100.00%
	30-Jun-1999	2,025	100.00%



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS (continued)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
County & Municipal Other Employees'	30-Jun-2004	\$ 321	100.00%
	30-Jun-2003	248	100.00%
	30-Jun-2002	92	100.00%
	30-Jun-2001	165	100.00%
	30-Jun-2000	352	100.00%
	30-Jun-1999	158	100.00%
Volunteer Firemen's	30-Jun-2004	\$ 694	100.00%
	30-Jun-2003	667	100.00%
	30-Jun-2002	586	100.00%
	30-Jun-2001	618	100.00%
	30-Jun-2000	645	100.00%
	30-Jun-1999	660	100.00%
Diamond State Port Corporation	30-Jun-2004	\$ 346	100.00%
	30-Jun-2003	333	100.00%
	30-Jun-2002	341	100.00%
	30-Jun-2001	386	100.00%
	30-Jun-2000	389	100.00%
	30-Jun-1999	407	100.00%
Closed State Police	30-Jun-2004	\$ 27,747	70.21%
	30-Jun-2003	27,654	68.00%
	30-Jun-2002	27,831	64.00%
	30-Jun-2001	27,709	62.00%
	30-Jun-2000	28,208	57.50%
	30-Jun-1999	28,716	54.50%

*Totals do not include Post-Retirement Increase Fund Contributions.



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 3 - NOTES TO TREND DATA

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

Plan	State Employees'	Special	New State Police	Judiciary	Closed State Police
Valuation Date	30-Jun-2004	30-Jun-2004	30-Jun-2004	30-Jun-2004	30-Jun-2004
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases and Open for Aggregate Gain/Loss	N/A	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	16.1 years	N/A	16 years	17 years	32 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market

Actuarial Assumptions:

Investment rate of return	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases*	4.3% to 10.1%	N/A	4.8% to 16.7%	4.3% to 13.1%	4.8% to 16.7%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

Plan	County & Municipal Police and Firefighters'	County & Municipal Other Employees	Volunteer Firemen's	Diamond State Port Health Insurance Corporation	Post-Retirement Premium Fund
Valuation Date	30-Jun-2004	30-Jun-2004	30-Jun-2004	30-Jun-2004	30-Jun-2004
Actuarial Cost Method	Entry Age Normal**	Entry Age Normal**	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	23 years	18 years	30 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market

Actuarial Assumptions:

Investment rate of return	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases*	4.3% to 15.7%	4.3% to 10.1%	N/A	4.8%	4.3% to 10.1%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc

* Projected salary increases include an inflation component of 3.75% for all plans. A more detailed discussion of projected salary increases may be found on page 69.

** Actuarial cost method changed to Entry Age Normal from Frozen Initial Liability effective June 30, 2002.



Supporting Schedules

SCHEDULE 4 - SCHEDULE OF ADMINISTRATIVE EXPENSES

(dollar values expressed in thousands)

	Fiscal 2004	Fiscal 2003	Change	
			Dollars	Percent
Personal Services:				
Salaries	\$ 2,001	\$ 2,026	\$ (25)	(1.2%)
Fringe Benefits	687	664	23	3.5%
Total Personal Services:	\$ 2,688	\$ 2,690	\$ (2)	(0.1%)
Professional Services:				
Actuarial	166	142	24	16.9%
Audit	52	53	(1)	(1.9%)
Medical Services	14	15	(1)	(6.7%)
State Agency Support Services	21	15	6	40.0%
Other Professional Services	2	3	(1)	(33.3%)
Total Professional Services:	\$ 255	\$ 228	\$ 27	11.8%
Communication:				
Printing	49	28	21	75.0%
Telephone	31	37	(6)	(16.2%)
Postage	127	129	(2)	(1.6%)
Travel	24	14	10	71.4%
Other Communications	25	15	10	66.7%
Total Communications:	\$ 256	\$ 223	\$ 33	14.8%
Data Processing:				
Contractual Services	31	105	(74)	(70.5%)
Training	11	-	11	100.0%
Maintenance	265	222	43	19.4%
Equipment - Hardware	49	24	25	104.2%
Equipment - Software	5	21	(16)	(76.2%)
Total Data Processing:	\$ 361	\$ 372	\$ (11)	(3.0%)
Rentals:				
Equipment Leasing	7	8	(1)	(12.5%)
Fleet Services	5	5	-	0.0%
Office Space	441	425	16	3.8%
Total Rentals:	\$ 453	\$ 438	\$ 15	3.4%
Miscellaneous:				
Supplies and Equipment	15	31	(16)	(51.6%)
Maintenance	2	7	(5)	(71.4%)
Continuing Education	8	12	(4)	(33.3%)
Temporary Employment Services	38	27	11	40.7%
Other Miscellaneous	3	2	1	50.0%
Total Miscellaneous:	\$ 66	\$ 79	\$ (13)	(16.5%)
General Administrative Expenses:	\$ 4,079	\$ 4,030	\$ 49	1.2%
eCRIS Project Administrative Expenses:	\$ 335	\$ 1,171	\$ (836)	(71.4%)
Disability Pension Review:	\$ 38	\$ 26	\$ 12	46.2%
Actuarial Experience Study:	\$ 60	\$ -	\$ 60	100.0%
Health Care Review:	\$ 45	\$ -	\$ 45	100.0%
Disaster Recovery Project:	\$ 65	\$ -	\$ 65	100.0%
Total Administrative Expenses:	\$ 4,622	\$ 5,227	\$ (605)	(11.6%)



SCHEDULE 5 -- SCHEDULE OF INVESTMENT EXPENSES*(dollar values expressed in thousands)*

	Fiscal 2004	Fiscal 2003	Change	
			Dollars	Percent
Custody Fees	\$ 889	\$ 617	\$ 272	44.1%
Investment Manager/Advisor Fees	15,913	12,937	2,976	23.0%
Pension Office Support Staff	293	223	70	31.4%
Total Investment Expenses:	\$ 17,095	\$ 13,777	\$ 3,318	24.1%



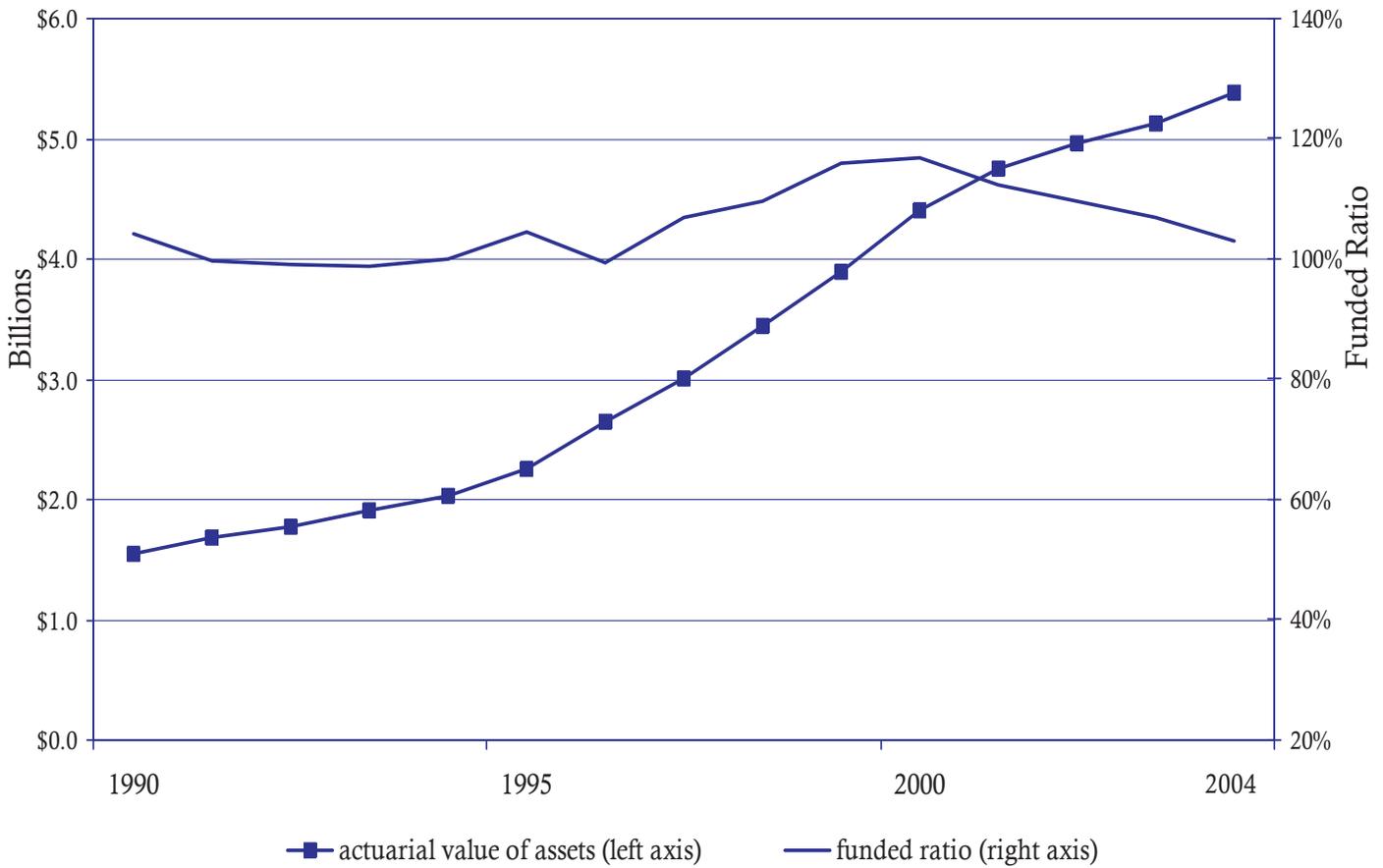
SCHEDULE OF PLAN NET ASSETS
OF THE DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
AS OF JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003
(expressed in thousands)

	Sussex County Gov't	Sussex County Gov't Post-Retirement Benefits Account	Town of Elsmere	<u>Totals as of June 30,</u>	
				2004	2003
ASSETS:					
Cash	\$ -	-	-	\$ -	\$ -
Receivables:	-	-	-	-	-
Employer Contributions	-	-	-	-	-
Member Contributions	-	-	-	-	-
Total Receivables:	\$ -	-	-	\$ -	\$ -
Investments at Fair Value:					
Domestic Fixed Income	2,118	305	291	2,714	2,023
Domestic Equities	3,563	512	491	4,566	2,596
Pooled Equity & Fixed Income	2,868	413	395	3,676	3,711
Managed Futures	232	33	32	297	224
Private Investments	1,080	155	149	1,384	991
Short Term and Money Markets	292	42	40	374	250
Foreign Equities	1,759	253	242	2,254	787
Total Investments:	\$ 11,912	1,713	1,640	\$ 15,265	\$ 10,582
TOTAL ASSETS:	\$ 11,912	1,713	1,640	\$ 15,265	\$ 10,582
LIABILITIES					
Transfer of Assets outside the System	\$ -	-	-	\$ -	\$ -
Benefits Payable	-	-	-	-	-
Accrued Administrative Expenses	-	-	-	-	-
TOTAL LIABILITIES:	\$ -	-	-	\$ -	\$ -
NET ASSETS HELD IN TRUST FOR					
POOL PARTICIPANTS:	\$ 11,912	1,713	1,640	\$ 15,265	\$ 10,582

**SCHEDULE OF CHANGES IN PLAN NET ASSETS
OF THE DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR JUNE 30, 2003**
(expressed in thousands)

