

Delaware Public Employees' Retirement System

- a component unit of the State of Delaware

35th Comprehensive Annual Financial Report

*Presented by the Board of Pension Trustees
For the Fiscal Year Ended June 30, 2006*

*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
STATE EMPLOYEES' 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

Mailing Address:

McArdle Building, Suite #1
860 Silver Lake Boulevard
Dover, Delaware 19904-2402

Telephone: (800) 722-7300

E-Mail Address: pensionoffice@state.de.us

WebSite: www.delawarepensions.com

Table of Contents

Introductory Section

PPCC Public Pension Standards Award	4
Letter of Transmittal	5
Board of Trustees and List of Consultants	11
Organizational Chart	12
Highlights of Board Activities	13
2006 Legislation Affecting Pensions	15
Certificate of Achievement for Excellence in Financial Reporting	16

Financial Section

Independent Auditors' Report	19
Management's Discussion and Analysis	21
<u>Basic Financial Statements:</u>	
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	26
Notes to Financial Statements (an integral part of the Basic Financial Statements)	28
<u>Required Supplementary Information:</u>	
Schedule 1 - Funding Progress	40
Schedule 2 - Employer Contributions	43
Schedule 3 - Notes to Trend Data	46
<u>Supporting Schedules:</u>	
Schedule 4 - Administrative Expenses	48
Schedule 5 - Investment Expenses	49
Schedules for Delaware Local Government Investment Pool	50
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	52

Investment Section

Letter from Investment Committee Chair	57
Investment Activity	59
Investment Results	60
Asset Allocation	61
Investment Managers	63
Chart I - Calculated Returns	64
Chart II - Investment Performance Summary	64
Chart III & IV - Five and Ten Year System Performance	65
Investment Summary and Schedule of Investment Fees	66
Glossary	66
List of Largest Assets Held	67
Schedule of Broker Commissions	68

Actuarial Section

Actuary's Opinion	72
Summary of Actuarial Assumptions & Methods	74
Mortality Tables	75
Summary of Plan Provisions and Changes in Plan Provisions	75
Schedule of Active Member Valuation Data	76
Schedule of Retirees and Beneficiaries Added/Deleted from Rolls	78
Solvency Test	80
Analysis of Financial Experience	82

Statistical Section

Schedule of Additions by Source	84-88
Schedule of Deductions by Type	85-89
Schedule of Benefit Deductions by Type	90-92
Schedule of Retired Members by Type of Benefit	92-93
Schedule of Average Benefit Payment Amounts	94-98
Schedule of Participating Employers	100-101



INTRODUCTORY SECTION



**Public Pension Coordinating Council
Public Pension Standards
2005 Award**

Presented to

Delaware Public Employees' Retirement System

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. Winkler".

Alan H. Winkler
Program Administrator



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

McArdle Building, Suite #1
860 Silver Lake Blvd.
Dover, DE 19904-2402

When Calling Long Distance
Toll Free Number 1-800-722-7300
E-Mail: pensionoffice@state.de.us

Telephone (302) 739-4208
Fax (302) 739-6129
www.delawarepensions.com

September 29, 2006

The Honorable Ruth Ann Minner
and
Members of the 143rd 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 35th Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2006.

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, 2006.

The 2006 Financial Report is presented in five sections:

- ◆ Introductory Section -- contains this transmittal letter, organization charts, Board and Legislative highlights.
- ◆ Financial Section -- provides the independent auditor's 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.



The Honorable Ruth Ann Minner
and

Members of the 143rd General Assembly

Page 2

September 29, 2006

- ◆ 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 Management's Discussion and Analysis (MD&A), located in the Financial Section of this report, provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

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 2006, pensioners numbered 21,149; monies from nine plans, three post-retirement trusts and one investment pool were commingled in a total System of \$6.5 billion. The State's contribution rate for the State Employees' Pension Plan for Fiscal Year 2006 was 6.1% of payroll. Employer rates in the other plans that we administer range from 5.6% to 22.1% of covered payroll. Benefit coverage varies by plan as shown on pages 29-32. Benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states, especially in the areas of 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 40-42.

Major Accomplishments

Disability Pension Review - A new disability insurance program for members of the State Employees' Pension Plan was implemented on January 1, 2006. The required legislative action was taken during Fiscal Year 2005 -- Senate Substitute #1 for Senate Bill #178 -- and legislation to clarify some administrative issues was passed during the Fiscal Year 2006 session. During the original election period, over 90% of those members who were eligible opted into the new plan. For those who did not elect to join this new program, a reopening period will be offered during Fiscal Year 2007.



The Honorable Ruth Ann Minner
and
Members of the 143rd General Assembly
Page 3
September 29, 2006

Local Government Participation - Membership in the County & Municipal plans continues to grow. New members include the Towns of Newport, South Bethany, Bethany Beach, Laurel, Clayton, and Felton, the Riverfront Development Group, and the Mill Creek Fire Company.

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 & Firefighter's Pension Plans was granted during Fiscal Year 2006. Effective July 1, 2006, this increase applies to all members with a pension effective date prior to July 1, 2005. The Delaware State Legislature has granted 12 similar post-retirement increases over the last 13 years.

Best Practices - The Board, with the help of its legal counsel and various Committee members, continued its "Best Practices Review" during Fiscal Year 2006. Requests for proposal for global custody services and actuarial services resulted in the hiring of The Northern Trust Company as global custodian bank and Cheiron, Inc., as the consulting actuary effective July 1, 2006. In addition, the Board formalized its operations and investment policies and outside legal counsel has been retained to provide counsel on any issues related to compliance of the provisions of the Delaware Code which constitute the Pension Plan for Delaware, and each of its nine subplans, with the Internal Revenue Code and its rules, regulations, and interpretive opinions. During Fiscal Year 2007, the Board plans to continue to focus on the key areas of pension system operations -- administration, investments, and governance.

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, 2005. 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 tenth 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 - The Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2005. 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



The Honorable Ruth Ann Minner
and

Members of the 143rd General Assembly

Page 4

September 29, 2006

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 12.4% return gross of fees in Fiscal Year 2006. The System's annualized total returns for the last five, ten and fifteen years are 6.9%, 9.2% and 10.8%, respectively. Relative to other public pension funds, the System's performance ranks in the top quartile for the most recent 1-year and 10-year periods, and ranks above the median for the most recent 5-year period.

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. During the year, investment market returns were mixed, with the S&P 500 stock index gaining 8.6% and the Lehman Aggregate bond index losing 0.8%. Strong returns realized in the System's allocation to global and domestic equity markets resulted in a 12.4% return for the year. The System continues to manage its investments by focusing on risk control and diversification into non-traditional asset classes. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 55 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.

During FY06, the Board formalized its investment policy, a summarized version of which is included on page 59. 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, 2006, may be found on page 63 of this report. A summary of the total System's asset allocation can be found on page 62.

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 should be noted that four of the plans included in the System continue to be fully funded -- State Employees',



The Honorable Ruth Ann Minner
and
Members of the 143rd General Assembly
Page 5
September 29, 2006

Special, New State Police, and County & Municipal Other Employees' -- covering 87.1% of the System's membership. Of the remaining plans, four are making annual contributions at the actuarially determined rates to reach full funding and the Closed State Police Pension Plan remains a pay-as-you-go plan. The Notes to Trend Data Schedule presented on page 46 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 which begins on page 71.

Internal Controls

System internal accounting controls are designed to reasonably assure 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. An independent auditing firm audits the System's basic financial statements annually and reports any findings to the Board.

Professional Services

Professional consultants are appointed by the Board to perform services essential to the effective and efficient operation of the System. An opinion on the System's basic financial statements from the independent auditors, KPMG LLP, is included in the Financial Section of this report. During FY06, the Board conducted a Request for Proposal (RFP) for actuarial services. Milliman, Inc., was the actuary for the Board during the fiscal year ended June 30, 2006. As of July 1, 2006, Cheiron, Inc., was selected as the new actuarial firm for the System. The current year valuation and opinion included in this report were prepared by Cheiron, Inc.

Ashford Consulting Group, Inc., serves as the System's investment advisor. Ashford provides the Board with periodic investment performance updates and provides the Investment Committee with ongoing market insights, asset allocation recommendations, investment manager research and recommendations, performance and attribution analysis, and additional investment-related services.

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.

The Board welcomed two new members during Fiscal Year 2006: Jennifer W. Davis, Director of the Office of Management & Budget as an Ex-officio Board member and Mark E. Stalnecker as an Investment Committee member.

The Honorable Ruth Ann Minner
and

Members of the 143rd General Assembly

Page 6

September 29, 2006

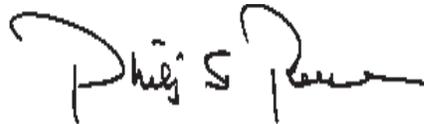
The Board appreciates the ten years of service Elva B. Ferrari provided as Chair of the Investment Committee. Elva resigned her post in July 2005, while continuing to serve as a member of the Committee. The Board took this opportunity to enact a new best practice policy which stipulates that Board committees be chaired by a Board member. Jan M. King, a Board member since 1998 and an Investment Committee member since 2000, was appointed Chair of the Investment Committee.

The members of the Board would like to formally extend their grateful appreciation to Dr. Ignatius J. Tikellis for his five plus years of professional and dedicated service to the Medical Committee. Despite some severe health issues of his own, Dr. Tikellis attended meetings faithfully whenever his health permitted. As a knowledgeable internist and occupational health physician, he was an extremely valuable member of the Committee.

The Board would also like to take this opportunity to thank Mercantile-Safe Deposit & Trust Company for over three decades of professional service to the System. The Board values the professional and personal relationships developed with Mercantile staff over the years.

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 Director of the Office of Management & Budget 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

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

Richard S. Cordrey
State Secretary of Finance

Jennifer W. Davis
Director, Office of Management & Budget

Executive Secretary to the Board
and Pension Administrator

David C. Craik

Legal Counsel

Marsha Kramarck, Esq.
Deputy Attorney General

Investment Committee

Jan M. King, Chair
Elva B. Ferrari
Clark Phippen
Philip S. Reese
Mark E. Stalnecker
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.
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, Inc. (through June 30, 2006)
Cheiron, Inc. (effective July 1, 2006)

Investment Advisor

Ashford Consulting Group, Inc.

Auditors

KPMG LLP

Global Custody Bank

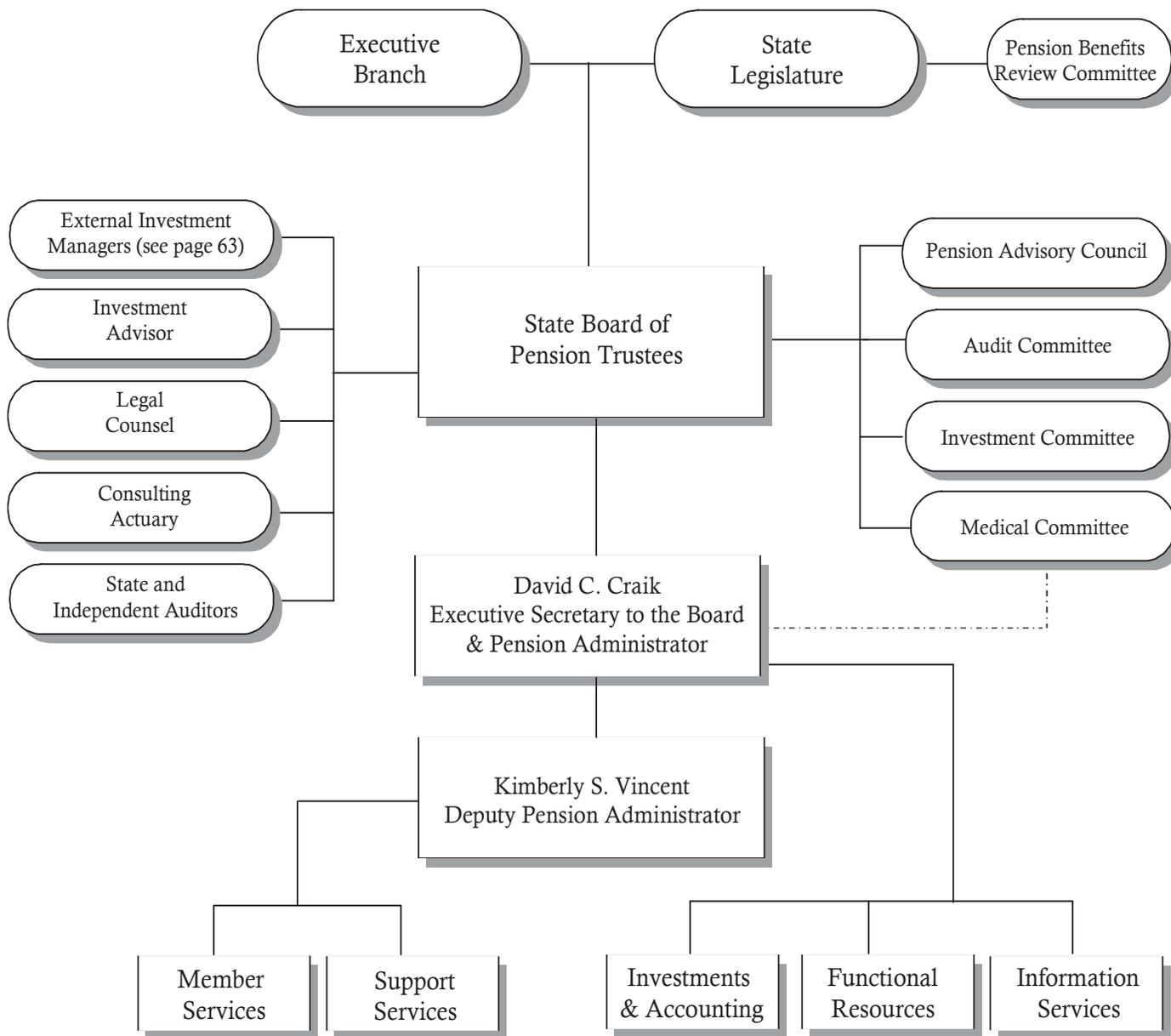
Northern Trust Co. (effective July 1, 2006)

Custodian and Sub-Custodian Banks
(through June 30, 2006)

Mercantile-Safe Deposit & Trust Co.
Bank of New York



ORGANIZATION CHART



MANAGEMENT TEAM:

- Investments & Accounting:** Alice L. Simon, Pension Cash/Debt Manager
- Functional Resources:** W. Ray Johnson, Human Resources Manager
- Information Services - Applications:** Ralph Ball, Application Support Project Leader
- Information Services - Systems:** Robert Eckstine, Application Support Project Leader
- Member Services:** Florence M. Price, Pension Benefit Processing
Lisa DiDonato, Pre-Retirement Services
Mary J. Wood, Post-Retirement Services
- Support Services:** Terri L. Timmons, Office 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.

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.
- ◆ State Employees' Post-Retirement Health Insurance Premium Fund.

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 Director of the Office of Management & Budget and also serves as Executive Secretary to the Board.

The Medical Committee of the Board is now comprised of eight medical doctors, all retired from 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.



HIGHLIGHTS OF BOARD ACTIVITIES *(continued)*

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.

The Investment Committee of the Board is currently comprised of six 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 55.

The Board retains Ashford Consulting Group, Inc., as investment advisor for the System. Ashford Consulting Group, Inc. provides a variety of services to the System including: investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution and 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, 2006, may be found on page 63 of this report.

The Board retains the firm of Cheiron, Inc., 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 major activities of the Board and its committees during the 12-month period July 2005 through June 2006 were:

- ◆ As part of its best practices review, the Board formalized its operations and investment policies, conducted requests for proposal for global custody and actuarial services, and retained outside counsel to ensure full compliance with the IRS Code.
- ◆ 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, including eligibility of individual employees for disability pension benefits, or questioned the Board's interpretation of State pension laws.
- ◆ 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.

2006 LEGISLATION AFFECTING PENSIONS

- Senate Substitute Bill #1
for Senate Bill 243
(75 Del. Laws, C227)
- This bill clarifies some administrative issues for the Disability Insurance Program for employees that are covered under the State Employees' Pension Plan, including return to work components and health insurance coverage. Additionally, this bill allows the Pension Administrator to resolve any outstanding issues that were involved with the election period for the program.
- S. B. 395
w/Senate Amendment #1
(75 Del. Laws, C351)
- This bill clarifies some issues for the Disability Insurance Program for employees that are covered under the State Employees' Pension Plan, including allowing a reopening period for employees to elect into the disability insurance program.
- S. B. 396
(75 Del. Laws, C403)
- Grants pension increases to retired State Employees', retired Judges, retired New State police and retired County & Municipal Police & Firefighters' on July 1, 2006 for persons retired on or before June 30, 2005. Any monthly service, disability, and survivor pension based on a former service or disability pension that was effective on or before June 30, 2005, but after December 31, 1980, and is payable on July 1, 2006 shall be increased effective July 1, 2006 by 2%. Any monthly service, disability, and survivor pension based on a former service or disability pension that was effective before January 1, 1981 and payable on July 1, 2006 shall be increased effective July 1, 2006 by 2% or \$25 per month, whichever is greater.