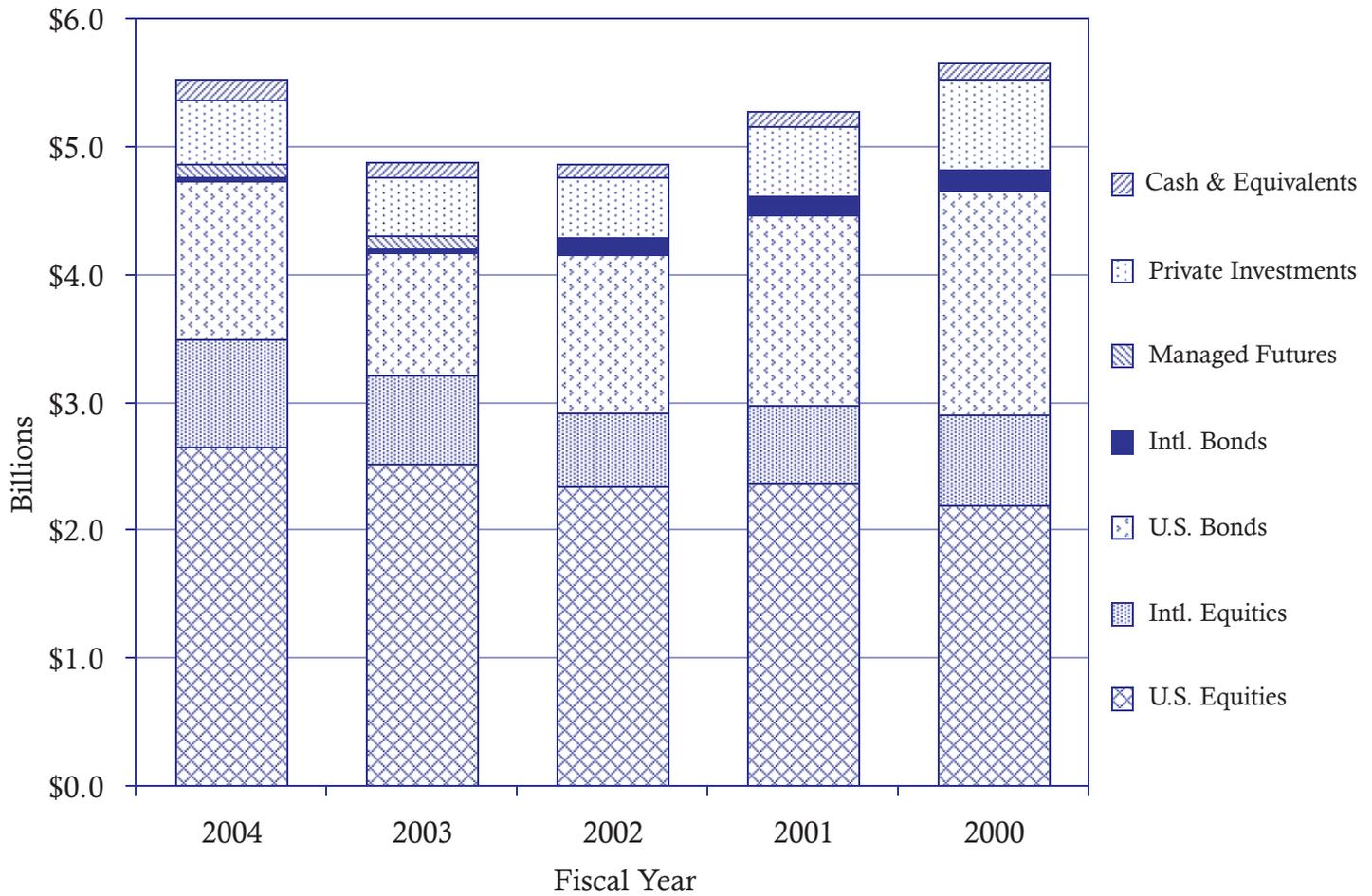
	Sussex County Gov't	Sussex County Gov't Post-Retirement Benefits Account	Town of Elsmere	Totals for Fiscal Years ended June 30,	
				2004	2003
ADDITIONS:					
Contributions:					
Employer Contributions	\$ -	-	-	\$ -	\$ -
Transfer of Contributions from PRI Fund	-	-	-	-	-
Transfer of Assets from Outside the System	1,852	1,000	-	2,852	783
Member Contributions	-	-	-	-	-
Other	-	-	-	-	-
Total Contributions:	\$ 1,852	1,000	-	\$ 2,852	\$ 783
Investments:					
Investment Earnings	266	38	37	\$ 341	\$ 264
Net Increase in Fair Value	1,210	133	194	1,537	153
	\$ 1,476	171	231	\$ 1,878	\$ 417
Less Investment Mgr./Advisor/Custody Fees	(36)	(5)	(5)	(46)	(30)
Less Investment Administrative Expenses	(1)	-	-	(1)	-
Total Net Investment Earnings:	\$ 1,439	166	226	\$ 1,831	\$ 387
TOTAL ADDITIONS:	\$ 3,291	1,166	226	\$ 4,683	\$ 1,170
DEDUCTIONS:					
Transfer of Contributions from PRI Fund	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-
Benefit Payments	-	-	-	-	-
Refunds of Contributions to Members	-	-	-	-	-
Group Life Payments	-	-	-	-	-
Administrative Expenses	-	-	-	-	-
Allocation of Administrative Expenses	-	-	-	-	-
TOTAL DEDUCTIONS:	-	-	-	-	-
NET INCREASE/(DECREASE):	\$ 3,291	1,166	226	\$ 4,683	\$ 1,170
NET ASSETS HELD IN TRUST FOR POOL					
PARTICIPANTS BEGINNING OF YEAR:	\$ 8,621	547	1,414	\$ 10,582	\$ 9,412
NET ASSETS HELD IN TRUST FOR POOL					
PARTICIPANTS END OF YEAR:	\$ 11,912	1,713	1,640	\$ 15,265	\$ 10,582

STATE EMPLOYEES' PENSION PLAN ACTUARIAL VALUE OF ASSETS AND FUNDED RATIO



Investment Section

FIVE-YEAR INVESTMENT COMPARISON



(expressed in millions)

Fiscal Years Ended June 30,

	2004	2003	2002	2001	2000
U.S. Equities*	\$ 2,655.7	\$ 2,520.7	\$ 2,340.5	\$ 2,371.0	\$ 2,197.6
International Equities	839.2	697.2	577.1	607.3	702.3
U.S. Bonds	1,242.3	950.8	1,234.8	1,483.8	1,761.4
International Bonds	27.6	28.8	132.1	147.8	152.9
Managed Futures	104.9	103.5	-	-	-
Private Investments	502.4	456.4	480.9	549.2	708.0
Cash & Equivalents	149.1	123.3	92.3	121.5	141.6
	\$ 5,521.2	\$ 4,880.7	\$ 4,857.7	\$ 5,280.6	\$ 5,663.8

*Real estate holdings in the form of Real Estate Investment Trusts are included in Equities.

Note: For these asset classifications, the Pooled Equity and Fixed Income accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the categories used in the financial section of pages 24-25.





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 STATE BOARD OF PENSION TRUSTEES
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August 17, 2004

Dear Board Members, Participants, and Beneficiaries:

The Board of Pension Trustees' Investment Committee (Committee) oversees the investment of the retirement funds of the Delaware Public Employees' Retirement System (System). The Committee's investment oversight includes the nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] that the Board of Pension Trustees (Board) administers and the four commingled pension funds [County & Municipal Police/Firefighters' COLA, Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DELRIP), and State Employees' Post-Retirement Health Insurance Premium] that the Board manages.

The Committee consists of four members appointed by the Board. The Committee operates within the following investment objectives established by the Board:

- ◆ To realize a real return of 3% per year over long periods.
- ◆ To control portfolio risk so as to limit downside price fluctuation of the total System.
- ◆ To realize as high a rate of total return as possible consistent with all of the above.

Investment decisions are further dictated by the Board's internal investment policy which requires a minimum of 20% - 25% of the total assets of the System to be invested in fixed income investments, such as bonds, cash equivalents, and certain real estate investments. The Committee monitors this policy with the assistance of the Investment Advisor. Also, the Committee reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by selecting managers whose demonstrated performance reflects different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives.

Board Members, Participants, and Beneficiaries

Page 2

August 17, 2004

The System returned 15.9% for Fiscal Year 2004. The total System's annualized rate of return over the last five, ten, and fifteen years was 4.4%, 10.6%, and 10.1%, respectively. As reported by a major performance ranking comparison service, the System's investment performance ranks in the second quartile for this fiscal year, in the first quartile of public funds for the five-year period, and in the top decile for the most recent ten-year period. For the period ending June 30, 2004, the System market value totaled \$5.5 billion representing an increase in assets from June 30, 2003 of \$640.5 million.

The investment climate during the latest fiscal year improved substantially over the prior three years. Despite subdued job growth in the first half of the fiscal year, corporate earnings benefited from the weaker dollar and consumer spending strength, which was boosted by low interest rates and lower taxes. With employment growth picking up in the second half of the fiscal year, the market's focus shifted to the potential for rising inflation and interest rates, even though corporate profit growth remained strong. The fiscal year return of the S&P 500 was 19.1% with most of the gain coming in the first six months. Contrasting the gains in stocks, bonds had a poor year, as signs of economic growth and potential inflation drove bond prices lower. Including coupon income, the Lehman Aggregate bond index had a fiscal year return of only 0.3%.

In a challenging long-term investment environment for both bonds and stocks, the Committee has persisted in its efforts to control risk and to diversify the assets of the System's portfolio. In light of this focus on risk control and diversification, the System's 15.9% investment return is a substantial improvement on recent years.

On behalf of our Trustees, we thank our dedicated professional staff at the Office of Pensions, our Investment Advisor, and our money managers, who all work diligently to assure the successful operation of the Board of Pension Trustees' Investment Committee. We also appreciate the many contributions of A. Herbert Nehrling, Jr., who in December, 2003, stepped down after 13 years' service as a member of the Investment Committee. Herb's overseas business experience served us well in monitoring our international investments, and he could be counted on for insightful and concise analysis that was right on target. In addition, we recall the participation and contributions of former Board Chair Ralph J. Adkins, who was a welcome addition to our committee. During his year of service, Ralph's experience in natural resource markets in particular, and the broader market dynamics as a whole, added greatly to Committee discussions.

Respectfully submitted,

Elva B. Ferrari

Elva B. Ferrari, Chair

Board of Pension Trustees' Investment Committee

Investment Activity

The equity markets showed strong performance during Fiscal Year 2004, especially in the first half of the year. Bonds were negatively affected by the prospect of rising inflation and interests rates. For the fiscal year, the S&P 500 stock index returned 19.1% while the Lehman Aggregate bond index returned 0.3%.

For the fiscal year, the Delaware Public Employees' Retirement System (System) had a 15.9% rate of return. This performance ranks the System in the second quartile for this fiscal year, in the first quartile of public funds for the five-year period, and in the top decile for the most recent ten-year period.

Return data for the total System was calculated on a time-weighted basis in accordance with the standards of the Association for Investment Management & Research (AIMR). Valuations, where available, are based on published national securities exchanges prices.

Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For over 25 years, the System has been managed to control the extent of downside risk to which assets are exposed while maximizing the potential for long-term gain.

Specific investment objectives are:

- ◆ To realize a real return (System return less CPI) of 3% per year over long periods (about 15 years).
- ◆ To control portfolio risk so as to limit downside price fluctuation of the total System in any 12-month period.
- ◆ To realize as high a rate of total return as possible, consistent with all of the above.

To achieve these objectives, these investment policies are employed:

- ◆ Allocate a minimum of 20% - 25% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments.
- ◆ Maintain a widely diversified portfolio, so as to minimize the risk of overexposure to any one market sector or investment style.
- ◆ Closely monitor the performance of all investment managers against specific absolute objectives and in relation to other managers following the same investment objectives.

Investment Process

While the objectives and policies have been repeatedly reaffirmed, the implementation process undergoes continuous evolution. The increasing volume of investment information and the complexities of the global marketplace necessitate the continuous development and use of advanced information systems. Ongoing enhancements are employed in every aspect of investment management, from asset allocation decisions to manager selection and performance measurement.



General Management

During each year the Committee, with Board of Pension Trustees' (Board) oversight, carries out a number of general management practices to assure that the appropriate policies, controls, and resources are in place. Areas that are reviewed at least annually include:

- ◆ Investment objectives and policies based on an analysis of cash flow and liabilities.
- ◆ Management tools for decision making.
- ◆ Long-term risk and return levels for various investment options.
- ◆ Manager organizations, performance, transaction costs, fees and expenses, proxy voting procedures, and adherence to investment philosophy.
- ◆ System performance versus externally measured universes of similar funds.
- ◆ Internal and external audits.
- ◆ Contacts with other leading state investment funds to compare management practices.
- ◆ Policy objectives and performance of the Private Program (including venture capital, limited partnerships, and private convertible bonds).

Investment Results

In Fiscal Year 2004, the investment process experienced:

- ◆ A time-weighted total return of 15.9% based on market values.
- ◆ Benefit and expense payments exceeded net employer and member contributions by \$128.3 million.
- ◆ Net investment earnings (investment earnings less investment expenses) of \$768.8 million.
- ◆ Increase in total Fund assets from \$4.881 billion to \$5.521 billion.
- ◆ Overall volatility well below that of an all common stock portfolio.

Funds are invested for long-term results and each single year's returns must be viewed in relation to longer periods.

	Fiscal Years Ending June 30,					Five	Ten	Fifteen
	2004	2003	2002	2001	2000	Years Ending 6/30/04*	Years Ending 6/30/04*	Years Ending 6/30/04*
Total System Return	15.9%	3.1%	(6.3%)	(5.1%)	16.8%	4.4%	10.6%	10.1%
Consumer Price Index (CPI)	3.2%	2.2%	1.0%	3.3%	3.7%	2.7%	2.5%	2.9%
Fund Real Return	12.7%	0.9%	(7.3%)	(8.4%)	13.1%	1.7%	8.1%	7.2%

**All returns greater than one year are annualized.*

Chart II on page 58 summarizes the total System and asset class segment returns for each of the last five fiscal years and the annualized returns for the 3-year and 5-year periods ending June 30, 2004.



Charts III and IV on page 59 show the quarterly cumulative total System performance for the 5-year and 10-year periods ending June 30, 2004 compared to indices representative of some of the asset classes in which the System invests.

One investment objective is to achieve an annualized rate of total return over any 15-year period that is at least 3 percentage points greater than inflation. The most recent 15-year result is a real rate of return of 7.2% (10.1% System return less 2.9% CPI) measured on a time-weighted basis. During this period, risk, as measured by relative volatility, was approximately 56.7% of the level that would have been experienced by a fund invested 100% in the S&P 500. The real rate of return from such a 100% stock portfolio would have been 8.4% (11.3% S&P 500 less 2.9% CPI). These are not typical real rates of return and should not be expected going forward. The last 15 years encompassed periods of exceptional returns in both the bond and stock markets which are unlikely to be repeated.