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, 2005

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.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director

FINANCIAL SECTION

This page left intentionally blank.





KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System:

We have audited the accompanying statement of plan net assets of the Delaware Public Employees' Retirement System (the System) as of June 30, 2006 and the related statements 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 upon our audit. The accompanying summarized comparative financial information has been derived from the Delaware Public Employees' Retirement System's June 30, 2005 financial statements and, in our report dated August 29, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those standards applicable to financial audits contained in *Government Auditing Standards* issued by 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. Our audit included consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the System's internal control over financial reporting. 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 the 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 plan net assets of the Delaware Public Employees' Retirement System as of June 30, 2006 and its changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in note 3, the financial statements include investments valued at \$775,216,000 (12 percent of net assets), whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

In accordance with *Government Auditing Standards* we have also issued our report dated August 30, 2006 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

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 of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2005, from which such summarized information was derived.

The information included in Management's Discussion and Analysis, Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Trend Data on pages 21-23 and 40-46 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 inquiries of management regarding the methods of measurement and presentation of the 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 basic financial statements taken as a whole. The supplementary information included in Schedule of Administrative Expenses, Schedule of Investment Expenses and the Schedules of Plan Net Assets and Changes in Plan Net Assets for the Delaware Local Government Investment Pool are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory, investment, actuarial and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, investment, actuarial and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

September 5, 2006

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance and provides an overview of the System's financial activities for the Fiscal Year ended June 30, 2006. 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, 2006:

- ◆ Plan net assets of all the pension funds administered by the System increased by \$599.0 million.
- ◆ Fiscal Year 2006 covered payrolls totaled \$1,706.6 million, resulting in a 29.3% increase in employer pension contributions and a 9.3% increase in member pension contributions. Member contributions increased as the State granted merit raises July 2005. Additionally, employer contributions increased due to higher employer contribution rates and more entities participating in the County & Municipal plans.
- ◆ Net investment earnings (net increase in fair value, plus investment earnings, less investment administrative expenses) increased by \$180.4 million as a result of 12.4% investment return for Fiscal Year 2006.
- ◆ Pension benefits paid to retirees and beneficiaries increased \$30.2 million bringing the total benefit payments to \$326.3 million. A net increase of 3.9% in the number of retirees and a post-retirement increase averaging 2% are responsible for the 10.2% increase in pension benefits. Refunds of contributions paid to former members upon termination of employment increased from \$2.8 million to \$3.2 million.
- ◆ Administrative expenses (including special project expenses) increased by 5.8% compared to Fiscal Year 2005. This increase is largely attributable to the ongoing Best Practices project and increases in professional audit services and employee health care benefits. (See Schedule 4 on page 48 for more details.)

During Fiscal Year 2006, the Board conducted a request for proposal for global custody services. As a result of that process, The Northern Trust Co. assumed custody of the System's assets on July 3, 2006.

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 40-42) 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 43-45) 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,	2006	2005	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 6,519,470	\$ 5,921,484	\$ 597,986	10.1%
Receivables	8,702	7,624	1,078	14.1%
TOTAL ASSETS:	\$ 6,528,172	\$ 5,929,108	\$ 599,064	10.1%
TOTAL ACCRUED LIABILITIES:	1,157	1,104	53	4.8%
TOTAL PLAN NET ASSETS:	\$ 6,527,015	\$ 5,928,004	\$ 599,011	10.1%

CHANGES IN NET ASSETS

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2006	2005	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
ADDITIONS:				
Employer Contributions	\$ 178,035	\$ 137,718	\$ 40,317	29.3%
Transfer of Contributions from PRI Fund	38,748	34,214	4,534	13.3%
Transfer of Assets from Outside the System	8,571	9,661	(1,090)	(11.3%)
Member Contributions	47,451	43,421	4,030	9.3%
Other	23	37	(14)	(37.8%)
Total Net Investment Earnings:	706,677	526,230	180,447	34.3%
TOTAL ADDITIONS:	\$ 979,505	\$ 751,281	\$ 228,224	30.4%

DEDUCTIONS:

Transfer of Contributions from PRI Fund	\$ 38,748	\$ 34,214	\$ 4,534	13.3%
Transfer of Assets Outside the System	2,478	2,224	254	11.4%
Benefit Payments	326,325	296,092	30,233	10.2%
Refunds of Contributions to Members	3,198	2,819	379	13.4%
Group Life Payments	4,928	4,601	327	7.1%
Administrative Expenses:				
General Administrative Expenses	4,598	4,506	92	2.0%
Disability Pension Review	-	30	(30)	(100.0%)
Actuarial Experience Study	-	4	(4)	(100.0%)
Health Care Review	72	5	67	1,340.0%
Best Practices Project	147	9	138	1,533.3%
Total Administrative Expenses:	\$ 4,817	\$ 4,554	\$ 263	5.8%
TOTAL DEDUCTIONS:	\$ 380,494	\$ 344,504	\$ 35,990	10.5%
INCREASE IN PLAN NET ASSETS	\$ 599,011	\$ 406,777	\$ 192,234	47.3%



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 \$599.0 million during the last fiscal year. Fiscal Year 2006's positive return of 12.4% is the primary reason for this year's increase in total plan net assets.

Employer contributions increased approximately \$40.3 million primarily due to higher required actuarial contribution rates across all plans and an increased number of participating employers in the County & Municipal plans. Member contributions increased by approximately \$4.0 million due to an increase in the number of active employees primarily in the County & Municipal plans. Transfers from outside the System decreased by approximately 11.3%. Transfers from the Post-Retirement Increase Fund (PRI) increased by 13.3% reflecting the post-retirement increase granted by legislation effective July 1, 2005.

Transfers of Assets Outside the System include transfers from the County & Municipal Police and Firefighters' COLA Fund (COLA Fund) to individual participating entities and a reversion from the COLA Fund as required by statute. The reversion from the COLA Fund was transferred to the State's General Fund. Benefit payments increased by approximately 10.2% as a result of a 3.9% increase in the number of retirees over Fiscal Year 2005 and a post-retirement increase granted to over 90% of our retirees effective July 1, 2005 which averaged 2%.

Total administrative expenses (including special projects) increased 5.8% primarily due to increased annual audit fees, health care costs for Pension Office staff, and additional progress on the Best Practices project.

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 40-42). 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 46).

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 43-45). 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, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

(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	\$ 1,638	9	499	21	864	113
Receivables:						
Transfer of Assets from Outside the System	-	-	-	-	-	-
Employer Contributions	4,003	-	223	92	201	55
Member Contributions	1,885	-	113	10	102	29
Total Receivables:	\$ 5,888	-	336	102	303	84
Investments at Fair Value:						
Domestic Fixed Income	1,035,969	126	29,162	6,612	12,232	1,441
Domestic Equities	1,608,808	196	45,288	10,267	18,996	2,239
Pooled Equity & Fixed Income	1,901,849	231	53,537	12,138	22,456	2,646
Alternative Investments	729,249	89	20,529	4,655	8,611	1,015
Short Term and Money Markets	71,842	9	1,952	446	761	61
Foreign Equities	779,020	95	21,930	4,972	9,198	1,084
Total Investments:	\$ 6,126,737	746	172,398	39,090	72,254	8,486
TOTAL ASSETS:	\$ 6,134,263	755	173,233	39,213	73,421	8,683
LIABILITIES:						
Benefits Payable	890	-	-	-	2	6
Accrued Administrative Expenses	229	1	3	1	6	4
TOTAL LIABILITIES:	\$ 1,119	1	3	1	8	10
NET ASSETS HELD IN TRUST FOR PENSION						
BENEFITS AND POOL PARTICIPANTS:	\$ 6,133,144	754	173,230	39,212	73,413	8,673

(A Schedule of Funding Progress for each Plan is presented on pages 40-42.)

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



Volunteer Firemen's Plan	Diamond State Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	State Employees' Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals as of June 30,	
							2006	2005
27	52	1,904	122	12	-	1,557	\$ 6,818	\$ 6,204
-	-	-	-	29	-	-	29	-
-	52	-	1,714	-	177	-	6,517	5,639
-	16	-	-	-	-	1	2,156	1,985
-	68	-	1,714	29	177	1	\$ 8,702	\$ 7,624
1,945	1,758	1,415	859	5,520	4,229	-	1,101,268	1,084,050
3,020	2,729	2,198	1,334	8,572	6,568	-	1,710,215	1,660,705
3,571	3,226	2,598	1,577	10,134	7,764	-	2,021,727	1,694,362
1,368	1,237	996	604	3,886	2,977	-	775,216	615,102
109	96	97	59	380	291	-	76,103	224,720
1,463	1,321	1,064	645	4,151	3,180	-	828,123	636,341
11,476	10,367	8,368	5,078	32,643	25,009	-	\$ 6,512,652	\$ 5,915,280
11,503	10,487	10,272	6,914	32,684	25,186	1,558	\$ 6,528,172	\$ 5,929,108
5	-	-	-	-	-	7	910	774
-	1	-	-	-	-	2	247	330
5	1	-	-	-	-	9	\$ 1,157	\$ 1,104
11,498	10,486	10,272	6,914	32,684	25,186	1,549	\$ 6,527,015	\$ 5,928,004

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005

(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:						
Contributions:						
Employer Contributions	\$ 91,013	-	5,276	2,002	5,488	734
Transfer of Contributions from PRI Fund	38,306	-	135	307	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	41,139	-	2,881	320	2,348	291
Other	-	-	22	-	-	-
Total Contributions:	\$ 170,458	-	8,314	2,629	7,836	1,025
Investments:						
Investment Earnings	82,638	10	2,326	528	975	115
Net Increase in Fair Value	602,359	83	16,276	3,768	6,556	778
	\$ 684,997	93	18,602	4,296	7,531	893
Less Investment Manager/Advisor/Custody Fees	(17,977)	(2)	(506)	(115)	(212)	(25)
Less Investment Administrative Expenses	(352)	-	(10)	(2)	(4)	(1)
Total Net Investment Earnings:	\$ 666,668	91	18,086	4,179	7,315	867
TOTAL ADDITIONS:	\$ 837,126	91	26,400	6,808	15,151	1,892
DEDUCTIONS:						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Benefit Payments	300,321	129	1,723	2,346	567	94
Refunds of Contributions to Members	2,880	-	44	-	153	41
Group Life Payments	4,779	28	-	-	-	-
Administrative Expenses	4,817	-	-	-	-	-
Allocation of Administrative Expenses	(306)	1	60	10	87	43
TOTAL DEDUCTIONS:	\$ 312,491	158	1,827	2,356	807	178
NET INCREASE/(DECREASE):	\$ 524,635	(67)	24,573	4,452	14,344	1,714
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POOL PARTICIPANTS						
BEGINNING OF YEAR:	\$ 5,608,509	821	148,657	34,760	59,069	6,959
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POOL PARTICIPANTS						
END OF YEAR:	\$ 6,133,144	754	173,230	39,212	73,413	8,673

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	State Employees' Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals for Fiscal Years ended June 30,	
							2006	2005
899	703	-	41,088	-	10,177	20,655	\$ 178,035	\$ 137,718
-	-	-	-	-	-	-	38,748	34,214
-	-	2,982	-	5,589	-	-	8,571	9,661
203	226	-	-	-	-	43	47,451	43,421
-	-	-	-	-	-	1	23	37
1,102	929	2,982	41,088	5,589	10,177	20,699	\$ 272,828	\$ 225,051
155	140	113	69	441	337	78	87,925	84,886
1,100	967	987	367	2,825	2,170	-	638,236	460,237
1,255	1,107	1,100	436	3,266	2,507	78	\$ 726,161	\$ 545,123
(34)	(30)	(24)	(15)	(97)	(73)	-	(19,110)	(18,571)
(1)	(1)	(1)	-	(1)	(1)	-	(374)	(322)
1,220	1,076	1,075	421	3,168	2,433	78	\$ 706,677	\$ 526,230
2,322	2,005	4,057	41,509	8,757	12,610	20,777	\$ 979,505	\$ 751,281
-	-	-	38,748	-	-	-	38,748	34,214
-	-	2,478	-	-	-	-	2,478	2,224
1,230	239	-	-	-	-	19,676	326,325	296,092
56	24	-	-	-	-	-	3,198	2,819
-	-	-	-	-	-	121	4,928	4,601
-	-	-	-	-	-	-	4,817	4,554
25	26	-	-	-	-	54	-	-
1,311	289	2,478	38,748	-	-	19,851	\$ 380,494	\$ 344,504
1,011	1,716	1,579	2,761	8,757	12,610	926	\$ 599,011	\$ 406,777
10,487	8,770	8,693	4,153	23,927	12,576	623	\$ 5,928,004	\$ 5,521,227
11,498	10,486	10,272	6,914	32,684	25,186	1,549	\$ 6,527,015	\$ 5,928,004

**Notes to Financial Statements
June 30, 2006**

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, 2006, 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 Receiving Them Yet	Active Participants	Total Membership	Participating Employers
State Employees'	19,108	1,133	34,313	54,554	7
Special	28	-	-	28	N/A
New State Police	48	6	633	687	1
Judiciary	39	-	55	94	1
County & Municipal Police/Firefighters'	27	11	733	771	23
County & Municipal Other Employees'	17	1	349	367	27
Volunteer Firemen's	1,304	41	5,160	6,505	61
Diamond State Port Corporation	27	3	283	313	1
Closed State Police	551	-	18	569	1
Total Membership:	21,149	1,195	41,544	63,888	122

The following are brief descriptions of the individual plans in effect as of June 30, 2006. For a more complete description, please refer to the respective 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. In lieu of disability pension benefits, over 90% of the members of this plan opted into a disability insurance program offered by the State effective January 1, 2006.

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

Contributions:
Employer - determined by Board of Pension Trustees.
Member - 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: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

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 75% of compensation.

Contributions:
Employer - determined by Board of Pension Trustees.
Member - 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.

Member -

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.

Member - 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, 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.
Member - 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, the eligible survivor receives 50% of pension; if employee 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.
Member - 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.
Member - 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. In 1994, the New State Police Plan began receiving funding for post-retirement increases from the Post-Retirement Increase Fund. Since that time, funds calculated for the State Police membership were re-directed into the COLA Fund. In accordance with 18 Del. C. §708(c), when a participating employer grants a post-retirement increase for a plan outside of the State's County & Municipal Plans, 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

The State of Delaware passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members 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.

As of June 30, 2006, recently granted post-retirement increases have outstanding liabilities totaling \$172.7 million, which will be transferred to the appropriate plans over the next five fiscal years as follows:

Fiscal Year 2007	\$ 45,649,000
Fiscal Year 2008	\$ 47,416,000
Fiscal Year 2009	\$ 39,334,000
Fiscal Year 2010	\$ 26,457,000
Fiscal Year 2011	\$ 13,825,000



The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for Fiscal Year 2006 was 2.6% of covered payroll. Funding for Fiscal Year 2007 will remain unchanged.

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 for investment purposes. 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 four participating entities in DELRIP as of June 30, 2006, 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 52-53). 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 legally 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 35). Since this pool is a portion of the total System, the same accounting and investment policies described in the following financial footnotes apply.

State Employees' Post-Retirement Health Insurance Premium Fund

The State Employees' Post-Retirement Health Insurance Premium Fund, which was established in June of 2000, is an investment fund for the benefit of retired members of the State Employees' Pension Plan. The State of Delaware provides health insurance to eligible retirees and their dependents. Under 29 Del. C. c. 52, the State Legislature has the authority to establish and amend benefit provisions, including contribution 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, 2006, plan members contributed \$2.7 million, or 3.1% of total premiums through their required contributions. The State of Delaware General Fund was required to contribute the balance of the premium cost (\$84.7 million, or 96.9% for Fiscal Year 2006). Pre-funding levels are set annually by Legislature as a part of the budget process. Funding began in Fiscal Year 2002 in the amount of 0.7% of covered payroll and continued in Fiscal Year 2003 at the rate of 0.4%. Funding was suspended for Fiscal Years 2004 and 2005. A \$10 million lump sum contribution to this Fund was appropriated during the State's Fiscal Year 2006 General Fund budget process. Funding for Fiscal Year 2007 will be 0.3% of covered payroll.

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 of America.

Use of Estimates

Management of the System has made certain estimates and assumptions relative to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Investments in venture capital and other alternative assets tend to be illiquid and the underlying assets are generally not publicly-traded companies. Because of the inherent uncertainty in valuing privately held securities, the fair value may differ from the values that would have been used had a ready market for such securities existed, and the difference can be material. Accordingly, the realized value received upon the sale of the asset may differ from the recorded fair value.

New Accounting Pronouncements

The System implemented GASB Statement 44 during Fiscal Year 2005. This Statement establishes the objectives of the statistical section and the five categories of information it contains: financial trends, revenue capacity, debt capacity, demographic and economic data, and operations. The adoption of this Statement had no material impact on the System's financial position or results of operations.

The following GASB pronouncements have been issued, but are not required to be implemented at this time:

GASB STATEMENT 43: Post-employment Benefit Plans other than Pensions. This Statement establishes accounting and financial reporting standards for plans that provide other post-employment benefits (OPEB) other than pension benefits (for example, health insurance and 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 although significant additional disclosures for actual cost of these benefits will be required.

GASB STATEMENT 45: Employer Accounting for Other Post-employment Benefits. This Statement addresses how state and local governments should account for and report their costs and obligations related to OPEB, including post-employment healthcare and other non-pension 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 (which is a pay-as-you-go plan), are pooled and invested in a common Master Trust. Each of the Plans or Funds described herein participates in the Master Trust based on funds contributed and earnings/(losses) 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 of \$775.2 million (12% of the net asset value as of June 30, 2006) are valued based on estimated fair value amounts established by valuation committees. Most of these investments are reported on a one-quarter lag adjusted for cash flows as of June 30, 2006.

Administrative Expenses

General expenses for the administration of the System are budgeted and approved as part of the annual State budget process and are paid from the assets of the System. The Board does, however, review and approve proposals for one-time, special projects as they arise.

4. Deposits and Investments

Investment Policy

There are no State statutes limiting allowable investments for the System. The investment decisions are dictated by the prudent person rule and 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 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 variety 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, currency, 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, 2006, management of the System believes it has operated in all material respects in accordance with these policies.

Investments

The following is a listing of domestic fixed income and short-term investments and related maturity schedule. The totals presented are derived from the individual assets held by the System as of June 30, 2006. As investment managers may be contractually granted the flexibility to augment their portfolios with



investments outside their primary investment classification, these totals may differ from the classification of investment amounts made on the Statement of Plan Net Assets (pages 24-25), which reflects the primary asset class in which the fund manager invests.

Investment Maturities (in Years)

(expressed in thousands)

Investment Type	Fair Value	Less					More than 30
		than 1	1 - 4.9	5 - 9.9	10 - 19.9	20 - 30	
Financials	\$ 101,604	\$ 1,598	34,008	15,352	12,177	12,971	25,498
Foreign Government	134,465	573	60,738	14,283	33,383	25,488	-
Industrials	93,905	-	6,917	29,425	17,283	38,312	1,968
Other Bonds/Bond Mutual Funds	89,965	10,037	12,320	4,753	4,449	47,756	10,650
Other Revenue Bonds	2,133	-	-	-	-	2,133	-
Telephone	30,171	-	5,631	1,925	2,941	19,674	-
Transportation	3,424	-	-	1,035	2,389	-	-
Treasury Notes & Bonds	71,302	-	20,955	17,752	17,939	14,656	-
U.S. Gov't Agencies	147,077	39,854	24,650	6,487	14,400	60,219	1,467
Utilities	16,608	-	6,602	7,101	443	2,462	-
World Bank	377	-	377	-	-	-	-
Discount Commercial Paper	2,978	2,978	-	-	-	-	-
Other Investments*	641,413	-	-	-	-	-	-
Total:	\$ 1,335,422	\$ 55,040	172,198	98,113	105,404	223,671	39,583

* Assets held in pooled investments -- specific investment maturities not available.

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 fluctuating interest rates.

Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: 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, 2006, the System's fixed income and short-term investments (as noted above) had the following risk characteristics:

Moody's Ratings or Comparable	Percent of Total Fund	Market Value (expressed in thousands)	Callable Amount (expressed in thousands)	Callable Dates
AAA to A	6.3%	\$ 389,586	\$ 21,158	through June 6, 2010
BBB to B	2.7%	166,133	11,774	through February 1, 2016
CCC to C	0.3%	17,815	34	through July 19, 2004
Less than C	0.0%	-	-	-
Not Rated	1.3%	78,954	5,578	through September 15, 2014
Other Investments*	9.8%	641,413	-	-
Total:	20.4%	\$ 1,293,901	\$ 38,544	

* Assets held in pooled investments -- specific investment ratings, callable details not available.



Custodial Credit Risk

Of the System's \$6,818,000 cash balance, there are two accounts which are uninsured and uncollateralized. \$688,000 represents pooled deposits held by the State Treasurer's Office. The balance of \$6,130,000 represents pooled deposits in short-term investments held by the Mercantile Safe Deposit & Trust Co., the custodian bank as of June 30, 2006. As a result of a request for proposal conducted during the fiscal year, Northern Trust has assumed global custody responsibilities as of July 3, 2006.

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

As of June 30, 2006, the System did not hold any individual investments in excess of 5% of the fair value of the System's net assets held in trust for pension benefits. However, the following managers have been allocated investments in excess of 5% of the fair value of the System's net assets held in trust for pension benefits as of June 30, 2006:

	Fair Value <i>(expressed in thousands)</i>
Mellon Capital Asset Allocation Fund	\$ 1,021,305
Mellon Capital Global Asset Allocation Fund	1,000,422
Oaktree International Convertibles	493,886
T. Rowe Price Natural Resource	388,778
OFI Institutional	360,855
Lehman Capital - Fixed	355,690
Mercator Asset Management	334,213
Loomis-Sayles & Company LP	326,801

Management Fees

The System has paid \$16.6 million and \$13.0 million in management fees to the venture capital limited partnerships and transition managers for the Fiscal Years ended June 30, 2006 and 2005, respectively. The increase in management fees is directly related to the addition of three limited partnerships during Fiscal Year 2006. These fees are netted against investment income.

Investment Commitments

The System has commitments to invest up to an additional \$484 million in venture capital limited partnerships in varying amounts as of June 30, 2006, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

Risk Management

Risks of loss to the System are limited to investment-related losses. 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. From time to time, the System has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. At June 30, 2006, the System did not hold any directly-held open forward exchange contracts.

The following is a listing of the System's foreign assets as of June 30, 2006, excluding foreign-issuer assets valued at \$183.4 million which were U.S. dollar denominated. As a result, totals presented may differ from the classification of investment amounts made on the Statement of Plan Net Assets (pages 24-25), which reflects the primary asset class in which the fund manager invests.

Currency	Fair Value in U.S. Dollars	Investment Types <i>(expressed in thousands)</i>		
		Equities	Fixed Income	Cash
Australian Dollar	\$ 15,389	\$ 15,368	-	21
British Pound Sterling	78,103	78,098	-	5
Canadian Dollar	3,465	97	3,368	-
Euro Currency	325,538	286,854	36,633	2,051
Hong Kong Dollar	7,452	5,935	1,517	-
Japanese Yen	116,172	88,913	27,275	(16)
Norwegian Krone	9,427	5,802	3,625	-
Singapore Dollar	22,192	20,865	1,278	49
South Korean Won	1,455	1,455	-	-
Swedish Krona	2,722	2,722	-	-
Swiss Franc	60,242	55,567	3,306	1,369
Other Investments*	641,629	414,260	227,369	-
Total:	\$ 1,283,786	\$ 975,936	304,371	3,479

* Assets held in pooled investments -- specific currency exposure not available.

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. This policy, as amended, was incorporated in the formalized investment policy adopted by the Board during Fiscal Year 2006. 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. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. So-called "exotic" derivatives are not used. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.



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; enhance return
Exchange traded futures contracts	Reduce transaction costs; hedge equity market risk; control fixed income; portfolio duration; enhance return
Exchange traded options contracts	Enhance return; reduce transaction costs
Asset backed securities	Enhance return
Total return equity swaps	Hedge equity market risk exposure

Generally, derivatives are subject both to market risk and counterparty risk. The derivatives utilized by the System typically have no greater 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 (CMOs), commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

The Investment Committee monitors the System's derivative holdings on a regular basis to insure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition.

Risk and Uncertainty

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk inherent in investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the statement of plan net assets.

The actuarial accrued plan liabilities are measured based on assumptions pertaining to the interest rates, inflation rates and employee demographic behavior in future years. While these assumptions have been chosen after review of past history of the covered participants, it is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS

(dollar values expressed in thousands)

(unaudited)

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)
State Employees'	30-Jun-2006	\$ 5,998,746	\$ 5,901,072	\$ (97,674)	101.7%	\$ 1,589,185	(6.1%)
	30-Jun-2005	5,660,057	5,572,719	(87,338)	101.6%	1,471,931	(5.9%)
	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%)
	30-Jun-1998	3,440,272	3,135,665	(304,607)	109.7%	1,070,052	(28.5%)
	30-Jun-1997	3,011,521	2,815,795	(195,726)	107.0%	1,024,976	(19.1%)
Special	30-Jun-2006	\$ 758	\$ 704	\$ (54)	107.7%	N/A	N/A
	30-Jun-2005	855	791	(64)	108.1%	N/A	N/A
	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
	30-Jun-1998	1,652	899	(753)	183.8%	N/A	N/A
	30-Jun-1997	1,557	797	(760)	195.4%	N/A	N/A
New State Police	30-Jun-2006	\$ 169,824	\$ 170,877	\$ 1,053	99.4%	\$ 43,579	(2.4%)
	30-Jun-2005	150,209	149,657	(552)	100.4%	39,645	(1.4%)
	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%)
	30-Jun-1998	60,191	47,078	(13,113)	127.9%	21,462	(61.1%)
	30-Jun-1997	49,238	40,625	(8,613)	121.2%	19,227	(44.8%)

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



REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS *(continued)**(dollar values expressed in thousands)**(unaudited)*

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)
Judiciary	30-Jun-2006	\$ 38,407	\$ 50,177	\$ 11,770	76.5%	\$ 9,397	125.3%
	30-Jun-2005	35,112	44,079	8,967	79.7%	8,475	105.8%
	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%
	30-Jun-1998	18,429	24,175	5,746	76.2%	5,118	112.3%
	30-Jun-1997	15,785	21,671	5,886	72.8%	4,948	119.0%
County & Municipal Police and Firefighters'	30-Jun-2006	\$ 72,120	\$ 72,832	\$ 712	99.0%	\$ 38,342	1.9%
	30-Jun-2005	59,711	61,335	1,624	97.4%	33,389	4.9%
	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	99.7%	19,605	1.4%
	30-Jun-2000	23,496	23,582	86	99.6%	18,011	1.5%
	30-Jun-1999	17,272	17,697	425	96.0%	15,230	8.6%
	30-Jun-1998	12,842	12,868	26	99.7%	11,712	0.6%
	30-Jun-1997	9,358	9,387	29	99.6%	9,215	0.7%
County & Municipal Other Employees'	30-Jun-2006	\$ 8,529	\$ 9,222	\$ 693	92.5%	\$ 13,027	(5.3%)
	30-Jun-2005	7,048	6,722	(326)	104.8%	9,737	(3.3%)
	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%
	30-Jun-1998	1,419	1,552	133	91.4%	1,385	9.6%
	30-Jun-1997	1,152	1,274	122	90.4%	1,279	9.5%

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

REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 1 - SCHEDULE OF FUNDING PROGRESS (continued)

(dollar values expressed in thousands)

(unaudited)

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)
Diamond State Port Corporation	30-Jun-2006	\$ 10,361	\$ 12,738	\$ 2,377	81.3%	\$ 11,130	21.4%
	30-Jun-2005	8,948	9,732	784	91.9%	9,248	8.5%
	30-Jun-2004	8,140	9,049	909	89.9%	8,950	10.2%
	30-Jun-2003	7,328	7,056	(272)	103.9%	8,636	(0.1%)
	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%
	30-Jun-1998	3,310	4,368	1,058	75.8%	6,731	15.7%
	30-Jun-1997	2,533	3,861	1,328	65.6%	4,116	32.3%
Closed State Police+	30-Jun-2006	\$ 1,663	\$ 294,149	\$ 292,486	0.6%	\$ 1,912	15,297.4%
	30-Jun-2005	749	283,902	283,153	0.3%	2,579	10,979.2%
	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%
	30-Jun-1998	832	308,564	307,732	0.3%	5,466	5,629.9%
	30-Jun-1997	587	304,758	304,171	0.2%	5,716	5,321.4%
Volunteer Firemen's	30-Jun-2006	\$ 11,340	\$ 23,925	\$ 12,585	47.4%	5,160	\$ 2,439
	30-Jun-2005	10,665	22,913	12,248	46.5%	5,106	2,399
	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
	30-Jun-1998	6,637	12,491	5,854	53.1%	4,651	1,259
	30-Jun-1997	5,775	12,011	6,236	48.1%	4,621	1,349

++UAAL
Active Members
Per Active Member

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

++Not expressed in thousands.

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

REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS*(dollar values expressed in thousands)**(unaudited)*

Plan		Annual Required Contributions	Percentage Contributed
State Employees'	30-Jun-2006	\$ 91,013	100.0%
	30-Jun-2005	70,638	100.0%
	30-Jun-2004	57,459	100.0%
	30-Jun-2003	40,175	100.0%
	30-Jun-2002	18,148	100.0%
	30-Jun-2001	20,542	100.0%
	30-Jun-2000	43,433	100.0%
	30-Jun-1999	52,338	100.0%
	30-Jun-1998	57,049	100.0%
	30-Jun-1997	58,525	100.0%
Special	30-Jun-2006	\$ -	N/A
	30-Jun-2005	-	N/A
	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
	30-Jun-1998	-	N/A
30-Jun-1997	-	N/A	
New State Police	30-Jun-2006	\$ 5,276	100.0%
	30-Jun-2005	3,785	100.0%
	30-Jun-2004	3,125	100.0%
	30-Jun-2003	2,786	100.0%
	30-Jun-2002	2,476	100.0%
	30-Jun-2001	2,480	100.0%
	30-Jun-2000	2,585	100.0%
	30-Jun-1999	2,624	100.0%
	30-Jun-1998	2,546	100.0%
30-Jun-1997	1,913	100.0%	

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



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS (continued)

(dollar values expressed in thousands)

(unaudited)

Plan		Annual Required Contributions	Percentage Contributed
Judiciary	30-Jun-2006	\$ 2,002	100.0%
	30-Jun-2005	1,391	100.0%
	30-Jun-2004	1,235	100.0%
	30-Jun-2003	1,342	100.0%
	30-Jun-2002	1,399	100.0%
	30-Jun-2001	1,333	100.0%
	30-Jun-2000	1,666	100.0%
	30-Jun-1999	1,327	100.0%
	30-Jun-1998	1,273	100.0%
	30-Jun-1997	1,199	100.0%
County & Municipal Police and Firefighters'	30-Jun-2006	\$ 5,488	100.0%
	30-Jun-2005	5,627	100.0%
	30-Jun-2004	3,179	100.0%
	30-Jun-2003	2,931	100.0%
	30-Jun-2002	2,779	100.0%
	30-Jun-2001	2,664	100.0%
	30-Jun-2000	2,771	100.0%
	30-Jun-1999	2,025	100.0%
	30-Jun-1998	1,651	100.0%
	30-Jun-1997	1,388	100.0%
County & Municipal Other Employees'	30-Jun-2006	\$ 734	100.0%
	30-Jun-2005	2,271	100.0%
	30-Jun-2004	321	100.0%
	30-Jun-2003	248	100.0%
	30-Jun-2002	92	100.0%
	30-Jun-2001	165	100.0%
	30-Jun-2000	352	100.0%
	30-Jun-1999	158	100.0%
	30-Jun-1998	82	100.0%
	30-Jun-1997	116	100.0%

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



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 2 - SCHEDULE OF EMPLOYER CONTRIBUTIONS (continued)

(dollar values expressed in thousands)

(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Volunteer Firemen's	30-Jun-2006	\$ 1,464	61.4%
	30-Jun-2005	1,403	57.7%
	30-Jun-2004	694	100.0%
	30-Jun-2003	667	100.0%
	30-Jun-2002	586	100.0%
	30-Jun-2001	618	100.0%
	30-Jun-2000	645	100.0%
	30-Jun-1999	660	100.0%
	30-Jun-1998	689	100.0%
	30-Jun-1997	721	100.0%
Diamond State Port Corporation	30-Jun-2006	\$ 703	100.0%
	30-Jun-2005	352	100.0%
	30-Jun-2004	346	100.0%
	30-Jun-2003	333	100.0%
	30-Jun-2002	341	100.0%
	30-Jun-2001	386	100.0%
	30-Jun-2000	389	100.0%
	30-Jun-1999	407	100.0%
	30-Jun-1998	384	100.0%
	30-Jun-1997	189	100.0%
Closed State Police	30-Jun-2006	\$ 24,623	83.9%
	30-Jun-2005	24,358	69.9%
	30-Jun-2004	27,747	70.2%
	30-Jun-2003	27,654	68.0%
	30-Jun-2002	27,831	64.0%
	30-Jun-2001	27,709	62.0%
	30-Jun-2000	28,208	57.5%
	30-Jun-1999	28,716	54.5%
	30-Jun-1998	28,420	53.0%
	30-Jun-1997	27,638	52.5%

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



REQUIRED SUPPLEMENTARY INFORMATION (continued)

SCHEDULE 3 - NOTES TO TREND DATA

(unaudited)

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-2006	30-Jun-2006	30-Jun-2006	30-Jun-2006	30-Jun-2006
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 Dollar Closed
Remaining Amortization Period	21.2 years	N/A	14.8 years	15.8 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 ¹	4.3% to 10.1%	N/A	4.8% to 16.7%	4.3% to 13.1%	4.8% to 5.3%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

Plan	County & Municipal Firefighters'	County & Municipal Other Employees'	Volunteer Firemen's	Diamond State Port Corporation
Valuation Date	30-Jun-2006	30-Jun-2006	30-Jun-2006	30-Jun-2006
Actuarial Cost Method	Entry Age Normal ²	Entry Age Normal ²	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	22 years	17 years
Asset Valuation Method	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%
Projected Salary Increases ¹	4.3% to 15.7%	4.3% to 10.1%	N/A	4.8%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc

¹ 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 75.