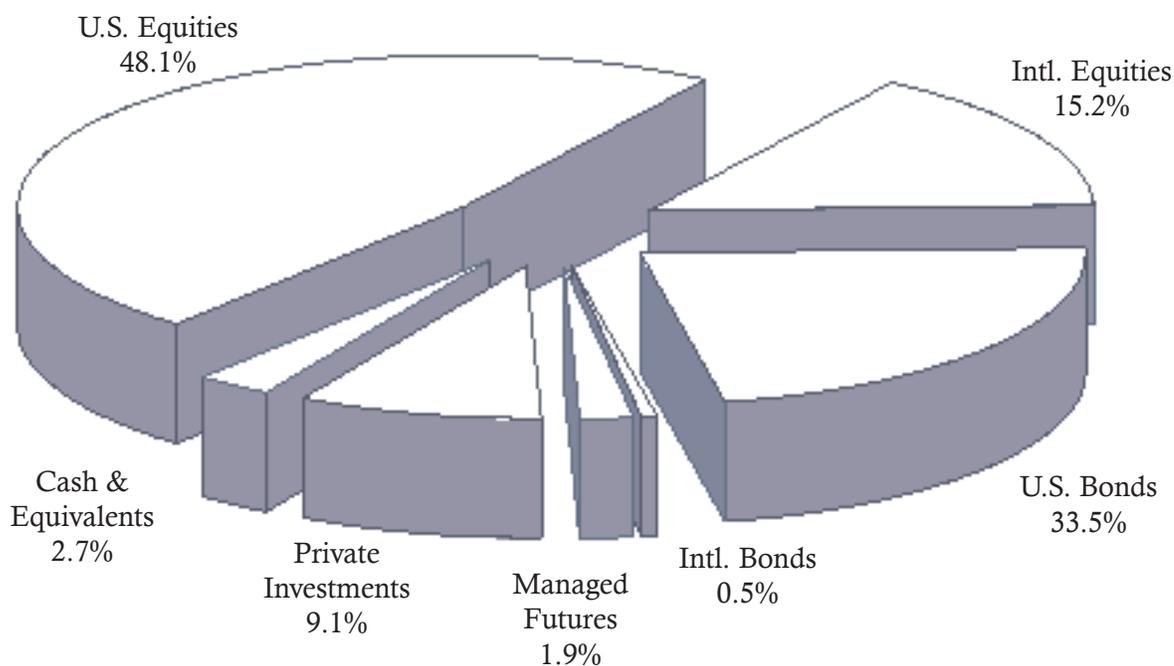
Periods Ending June 30, 2004

(All Returns Greater Than One Year Are Annualized)

	Five Years	Ten Years	Fifteen Years
Total System Return	4.4%	10.6%	10.1%
S&P 500 Index % Return	(2.2%)	11.8%	11.3%
Excess Return vs. S&P 500 Index	6.6%	(1.2%)	(1.2%)
Relative Risk vs. S&P 500 Index	58.0%	56.2%	56.7%

Asset Allocation

as of June 30, 2004



Asset Allocation

Funds are deployed in diverse asset classes offering the desired risk and return characteristics in an effort to achieve stated investment objectives. The following chart illustrates the diversification of assets at the end of the fiscal year. The accompanying table shows the five-year history and trends in asset allocation. For these asset classifications, the Pooled Equity and Fixed Income accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the asset classes used in the financial section on pages 24-25.

	Fiscal Years Ended June 30,				
	2004	2003	2002	2001	2000
U.S. Equities*	48.1%	51.6%	48.2%	44.9%	38.8%
International Equities	15.2%	14.3%	11.9%	11.5%	12.4%
U.S. Bonds	22.5%	19.5%	25.4%	28.1%	31.1%
International Bonds	0.5%	0.6%	2.7%	2.8%	2.7%
Managed Futures	1.9%	2.1%	-	-	-
Private Investments	9.1%	9.3%	9.9%	10.4%	12.5%
Cash & Equivalents	2.7%	2.6%	1.9%	2.3%	2.5%

*Real estate holdings in the form of Real Estate Investment Trusts (REITs) are included in equities.

Individual investment managers are selected for each asset class based on a rigorous set of performance and organizational criteria. In addition to a proven track record of managing a given class of assets, they must have a clearly stated and consistently applied investment policy and decision-making process, continuity of personnel, and a well-defined plan for retaining key personnel and controlling growth.

All investment managers are expected to meet and maintain a number of organizational criteria in order to continue as managers. During the fiscal year, two managers were hired, two existing managers were given additional funds, two managers were given different responsibilities, two managers were terminated, and five managers had assets under management reduced. Transition manager services were utilized for three changes in manager responsibility. In the area of private investments, one manager was given additional funds. At the end of the fiscal year, the money managers of the System and their responsibilities were:

Investment Manager	Responsibility	Calendar Year Retained
<u>U.S. Equities</u>		
Advent Capital Management	Convertible Securities	2002
Armstrong Shaw Associates	Equities	2002
Barclays Global Investors	Equities	1977
Froley, Revy Investment Co.	Convertible Securities	1984
Granahan Investment Management	Equities	2002
Legg Mason Capital Management	Equities	2003
Mellon Capital Management	Equities	1984
Oaktree Capital Management	Convertible Securities	1995
T. Rowe Price Associates	Equities	1971
Trinity Investment Management	Equities	1982
<u>International Equities</u>		
Jarislowky Fraser Limited	International Equities	2002
Mellon Capital Management	International Equities	1996
Mercator Asset Management	International Equities	2004
Oaktree Capital Management	International Convertible Securities	1995
<u>U.S. Bonds</u>		
Lincoln Capital Management	Fixed Income	1995
Mellon Capital Management	Fixed Income	1984
T. Rowe Price Associates	Fixed Income	1996
Loomis Sayles & Company LP	Fixed Income	1998
<u>Managed Futures</u>		
Mount Lucas Management	Managed Futures	2003
<u>Private Investments</u>		
Accel Partners	Venture Capital	1984
Advanced Technology Ventures	Venture Capital	1990
Brentwood Associates	Venture Capital	1983
The Carlyle Group	Private Equity	1996
Cherry Tree Ventures	Venture Capital	1984
Coller Isnard Ltd.	Venture Capital	1994
Flagship/One Liberty Ventures	Venture Capital	1982
MeriTech Capital Partners	Venture Capital	1999
Oaktree Capital Management	Distressed Debt; Emerging Markets	1997
ONSET Enterprise Associates	Venture Capital	1989
Pecks Management Partners	Private Equity	1986
Spectra Enterprise Associates	Venture Capital	1986
Summit Ventures	Venture Capital	1988
T. Rowe Price Recovery Fund	Distressed Debt	1988
T. Rowe Price Threshold Funds	Venture Capital	1984
Trident Capital	Venture Capital	1999
TCW Group	Distressed Debt	1990
Weston Presidio Capital	Venture Capital	1995
<u>Cash & Equivalents</u>		
Mercantile-Safe Deposit & Trust Co.	Cash & Equivalents	2002

CHART I
CALCULATED RETURNS
(dollar values expressed in thousands)

	<i>(All returns for periods greater than one year are annualized.)</i>					Five Years Ended 6/30/04	Ten Years Ended 6/30/04
	Fiscal Years Ended June 30,						
	2004	2003	2002	2001	2000		
Beginning Fair Value	\$ 4,880.7	\$4,857.7	\$ 5,280.6	\$ 5,663.8	\$ 4,898.1	\$ 4,898.1	\$ 2,322.5
Net (Deductions)/Contributions	(128.3)	(126.6)	(109.1)	(96.1)	(58.7)	(518.8)	(653.0)
Net Investment Earnings*	768.8	149.6	(313.8)	(287.1)	824.4	1,141.9	3,851.7
Ending Fair Value	\$ 5,521.2	\$4,880.7	\$4,857.7	\$ 5,280.6	\$ 5,663.8	\$ 5,521.2	\$ 5,521.2
Time-Weighted Total Return on Fair Value	15.9%	3.1%	(6.3%)	(5.1%)	16.8%	4.4%	10.6%
Consumer Price Index	3.2%	2.2%	1.0%	3.3%	3.7%	2.7%	2.5%

*Net Investment Earnings equals investment earnings less investment expenses

CHART II
INVESTMENT PERFORMANCE SUMMARY

(rates of return are time-weighted)

	<i>(All returns for periods greater than one year are annualized.)</i>					Three Years Ended 6/30/04	Three Years Ended 6/30/04
	Fiscal Years Ended June 30,						
	2004	2003	2002	2001	2000		
Total System	15.9%	3.1%	(6.3%)	(5.1%)	16.8%	3.9%	4.4%
60% S&P 500 Index/35% SL Gov't-Corp Bond Index/5% Treasury Bills	11.0%	5.3%	(8.2%)	(5.1%)	6.4%	2.4%	1.6%
Consumer Price Index*	3.2%	2.2%	1.0%	3.3%	3.7%	2.1%	2.7%
Domestic And Private Equities **	21.7%	(2.4%)	(9.7%)	(8.7%)	33.6%	2.4%	5.5%
S&P 500 Index	19.1%	0.2%	(18.0%)	(14.8%)	7.4%	(0.7%)	(2.2%)
Russell 3000 Index	20.5%	0.8%	(17.2%)	(13.9%)	9.6%	0.2%	(1.0%)
International Equities **	19.6%	6.1%	(6.9%)	(7.6%)	19.6%	5.7%	5.5%
MSCI EAFE Index	32.4%	(6.5%)	(9.5%)	(23.6%)	17.2%	3.9%	0.1%
Fixed Income & Cash***	4.4%	12.9%	6.0%	8.5%	5.2%	7.7%	7.3%
Shearson Lehman Gov't/Corp.	(0.7%)	13.1%	8.2%	11.1%	4.3%	6.7%	7.1%
Pooled Equity & Fixed Income +	18.6%	3.8%	(7.3%)	(6.2%)	7.0%	4.5%	2.8%
60% S&P 500 Index/35% SL Gov't-Corp Bond Index/5% Treasury Bills	9.9%	7.5%	(7.7%)	(5.4%)	7.3%	2.9%	2.0%
60%MS World/40\$ Citi WGBond Index	16.5%	5.5%	(4.0%)	(13.5%)	8.7%	5.6%	2.1%

* The total system benchmark is a return of 3% greater than CPI over any 15-year period.

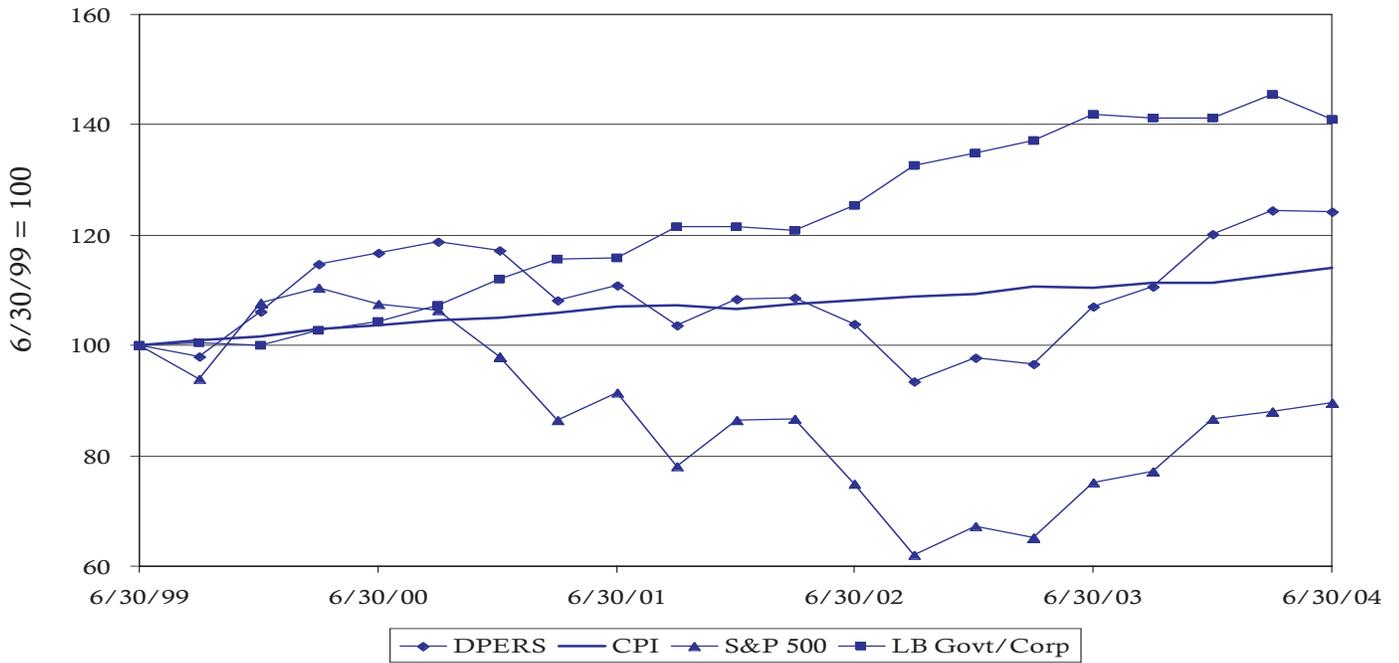
** Includes convertible securities and real estate investment trusts excludes equity portions of Pooled Equity & Fixed Income portfolios.