² Actuarial cost method changed to Entry Age Normal from Frozen Initial Liability effective June 30, 2002.

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



SUPPORTING SCHEDULES

SCHEDULE 4 - SCHEDULE OF ADMINISTRATIVE EXPENSES

(dollar values expressed in thousands)

	Fiscal 2006	Fiscal 2005	Change	
			Dollars	Percent
Personal Services:				
Salaries	\$ 2,164	\$ 2,075	\$ 89	4.3%
Fringe Benefits	910	771	139	18.0%
Total Personal Services:	\$ 3,074	\$ 2,846	\$ 228	8.0%
Professional Services:				
Actuarial	176	169	7	4.1%
Audit	110	44	66	150.0%
Medical Services	15	21	(6)	(28.6%)
State Agency Support Services	20	23	(3)	(13.0%)
Other Professional Services	5	3	2	66.7%
Total Professional Services:	\$ 326	\$ 260	\$ 66	25.4%
Communication:				
Printing	65	56	9	16.1%
Telephone	34	30	4	13.3%
Postage	135	135	-	0.0%
Travel	17	14	3	21.4%
Other Communications	21	22	(1)	(4.6%)
Total Communications:	\$ 272	\$ 257	\$ 15	5.8%
Data Processing:				
Contractual Services	144	142	2	1.4%
Training	6	3	3	100.0%
Maintenance	233	321	(88)	(27.4%)
Equipment - Hardware	17	142	(125)	(88.0%)
Equipment - Software	6	47	(41)	(87.2%)
Total Data Processing:	\$ 406	\$ 655	\$ (249)	(38.0%)
Rentals:				
Equipment Leasing	7	7	-	0.0%
Fleet Services	5	5	-	0.0%
Office Space	470	450	20	4.4%
Total Rentals:	\$ 482	\$ 462	\$ 20	4.3%
Miscellaneous:				
Supplies and Equipment	18	16	2	12.5%
Maintenance	11	5	6	120.0%
Continuing Education	3	2	1	50.0%
Other Miscellaneous	6	3	3	100.0%
Total Miscellaneous:	\$ 38	\$ 26	\$ 12	46.2%
General Administrative Expenses:	\$ 4,598	\$ 4,506	\$ 92	2.0%
Special Projects:				
Disability Pension Review:	-	30	\$ (30)	(100.0%)
Actuarial Experience Study:	-	4	\$ (4)	(100.0%)
Health Care Review (OPEB):	72	5	\$ 67	1,340.0%
Best Practices Review:	147	9	\$ 138	1,533.3%
Total Special Projects:	\$ 219	\$ 48	\$ 171	356.3%
Grand Total Administrative Expenses:	\$ 4,817	\$ 4,554	\$ 263	5.8%

See accompanying independent auditors' report.



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

	Fiscal 2006	Fiscal 2005	Change	
			Dollars	Percent
Custody Fees	\$ 729	\$ 834	\$ (105)	(12.6%)
Investment Manager/Advisor Fees	18,381	17,737	644	3.6%
Pension Office Support Staff	374	322	52	16.2%
Total Investment Expenses:	\$ 19,484	\$ 18,893	\$ 591	3.1%

See accompanying independent auditors' report.

**SCHEDULE OF PLAN NET ASSETS
OF THE DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
AS OF JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005**
(expressed in thousands)

	<u>Sussex County Gov't</u>					<u>Totals as of June 30,</u>	
	<u>General</u>	<u>Post</u>	<u>Town of</u>	<u>City of</u>	<u>Town of</u>	<u>2006</u>	<u>2005</u>
	<u>Account</u>	<u>Retirement</u>	<u>Elsmere</u>	<u>Dover</u>	<u>Newport</u>		
ASSETS:							
Cash	\$ -	-	-	-	12	\$ 12	\$ 12
Receivables:							
Transfer of Assets from Outside the System	-	-	-	-	29	29	-
Total Receivables:	\$ -	-	-	-	29	\$ 29	\$ -
Investments at Fair Value:							
Domestic Fixed Income	\$ 3,582	800	341	514	283	5,520	4,382
Domestic Equities	5,562	1,242	529	798	441	8,572	6,715
Pooled Equity & Fixed Income	6,575	1,469	625	944	521	10,134	6,851
Alternative Investments	2,522	562	240	362	200	3,886	2,488
Short Term and Money Markets	247	55	23	35	20	380	906
Foreign Equities	2,693	602	256	387	213	4,151	2,573
Total Investments:	\$ 21,181	4,730	2,014	3,040	1,678	\$ 32,643	\$ 23,915
TOTAL ASSETS:	\$ 21,181	4,730	2,014	3,040	1,719	\$ 32,684	\$ 23,927
NET ASSETS HELD IN TRUST FOR							
POOL PARTICIPANTS:						\$ 21,181	\$ 23,927

See accompanying independent auditors' report.



SCHEDULE OF CHANGES IN PLAN NET ASSETS
OF THE DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR JUNE 30, 2005
(expressed in thousands)

	<u>Sussex County Gov't</u>					<u>Total for Fiscal</u>		
	<u>General</u>	<u>Post</u>	<u>Town of</u>	<u>City of</u>	<u>Town of</u>	<u>Years ended</u>		
	<u>Account</u>	<u>Retirement</u>	<u>Elsmere</u>	<u>Dover</u>	<u>Newport</u>	<u>June 30,</u>	<u>2006</u>	<u>2005</u>
<u>ADDITIONS:</u>								
<u>Contributions:</u>								
Transfer of Assets from Outside the System	\$ 3,600	1,551	-	300	138	\$ 5,589	\$ 7,115	
Total Contributions:	\$ 3,600	1,551	-	300	138	\$ 5,589	\$ 7,115	
<u>Investments:</u>								
Investment Earnings	286	64	27	41	23	\$ 441	\$ 343	
Net Increase/(Decrease) in Fair Value	1,827	362	195	285	156	2,825	1,281	
	\$ 2,113	426	222	326	179	\$ 3,266	\$ 1,624	
Less Investment Mgr./Advisor/Custody Fees	(62)	(15)	(6)	(9)	(5)	(97)	(76)	
Less Investment Administrative Expenses	(1)	-	-	-	-	(1)	(1)	
Total Net Investment Earnings:	\$ 2,050	411	216	317	174	\$ 3,168	\$ 1,547	
TOTAL ADDITIONS:	\$ 5,650	1,962	216	617	312	\$ 8,757	\$ 8,662	
NET INCREASE:								
	\$ 5,650	1,962	216	617	312	\$ 8,757	\$ 8,662	
NET ASSETS HELD IN TRUST FOR POOL								
PARTICIPANTS BEGINNING OF YEAR:	\$ 15,531	2,768	1,798	2,423	1,407	\$ 23,927	\$ 15,265	
NET ASSETS HELD IN TRUST FOR POOL								
PARTICIPANTS END OF YEAR:	\$ 21,181	4,730	2,014	3,040	1,719	\$ 32,684	\$ 23,927	

See accompanying independent auditors' report.



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System:

We have audited the financial statements of the Delaware Public Employees' Retirement System (the System) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 5, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters including the internal control over financial reporting that have been reported to the management of the System in a separate letter dated September 5, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



This report is solely intended for the information and use of the Board of Pension Trustees, Secretary of Finance, Office of Pension Management, Office of the Controller General, Office of the Attorney General, Office of the Governor, and the Office of Management and Budget and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del C., Section 10002(d), this report is public record and its distribution is not limited.

KPMG LLP

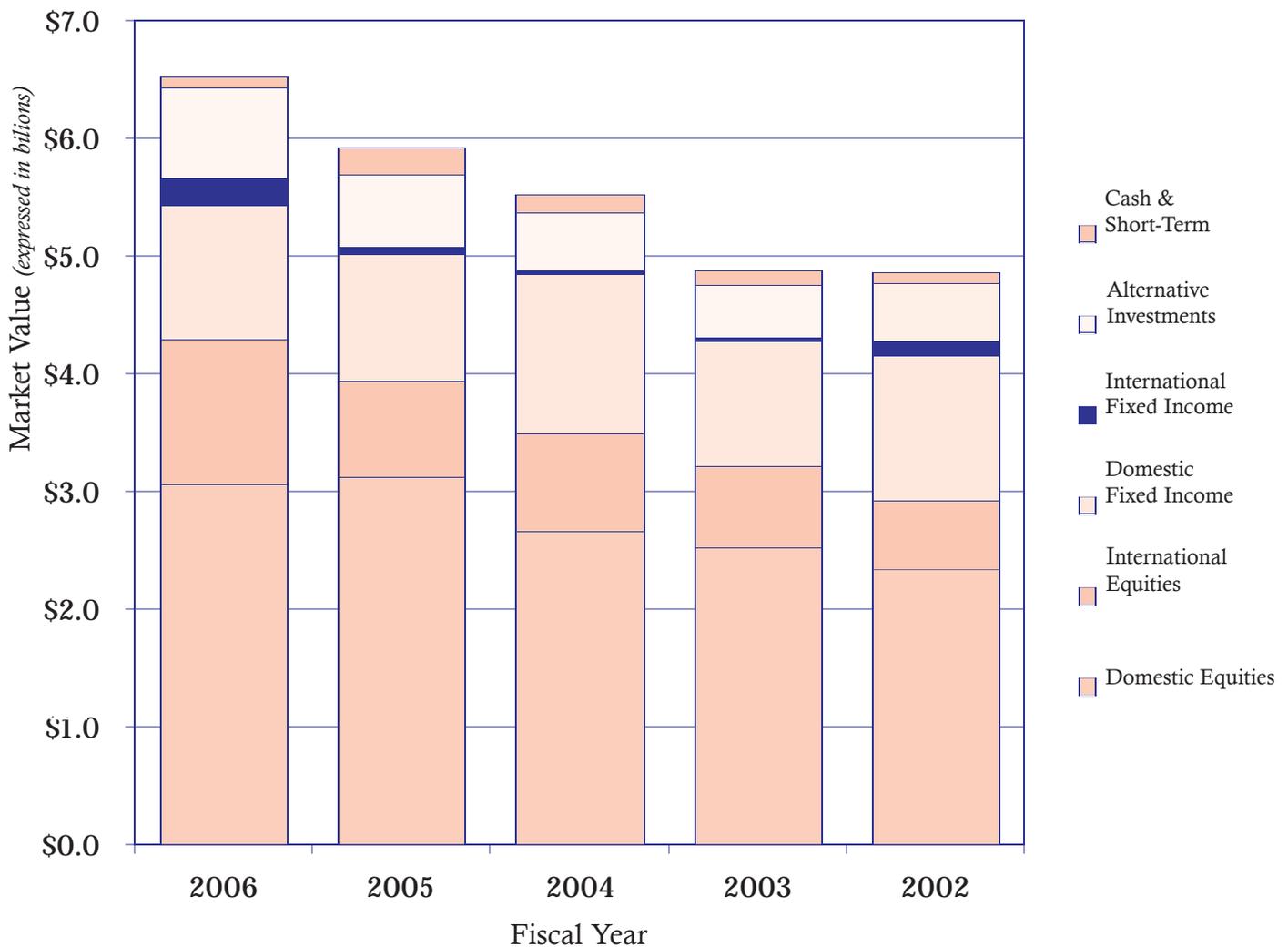
September 5, 2006



(This page left intentionally blank.)

INVESTMENT SECTION

FIVE-YEAR INVESTMENT COMPARISON



	Fiscal Years Ended June 30, (dollar values expressed in millions)				
	2006	2005	2004	2003	2002
Domestic Equities *	\$3,053.9	\$3,119.6	\$2,655.7	\$2,520.7	\$2,340.5
International Equities	1,242.4	817.0	839.2	697.2	577.1
Domestic Fixed Income	1,137.7	1,084.2	1,242	950.8	1,234.8
International Fixed Income	227.4	54.4	27.6	28.8	132.1
Alternative Investments	775.2	615.1	607.3	559.9	480.9
Cash & Short-Term	90.4	237.7	149.1	123.3	92.3
	\$6,527.0	\$5,928.0	\$5,521.2	\$4,880.7	\$4,857.7

*Real estate holdings in the form of Real Estate Investment Trusts held in Fiscal Year 2002 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.





STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES

AND

OFFICE OF PENSIONS
 McArdle Building, Suite #1
 860 Silver Lake Blvd.
 Dover, DE 19904-2402

When Calling Long Distance
 Toll Free Number 1-800-722-7300
 E-Mail: pensionoffice@state.de.us

Telephone (302) 739-4208
 Fax (302) 739-6129
www.delawarepensions.com

August 22, 2006

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 (DEL RIP), and State Employees' Post-Retirement Health Insurance Premium] that the Board manages.

The Committee consists of six (6) 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.

While not restricted by mandated targeted asset allocations, 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 and cash equivalents. 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. During Fiscal Year 2006, the Investment Committee assisted the Board in formalizing its investment policies.



Board Members, Participants, and Beneficiaries

Page 2

August 22, 2006

The System returned 12.4% gross of fees for Fiscal Year 2006. The total System's annualized rate of return over the last five, ten, and fifteen years was 6.9%, 9.2%, and 10.8%, respectively. As reported by a major performance ranking comparison service, the System's investment performance ranks in the top quartile for the one-year and ten-year periods, and above the median of public funds for the most recent five-year period. For the period ending June 30, 2006, the System's fair value totaled \$6.5 billion representing an increase in assets from June 30, 2005 of \$599.0 million.

Investment markets presented a wider disparity of returns in the latest fiscal year, as stocks reacted positively to continuing economic and profit growth. Bonds incurred a slight decline in an environment of rising short-term interest rates and inflation fears, as energy and commodity prices continued to increase. For the year, the S&P 500 gained 8.6%, while the Lehman Aggregate bond index fell 0.8%. Although retracing some of their gains during the second quarter, international and emerging stock markets provided strong returns for U.S. investors.

The System's fiscal year return of 12.4% gross of fees is a function of the Committee's ongoing focus on risk control and diversification. In looking at the long-term risks and returns of investing in stocks and bonds, the Committee has come to focus more on non-traditional asset classes, which have again proven beneficial to the profile of the System's portfolio. In addition, during the year, the Investment Committee reallocated some tactically allocated domestic assets to global, and realized gains from natural resource and domestic and global equity investments.

In connection with the increased focus on non-traditional assets, the Investment Section of this report separates the performance of alternative investments. The managed futures exposure is considered a fixed income alternative, and is included in that asset class. Combining these diverse investments allows the Committee to better monitor the performance and weighting of the group relative to the entire investment portfolio.

The composition of the Investment Committee changed during the year. On behalf of our Trustees, we welcome Mark Stalnecker as a new Committee member. We also recognize the service and contributions of former Committee Chair, Elva B. Ferrari, whose service during the past ten years is appreciated. Elva will continue to participate as a member of the Investment Committee.

As always, we thank our dedicated professional staff at the Office of Pensions, our Investment Advisor, our custodian banks, and our money managers, who all work diligently to assure the successful operation of the Board of Pension Trustees' Investment Committee.

Respectfully submitted,



Jan M. King, Chair
Board of Pension Trustees' Investment Committee

Investment Activity

For the fiscal year, the Delaware Public Employees' Retirement System (System) had an overall 12.4% rate of return gross of fees. This performance ranks the System in the top quartile for one-year and ten-year periods, and above the median of public funds for the most recent five-year period.

The equity markets showed steady performance during Fiscal Year 2006, especially in the first half of the year. Bond values retreated as the yield curve remained relatively flat, despite a series of short-term rate increases. For the fiscal year, the System's domestic equity investments produced a return of 16.2% versus the S&P 500 stock index return of 8.6%. While the Lehman Aggregate bond index returned (0.8%), the System's fixed income investments provided a return of 1.9%.

Return data for the total System was calculated gross of fees, on a time-weighted basis in accordance with accepted practices. Return data beginning with Fiscal Year 1999 have been restated to reflect performance gross of fees. Valuations, where available, are based on published pricing from national securities exchanges.

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 35 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.
- ◆ While not restricted by specific targeted asset allocations, 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 organization, 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 alternative investments (including limited partnerships, and private LLCs).

Investment Results

In Fiscal Year 2006, the investment process experienced:

- ◆ A time-weighted total return of 12.4% based on market values.
- ◆ Benefit and expense payments exceeded net employer and member contributions by \$107.7 million.
- ◆ Net investment earnings (investment earnings less investment expenses) of \$706.7 million.
- ◆ Increase in total Fund net assets from \$5.928 billion to \$6.527 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
	2006	2005	2004	2003	2002	Years Ending 6/30/06 *	Years Ending 6/30/06 *	Years Ending 6/30/06 *
Total System Return	12.4%	10.0%	16.3%	3.4%	(6.0%)	6.9%	9.2%	10.8%
Consumer Price Index (CPI)	4.3%	2.5%	3.2%	2.2%	1.0%	2.7%	2.6%	2.7%
Fund Real Return	8.1%	7.5%	13.1%	1.2%	(7.0%)	4.2%	6.6%	8.1%

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

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 8.1% (10.8% System return less 2.7% CPI) measured on a time-weighted basis. During this period, risk, as measured by relative volatility, was approximately 58.1% 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 8.0% (10.7% S&P 500 less 2.7% 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, 2006

(All Returns Greater Than One Year Are Annualized)

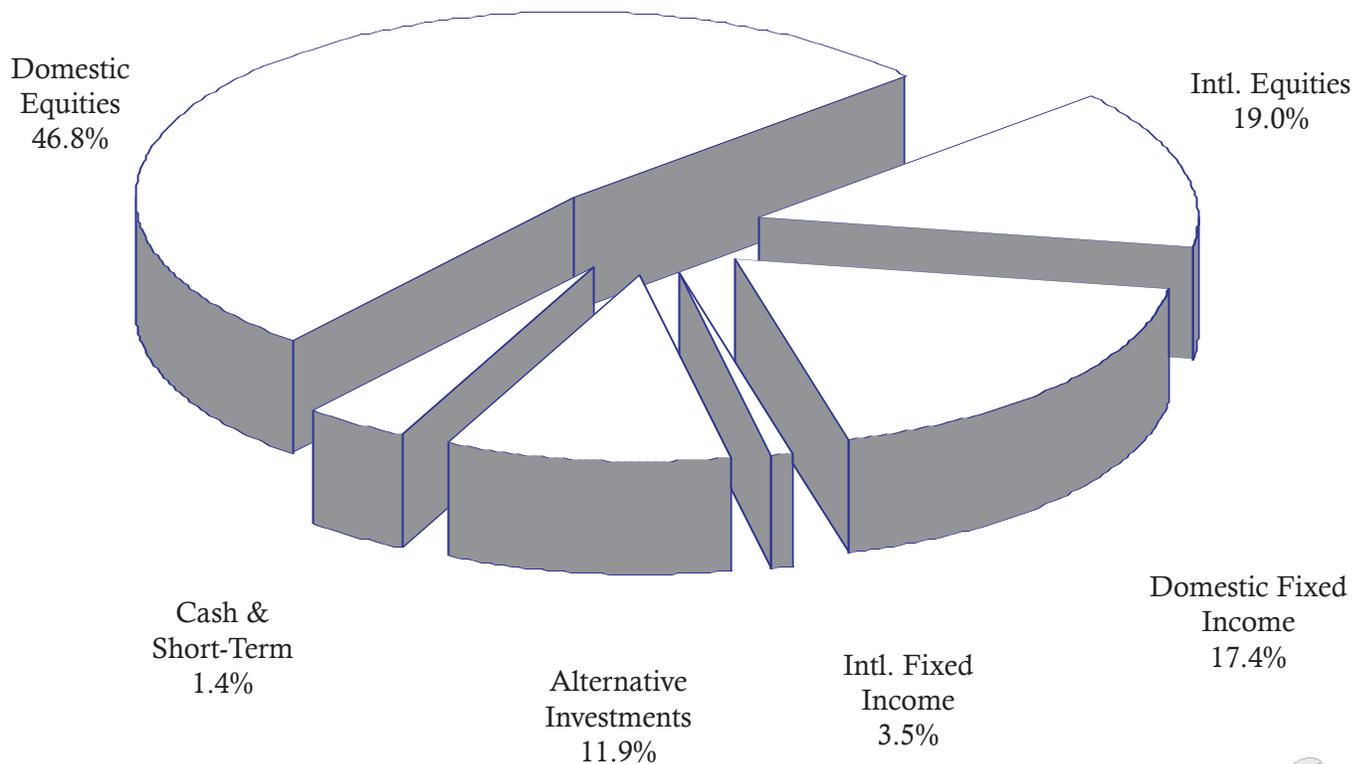
	Five Years	Ten Years	Fifteen Years
Total System Return	6.9%	9.2%	10.8%
S&P 500 Index % Return	2.5%	8.3%	10.7%
Excess Return vs. S&P 500 Index	4.4%	0.9%	0.1%
Relative Risk vs. S&P 500 Index	58.0%	56.2%	58.1%

Chart II on page 64 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, 2006. This chart restates prior fiscal year fund-level performance to gross of fees, thereby matching the performance noted for each asset class and the peer group rating.

Charts III and IV on page 65 show the quarterly cumulative total System performance for the 5-year and 10-year periods ending June 30, 2006 compared to indices representative of some of the asset classes in which the System invests.

Asset Allocation

as of June 30, 2006



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 accompanying table shows the most recent 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,				
	2006	2005	2004	2003	2002
Domestic Equities*	46.8%	52.6%	48.1%	51.6%	48.2%
International Equities	19.0%	13.8%	15.2%	14.3%	11.9%
Domestic Fixed Income	17.4%	18.3%	22.5%	19.5%	25.4%
International Fixed Income	3.5%	0.9%	0.5%	0.6%	2.7%
Alternative Investments	11.9%	10.4%	11.0%	11.4%	9.9%
Cash & Short-Term	1.4%	4.0%	2.7%	2.6%	1.9%

*Real estate holdings in the form of Real Estate Investment Trusts (REITs) held in Fiscal Year 2002 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 maintain those organizational criteria in order to continue as managers. During the fiscal year, transition manager services were utilized to transfer domestic equity assets from a terminating manager to an existing active equity strategy, and to an additional passive equity fund. Two other equity managers were also terminated, seven equity managers were given additional funds for investment, and one had assets under management reduced.

In the area of pooled assets, a portion of the System’s domestic tactical asset allocation was reduced while additional investment was made in the existing global tactical asset strategy.

In the area of alternative investments, the System entered into three new partnership with existing managers.

At the end of the fiscal year, the money managers of the System and their responsibilities were:

Investment Manager	Responsibility	Fiscal Year Retained
<u>Domestic Equities</u>		
Froley, Revy Investment Co.	Convertible Securities	1985
INTECH	Equities	2005
Legg Mason Capital Management	Equities	2004
Mellon Capital Management	Equities	1984
Oaktree Capital Management	Convertible Securities	1995
OFI Institutional Asset Management	Equities	1982
T. Rowe Price Associates	Equities	1971
<u>International Equities</u>		
Mellon Capital Management	International Equities	1997
Mercator Asset Management	International Equities	2004
Oaktree Capital Management	International Convertible Securities	1995
<u>Domestic Fixed Income</u>		
Lehman Brothers Asset Management	Fixed Income	1995
Mellon Capital Management	Fixed Income	1984
T. Rowe Price Associates	Fixed Income	1996
Loomis Sayles & Company LP	Fixed Income	1999
Mount Lucas Management	Managed Futures	2003
<u>Alternative Investments</u>		
Accel Partners	Venture Capital	1984
Accel-KKR Company	Venture Capital	2002
Allegis Capital	Venture Capital	2005
Advanced Technology Ventures	Venture Capital	1990
The Carlyle Group	Private Equity	1996
Carlyle/Riverstone Global Energy & Power Fund	Venture Capital	2006
Cherry Tree Ventures	Venture Capital	1984
Coller Isnard Ltd.	Venture Capital	1994
Flagship/One Liberty Ventures	Venture Capital	1982
IDG-Accel China Growth Fund	Venture Capital	2006
Mellon Capital Management	Currency	2005
MeriTech Capital Partners	Venture Capital	1997
Oaktree Capital Management	Distressed Debt; Emerging Markets	1998
ONSET Enterprise Associates	Venture Capital	1990
Pecks Management Partners	Private Equity	1986
Spectra Enterprise Associates	Venture Capital	1987
Summit Ventures	Venture Capital	1989
T. Rowe Price Recovery Fund	Distressed Debt	1989
T. Rowe Price Threshold Fund	Venture Capital	1983
Trident Capital	Venture Capital	2000
TCW Group	Distressed Debt	1991
Weston Presidio Capital	Venture Capital	1996
<u>Cash & Short-Term</u>		
Mercantile-Safe Deposit & Trust Co.	Cash & Short-Term	2003

**CHART I
CALCULATED RETURNS**

(dollar values expressed in millions)

	<i>(All returns for periods greater than one year are annualized.)</i>					Five Years Ended 6/30/06	Ten Years Ended 6/30/06
	Fiscal Years Ended June 30,						
	2006	2005	2004	2003	2002		
Beginning Fair Value of System Net Assets	\$5,928.0	\$5,521.2	\$4,880.7	\$4,857.7	\$5,280.6	\$5,280.6	\$3,248.9
Net (Deductions)/Contributions	(107.7)	(119.4)	(128.3)	(126.6)	(109.1)	(591.1)	(839.5)
Net Investment Earnings*	706.7	526.2	768.8	149.6	(313.8)	1,837.5	4,117.6
Ending Fair Value of System Net Assets	\$6,527.0	\$5,928.0	\$5,521.2	\$4,880.7	\$4,857.7	\$6,527.0	\$6,527.0
Time-Weighted Total Return	12.4%	10.0%	16.3%	3.4%	(6.0%)	6.9%	9.2%
Consumer Price Index	4.3%	2.5%	3.2%	2.2%	1.0%	2.7%	2.6%

*Net Investment Earnings equals investment earnings less investment expenses

**CHART II
INVESTMENT PERFORMANCE SUMMARY**

(rates of return are time-weighted)

(All returns for periods greater than one year are annualized.)

	<i>(All returns for periods greater than one year are annualized.)</i>					Three Years Ended 6/30/06	Five Years Ended 6/30/06
	Fiscal Years Ended June 30,						
	2006	2005	2004	2003	2002		
Total System	12.4%	10.0%	16.3%	3.4%	(6.0%)	12.9%	6.9%
60% S&P 500 Index/35% SL Gov't-Corp Bond Index/5% Treasury Bills	4.8%	6.6%	11.0%	5.3%	(8.2%)	7.4%	3.7%
Consumer Price Index ⁽¹⁾	4.3%	2.5%	3.2%	2.2%	1.0%	3.4%	2.7%
Domestic Equities⁽²⁾	16.2%	13.5%	24.6%	(0.4%)	(7.8%)	18.0%	8.6%
S&P 500 Index	8.6%	6.3%	19.1%	0.2%	(18.0%)	11.2%	2.5%
Russell 3000 Index	9.6%	8.1%	20.5%	0.8%	(17.2%)	12.6%	3.5%
ML All Convertibles	9.4%	2.1%	15.6%	13.9%	(10.8%)	8.9%	5.6%
International Equities⁽²⁾	23.7%	9.0%	19.6%	6.1%	(6.9%)	17.3%	9.8%
MSCI EAFE Index	26.6%	13.7%	32.4%	(6.5%)	(9.5%)	23.9%	10.0%
Jefferies Global Converts ex US	15.1%	3.4%	12.4%	10.5%	(2.0%)	10.2%	7.7%
Fixed Income & Cash⁽³⁾	1.9%	8.1%	4.4%	12.9%	6.0%	4.8%	6.6%
Lehman Aggregate	(0.8%)	6.8%	0.3%	10.4%	8.6%	2.1%	5.0%
Pooled Equity & Fixed Income⁽⁴⁾	11.4%	8.2%	18.6%	3.8%	(7.3%)	12.6%	6.6%
60% S&P 500 Index/35% SL Long Term Treasury Bond Index/5% Treasury Bills	4.6%	10.0%	9.9%	7.6%	(7.7%)	8.1%	4.7%
60%MS Capital Int'l Index/40% Salomon World Gov't Bond Index	9.8%	9.1%	16.5%	5.5%	(4.0%)	11.8%	7.2%
Alternative Investments⁽⁵⁾	11.5%	8.8%	18.7%	(10.5%)	(18.1%)	12.9%	1.1%
Cambridge US Venture Index ⁽⁶⁾	NA	6.8%	3.4%	(20.3%)	(36.0%)	NA	NA

(1) The total System benchmark is a return of 3% greater than CPI over any 15-year period.

(2) Includes convertible securities and real estate investment trusts; excludes equity portions of Pooled Equity & Fixed Income portfolios.

(3) Excludes fixed income and cash portions of Pooled Equity & Fixed Income portfolios, includes managed futures.

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

(5) Includes Private Equity and Private LLCs. For purposes of benchmark comparison, all returns are shown on a non-lagged basis. Predominant investments have been venture capital.

(6) The Cambridge US Venture Index return for the quarter ended 6/30/06 was not available at press time. This also impacts the 3 and 5-year returns.