*** Excludes fixed income and cash portions of Pooled Equity & Fixed Income portfolios.

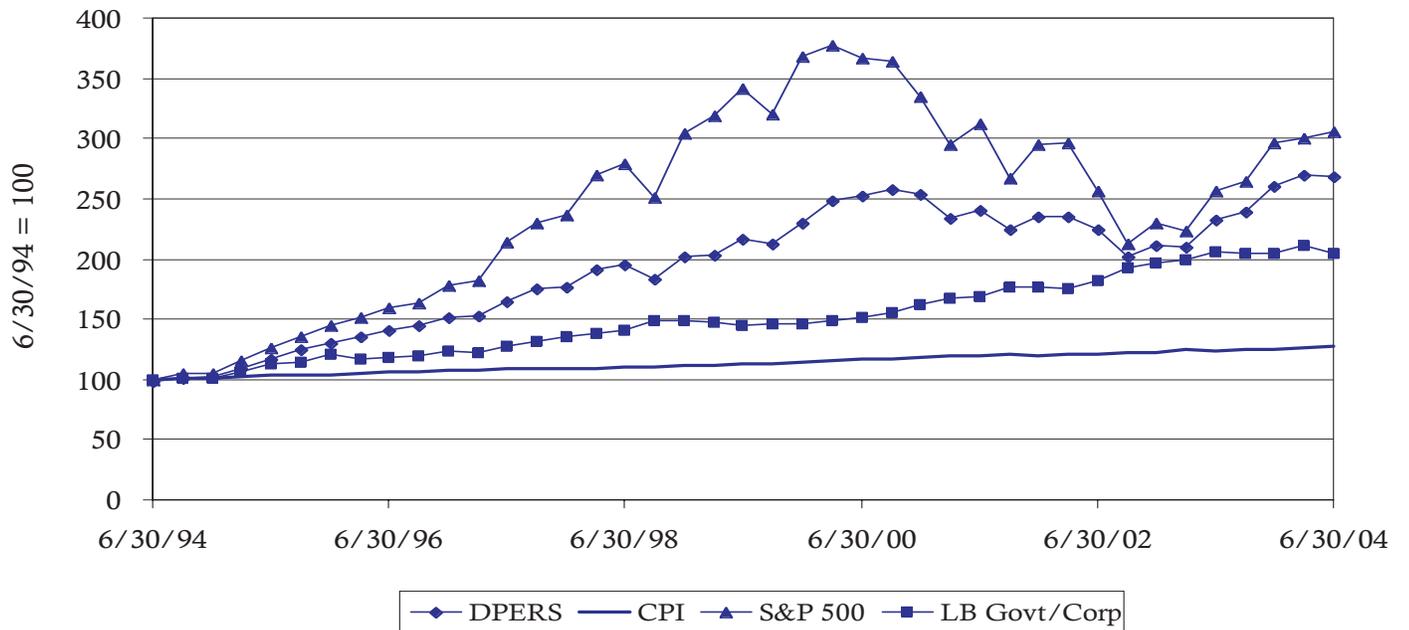
+ Comprises investment accounts which tactically rebalance among stocks, bonds, and cash (including foreign stocks, bonds, and cash) to optimize the risk/return characteristics of the mix. The underlying assets in these accounts are generally passively invested in index vehicles.



**CHART III
TOTAL RETURN PERFORMANCE COMPARISON - 5 YEARS**



**CHART IV
TOTAL RETURN PERFORMANCE COMPARISON - 10 YEARS**



**INVESTMENT SUMMARY AND
SCHEDULE OF INVESTMENT FEES**

(Dollar values expressed in thousands)

	Market Value as of June 30, 2004	Percent of Total Investment Assets	Total FY2004 Investment Fees	Basis Points
Equities				
U.S. Equities	\$ 2,655,710	48.1%	\$ 7,859	
International Equities	839,227	15.2%	3,824	
Sub-Total	\$ 3,494,937	63.3%	\$ 11,683	
Fixed Income				
U.S. Bonds	1,242,276	22.5%	1,957	
International Bonds	27,606	0.5%	163	
Sub-Total	\$ 1,269,882	23.0%	\$ 2,120	
Other Asset Allocations				
Managed Futures	104,903	1.9%	438	
Private Investments	502,432	9.1%	554	
Cash & Equivalents	149,073	2.7%	56	
Sub-Total	756,408	13.7%	\$ 1,048	
Other Investment Services				
Custodian/Investment Advisor Fees	-	-	1,951	
Pension Office Support Staff Expenses	-	-	293	
Sub-Total			\$ 2,244	
	<u>\$ 5,521,227</u>	<u>100.0%</u>	<u>\$ 17,095</u>	<u>32 bp</u>

* Other fees include Private Investment and Transition Management fees detailed on page 36. These fees have been excluded from the basis points calculation since they have already been netted from income. Basis point calculation is the weighted average based on the quarterly fund valuations.

Glossary of Terms Used

Fair Value (Market Value):

The value at which an investment could be sold in a transaction between a willing buyer and a willing seller. All assets with regularly traded markets are shown at the fair value as determined by the custodian bank based on quoted market values. All other assets are adjusted to market value monthly except venture capital which is adjusted at least quarterly based on individual partnership procedures, and any private placement or partnership participation where values are supplied periodically by the respective management organizations in accordance with established procedures.

Time-Weighted Total Return:

The measure used for judging investment management of the System. It is based on market value and minimizes or eliminates any distortion in the rate of return caused the the timing of cash flows into or out of the System.

Private Investments:

Private Investments include investments in Venture Capital, Private Equity, and certain Convertible Securities.



LIST OF LARGEST ASSETS DIRECTLY HELD*
AS OF JUNE 30, 2004 (excludes investments in pooled vehicles)

Equities (Includes Convertibles)	Market Value	% of Total Fund	Shares/Par (\$)
NEWMONT MNG CORP (NEW)	\$ 15,026,748	0.27%	387,687 shares
NEXTEL COMMUNICATIONS INC	14,964,258	0.27%	561,300 shares
DEVON ENERGY CORPORATION	14,711,994	0.27%	222,909 shares
EXXON MOBIL CORP	13,924,578	0.25%	313,546 shares
MURPHY OIL CORP	13,597,650	0.25%	184,500 shares
BP PLC	13,376,429	0.24%	249,700 shares
ROYAL DUTCH PETE CO	13,098,345	0.24%	253,500 shares
AMAZON.COM INC	13,056,000	0.24%	240,000 shares
TYCO INTL LTD NEW	12,361,220	0.22%	373,000 shares
NUCOR CORP	12,204,840	0.22%	159,000 shares
Total	\$ 136,322,062	2.47%	

Fixed Income	Market Value	% of Total Fund	Par (\$)
UNITED STATES TREAS NTS 3/375% 12/15/2008	\$ 10,977,553	0.20%	\$ 11,120,000
UNITED STATES TREAS NTS 1.875% 12/31/2005	9,915,600	0.18%	\$ 10,000,000
STEAMBOAT FDG CORP 1.350% 7/9/2004	8,996,962	0.16%	\$ 9,000,000
UNITED STATES TREAS NTS 7.70% 7/15/2006	8,337,071	0.15%	\$ 7,695,000
INTL BK RECON DEVELOP ZERO COUPON 8/20/2007	8,203,980	0.15%	\$ 15,821,000
FED REPUBLIC OF BRAZIL 8/250% 1/20/2034	8,011,335	0.15%	\$ 10,590,000
UNITED STATES TREAS NTS 6.875% 5/15/2006	7,928,864	0.14%	\$ 7,365,000
FPE HOLDINGS 12.5% 11/19/2006	7,656,250	0.14%	\$ 7,656,250
DEXIA DEL LLC 1.875% 12/15/2004	7,492,533	0.14%	\$ 7,500,000
PFIZER INC 1.090% 7/19/2004	7,389,918	0.13%	\$ 7,400,000
Total	\$ 84,910,066	1.54%	

* A complete list of portfolio holdings is available for review upon request.

SCHEDULE OF BROKER COMMISSIONS*

The System has no commission recapture, directed payment, or “soft dollar” arrangements; however, such arrangements may exist between brokers and investment managers. During Fiscal Year 2004, the System received \$20,000 in unsolicited commission recapture. Broker selection is the responsibility of individual investment managers. Broker commissions during this fiscal year increased due to rebalancing asset allocation, changing manager responsibilities, and, to a greater extent, the use of transition managers for trading less liquid assets.

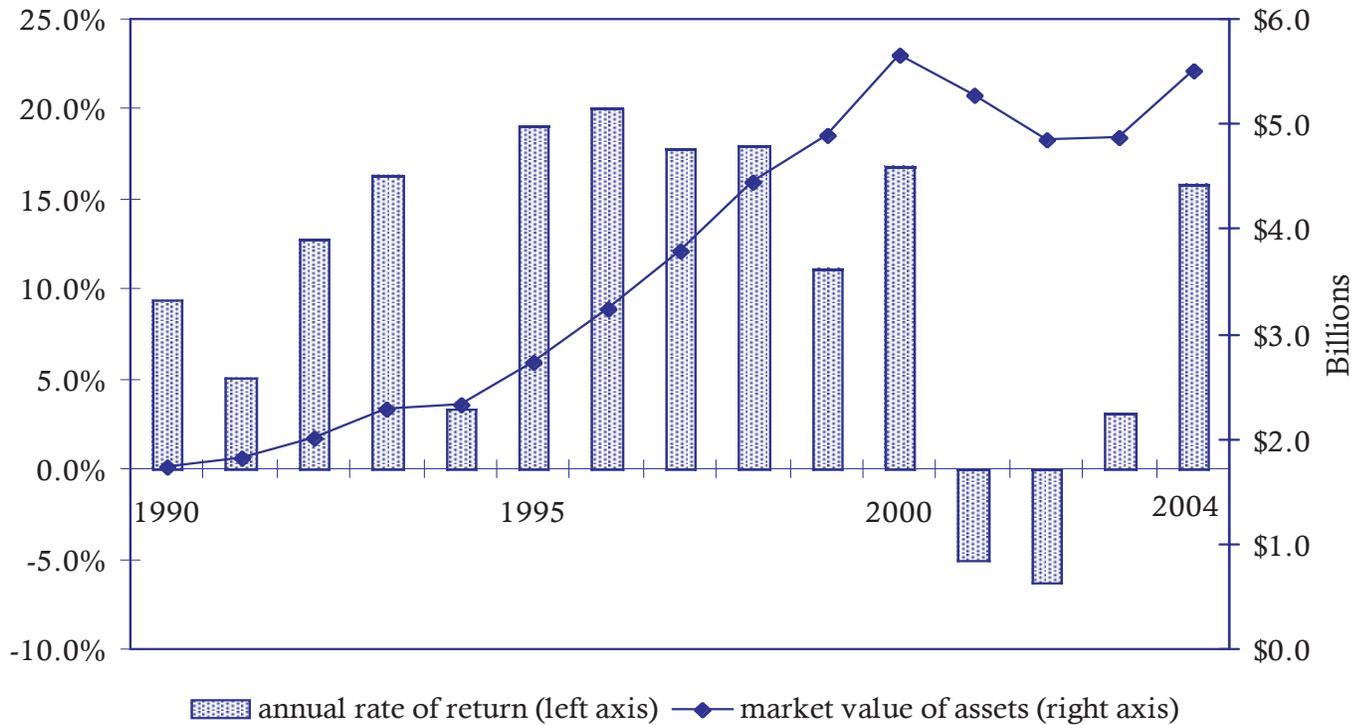
The following is a list of brokers who received \$20,000 or more in commissions during Fiscal Year 2004.

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
DEUTSCHE BANK SECURITIES INC	7,137,415	\$0.15	\$ 225,231,164.22	\$ 1,100,859.43
SALOMON SMITH BARNEY INC.	9,731,058	\$0.07	265,444,310.26	679,147.14
GOLDMAN SACHS & CO	5,345,510	\$0.05	87,760,978.39	264,814.40
B-TRADE SECURITIES LLC	7,290,570	\$0.02	147,534,022.64	144,148.70
LEHMAN BROTHERS INC	4,639,850	\$0.03	95,889,398.30	133,953.78
CREDIT SUISSE FIRST BOSTON CORP	3,368,500	\$0.03	57,093,827.22	117,686.53
INVESTMENT TECHNOLOGY GROUP	4,846,746	\$0.02	95,425,005.25	96,634.00
MERRILL LYNCH PEIRCE FENNER SMITH	2,025,411	\$0.05	54,769,895.43	92,334.50
BEAR STEARNS & CO INC	1,888,809	\$0.05	40,881,718.57	88,961.97
AUTRANET INC.	2,117,907	\$0.04	31,307,276.16	83,489.28
CIBC OPPENHEIMER CORP	1,761,800	\$0.04	28,070,682.63	71,456.80
UBS SECURITIES LLC	1,558,435	\$0.04	40,493,340.08	68,442.56
CANTOR FITZGERALD & CO	1,607,077	\$0.04	29,000,569.74	67,362.68
JEFFERIES & CO INC	1,447,372	\$0.05	28,686,376.00	65,328.85
DB CLEARING SECURITIES	1,200,000	\$0.05	10,399,566.79	56,736.71
SCHWAB (CHARLES) & CO	1,371,180	\$0.04	21,634,471.66	55,727.20
MORGAN STANLEY & CO	1,606,597	\$0.03	64,756,632.27	53,544.95
LEGG MASON WOOD WALKER	2,048,437	\$0.03	76,214,066.63	52,350.85
SPEAR, LEEDS, & KELLOGG	1,881,650	\$0.03	9,749,965.90	47,102.75
WEEDEN & COMPANY	1,097,338	\$0.04	24,121,986.66	46,193.72
FIRST ALBANY CORP	933,300	\$0.05	12,634,420.22	45,277.00
LIQUIDNET INC	1,880,976	\$0.02	40,340,351.33	37,619.52
PRUDENTIAL EQUITY GROUP	933,660	\$0.04	32,754,521.26	32,898.50
STANDARD & POOR'S SECURITIES INC	513,600	\$0.05	11,275,161.78	25,680.00
FACTSET DATA SYSTEMS INC/BCC CLR	527,000	\$0.05	9,367,710.06	25,511.00
O'NEIL WILLIAM & CO INC/BCC CLRG	545,900	\$0.05	8,380,119.28	25,287.00
VANDHAM SECURITIES CORP	473,700	\$0.05	10,735,244.30	23,685.00
JP MORGAN	570,500	\$0.04	9,068,520.99	22,342.78
U.S. BANCORP PIPER JAFFRAY INC	476,000	\$0.05	8,220,764.10	21,784.00
ALL OTHERS (137 BROKERS NOT LISTED)	16,373,317	\$0.04	360,658,100.41	721,551.05
TOTALS	87,199,615		\$ 1,937,900,168.53	\$ 4,367,912.65
Average Commission, Per Share		\$ 0.05		

* A complete list of broker commissions is available for review upon request.



DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
ANNUAL MARKET VALUE OF FUND AND RATE OF RETURN
 FOR THE 15-YEAR PERIOD 1990-2004



This section was prepared by the Pension Office staff with input from the Board of Pension Trustees, the Investment Committee, and the Investment Advisor.

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Actuarial Section

A MILLIMAN GLOBAL FIRM



Milliman

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September 2, 2004

Board of Pension Trustees
Delaware Public Employees' Retirement System
McArdle Building
860 Silver Lake Blvd., Suite 1
Dover, DE 19904-2402

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2004. The results of these valuations are contained in this report. Any distribution of this report must be in its entirety, including this cover letter, unless prior written consent is obtained.

Funding Objective

The funding objective of the System is to establish contribution rates which, over time, will remain level as a percent of payroll. In order to achieve this, we developed a contribution rate which will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus level percent of payroll amortizations of each layer of the unfunded liability over a specified period. In addition, unfunded liabilities due to cost-of-living adjustments to retirees are funded through a schedule of future transfers from the Post-Retirement Increase Fund.

To our knowledge, the State has consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

Assumptions and Methods

Milliman recommended, and the Board of Trustees adopted, the actuarial assumptions and methods used in these valuations based on our experience study completed during the fiscal year ended June 30, 2004. The investment return assumption was set by the Board based on advice from its investment consultant.

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.

OFFICES IN PRINCIPAL CITIES WORLDWIDE





Board of Pension Trustees
September 2, 2004
Page 2

Reliance on Others

In performing this analysis, we relied on data and other information provided by the Delaware State Pension Office. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Supporting Schedules

Milliman provided the figures disclosed in Schedule 1 of the Supporting Schedules to the Financial Section and the Notes to Trend Data. In addition, we were responsible for the following schedules found in the Actuarial Section: Actuarial Assumptions and Methods, Schedule of Active Member Valuation Data, and Solvency Test.

Certification

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

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. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Milliman, Inc.

Theresa R. Leatherbury, FSA, MAAA, EA
Consulting Actuary

OFFICES IN PRINCIPAL CITIES WORLDWIDE



Actuarial Assumptions and Methods

Asset Valuation Method

The market value of assets, representing the realizable value of the assets on a particular day, is not necessarily an appropriate value for the purpose of setting contribution rates. This is because funding will take place over a long period of time during which market values can be expected to fluctuate significantly from year to year. If market values were used to develop contribution rates, the resulting contribution rates would also fluctuate from year to year.

In order to produce a stable pattern of contribution rates, market values are adjusted to remove some of the volatility. The actuarial value of assets is equal to 1/5th of the market value plus 4/5th of the expected value, where the expected value is equal to last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest at the valuation rate.

Funding Method

We used the Aggregate Entry Age Normal Method to determine costs for all plans. Under an Entry Age method, a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded liability rate (UAL). In addition, the overall contribution rate includes a provision for the plan's expenses.

For each State plan, an Entry Age Normal cost rate is determined for a typical member of each respective plan. This rate represents the member's expected future employer-paid normal costs divided by his expected future salary.

In addition to contributions required to meet the normal cost, contributions are required to meet each plan's unfunded actuarial liability. Actuarial liability equals the present value of future benefits less the present value of future normal costs and future employee contributions. The unfunded liability is the total actuarial liability for all members less the actuarial value of the System's assets.

A portion of the unfunded liability will be paid through future, scheduled transfers from the Post-Retirement Increase Fund over a five-year period. These transfers will cover the liability increases due to the cost-of-living increases granted on July 1, 1999, July 1, 2000, July 1, 2001, September 1, 2003, and July 1, 2004.

The remaining unfunded actuarial liability will be amortized over the next 15 years for the State Employees' Plan, 17 years for the Judiciary Plan, 16 years for the State Police Plan, 23 years for the Volunteer Firemen's Plan and 18 years for the Diamond State Port Corporation plan through the unfunded liability amortization component of the total contribution.

Actuarial Assumptions

Milliman recommended, and the Board of Trustees adopted, the actuarial assumptions for the actuarial valuation based on our experience study completed in 2004. Differences between assumed and actual experience (actuarial gains and losses) are part of the unfunded actuarial liabilities. The following significant assumptions were used in the actuarial valuations as of July 1, 2004:

1. Rate of return on investments:
 - a. Old assumption: 8.5% compounded annually (adopted 1990).
 - b. New assumption: 8.0% compounded annually (adopted 2004).

2. Salary increases attributable to inflation:
 - a. Old assumption: 5.00% compounded annually (adopted 1983).
 - b. New assumption: 3.75% compounded annually (adopted 2004).

3. Salary increases attributable to merit and productivity:
 - a. Old assumption: Increases for State Employees ranging from ½% to 5% per year (adopted 1985).
 - b. New assumption: Increases for State Employees ranging from ½% to 6.14% per year (adopted 2004).

4. Mortality:
 - a. Old assumption: Rates of mortality based on the 1983 Group Annuity Mortality Table in all cases except for the Diamond State Port Corporation plan which used the UP-84 Mortality Table with ages set forward two years for males and set back three years for females (adopted 1984).
 - b. New assumption: Rates of mortality vary by plan and gender. Assumption anticipates future improvements in mortality through the use of a projection scale (adopted 2004). The projection scale is a mechanism that anticipates improvements in mortality rates in the future. Sample rates from the State Employees plan are as follows:

Age	Old Assumptions		New Assumptions		Projection Scale	
	Male	Female	Male	Female	Male	Female
35	0.09%	0.05%	0.18%	0.06%	0.50%	1.10%
40	0.12%	0.07%	0.25%	0.09%	0.80%	1.50%
45	0.22%	0.10%	0.35%	0.14%	1.30%	1.60%
50	0.39%	0.16%	0.48%	0.21%	1.80%	1.70%
55	0.61%	0.25%	0.61%	0.30%	1.90%	0.80%
60	0.92%	0.42%	0.90%	0.49%	1.60%	0.50%

5. Rates of termination of service, disablement, and retirement:
 - a. Old assumption: Based on previous experience study, as modified over time.
 - b. New assumption: Based on the results of the Experience Study completed in 2004 (adopted 2004).

6. Aggregate active member payroll:
 - a. Old assumption: 4.00% annually (adopted 1976).
 - b. New assumption: 3.75% annually (adopted 2004).

Summary of Plan Provisions and Changes in Plan Provisions

The plans valued are those described on pages 29-32 of the Financial Section. In five of the plans, there was a plan amendment not reflected in the aforementioned plan descriptions. The following plans were amended to grant an ad hoc post-retirement benefit increase to most retirees currently receiving benefits:

- The State Employees' Pension Plan
- The Special Pension Plan
- The New State Police Pension Plan
- The Judiciary Pension Plan
- The County & Municipal Police and Firemen's Pension Plan

In addition, the New State Police Plan was amended to provide immediate commencement of retirement benefits for members who reach age 55 with less than 20 years of service. Prior to the plan change, members who reached age 55 with less than 20 years of service were required to leave employment and wait until age 62 to commence benefits.

The benefit increases and the New State Police plan change are reflected in the liabilities shown as of June 30, 2004.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll <i>(expressed in thousands)</i>	Annual Average Pay	% Increase in Average Pay
State Employees'	30-Jun-2004	32,498	\$ 1,399,279	\$ 43,057	1.2%
	30-Jun-2003	31,877	1,355,800	42,532	0.6%
	30-Jun-2002	31,951	1,351,112	42,287	6.5%
	30-Jun-2001	31,989	1,270,632	39,721	5.2%
	30-Jun-2000	31,740	1,198,626	37,764	6.1%
	30-Jun-1999	31,634	1,125,857	35,590	(0.1%)
Special	The Special Plan has no Active Members				
New State Police	30-Jun-2004	591	\$ 36,718	\$ 62,129	13.2%
	30-Jun-2003	579	31,778	54,884	0.2%
	30-Jun-2002	553	30,281	54,758	6.8%
	30-Jun-2001	539	27,624	51,250	5.7%
	30-Jun-2000	527	25,558	48,497	6.4%
	30-Jun-1999	516	23,518	45,578	5.3%
Judiciary	30-Jun-2004	52	\$ 7,672	\$ 147,539	4.9%
	30-Jun-2003	51	7,173	140,647	1.7%
	30-Jun-2002	50	7,329	138,283	8.5%
	30-Jun-2001	49	6,371	127,420	7.8%
	30-Jun-2000	48	5,794	118,245	0.1%
	30-Jun-1999	47	5,673	118,118	8.5%



SCHEDULE OF ACTIVE MEMBER VALUATION DATA (continued)

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll <i>(expressed in thousands)</i>	Annual Average Pay	% Increase in Average Pay
County & Municipal	30-Jun-2004	563	\$ 27,930	\$ 49,609	15.6%
Police and Firefighters'	30-Jun-2003	562	24,128	42,932	1.6%
	30-Jun-2002	505	21,342	42,261	4.1%
	30-Jun-2001	483	19,605	40,590	3.4%
	30-Jun-2000	459	18,011	39,240	4.9%
	30-Jun-1999	407	15,230	37,420	13.1%
County & Municipal	30-Jun-2004	221	\$ 7,474	\$ 33,819	10.6%
Other Employees'	30-Jun-2003	203	6,209	30,586	8.2%
	30-Jun-2002	90	2,545	28,278	4.9%
	30-Jun-2001	85	2,292	26,965	(0.4%)
	30-Jun-2000	74	2,004	27,081	9.5%
	30-Jun-1999	69	1,706	24,725	8.9%
Volunteer Firemen's	30-Jun-2004	5,055	-	-	-
	30-Jun-2003	4,933	-	-	-
	30-Jun-2002	4,856	-	-	-
	30-Jun-2001	4,769	-	-	-
	30-Jun-2000	4,579	-	-	-
	30-Jun-1999	4,706	-	-	-
Diamond State Port Corporation	30-Jun-2004	259	\$ 8,950	\$ 34,556	4.4%
	30-Jun-2003	261	8,636	33,088	1.0%
	30-Jun-2002	280	9,354	33,407	3.4%
	30-Jun-2001	272	8,788	32,309	(4.9%)
	30-Jun-2000	227	7,715	33,987	(7.9%)
	30-Jun-1999	207	7,637	36,894	0.3%
Closed State Police	30-Jun-2004	27	\$ 2,608	\$ 96,593	7.7%
	30-Jun-2003	32	2,869	89,656	15.5%
	30-Jun-2002	40	3,105	77,625	7.6%
	30-Jun-2001	45	3,247	72,156	5.8%
	30-Jun-2000	57	3,888	68,211	3.8%
	30-Jun-1999	75	4,930	65,733	4.6%

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Plan	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances * (expressed in thousands)	% Increase in Annual Allowances	Average Annual Allowances
State Employees'	30-Jun-2004	1,356	708	17,612	\$ 243,238	12.0%	\$ 13,811
	30-Jun-2003	1,344	613	16,964	217,126	11.4%	12,799
	30-Jun-2002	1,241	659	16,233	194,824	11.1%	12,002
	30-Jun-2001	1,174	722	15,651	175,312	10.2%	11,201
	30-Jun-2000	1,135	611	15,199	159,122	9.4%	10,469
	30-Jun-1999	1,076	536	14,675	145,391	9.3%	9,907
Special	30-Jun-2004	-	3	31	\$ 119	(1.7%)	\$ 3,839
	30-Jun-2003	2	4	34	121	(15.4%)	3,559
	30-Jun-2002	1	4	36	143	5.9%	3,972
	30-Jun-2001	2	5	39	135	1.5%	3,462
	30-Jun-2000	-	1	42	133	0.8%	3,167
	30-Jun-1999	2	4	43	132	5.6%	3,070
New State Police	30-Jun-2004	9	-	33	\$ 922	33.8%	\$ 27,939
	30-Jun-2003	9	1	24	689	87.7%	28,708
	30-Jun-2002	6	1	16	367	27.0%	22,938
	30-Jun-2001	6	-	11	289	74.1%	26,273
	30-Jun-2000	-	-	5	166	46.9%	33,200
	30-Jun-1999	-	-	5	113	(7.4%)	22,600
Judiciary	30-Jun-2004	1	3	37	\$ 2,177	10.5%	\$ 58,838
	30-Jun-2003	3	1	39	1,971	3.4%	50,538
	30-Jun-2002	2	3	37	1,907	(2.2%)	51,541
	30-Jun-2001	4	3	38	1,949	18.7%	51,289
	30-Jun-2000	5	1	37	1,642	9.6%	44,378
	30-Jun-1999	3	-	33	1,498	10.5%	45,394
County & Municipal Police and Firefighters'	30-Jun-2004	8	-	23	\$ 477	95.5%	\$ 20,739
	30-Jun-2003	4	-	15	244	49.7%	16,267
	30-Jun-2002	1	1	11	163	7.9%	14,818
	30-Jun-2001	6	-	11	151	118.8%	13,727
	30-Jun-2000	-	-	5	69	6.2%	13,800
	30-Jun-1999	2	-	5	65	85.7%	13,000