CHART III
TOTAL RETURN PERFORMANCE COMPARISON - 5 YEARS

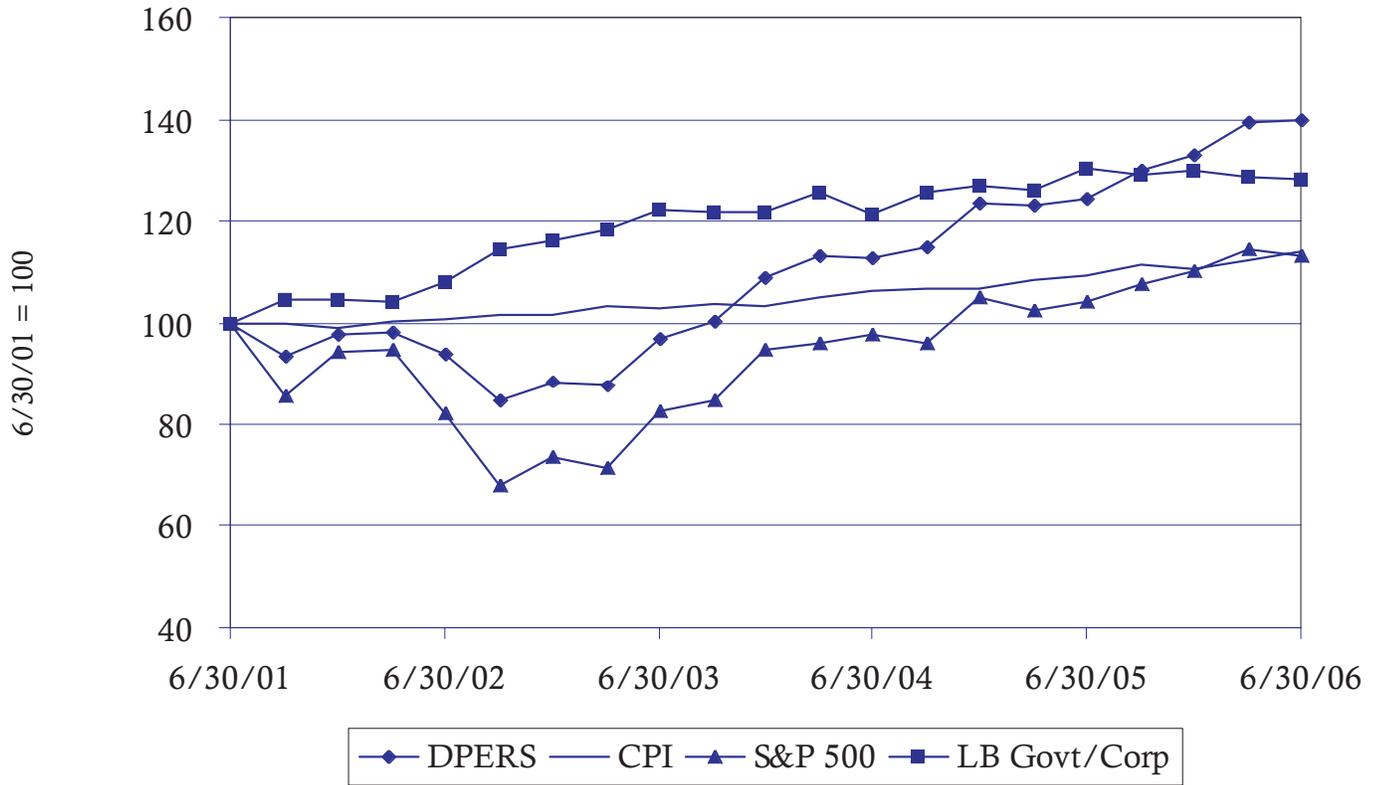
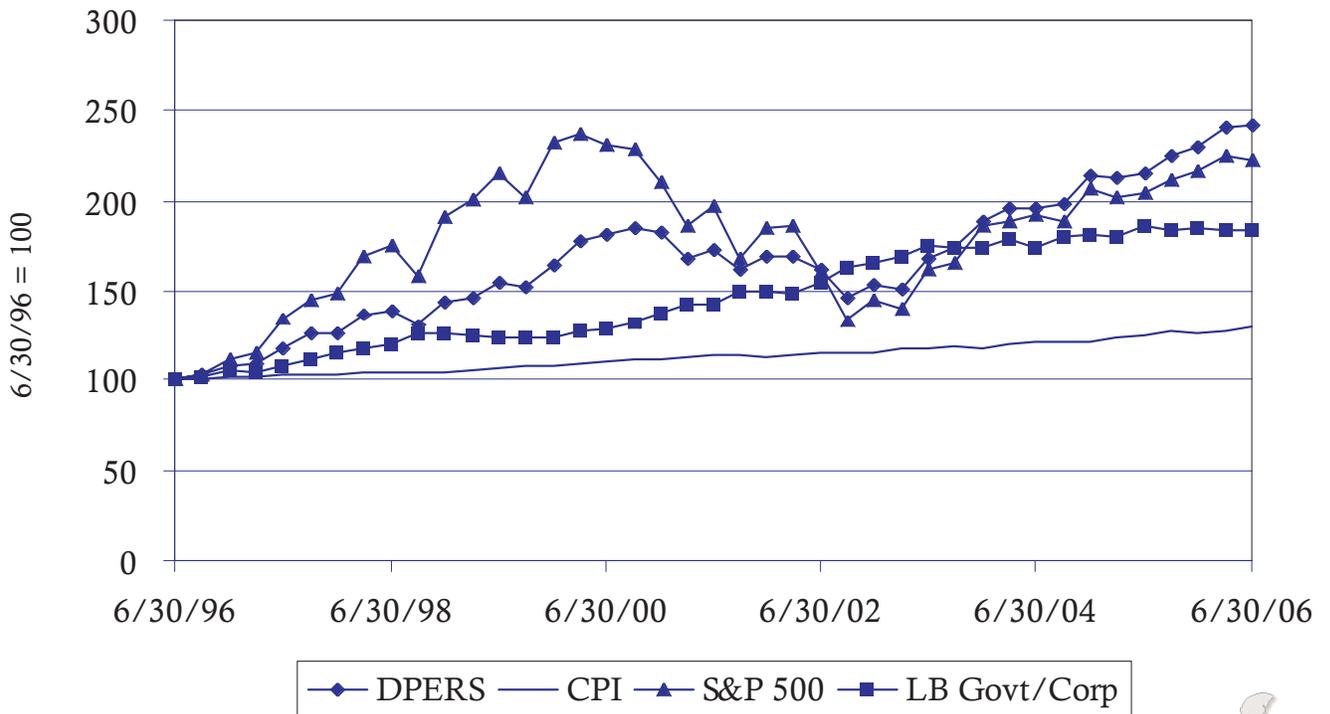


CHART IV
TOTAL RETURN PERFORMANCE COMPARISON - 10 YEARS



**INVESTMENT SUMMARY AND
SCHEDULE OF INVESTMENT FEES**

(dollar values expressed in millions)

	Market Value as of June 30, 2006	Percent of Total Investment Assets	Total Fiscal Year 2006 Investment Fees	Basis Points
Equities				
Domestic Equities	\$ 3,053.9	46.8%	\$ 10.8	
International Equities	1,242.4	19.0%	4.5	
Sub-Total	\$ 4,296.3	65.8%	\$ 15.3	
Fixed Income				
Domestic Fixed Income	1,137.7	17.4%	0.9	
International Fixed Income	227.3	3.5%	0.4	
Sub-Total	\$ 1,365.0	20.9%	\$ 1.3	
Other Asset Allocations				
Alternative Investments	775.2	11.9%	0.5	
Cash & Short-Term	90.5	1.4%	0.1	
Sub-Total	865.7	13.3%	\$ 0.6	
Other Investment Services				
Custodian/Investment Advisor Fees	-	-	1.9	
Pension Office Support Staff Expenses	-	-	0.4	
Sub-Total			\$ 2.3	
	<u>\$ 6,527.0</u>	<u>100.0%</u>	<u>\$ 19.5</u>	<u>31 bp</u>

* Other fees include Alternative Investment and Transition Management fees detailed on page 37. 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 by the timing of cash flows into or out of the System.

Alternative Investments:

Alternative Investments include non-traditional investments, some of which may be illiquid, such as limited partnerships and private LLCs.



LIST OF LARGEST ASSETS DIRECTLY HELD*
AS OF JUNE 30, 2006 (excludes investments in pooled vehicles)

Equities (Includes Convertibles)	Market Value	% of Total Fund	Shares
SCHLUMBERGER LTD	\$ 16,540,284	0.25%	254,036 shares
EXXON MOBIL CORP	16,021,307	0.25%	261,146 shares
UNITEDHEALTH GROUP INC	15,927,619	0.24%	355,686 shares
SPRINT NEXTEL CORP SERIES 1	14,418,787	0.22%	721,300 shares
GOOGLE INC CLASS A	14,383,019	0.22%	34,300 shares
BAKER HUGHES INC	13,577,196	0.21%	165,879 shares
TYCO INTERNATIONAL LTD NEW	13,230,250	0.20%	481,100 shares
AES CORP	13,099,961	0.20%	710,025 shares
QWEST COMMUNICATIONS INTL	12,058,954	0.18%	1,490,600 shares
AMAZON.COM INC	12,017,876	0.18%	310,700 shares
Total	<u>\$ 141,275,253</u>	<u>2.16%</u>	

Bonds	Market Value	% of Total Fund	Par (\$)
BRAZIL FEDERATIVE REPUBLIC BOND 8.25% 01/20/2034	\$ 11,119,500	0.17%	\$ 10,590,000
INTER-AMERICAN DEVELOPMENT BANK MTN DTD 09/06/05	10,381,975	0.16%	\$ 17,750,000
U S TREASURY BOND DTD 02/15/01 5.375% 02/15/2031	10,142,181	0.16%	\$ 9,970,000
FPE HOLDINGS SR SUB NT 12.5% 12/22/2007	9,945,149	0.15%	\$ 9,945,000
U S TREASURY BOND DTD 02/16/93 7.125% 02/15/2023	8,835,487	0.14%	\$ 7,385,000
TELEFONICA EMISIONES SAU SR NOTE DTD 06/20/06	8,785,165	0.13%	\$ 8,790,000
PROVINCE OF BRITISH COLUMBIA 6.25% 12/01/2009	8,229,584	0.13%	\$ 8,740,000
PROVINCE OF ONTARIO 5.7% 12/01/2008	8,137,024	0.12%	\$ 8,860,000
SWEDISH GOVERNMENT 6.5% 05/05/2008	8,113,545	0.12%	\$ 55,295,000
FEDERAL NATIONAL MORTGAGE ASSN 2.29% 02/19/2009	7,293,600	0.11%	\$ 12,000,000
Total	<u>\$ \$90,983,210</u>	<u>1.39%</u>	

* 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. Broker selection is the responsibility of individual investment managers. Broker commissions during this fiscal year decreased due to both the greater use by investment managers of electronic, execution-only brokerage services as well as a gradual shift of asset allocation into passively-managed strategies.

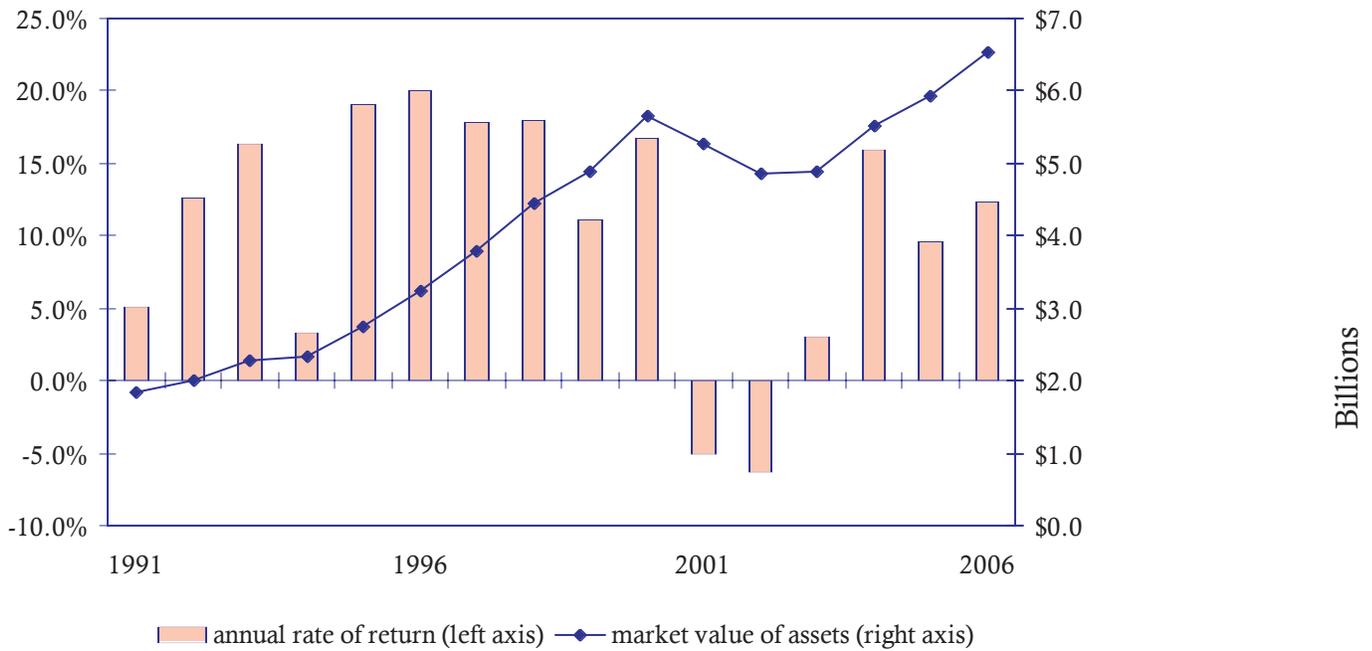
The following is a list of brokers who received \$10,000 or more in commissions during Fiscal Year 2006.

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
INVESTMENT TECHNOLOGY GROUP	21,197,573	\$0.02	\$ 518,498,335.75	\$ 409,346.12
B-TRADE SECURITIES LLC	25,216,040	\$0.02	330,675,826.00	385,149.66
LIQUIDNET INC	11,292,018	\$0.02	185,674,689.94	225,840.36
MORGAN STANLEY AND CO	4,478,410	\$0.04	72,848,686.16	197,061.81
BANC/AMERICA SEC, LCC	3,272,902	\$0.04	47,080,615.90	131,214.08
GOLDMAN SACHS AND CO	5,422,892	\$0.02	157,502,941.04	125,173.89
BEAR STEARNS AND CO	2,487,247	\$0.05	45,580,026.74	104,782.46
WEEDEN AND COMPANY	3,190,013	\$0.03	107,703,882.37	96,539.27
JEFFERIES AND CO INC	3,392,479	\$0.02	106,381,532.42	83,758.11
CIBC OPPENHEIMER CORP	2,064,500	\$0.04	25,373,738.08	82,630.00
CITIGROUP GLOBAL MARKETS INC	1,945,792	\$0.04	38,828,454.88	79,406.72
MERRILL LYNCH	2,915,365	\$0.03	107,666,010.51	78,604.14
CANTOR FITZGERALD AND CO	1,762,958	\$0.04	22,373,112.65	69,283.72
UBS SECURITIES LLC	2,475,975	\$0.03	74,089,296.02	65,746.90
CREDIT SUISSE FIRST BOSTON CORP	1,519,964	\$0.04	40,753,879.47	60,605.56
LEHMAN BROTHERS INC	1,543,250	\$0.04	39,410,268.44	58,215.01
DEUTSCHE BANK SECURITIES INC	3,365,883	\$0.01	64,758,025.81	47,928.74
MORGAN (J.P.) SECURITIES INC	1,219,872	\$0.04	31,322,206.22	43,637.39
INSTINET CORPORATION	1,767,989	\$0.02	75,389,716.32	37,266.21
BNY BROKERAGE	988,344	\$0.04	24,814,661.86	35,191.16
KEPLER EQUITIES-EXJB BRO, PARIS	2,000,000	\$0.02	2,842,319.03	34,031.44
ROSENBLATT SECURITIES INC	1,992,843	\$0.02	90,195,881.45	30,987.44
FRANK RUSSELL SEC/BROADCORT CAP	609,844	\$0.04	11,383,190.13	24,393.76
CAP INSTITUTIONAL SERVICES INC	1,086,549	\$0.02	49,318,976.85	23,531.98
CITATION GROUP, THE	584,320	\$0.04	10,287,032.92	23,372.80
RBC DOMINION SECURITIES CORP	520,200	\$0.04	21,050,523.55	21,761.50
JONES AND ASSOCIATES INC	406,118	\$0.04	5,860,787.55	17,998.20
SUNTRUST CAPITAL MARKETS INC	341,800	\$0.04	2,484,637.49	14,203.00
SANFOLRD C. BERNSTEIN	330,560	\$0.04	13,845,863.19	13,907.65
WACHOVIA CAPITAL MARKETS LLC	262,200	\$0.04	5,515,163.98	10,609.00
ALL OTHERS (81 BROKERS NOT LISTED)	6,172,914	\$0.03	130,415,076.70	195,426.39
TOTALS	115,826,814		\$ 2,459,925,359.42	\$ 2,827,605.10
Average Commission, Per Share		\$0.02		

* 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 1991-2006



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

(This page intentionally left blank.)

ACTUARIAL SECTION



August 23, 2006

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, 2006. The results of these valuations are contained in the enclosed exhibits. Any distribution of the exhibits must be in their entirety, including this cover letter, unless prior written consent is obtained.

Funding Objective

The funding objective of the System is to establish contribution rates that, over time, will remain level as a percent of payroll. In order to achieve this, we developed a contribution rate that 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

The actuarial assumptions and methods used in these valuations are based on the prior actuary's experience study completed during the fiscal year ended June 30, 2004. The Board set the investment return assumption 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 Statement No. 25 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 Statement No. 25. 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.



Board of Pension Trustees
August 23, 2006
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

Cheiron 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, Solvency Test, and Analysis of Financial Experience for the State Employees' Pension Plan.

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,
Cheiron



Fiona E. Liston, FSA, EA
Consulting Actuary



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 one-fifth of the market value plus four-fifths 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 of 8.0% per annum.