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS (continued)

Plan	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances * (expressed in thousands)	% Increase in Annual Allowances	Average Annual Allowances
County & Municipal Other Employees'	30-Jun-2004	1	-	15	\$ 61	17.3%	\$ 4,067
	30-Jun-2003	3	-	14	52	26.8%	3,714
	30-Jun-2002	1	-	11	41	57.7%	3,727
	30-Jun-2001	1	-	10	26	23.8%	2,600
	30-Jun-2000	1	-	9	21	50.0%	2,333
	30-Jun-1999	1	-	8	14	(6.7%)	1,750
Volunteer Firemen's	30-Jun-2004	81	68	1,210	\$ 1,108	4.8%	\$ 916
	30-Jun-2003	78	50	1,197	1,057	3.8%	883
	30-Jun-2002	86	48	1,169	1,018	4.8%	871
	30-Jun-2001	60	32	1,131	971	5.5%	859
	30-Jun-2000	66	42	1,103	920	3.4%	834
	30-Jun-1999	73	33	1,079	890	6.5%	825
Diamond State Port Corporation	30-Jun-2004	3	1	21	\$ 199	17.1%	\$ 9,476
	30-Jun-2003	6	1	19	170	(8.1%)	8,947
	30-Jun-2002	4	-	14	185	88.8%	13,214
	30-Jun-2001	3	-	10	98	30.7%	9,800
	30-Jun-2000	1	1	7	75	(14.8%)	10,714
	30-Jun-1999	2	1	7	88	66.0%	12,571
Closed State Police	30-Jun-2004	11	9	558	\$ 18,901	2.6%	\$ 33,873
	30-Jun-2003	18	10	556	18,429	4.1%	33,146
	30-Jun-2002	10	10	548	17,705	3.9%	32,308
	30-Jun-2001	13	6	548	17,040	6.0%	31,095
	30-Jun-2000	22	4	541	16,078	3.9%	29,719
	30-Jun-1999	21	14	523	15,481	3.1%	29,600

* Includes annual allowances added to and removed from the rolls during Fiscal Year 2004.

SOLVENCY TEST

(dollar values expressed in thousands)

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
State Employees'	30-Jun-2004	\$ 396,614	\$ 2,437,522	\$ 2,395,791	\$ 5,387,560	100%	100%	107%
	30-Jun-2003	375,385	2,025,080	2,394,479	5,125,442	100%	100%	114%
	30-Jun-2002	361,334	1,768,363	2,392,035	4,956,156	100%	100%	118%
	30-Jun-2001	343,466	1,597,526	2,291,252	4,759,031	100%	100%	123%
	30-Jun-2000	325,684	1,453,396	1,990,516	4,409,079	100%	100%	132%
	30-Jun-1999	307,831	1,333,509	1,708,787	3,888,852	100%	100%	132%
Special	30-Jun-2004	\$ -	\$ 785	\$ -	\$ 933	-	119%	-
	30-Jun-2003	-	768	-	1,009	-	131%	-
	30-Jun-2002	-	742	-	1,832	-	247%	-
	30-Jun-2001	-	993	-	1,866	-	188%	-
	30-Jun-2000	-	834	-	1,834	-	220%	-
	30-Jun-1999	-	826	-	1,720	-	208%	-
New State Police	30-Jun-2004	\$ 22,194	\$ 13,036	\$ 93,702	\$ 134,507	100%	100%	106%
	30-Jun-2003	19,405	7,808	79,059	120,457	100%	100%	118%
	30-Jun-2002	16,838	5,057	70,033	109,615	100%	100%	125%
	30-Jun-2001	14,571	2,909	62,560	99,138	100%	100%	131%
	30-Jun-2000	12,600	1,495	54,272	86,810	100%	100%	134%
	30-Jun-1999	10,680	1,319	42,714	72,425	100%	100%	141%
Judiciary	30-Jun-2004	\$ 2,763	\$ 18,817	\$ 17,284	\$ 32,841	100%	100%	65%
	30-Jun-2003	2,498	18,447	11,374	30,961	100%	100%	88%
	30-Jun-2002	2,300	15,705	12,117	29,049	100%	100%	91%
	30-Jun-2001	1,932	16,622	11,081	27,231	100%	100%	78%
	30-Jun-2000	1,803	14,727	11,578	24,884	100%	100%	72%
	30-Jun-1999	1,064	12,131	12,207	21,256	100%	100%	66%
County & Municipal Police and Firefighters'	30-Jun-2004	\$ 9,334	\$ 5,656	\$ 30,214	\$ 48,893	100%	100%	112%
	30-Jun-2003	7,682	2,928	26,088	41,228	100%	100%	117%
	30-Jun-2002	6,114	1,838	22,392	35,053	100%	100%	121%
	30-Jun-2001	4,748	1,950	22,767	29,389	100%	100%	100%
	30-Jun-2000	3,287	643	19,652	23,496	100%	100%	100%
	30-Jun-1999	2,096	643	14,958	17,271	100%	100%	97%



SOLVENCY TEST *(continued)*
(dollar values expressed in thousands)

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
County & Municipal Other Employees'	30-Jun-2004	\$ 626	\$ 649	\$ 2,065	\$ 4,275	100%	100%	145%
	30-Jun-2003	502	499	2,331	3,602	100%	100%	112%
	30-Jun-2002	314	355	2,147	3,033	100%	100%	110%
	30-Jun-2001	283	283	1,923	2,794	100%	100%	93%
	30-Jun-2000	227	185	2,192	2,410	100%	100%	91%
	30-Jun-1999	180	144	1,948	1,783	100%	100%	75%
Volunteer Firemen's	30-Jun-2004	\$ 3,918	\$ 8,842	\$ 9,190	\$ 10,121	100%	70%	-
	30-Jun-2003	3,660	7,946	4,013	9,644	100%	75%	-
	30-Jun-2002	3,419	7,574	3,947	9,333	100%	78%	-
	30-Jun-2001	2,308	7,186	4,343	9,022	100%	93%	-
	30-Jun-2000	2,784	6,887	3,757	8,412	100%	82%	-
	30-Jun-1999	2,744	6,655	3,678	7,447	100%	71%	-
Diamond State Port Corporation	30-Jun-2004	\$ 1,217	\$ 2,057	\$ 5,775	\$ 8,140	100%	100%	84%
	30-Jun-2003	1,105	1,461	4,490	7,328	100%	100%	106%
	30-Jun-2002	997	1,252	4,368	6,675	100%	100%	101%
	30-Jun-2001	670	913	4,035	6,044	100%	100%	111%
	30-Jun-2000	626	584	4,012	5,188	100%	100%	99%
	30-Jun-1999	542	624	3,785	4,171	100%	100%	79%
Closed State Police	30-Jun-2004	\$ 1,200	\$ 267,614	\$ 16,230	\$ 2,979	100%	1%	-
	30-Jun-2003	1,376	290,867	26,007	2,322	100%	-	-
	30-Jun-2002	1,643	288,736	28,308	2,036	100%	-	-
	30-Jun-2001	2,757	274,477	28,960	1,749	63%	-	-
	30-Jun-2000	3,248	264,722	34,825	1,468	45%	-	-
	30-Jun-1999	4,021	256,445	43,970	1,164	29%	-	-

ANALYSIS OF FINANCIAL EXPERIENCE FOR THE STATE EMPLOYEES PENSION PLAN

GAINS/(LOSSES) IN ACCRUED LIABILITY DURING YEARS ENDED JUNE 30,
 RESULTING FROM DIFFERENCES BETWEEN ASSUMED EXPERIENCE AND ACTUARIAL EXPERIENCE
 (expressed in thousands)

Type of Activity	Gain/(Loss) for the Fiscal Years Ended June 30,					
	2004	2003 ⁺	2002	2001	2000	1999
Investment Income on Actuarial Assets	(34,720)	(118,978)	(80,148)	74,705	254,955	202,925
Combined Liability Experience	(53,146)	23,631	(2,626)	(182,632)*	4,349	39,854
Gain/(Loss) During Year from						
Financial Experience	(87,866)	(95,347)	(82,774)	(107,927)	259,304	242,779
Non-Recurring Items	(137,125)	(42,713)	-	(12,431)**	(202,468)	(41,170)
Composite Gain/(Loss) During Year	(224,991)	(138,060)	(82,774)	(131,358)	56,836	201,609

* Includes \$206 million in plan changes being treated as actuarial loss for funding purposes.

**Increase of 1.5% funded from PRI Fund.

+ Certain information for Fiscal Year 2003 has been revised.

Statistical Section

SCHEDULE OF ADDITIONS BY SOURCE

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions
State Employees'	2004	\$ 57,459	27,790	1,500	36,007
	2003	40,175	25,878	-	35,130
	2002	18,148	31,994	-	33,477
	2001	20,542	38,191	-	31,888
	2000	43,433	33,498	-	29,659
	1999	52,338	30,933	-	26,932
Special	2004	\$ -	-	-	-
	2003	-	-	-	-
	2002	-	-	-	-
	2001	-	-	-	-
	2000	-	-	-	-
	1999	-	-	-	-
New State Police	2004	\$ 3,125	36	-	2,436
	2003	2,786	30	-	2,337
	2002	2,476	35	-	2,112
	2001	2,480	29	-	1,710
	2000	2,585	24	-	1,294
	1999	2,624	21	-	1,168
Judiciary	2004	\$ 1,235	253	-	249
	2003	1,342	244	-	563
	2002	1,399	293	-	251
	2001	1,333	306	-	206
	2000	1,666	251	-	183
	1999	1,327	221	-	165
County & Municipal Police and Firefighters'	2004	\$ 3,179	-	-	1,696
	2003	2,931	-	-	1,546
	2002	2,779	-	-	1,404
	2001	2,664	-	-	1,265
	2000	2,771	-	-	973
	1999	2,025	-	-	604



Other	Net Investment Income	Net Increase/(Decrease)		Employer Contributions	
		in Fair Value of Investments	Total Additions	As a Percent of Covered Payroll	
-	100,682	631,656	\$ 855,094		4.9%
-	102,753	39,077	243,013		2.9%
-	128,548	(429,051)	(216,884)		1.4%
-	153,955	(429,538)	(184,962)		1.7%
-	148,995	641,970	897,555		3.9%
2	121,749	345,930	577,884		5.2%
-	17	115	\$ 132		-
-	19	18	37		-
-	49	(165)	(116)		-
-	63	(175)	(112)		-
-	64	280	344		-
-	56	153	209		-
14	2,500	15,065	\$ 23,176		10.0%
10	2,392	1,278	8,833		8.3%
7	2,781	(9,075)	(1,664)		8.2%
19	3,118	(8,643)	(1,287)		8.9%
20	2,857	12,117	18,897		10.0%
32	2,211	6,481	12,537		11.3%
-	612	3,817	\$ 6,166		17.0%
-	620	302	3,071		18.2%
-	745	(2,459)	229		19.3%
-	869	(2,421)	293		20.5%
-	821	3,528	6,449		23.1%
-	659	1,944	4,316		24.2%
-	900	5,193	\$ 10,698		12.4%
-	805	567	5,849		12.1%
-	856	(2,729)	2,310		13.4%
-	886	(2,417)	2,398		14.3%
-	739	3,022	7,505		14.3%
-	496	2,075	5,200		14.9%

(continued on next page)

SCHEDULE OF ADDITIONS BY SOURCE *(continued)*

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions
County & Municipal	2004	\$ 321	-	-	168
Other Employees'	2003	248	-	-	259
	2002	92	-	-	57
	2001	165	-	-	53
	2000	352	-	-	46
	1999	158	-	-	30
Volunteer Firemen's	2004	\$ 694	-	-	208
	2003	667	-	-	210
	2002	586	-	-	209
	2001	618	-	-	205
	2000	645	-	-	203
	1999	660	-	-	203
Diamond State Port Corporation	2004	\$ 346	-	-	164
	2003	333	-	-	170
	2002	341	-	-	157
	2001	386	-	-	154
	2000	389	-	-	143
	1999	407	-	-	125
Closed State Police	2004	\$ 19,420	-	6	53
	2003	17,845	-	757	65
	2002	17,805	-	-	64
	2001	17,174	-	-	69
	2000	16,208	-	-	93
	1999	15,664	-	-	152

Other	Net Investment Income	Net Increase/(Decrease)		Employer Contributions	
		in Fair Value of Investments	Total Additions	As a Percent of Covered Payroll	
-	79	461	\$ 1,029	4.9%	
-	71	48	626	3.2%	
-	76	(246)	(21)	3.6%	
-	85	(233)	70	3.7%	
-	77	292	767	4.6%	
-	53	176	417	5.7%	
-	188	1,132	\$ 2,222	-	
-	193	102	1,172	-	
-	240	(797)	238	-	
-	291	(783)	331	-	
-	282	1,198	2,328	-	
-	232	615	1,710	-	
-	150	898	\$ 1,558	4.0%	
-	143	73	719	3.9%	
-	166	(538)	126	4.2%	
-	185	(504)	221	4.9%	
-	164	684	1,380	5.3%	
-	121	412	1,065	6.4%	
-	51	-	\$ 19,530	-	
-	63	-	18,730	-	
-	109	-	17,978	-	
2	234	-	17,479	-	
2	198	-	16,501	-	
5	109	-	15,930	-	