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. These transfers will cover the liability increases due to the cost-of-living increases granted on September 1, 2003, July 1, 2004, July 1, 2005, and July 1, 2006. The remaining unfunded actuarial liability will be amortized in layers for the State Employees', the Judiciary, and the State Police Plans, 21 years for the Volunteer Firemen's Plan, and 16 years for the Diamond State Port Corporation plan through the unfunded liability amortization component of the total contribution.

Actuarial Assumptions

The actuarial assumptions for the actuarial valuations are based on the experience study completed by the prior actuary 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, 2006:



1. Rate of return on investments:
8.0% compounded annually (adopted 2004).
2. Salary increases attributable to inflation:
3.75% compounded annually (adopted 2004).
3. Salary increases attributable to merit and productivity:
Increases for State Employees ranging from 0.50% to 6.14% per year (adopted 2004).
4. Mortality:
Rates of mortality vary by plan and gender. For retirees, assumption anticipates future improvements in mortality through the use of a projection scale (adopted 2004). Sample retiree mortality rates from the State Employees plan are as follows:

Age	2004 Rate		Projection Scale	
	Male	Female	Male	Female
35	0.18%	0.06%	0.50%	1.10%
40	0.25%	0.09%	0.80%	1.50%
45	0.35%	0.14%	1.30%	1.60%
50	0.48%	0.21%	1.80%	1.70%
55	0.61%	0.30%	1.90%	0.80%
60	0.90%	0.49%	1.60%	0.50%

Active employee mortality rates from the State Employees plan are for males, 95% of the RP-2000 RE Mortality Table, and for females, 80% of the RP2000 RE Mortality Table.

5. Rates of termination of service, disablement, and retirement:
Based on the results of the Experience Study completed in 2004 (adopted 2004).
6. Aggregate active member payroll:
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. The following plans were amended effective July 1, 2006 to grant a Post Retirement Increase (PRI) of 2% to all retirees who retired prior to July 1, 2005. Employees who retired before January 1, 1981 will receive 2% or \$25, whichever is greater:

- The State Employees' Pension Plan
- Special Pension Fund
- The New State Police Pension Plan
- The Judiciary Pension Plan
- The County & Municipal Police and Firefighters' Pension Plan

In addition, the State has implemented a new long-term disability insurance program effective January 1, 2006 for members of the State Employees' Pension Plan. The liabilities disclosed here reflect the effect of this program on benefits formerly provided by the pension plan.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll		Annual Average Pay	% Increase in Average Pay
				(expressed in thousands)		
State Employees'	30-Jun-2006	34,313	\$	1,589,185	\$ 46,314	5.0%
	30-Jun-2005	33,379		1,471,931	44,098	2.4%
	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%)
	30-Jun-1998	30,031		1,070,052	35,632	4.9%
	30-Jun-1997	30,163		1,024,976	33,981	1.9%
Special	The Special Plan has no Active Members					
New State Police	30-Jun-2006	633	\$	43,579	\$ 68,845	5.9%
	30-Jun-2005	610		39,645	64,992	4.6%
	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%
	30-Jun-1998	496		21,462	43,270	4.6%
	30-Jun-1997	465		19,227	41,348	4.5%
Judiciary	30-Jun-2006	55	\$	9,397	\$ 170,854	6.9%
	30-Jun-2005	53		8,475	159,906	8.4%
	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%
	30-Jun-1998	47		5,118	108,894	(1.0%)
	30-Jun-1997	45		4,948	109,959	3.3%
County & Municipal Police and Firefighters'	30-Jun-2006	733	\$	38,342	\$ 52,308	5.8%
	30-Jun-2005	675		33,389	49,465	(0.3%)
	30-Jun-2004	563		27,930	49,609	15.6%
	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%
	30-Jun-1998	354		11,712	33,085	5.9%
	30-Jun-1997	295		9,215	31,237	4.7%



SCHEDULE OF ACTIVE MEMBER VALUATION DATA (continued)

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (expressed in thousands)	Annual Average Pay	% Increase in Average Pay
County & Municipal Other Employees'	30-Jun-2006	349	13,027	37,327	20.8%
	30-Jun-2005	315	9,737	30,911	(8.6%)
	30-Jun-2004	221	7,474	33,819	10.6%
	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%
	30-Jun-1998	61	1,385	22,705	(7.7%)
	30-Jun-1997	52	1,279	24,595	16.7%
Closed State Police	30-Jun-2006	18	1,912	106,222	3.0%
	30-Jun-2005	25	2,579	103,160	6.8%
	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%
	30-Jun-1998	87	5,466	62,828	6.6%
	30-Jun-1997	97	5,716	58,929	6.7%
Diamond State Port Corporation	30-Jun-2006	283	11,130	39,329	13.6%
	30-Jun-2005	267	9,248	34,637	0.2%
	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%
	30-Jun-1998	183	6,731	36,781	(1.7%)
	30-Jun-1997	110	4,116	37,422	9.1%
Volunteer Firemen's	30-Jun-2006	5,160	-	-	-
	30-Jun-2005	5,106	-	-	-
	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	-	-	-
	30-Jun-1998	4,651	-	-	-
	30-Jun-1997	4,621	-	-	-



SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Plan	Fiscal Year Ended	Additions	Deletions	Year-end Total	% Increase in Annual Allowances		Average Annual Allowances
					Annual Allowances* <i>(expressed in thousands)</i>	in Annual Allowances	
State Employees'	30-Jun-2006	1,465	731	19,108	\$ 303,630	11.9%	\$ 15,891
	30-Jun-2005	1,442	680	18,374	271,281	6.9%	14,764
	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
	30-Jun-1998	892	566	14,135	133,018	7.7%	9,410
	30-Jun-1997	892	594	13,809	123,478	8.6%	8,942
Special	30-Jun-2006	-	2	28	\$ 116	(4.9%)	\$ 3,625
	30-Jun-2005	1	2	30	122	5.9%	4,067
	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
	30-Jun-1998	2	-	45	125	(3.0%)	2,895
	30-Jun-1997	2	4	43	129	(2.7%)	2,985
New State Police	30-Jun-2006	9	1	48	\$ 1,865	48.7%	\$ 38,854
	30-Jun-2005	7	-	40	1,254	12.2%	31,350
	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
	30-Jun-1998	-	-	5	122	41.1%	24,372
	30-Jun-1997	1	-	5	87	0.9%	17,272
Judiciary	30-Jun-2006	1	0	39	\$ 2,364	7.0%	\$ 60,615
	30-Jun-2005	1	0	38	2,209	(1.2%)	59,315
	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
	30-Jun-1998	5	3	30	1,642	9.6%	44,378
	30-Jun-1997	-	2	28	1,498	10.5%	45,394



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

Plan	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowance* <i>(expressed in thousands)</i>	% Increase in Annual Allowances	Average Annual Allowances
County & Municipal Police and Firefighters'	30-Jun-2006	3	1	27	\$ 594	13.4%	\$ 22,000
	30-Jun-2005	2	-	25	524	1.1%	20,960
	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
	30-Jun-1998	-	-	3	35	10.5%	11,795
	30-Jun-1997	-	-	3	32	1.7%	10,672
County & Municipal Other Employees'	30-Jun-2006	-	-	17	\$ 93	10.7%	\$ 5,471
	30-Jun-2005	3	1	17	84	21.5%	4,941
	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
	30-Jun-1998	-	-	7	15	0.0%	2,161
	30-Jun-1997	-	-	7	15	1.9%	2,161
Volunteer Firemen's	30-Jun-2006	96	57	1,304	\$ 1,221	4.2%	\$ 936
	30-Jun-2005	100	45	1,265	1,172	1.1%	926
	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
	30-Jun-1998	68	38	1,039	836	3.1%	805
	30-Jun-1997	68	50	1,009	811	2.7%	804
Diamond State Port Corporation	30-Jun-2006	4	1	27	\$ 257	21.2%	\$ 9,519
	30-Jun-2005	3	-	24	212	(6.8%)	8,833
	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
	30-Jun-1998	1	-	6	53	64.8%	8,894
	30-Jun-1997	4	-	5	33	1,292.0%	6,476

* Includes annual allowances added to and removed from the rolls during each fiscal year.



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

Plan	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowance* (expressed in thousands)	% Increase	Average
						in Annual Allowances	Annual Allowances
Closed State Police	30-Jun-2006	20	19	551	\$ 20,301	5.6%	\$ 36,844
	30-Jun-2005	9	17	550	19,234	3.2%	34,971
	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
	30-Jun-1998	16	11	516	15,018	3.8%	29,105
	30-Jun-1997	15	12	511	14,465	4.1%	28,308

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	Retirants & Beneficiaries	Active Member Employer Financed Contributions		(1)	(2)	(3)
		(1)	(2)	(3)				
State Employees'	30-Jun-2006	\$ 434,605	\$ 2,982,471	\$ 2,484,996	\$ 5,998,746	100%	100%	104%
	30-Jun-2005	414,001	2,702,359	2,456,359	5,660,057	100%	100%	104%
	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%
	30-Jun-1998	291,421	1,231,545	1,612,699	3,440,272	100%	100%	171%
	30-Jun-1997	269,295	1,154,814	1,391,686	3,911,521	100%	100%	160%
Special	30-Jun-2006	\$ -	\$ 704	\$ -	\$ 758	-	108%	-
	30-Jun-2005	-	791	-	855	-	108%	-
	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%	-
	30-Jun-1998	-	899	-	1,652	-	239%	-
	30-Jun-1997	-	797	-	1,557	-	216%	-



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	Retirants & Beneficiaries	Active Member Employer Financed Contributions		(1)	(2)	(3)
		(1)	(2)	(3)				
New State Police	30-Jun-2006	\$ 28,551	\$ 22,373	\$ 119,953	\$ 169,824	100%	100%	99%
	30-Jun-2005	25,260	16,667	107,730	150,209	100%	100%	101%
	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%
	30-Jun-1998	9,258	1,337	36,483	60,191	100%	100%	172%
	30-Jun-1997	8,064	1,188	31,373	49,238	100%	100%	158%
Judiciary	30-Jun-2006	\$ 3,473	\$ 20,741	\$ 25,963	\$ 38,407	100%	100%	55%
	30-Jun-2005	3,126	19,624	21,329	35,112	100%	100%	58%
	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%
	30-Jun-1998	1,437	11,463	11,275	18,429	100%	100%	87%
	30-Jun-1997	1,331	9,704	10,637	15,785	100%	100%	74%
County & Municipal Police and Firefighters'	30-Jun-2006	\$ 13,965	\$ 6,992	\$ 51,875	\$ 72,120	100%	100%	99%
	30-Jun-2005	11,441	6,519	43,375	59,711	100%	100%	96%
	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%
	30-Jun-1998	1,803	303	10,762	12,842	100%	100%	97%
	30-Jun-1997	1,330	304	7,752	9,358	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	Retirants & Beneficiaries	Active Member Employer Financed Contributions		(1)	(2)	(3)
		(1)	(2)	(3)				
County & Municipal Other Employees'	30-Jun-2006	\$ 1,005	\$ 860	\$ 7,357	\$ 8,529	100%	100%	91%
	30-Jun-2005	773	876	5,073	7,048	100%	100%	91%
	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%
	30-Jun-1998	170	120	1,262	1,419	100%	100%	97%
	30-Jun-1997	132	123	1,019	1,152	100%	100%	97%
Volunteer Firemen's	30-Jun-2006	\$ 4,299	\$ 9,925	\$ 9,701	\$ 11,340	100%	71%	-
	30-Jun-2005	4,105	9,435	9,373	10,665	100%	70%	-
	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%	-
	30-Jun-1998	2,521	6,351	3,619	6,637	100%	-	-
	30-Jun-1997	2,311	6,053	3,648	5,775	100%	-	-
Diamond State Port Corporation	30-Jun-2006	\$ 1,718	\$ 2,498	\$ 8,522	\$ 10,361	100%	100%	72%
	30-Jun-2005	1,476	2,126	6,130	8,948	100%	100%	87%
	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%
	30-Jun-1998	632	467	3,369	3,310	100%	100%	79%
	30-Jun-1997	337	431	3,094	2,533	100%	100%	79%



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	Retirants & Beneficiaries	Active Member Employer Financed Contributions		(1)	(2)	(3)
		(1)	(2)	(3)				
Closed State Police	30-Jun-2006	\$ 863	\$ 281,515	\$ 11,771	\$ 1,663	100%	-	-
	30-Jun-2005	1,168	266,344	16,390	749	64%	-	-
	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%	-	-
	30-Jun-1998	4,285	255,383	48,896	832	29%	-	-
	30-Jun-1997	4,374	250,364	50,021	587	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,						
	2006	2005	2004	2003 ⁺	2002	2001	2000
Investment Income on Actuarial Assets	\$ 33,600	(12,887)	(34,720)	(118,978)	(80,148)	74,705	254,955
Combined Liability Experience	(44,930)	(15,530)	(53,146)	23,631	(2,626)	(182,632) [*]	4,349
(Loss)/Gain During Year from							
Financial Experience	(11,330)	(28,417)	(87,866)	(95,347)	(82,774)	(107,927)	259,304
Non-Recurring Items	1,923 ⁺⁺	244	(137,125)	(42,713)	-	(12,431) ^{**}	(202,468)
Composite (Loss)/Gain During Year	\$ (9,407)	(28,173)	(224,991)	(138,060)	(82,774)	(131,358)	56,836

^{*} 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.

⁺⁺PRI of 2% funded from PRI fund (\$51.6 million loss) and impact of removing disability from pension plan (\$52.8 million gain).

(This page left intentionally blank)



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	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As A Percent of Covered Payroll
State Employees'	2006	\$ 91,013	38,306	-	41,139	-	64,309	602,359	\$ 837,126	6.1%
	2005	70,638	33,839	-	37,857	-	62,423	437,425	642,182	4.9%
	2004	57,459	27,790	1,500	36,007	-	100,682	631,656	855,094	4.2%
	2003	40,175	25,878	-	35,130	-	102,753	39,077	243,013	2.9%
	2002	18,148	31,994	-	33,477	-	128,548	(429,051)	(216,884)	1.4%
	2001	20,542	38,191	-	31,888	-	153,955	(429,538)	(184,962)	1.7%
	2000	43,433	33,498	-	29,659	-	148,995	641,970	897,555	3.9%
	1999	52,338	30,933	-	26,932	2	121,749	345,930	577,884	5.2%
	1998	57,049	27,074	-	23,093	2	125,113	537,329	769,660	5.8%
	1997	58,525	20,786	-	24,194	3	119,143	422,815	645,466	6.2%
Special	2006	\$ -	-	-	-	-	8	83	\$ 91	-
	2005	-	-	-	-	-	9	69	78	-
	2004	-	-	-	-	-	17	115	132	-
	2003	-	-	-	-	-	19	18	37	-
	2002	-	-	-	-	-	49	(165)	(116)	-
	2001	-	-	-	-	-	63	(175)	(112)	-
	2000	-	-	-	-	-	64	280	344	-
	1999	-	-	-	-	-	56	153	209	-
	1998	-	-	-	4	-	62	264	330	-
	1997	-	-	-	-	-	64	213	277	-
New State Police	2006	\$ 5,276	135	-	2,881	22	1,810	16,276	\$ 26,400	12.8%
	2005	3,785	81	-	2,636	36	1,650	10,681	19,334	10.0%
	2004	3,125	36	-	2,436	14	2,500	15,065	23,176	9.0%
	2003	2,786	30	-	2,337	10	2,392	1,278	8,833	8.3%
	2002	2,476	35	-	2,112	7	2,781	(9,075)	(1,664)	8.2%
	2001	2,480	29	-	1,710	19	3,118	(8,643)	(1,287)	8.9%
	2000	2,585	24	-	1,294	20	2,857	12,117	18,897	10.0%
	1999	2,624	21	-	1,168	32	2,211	6,481	12,537	11.3%
	1998	2,546	18	-	1,040	11	2,142	9,172	14,929	12.3%
	1997	1,913	13	-	946	8	1,881	7,001	11,762	10.0%