SCHEDULE OF DEDUCTIONS BY TYPE

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments
State Employees'	2004	\$ -	1,500	243,238
	2003	-	-	217,126
	2002	-	-	194,824
	2001	-	-	175,312
	2000	-	-	159,122
	1999	-	-	145,391
Special	2004	\$ -	-	119
	2003	-	750	121
	2002	-	-	143
	2001	-	-	135
	2000	-	-	133
	1999	-	-	132
New State Police	2004	\$ -	-	922
	2003	-	-	689
	2002	-	-	367
	2001	-	-	289
	2000	-	-	166
	1999	-	-	113
Judiciary	2004	\$ -	-	2,177
	2003	-	-	1,971
	2002	-	-	1,907
	2001	-	-	1,949
	2000	-	-	1,642
	1999	-	-	1,498
County & Municipal Police and Firefighters'	2004	\$ -	-	447
	2003	-	-	244
	2002	-	-	163
	2001	-	-	151
	2000	-	-	69
	1999	-	-	65



Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
2,333	4,479	4,372	\$ 255,922
2,653	4,060	4,954	228,793
2,409	4,003	4,441	205,677
2,485	3,632	4,658	186,087
2,376	3,573	4,140	169,211
2,488	2,344	4,843	155,066
-	21	3	\$ 143
-	35	3	909
-	21	4	168
-	24	5	164
-	12	4	149
-	30	6	168
75	-	53	\$ 1,050
102	-	62	853
87	-	56	510
33	-	48	370
56	-	40	262
73	-	45	231
60	-	8	\$ 2,245
-	-	10	1,981
-	-	8	1,915
-	-	8	1,957
-	-	8	1,650
-	-	23	1,521
48	-	60	\$ 555
105	-	67	416
122	-	49	334
20	-	94	265
50	-	38	157
26	-	42	133

(continued on next page)

SCHEDULE OF DEDUCTIONS BY TYPE (CONTINUED)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments
County & Municipal Other Employees'	2004	\$ -	-	61
	2003	-	-	52
	2002	-	-	41
	2001	-	-	26
	2000	-	-	21
	1999	-	-	17
	Volunteer Firemen's	2004	\$ -	-
2003		-	-	1,057
2002		-	-	1,018
2001		-	-	971
2000		-	-	920
1999		-	-	890
Diamond State Port Corporation	2004	\$ -	-	199
	2003	-	-	170
	2002	-	-	185
	2001	-	-	98
	2000	-	-	75
	1999	-	-	88
Closed State Police	2004	\$ -	-	18,901
	2003	-	-	18,429
	2002	-	-	17,705
	2001	-	-	17,040
	2000	-	-	16,078
	1999	-	-	15,481



Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
19	-	29	\$ 109
41	-	26	119
21	-	15	77
9	-	21	56
3	-	16	40
4	-	8	29
31	-	17	\$ 1,156
48	-	18	1,123
44	-	17	1,079
55	-	22	1,048
29	-	22	971
51	-	34	975
23	-	30	\$ 252
24	-	28	222
15	-	27	227
8	-	53	159
12	-	17	104
12	-	21	121
3	63	50	\$ 19,017
-	77	59	18,565
-	56	17	17,778
-	54	63	17,157
-	30	51	16,159
-	70	63	15,614

SCHEDULE OF BENEFIT DEDUCTIONS BY TYPE

(dollar values expressed in thousands)

Plan	Fiscal Years		Service	Survivor	Disability	Total
	Ended June 30,					
State Employees'	2004		\$ 205,416	18,560	19,262	\$ 243,238
	2003		182,615	16,986	17,525	217,126
	2002		162,843	16,130	15,851	194,824
	2001		146,079	14,858	14,375	175,312
	2000		132,568	13,587	12,967	159,122
	1999		121,017	12,528	11,846	145,391
Special	2004		\$ 63	50	6	\$ 119
	2003		61	55	5	121
	2002		82	56	5	143
	2001		70	57	8	135
	2000		73	52	8	133
	1999		78	46	8	132
New State Police	2004		\$ 439	74	409	\$ 922
	2003		294	69	326	689
	2002		172	42	153	367
	2001		44	26	219	289
	2000		-	19	147	166
	1999		-	18	95	113
Judiciary	2004		\$ 1,598	472	107	\$ 2,177
	2003		1,407	459	105	1,971
	2002		1,341	452	114	1,907
	2001		1,497	351	101	1,949
	2000		1,236	298	108	1,642
	1999		1,137	256	105	1,498
County & Municipal Police and Firefighters'	2004		\$ 227	56	164	\$ 447
	2003		85	55	104	244
	2002		71	26	66	163
	2001		72	32	47	151
	2000		-	32	37	69
	1999		-	34	31	65



SCHEDULE OF BENEFIT DEDUCTIONS BY TYPE *(continued)*

(dollar values expressed in thousands)

Plan	Fiscal Years		Service	Survivor	Disability	Total
	Ended June 30,					
County & Municipal	2004	\$	49	-	12	\$ 61
Other Employees'	2003		40	-	12	52
	2002		28	-	13	41
	2001		21	-	5	26
	2000		19	-	2	21
	1999		15	-	2	17
Volunteer Firemen's	2004	\$	1,108	-	-	\$ 1,108
	2003		1,057	-	-	1,057
	2002		1,018	-	-	1,018
	2001		971	-	-	971
	2000		920	-	-	920
	1999		890	-	-	890
Diamond State Port Corporation	2004	\$	134	11	54	\$ 199
	2003		108	11	51	170
	2002		96	11	78	185
	2001		59	11	28	98
	2000		51	11	13	75
	1999		54	28	6	88
Closed State Police	2004	\$	13,496	2,446	2,959	\$ 18,901
	2003		13,090	2,345	2,994	18,429
	2002		12,635	2,111	2,959	17,705
	2001		12,002	2,131	2,907	17,040
	2000		11,352	1,928	2,798	16,078
	1999		10,782	1,870	2,829	15,481

**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT BY PLAN
AS OF JUNE 30, 2004**

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	984	-	-	-
	\$1 - 499	5,352	2,678	1,723	951
	500-999	4,445	3,061	749	635
	1000-1499	2,871	2,321	257	293
	1500-1999	1,771	1,571	83	117
	2000 - 2499	1,227	1,126	31	70
	2500 - 2999	831	788	15	28
	over \$3000	1,115	1,075	7	33
Special	Deferred	-	-	-	-
	\$1 - 499	28	11	16	1
	500-999	2	1	1	-
	over \$1000	1	1	-	-
New State Police	Deferred	8	-	-	-
	\$1 - 499	-	-	-	-
	500-999	2	-	2	-
	1000-1499	1	-	-	1
	1500 - 1999	2	1	1	-
	2000 - 2499	8	4	-	4
	2500 - 2999	9	7	1	1
	over \$3000	11	4	-	7
Judiciary	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	2	-	2	-
	1500-1999	2	-	2	-
	2000 - 2499	2	-	2	-
	2500 - 2999	3	1	2	-
	over \$3000	28	20	6	2
County & Municipal Police and Firefighters'	Deferred	12	-	-	-
	\$1 - 499	-	-	-	-
	500-999	4	2	2	-
	1000-1499	2	1	-	1
	1500-1999	10	2	2	6
	2000 - 2499	5	5	-	-
	2500 - 2999	2	2	-	-
	over \$3000	-	-	-	-

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT BY PLAN (continued)
AS OF JUNE 30, 2004

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
County & Municipal	Deferred	1	-	-	-
Other Employees'	\$1 - 499	11	10	-	1
	500-999	3	2	-	1
	1000-1499	1	1	-	-
	1500-1999	-	-	-	-
	over \$2000	-	-	-	-
Volunteer Firemen's	Deferred	10	-	-	-
	\$1 - 74	601	601	-	-
	75 - 99	387	387	-	-
	over \$100	222	222	-	-
Diamond State Port Corporation	Deferred	3	-	-	-
	\$1 - 499	7	6	1	-
	500-999	5	4	-	1
	1000-1499	8	4	-	4
	1500-1999	1	1	-	-
Closed State Police	over \$2000	-	-	-	-
	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	2	-	2	-
	1500-1999	20	-	14	6
	2000 - 2499	122	51	63	8
	2500 - 2999	250	214	8	28
over \$3000	164	120	6	38	

SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN

The following schedules are presented only for those plans with retirees and/or beneficiaries as of June 30, 2004, whose benefits are based on years of service or salary. Accordingly, the Special Pensions Plan is not included.

Credited Service	2004 State Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>			
Average Monthly Benefit	\$ 840	\$ 167	\$ -
Average Final Average Salary	\$ 18,847	\$ -	\$ -
Number of Active Retirees	13	15	-
<i>5 - 9.99 years</i>			
Average Monthly Benefit	\$ 312	\$ 175	\$ 271
Average Final Average Salary	\$ 24,546	\$ -	\$ 21,033
Number of Active Retirees	628	343	454
<i>10 - 14.99 years</i>			
Average Monthly Benefit	\$ 436	\$ 283	\$ 456
Average Final Average Salary	\$ 22,800	\$ -	\$ 24,090
Number of Active Retirees	1,177	481	503
<i>15 - 19.99 years</i>			
Average Monthly Benefit	\$ 652	\$ 386	\$ 708
Average Final Average Salary	\$ 25,819	\$ -	\$ 26,872
Number of Active Retirees	1,892	597	460
<i>20 - 24.99 years</i>			
Average Monthly Benefit	\$ 940	\$ 550	\$ 1,027
Average Final Average Salary	\$ 27,765	\$ -	\$ 30,381
Number of Active Retirees	2,096	501	366
<i>25 - 29.99 years</i>			
Average Monthly Benefit	\$ 1,465	\$ 731	\$ 1,518
Average Final Average Salary	\$ 35,562	\$ -	\$ 28,592
Number of Active Retirees	2,455	343	216
<i>30 - 34.99 years</i>			
Average Monthly Benefit	\$ 2,103	\$ 942	\$ 2,046
Average Final Average Salary	\$ 44,150	\$ -	\$ 45,877
Number of Active Retirees	3,014	382	93
<i>35 - 39.99 years</i>			
Average Monthly Benefit	\$ 2,570	\$ 1,281	\$ 2,436
Average Final Average Salary	\$ 45,618	\$ -	\$ 38,620
Number of Active Retirees	1,059	150	25
<i>40 years and over</i>			
Average Monthly Benefit	\$ 2,798	\$ 1,509	\$ 2,244
Average Final Average Salary	\$ 42,553	\$ -	\$ 33,049
Number of Active Retirees	286	53	10



SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

Credited Service	2004 New State Police Pension Plan			2004 Judiciary Pension Plans		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ 916	\$ 2,124	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 28,297	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ -	\$ 1,650	\$ 2,309	\$ -	\$ -	\$ 5,125
Average Final Average Salary	\$ -	\$ -	\$ 33,234	\$ -	\$ -	\$ 121,230
Number of Active Retirees	-	1	3	-	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 1,901	\$ 2,687	\$ 2,160	\$ 4,240	\$ 2,146	\$ 3,841
Average Final Average Salary	\$ 99,999	\$ -	\$ 30,101	\$ 88,155	\$ -	\$ 79,846
Number of Active Retirees	1	1	2	4	4	1
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 2,379	\$ -	\$ 3,894	\$ 5,326	\$ 1,841	\$ -
Average Final Average Salary	\$ 59,910	\$ -	\$ 59,956	\$ 84,657	\$ -	\$ -
Number of Active Retirees	2	-	7	4	1	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 2,828	\$ -	\$ -	\$ 6,440	\$ 2,237	\$ -
Average Final Average Salary	\$ 65,027	\$ -	\$ -	\$ 91,412	\$ -	\$ -
Number of Active Retirees	13	-	-	8	3	-
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 6,844	\$ 3,553	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 106,491	\$ -	\$ -
Number of Active Retirees	-	-	-	4	4	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 7,823	\$ 4,547	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 118,522	\$ -	\$ -
Number of Active Retirees	-	-	-	1	1	-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>40 years and over</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 4,466	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	1	-

SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

Credited Service	2004 County & Municipal Police and Firefighters' Pension Plans			2004 County & Municipal Other Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ 558	\$ 1,376	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 27,400	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ -	\$ 1,876	\$ 1,761	\$ 126	\$ -	\$ 184
Average Final Average Salary	\$ -	\$ -	\$ 40,745	\$ 17,309	\$ -	\$ 24,070
Number of Active Retirees	-	1	3	5	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 663	\$ -	\$ -	\$ 363	\$ -	\$ -
Average Final Average Salary	\$ 33,535	\$ -	\$ -	\$ 20,512	\$ -	\$ -
Number of Active Retirees	2	-	-	4	-	-
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 2,280	\$ -	\$ 1,889	\$ 536	\$ -	\$ -
Average Final Average Salary	\$ 74,136	\$ -	\$ 36,063	\$ 26,082	\$ -	\$ -
Number of Active Retirees	4	-	3	2	-	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 2,082	\$ -	\$ -	\$ 491	\$ -	\$ 851
Average Final Average Salary	\$ 47,488	\$ -	\$ -	\$ 17,165	\$ -	\$ 24,741
Number of Active Retirees	6	-	-	1	-	1
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ -	\$ 1,696	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 1,039	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 24,693	\$ -	\$ -
Number of Active Retirees	-	-	-	1	-	-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>40 years and over</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-



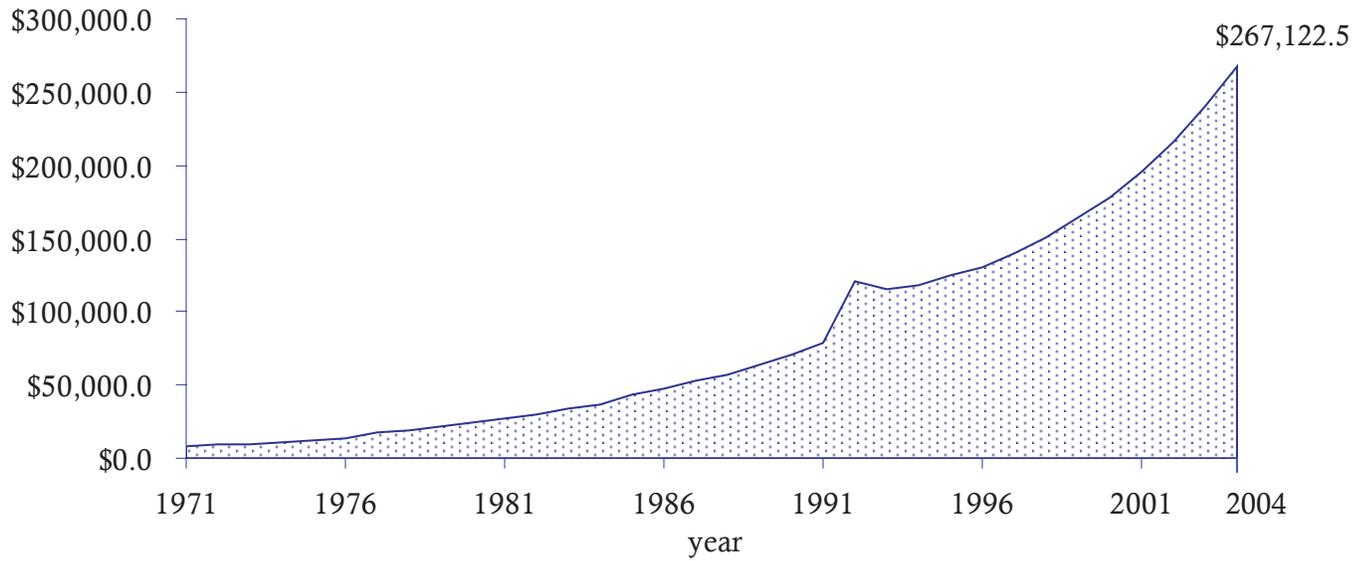
SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

Credited Service	2004 Volunteer Firemen's Pension Plan			2004 Diamond State Port Corporation Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 355	\$ -	\$ 1,213
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 47,912	\$ -	\$ 30,772
Number of Active Retirees	-	-	-	4	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 57	\$ -	\$ -	\$ 794	\$ -	\$ 845
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 44,412	\$ -	\$ 31,348
Number of Active Retirees	601	-	-	4	-	2
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 84	\$ -	\$ -	\$ 592	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 27,564	\$ -	\$ -
Number of Active Retirees	387	-	-	3	-	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 108	\$ -	\$ -	\$ 996	\$ 393	\$ 1,186
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 30,195	\$ -	\$ 31,674
Number of Active Retirees	180	-	-	1	1	2
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ 125	\$ -	\$ -	\$ 1,331	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 31,250	\$ -	\$ -
Number of Active Retirees	42	-	-	1	-	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 1,479	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 36,282	\$ -	\$ -
Number of Active Retirees	-	-	-	2	-	-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>40 years and over</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-

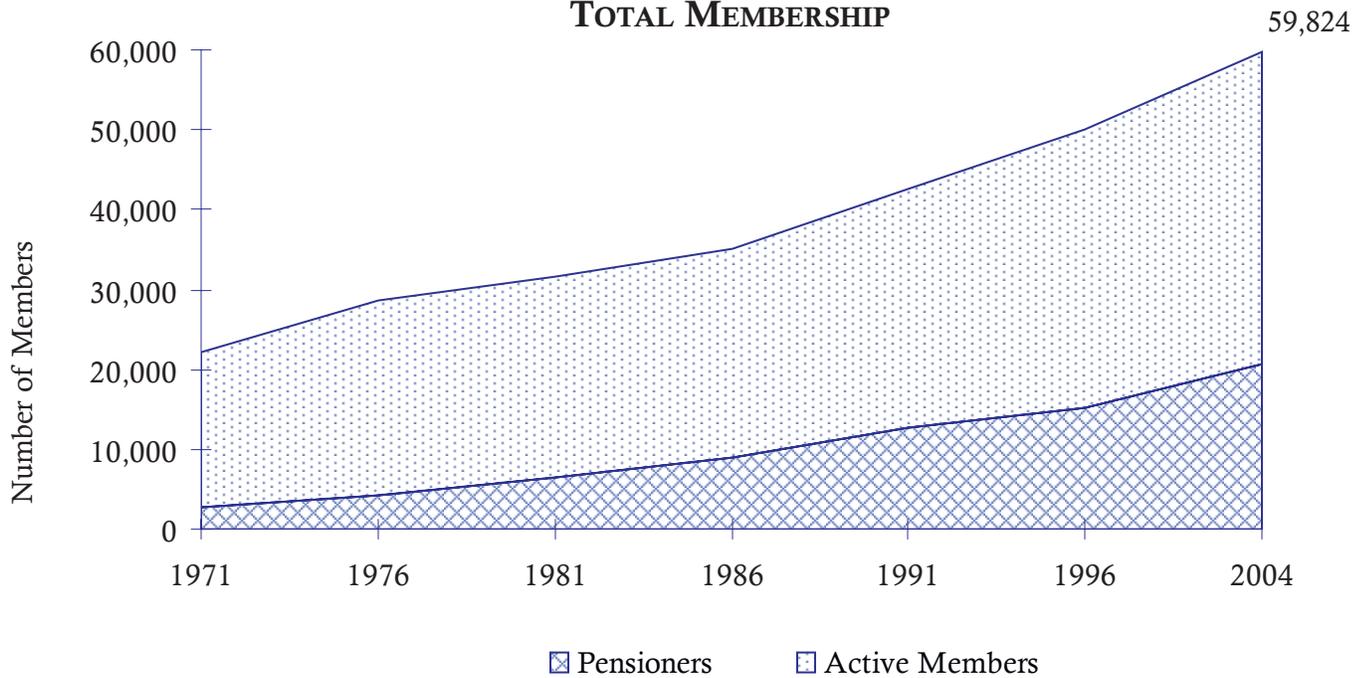
SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

Credited Service	2004 Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>			
Average Monthly Benefit	\$ -	\$ 2,214	\$ 2,477
Average Final Average Salary	\$ -	\$ -	\$ 22,172
Number of Active Retirees	-	3	3
<i>5 - 9.99 years</i>			
Average Monthly Benefit	\$ -	\$ 1,918	\$ 2,686
Average Final Average Salary	\$ -	\$ -	\$ 25,793
Number of Active Retirees	-	4	21
<i>10 - 14.99 years</i>			
Average Monthly Benefit	\$ -	\$ 2,061	\$ 2,913
Average Final Average Salary	\$ -	\$ -	\$ 28,825
Number of Active Retirees	-	7	28
<i>15 - 19.99 years</i>			
Average Monthly Benefit	\$ -	\$ 2,789	\$ 3,296
Average Final Average Salary	\$ -	\$ -	\$ 47,695
Number of Active Retirees	-	6	18
<i>20 - 24.99 years</i>			
Average Monthly Benefit	\$ 2,835	\$ 2,234	\$ 4,133
Average Final Average Salary	\$ 61,453	\$ -	\$ 51,154
Number of Active Retirees	343	70	10
<i>25 - 29.99 years</i>			
Average Monthly Benefit	\$ 3,444	\$ 2,081	\$ -
Average Final Average Salary	\$ 78,827	\$ -	\$ -
Number of Active Retirees	35	3	-
<i>30 - 34.99 years</i>			
Average Monthly Benefit	\$ 3,988	\$ -	\$ -
Average Final Average Salary	\$ 89,274	\$ -	\$ -
Number of Active Retirees	7	-	-
<i>35 - 39.99 years</i>			
Average Monthly Benefit	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-
<i>40 years and over</i>			
Average Monthly Benefit	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-

TOTAL BENEFIT PAYMENTS (expressed in thousands)



TOTAL MEMBERSHIP



SCHEDULE OF PARTICIPATING EMPLOYERS

State Employees' Pension Plan

State of Delaware
State of Delaware Charter Schools
Delaware National Guard
Delaware Solid Waste Authority
Delaware State University
Delaware Technical & Community College
University of Delaware (excluding most faculty and designated professional staff)

Closed State Police Plan

Delaware State Police (Appointed before July 1, 1980)

New State Police Plan

Delaware State Police (Appointed after July 1, 1980)

Judiciary Pension Plan

Appointed members of the State Judiciary

Diamond State Port Corporation Plan

Diamond State Port Corporation Employees

County & Municipal Police and Firefighters' Plan

Town of Camden
Town of Cheswold
Town of Dagsboro
Town of Delmar
Town of Dewey Beach
City of Dover
Town of Felton
City of Georgetown
City of Harrington
Town of Millsboro
City of New Castle
New Castle County
Town of Ocean View
City of Wilmington
Town of Wyoming

County & Municipal Other Employees' Plan

Town of Clayton
Delaware City Fire Company
Felton Fire Company
City of Georgetown
Good-Will Fire Company
City of Harrington
Harrington Fire Company
Kent Conservation District
Lewes Fire Company
Town of Millsboro
City of New Castle
Town of Newport
Town of Ocean View
Town of South Bethany
Sussex Conservation District
Townsend Fire Company
Volunteer Hose Company of Middletown
Town of Wyoming



SCHEDULE OF PARTICIPATING EMPLOYERS (continued)

Delaware Local Government Investment Pool

Town of Elsmere
Sussex County Government

Volunteer Firemen's Pension Plan

Aetna Hose, Hook & Ladder Co. & Auxiliary
Brandywine Hundred Fire Co. & Auxiliary
Christiana Fire Co. & Auxiliary
Claymont Fire Co. & Auxiliary
Cranston Heights Fire Co. & Auxiliary
Delaware City Fire Co. & Auxiliary
Elsmere Fire Co. & Auxiliary
Five Points Fire Co. No. 1 & Auxiliary
Good-Will Fire Co. & Auxiliary
Hockessin Fire Co. & Auxiliary
Holloway Terrace Fire Co. & Auxiliary
Mill Creek Fire Co. & Auxiliary
Minquadale Fire Co. & Auxiliary
Minquas Fire Co. & Auxiliary
Odessa Fire Co. & Auxiliary
Talleville Fire Co. & Auxiliary
Townsend Fire Co. & Auxiliary
Volunteer Hose Co. & Auxiliary
Wilmington Manor Fire Co. & Auxiliary
Port Penn Volunteer Fire Co. & Auxiliary
Belvedere Fire Co. & Auxiliary
Bowers Fire Co. & Auxiliary
Camden-Wyoming Fire Co. & Auxiliary
Carlisle Fire Co. & Auxiliary
Cheswold Fire Co. & Auxiliary
Citizens Hose Co. No. 1 & Auxiliary
Clayton Fire Co. & Auxiliary
Robbins Hose Fire Co.
Farmington Fire Co. & Auxiliary
Felton Community Fire Co. & Auxiliary
Frederica Fire Co. & Auxiliary

Harrington Fire Co. & Auxiliary
Hartly Fire Co. & Auxiliary
Houston Fire Co. & Auxiliary
Leipsic Fire Co. & Auxiliary
Little Creek Fire Co. & Auxiliary
Magnolia Fire Co. & Auxiliary
Marydel Fire Co. & Auxiliary
South Bowers Fire Co. & Auxiliary
Smyrna American Legion Ambulance
Bethany Beach Fire Co. & Auxiliary
Blades Fire Co. & Auxiliary
Bridgeville Fire Co. & Auxiliary
Dagsboro Fire Co. & Auxiliary
Delmar Fire Co. & Auxiliary
Ellendale Fire Co. & Auxiliary
Frankford Fire Co. & Auxiliary
Georgetown Fire Co. & Auxiliary
Greenwood Fire Co. & Auxiliary
Gumboro Fire Co. & Auxiliary
Indian River Fire Co. & Auxiliary
Laurel Fire Co. & Auxiliary
Lewes Fire Co.
Millsboro Fire Co. & Auxiliary
Millville Fire Co. & Auxiliary
Milton Fire Co. & Auxiliary
Rehoboth Beach Fire Co. & Auxiliary
Seaford Fire Co. & Auxiliary
Selbyville Fire Co. & Auxiliary
Memorial Fire Co. & Auxiliary
Roxana Fire Co. & Auxiliary

State Personnel Office Mission Statement:

Provide the leadership and services for achieving a quality workforce.

Pension Office Programmatic Goal:

Maintain comprehensive and responsive systems for benefits and funds management, which helps retain a quality workforce and provides a secure and supportive retirement commitment.