SCHEDULE OF DEDUCTIONS BY TYPE

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Transfer of Contributions from PRI Fund	Transfer of Assets of Outside the System	Benefit Payments	Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
State Employees'	2006	\$ -	-	300,321	2,880	4,779	4,511	\$ 312,491
	2005	-	-	271,281	2,408	4,454	4,210	282,353
	2004	-	1,500	243,238	2,333	4,479	4,372	255,922
	2003	-	-	217,126	2,653	4,060	4,954	228,793
	2002	-	-	194,824	2,409	4,003	4,441	205,677
	2001	-	-	175,312	2,485	3,632	4,658	186,087
	2000	-	-	159,122	2,376	3,573	4,140	169,211
	1999	-	-	145,391	2,488	2,344	4,843	155,066
	1998	-	-	133,018	2,220	2,600	4,484	142,322
	1997	-	-	123,478	1,808	2,450	2,451	130,187
Special	2006	\$ -	-	129	-	28	1	\$ 158
	2005	-	-	122	-	14	3	139
	2004	-	-	119	-	21	3	143
	2003	-	750	121	-	35	3	909
	2002	-	-	143	-	21	4	168
	2001	-	-	135	-	24	5	164
	2000	-	-	133	-	12	4	149
	1999	-	-	132	-	30	6	168
	1998	-	-	125	-	15	6	146
	1997	-	-	129	-	20	-	149
New State Police	2006	-	-	1,723	44	-	60	\$ 1,827
	2005	-	-	1,254	99	-	61	1,414
	2004	-	-	922	75	-	53	1,050
	2003	-	-	689	102	-	62	853
	2002	-	-	367	87	-	56	510
	2001	-	-	289	33	-	48	370
	2000	-	-	166	56	-	40	262
	1999	-	-	113	73	-	45	231
	1998	-	-	122	159	-	39	320
	1997	-	-	87	19	-	25	131

SCHEDULE OF ADDITIONS BY SOURCE (continued from page 82)

(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	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As A Percent of Covered Payroll
Judiciary	2006	\$ 2,002	307	-	320	-	4,179	3,768	\$ 6,808	22.1%
	2005	1,391	294	-	275	-	386	2,678	5,024	17.0%
	2004	1,235	253	-	249	-	612	3,817	6,166	16.8%
	2003	1,342	244	-	563	-	620	302	3,071	18.2%
	2002	1,399	293	-	251	-	745	(2,459)	229	19.3%
	2001	1,333	306	-	206	-	869	(2,421)	293	20.5%
	2000	1,666	251	-	183	-	821	3,528	6,449	23.1%
	1999	1,327	221	-	165	-	659	1,944	4,316	24.2%
	1998	1,273	189	-	133	-	663	2,858	5,116	24.9%
	1997	1,199	134	-	144	-	613	2,217	4,307	24.2%
County & Municipal	2006	\$ 5,488	-	-	2,348	-	759	6,556	\$ 15,151	13.8%
	2005	5,627	-	-	2,003	-	649	4,110	12,389	12.4%
Police and Firefighters'	2004	3,179	-	-	1,696	-	900	5,193	10,698	11.9%
	2003	2,931	-	-	1,546	-	805	567	5,849	12.1%
	2002	2,779	-	-	1,404	-	856	(2,729)	2,310	13.4%
	2001	2,664	-	-	1,265	-	886	(2,417)	2,398	14.3%
	2000	2,771	-	-	973	-	739	3,022	7,505	14.3%
	1999	2,025	-	-	604	-	496	2,075	5,200	14.9%
	1998	1,651	-	-	477	-	436	1,726	4,390	15.2%
	1997	1,388	-	-	359	-	327	1,317	3,391	16.0%
County & Municipal Other Employees'	2006	\$ 734	-	-	291	-	81	778	\$ 1,892	5.6%
	2005	2,271	-	-	215	-	76	362	2,924	4.9%
	2004	321	-	-	168	-	79	461	1,029	3.8%
	2003	248	-	-	259	-	71	48	626	3.2%
	2002	92	-	-	57	-	76	(246)	(21)	3.6%
	2001	165	-	-	53	-	85	(233)	70	3.7%
	2000	352	-	-	46	-	77	292	767	4.6%
	1999	158	-	-	30	-	53	176	417	5.7%
	1998	82	-	-	33	-	50	204	369	5.7%
	1997	116	-	-	30	-	41	172	359	7.3%



SCHEDULE OF DEDUCTIONS BY TYPE (continued from page 83)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Transfer of Contributions from PRI Fund	Transfer of Assets of Outside the System	Benefit Payments	Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
Judiciary	2006	\$ -	-	2,346	-	-	10	\$ 2,356
	2005	-	-	2,209	-	-	9	2,218
	2004	-	-	2,177	60	-	8	2,245
	2003	-	-	1,971	-	-	10	1,981
	2002	-	-	1,907	-	-	8	1,915
	2001	-	-	1,949	-	-	8	1,957
	2000	-	-	1,642	-	-	8	1,650
	1999	-	-	1,498	-	-	23	1,521
	1998	-	-	1,356	-	-	13	1,369
	1997	-	-	1,268	-	-	5	1,273
County & Municipal Police and Firefighters'	2006	\$ -	-	567	153	-	87	\$ 807
	2005	-	-	524	235	-	76	835
	2004	-	-	447	48	-	60	555
	2003	-	-	244	105	-	67	416
	2002	-	-	163	122	-	49	334
	2001	-	-	151	20	-	94	265
	2000	-	-	69	50	-	38	157
	1999	-	-	65	26	-	42	133
	1998	-	-	35	38	-	28	101
	1997	-	-	32	16	-	24	72
County & Municipal Other Employees'	2006	\$ -	-	94	41	-	43	\$ 178
	2005	-	-	84	13	-	30	127
	2004	-	-	61	19	-	29	109
	2003	-	-	52	41	-	26	119
	2002	-	-	41	21	-	15	77
	2001	-	-	26	9	-	21	56
	2000	-	-	21	3	-	16	40
	1999	-	-	17	4	-	8	29
	1998	-	-	15	1	-	4	20
	1997	-	-	15	1	-	4	20

SCHEDULE OF ADDITIONS BY SOURCE (continued from page 84)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions		Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As A Percent of Covered Payroll
			From PRI Fund	Outside the System						
Volunteer	2006	\$ 899	-	-	203	-	120	1,100	\$ 2,322	-
Firemen's	2005	810	-	-	213	-	116	772	1,911	-
	2004	694	-	-	208	-	188	1,132	2,222	-
	2003	667	-	-	210	-	193	102	1,172	-
	2002	586	-	-	209	-	240	(797)	238	-
	2001	618	-	-	205	-	291	(783)	331	-
	2000	645	-	-	203	-	282	1,198	2,328	-
	1999	660	-	-	203	-	232	615	1,710	-
	1998	689	-	-	205	-	243	1,028	2,165	-
	1997	721	-	-	201	-	216	741	1,879	-
Diamond	2006	\$ 703	-	-	226	-	109	967	\$ 2,005	6.4%
State Port	2005	352	-	-	173	-	98	662	1,285	4.0%
	2004	346	-	-	164	-	150	898	1,558	4.2%
	2003	333	-	-	170	-	143	73	719	3.9%
	2002	341	-	-	157	-	166	(538)	126	4.2%
	2001	386	-	-	154	-	185	(504)	221	4.9%
	2000	389	-	-	143	-	164	684	1,380	5.3%
	1999	407	-	-	125	-	121	412	1,065	6.4%
	1998	384	-	247	193	-	113	411	1,265	6.9%
	1997	189	-	-	207	-	83	511	900	5.0%
Closed	2006	\$ 20,655	-	-	43	1	78	-	\$ 20,777	-
State Police	2005	17,020	-	-	49	1	79	-	17,149	-
	2004	19,420	-	6	53	-	51	-	19,530	-
	2003	17,845	-	757	65	-	63	-	18,730	-
	2002	17,805	-	-	64	-	109	-	17,978	-
	2001	17,174	-	-	69	2	234	-	17,479	-
	2000	16,208	-	-	93	2	198	-	16,501	-
	1999	15,664	-	-	152	5	109	-	15,930	-
	1998	15,071	-	-	193	2	157	-	15,423	-
	1997	14,520	-	-	207	1	128	-	14,856	-



SCHEDULE OF DEDUCTIONS BY TYPE (continued from page 85)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
Volunteer	2006	\$ -	-	1,230	56	-	25	\$ 1,311
Firemen's	2005	-	-	1,172	43	-	20	1,235
	2004	-	-	1,108	31	-	17	1,156
	2003	-	-	1,057	48	-	18	1,123
	2002	-	-	1,018	44	-	17	1,079
	2001	-	-	971	55	-	22	1,048
	2000	-	-	920	29	-	22	971
	1999	-	-	890	51	-	34	975
	1998	-	-	836	42	-	24	902
	1997	-	-	811	29	-	15	855
Diamond	2006	\$ -	-	239	24	-	26	\$ 289
State Port	2005	-	-	212	21	-	99	332
	2004	-	-	199	23	-	30	252
	2003	-	-	170	24	-	28	222
	2002	-	-	185	15	-	27	227
	2001	-	-	98	8	-	53	159
	2000	-	-	75	12	-	17	104
	1999	-	-	88	12	-	21	121
	1998	-	-	53	7	-	21	81
	1997	-	-	33	9	-	17	59
Closed	2006	\$ -	-	19,676	-	121	54	\$ 19,851
State Police	2005	-	-	19,234	-	133	46	19,413
	2004	-	-	18,901	3	63	50	19,017
	2003	-	-	18,429	-	77	59	18,565
	2002	-	-	17,705	-	56	17	17,778
	2001	-	-	17,040	-	54	63	17,157
	2000	-	-	16,078	-	30	51	16,159
	1999	-	-	15,481	-	70	63	15,614
	1998	-	-	15,018	-	45	62	15,125
1997	-	-	14,465	-	55	37	14,557	

SCHEDULE OF BENEFIT DEDUCTIONS BY TYPE

(dollar values expressed in thousands)

Plan	Fiscal Years			Total	
	Ended	Service	Survivor		Disability
	June 30,				
State Employees'	2006	\$ 255,291	21,931	23,099	\$ 300,321
	2005	229,908	20,211	21,162	271,281
	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
	1998	110,988	11,365	10,665	133,018
	1997	103,834	10,021	9,623	123,478
Special	2006	\$ 61	61	7	\$ 129
	2005	62	54	6	122
	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
	1998	78	40	7	125
	1997	83	39	7	129
New State Police	2006	\$ 1,076	140	507	\$ 1,723
	2005	646	111	497	1,254
	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
	1998	-	18	104	122
	1997	-	18	69	87
Judiciary	2006	\$ 1,729	505	112	\$ 2,346
	2005	1,605	494	110	2,209
	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
	1998	1,022	231	103	1,356
	1997	985	182	101	1,268



SCHEDULE OF BENEFIT DEDUCTIONS BY TYPE *(continued)*

(dollar values expressed in thousands)

Plan	Fiscal Years Ended			Disability	Total
	June 30,	Service	Survivor		
County & Municipal Police and Firefighters'	2006	\$ 365	59	143	\$ 567
	2005	323	57	144	524
	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
	1998	-	15	20	35
	1997	-	11	21	32
County & Municipal Other Employees'	2006	\$ 81	-	13	\$ 94
	2005	72	-	12	84
	2004	49	-	12	61
	2003	40	-	12	52
	2002	28	-	13	41
	2001	21	-	5	26
	2000	19	-	2	21
	1999	15	-	2	17
	1998	13	-	2	15
	1997	13	-	2	15
Volunteer Firemen's	2006	\$ 1,230	-	-	\$ 1,230
	2005	1,172	-	-	1,172
	2004	1,108	-	-	1,108
	2003	1,057	-	-	1,057
	2002	1,018	-	-	1,018
	2001	971	-	-	971
	2000	920	-	-	920
	1999	890	-	-	890
	1998	836	-	-	836
	1997	811	-	-	811
Diamond State Port Corporation	2006	\$ 167	14	58	\$ 239
	2005	142	7	63	212
	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
	1998	53	-	-	53
	1997	33	-	-	33

SCHEDULE OF BENEFIT DEDUCTIONS BY TYPE *(continued)*

(dollar values expressed in thousands)

Plan	Fiscal Years Ended				Total
	June 30,	Service	Survivor	Disability	
Closed State Police	2006	\$ 13,881	2,783	3,012	\$ 19,676
	2005	13,693	2,537	3,004	19,234
	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
	1998	10,620	1,669	2,729	15,018
	1997	10,343	1,467	2,655	14,465

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT BY PLAN
AS OF JUNE 30, 2006

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	1,133	-	-	-
	\$1 - 499	5,056	2,488	1,640	928
	500-999	4,574	3,046	845	683
	1000-1499	3,155	2,495	316	344
	1500-1999	2,017	1,772	104	141
	2000 - 2499	1,472	1,332	48	92
	2500 - 2999	1,059	997	18	44
	over \$3000	1,775	1,712	19	44
Special	Deferred	-	-	-	-
	\$1 - 499	24	8	16	-
	500-999	3	1	1	1
	over \$1000	1	1	-	-
New State Police	Deferred	6	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	1	-	-	1
	1500 - 1999	1	1	-	-
	2000 - 2499	5	2	-	3
	2500 - 2999	13	9	2	2
	over \$3000	28	19	2	7



SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT BY PLAN *(continued)*
AS OF JUNE 30, 2006

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
Judiciary	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	2	-	2	-
	1500-1999	1	-	1	-
	2000 - 2499	2	-	2	-
	2500 - 2999	4	1	3	-
	over \$3000	30	22	6	2
County & Municipal Police and Firefighters'	Deferred	11	-	-	-
	\$1 - 499	1	1	-	-
	500-999	4	2	2	-
	1000-1499	3	1	-	2
	1500-1999	7	2	2	3
	2000 - 2499	6	4	-	2
	2500 - 2999	5	5	-	-
	over \$3000	1	1	-	-
County & Municipal Other Employees'	Deferred	1	-	-	-
	\$1 - 499	10	9	-	1
	500-999	6	5	-	1
	1000-1499	1	1	-	-
	1500-1999	-	-	-	-
	over \$2000	-	-	-	-
Volunteer Firemen's	Deferred	41	-	-	-
	\$1 - 74	616	616	-	-
	75 - 99	378	378	-	-
	over \$100	310	310	-	-
Diamond State Port Corporation	Deferred	3	-	-	-
	\$1 - 499	11	8	3	-
	500-999	6	4	1	1
	1000-1499	8	5	-	3
	1500-1999	1	1	-	-
	over \$2000	1	1	-	-
Closed State Police	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	1	-	1	-
	1500-1999	19	-	17	2
	2000 - 2499	81	2	70	9
	2500 - 2999	261	236	7	18
	over \$3000	189	134	8	47

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, 2006, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2006 State Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>			
Average Monthly Benefit	\$ 478	\$ 252	\$ -
Average Final Average Salary	\$ 16,646	\$ -	\$ -
Number of Active Retirees	20	29	-
<i>5 - 9.99 years</i>			
Average Monthly Benefit	\$ 338	\$ 214	\$ 287
Average Final Average Salary	\$ 35,020	\$ -	\$ 22,447
Number of Active Retirees	739	349	503
<i>10 - 14.99 years</i>			
Average Monthly Benefit	\$ 492	\$ 318	\$ 501
Average Final Average Salary	\$ 31,410	\$ -	\$ 26,180
Number of Active Retirees	1,222	506	527
<i>15 - 19.99 years</i>			
Average Monthly Benefit	\$ 758	\$ 443	\$ 793
Average Final Average Salary	\$ 31,371	\$ -	\$ 29,335
Number of Active Retirees	2,035	604	483
<i>20 - 24.99 years</i>			
Average Monthly Benefit	\$ 1,063	\$ 609	\$ 1,112
Average Final Average Salary	\$ 33,286	\$ -	\$ 31,529
Number of Active Retirees	2,192	521	383
<i>25 - 29.99 years</i>			
Average Monthly Benefit	\$ 1,628	\$ 791	\$ 1,673
Average Final Average Salary	\$ 39,183	\$ -	\$ 31,991
Number of Active Retirees	2,717	360	246
<i>30 - 34.99 years</i>			
Average Monthly Benefit	\$ 2,326	\$ 1,061	\$ 2,128
Average Final Average Salary	\$ 46,893	\$ -	\$ 48,835
Number of Active Retirees	3,395	402	96
<i>35 - 39.99 years</i>			
Average Monthly Benefit	\$ 2,921	\$ 1,394	\$ 2,818
Average Final Average Salary	\$ 50,180	\$ -	\$ 45,859
Number of Active Retirees	1,226	161	29
<i>40 years and over</i>			
Average Monthly Benefit	\$ 3,098	\$ 1,765	\$ 2,242
Average Final Average Salary	\$ 45,927	\$ -	\$ 33,049
Number of Active Retirees	296	58	8



SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

Credited Service	2006 New State Police Pension Plan			2006 Judiciary Pension Plans		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ 3,194	\$ 2,210	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 28,297	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ -	\$ 2,574	\$ 2,399	\$ -	\$ -	\$ 5,332
Average Final Average Salary	\$ -	\$ -	\$ 33,234	\$ -	\$ -	\$ 121,230
Number of Active Retirees	-	1	3	-	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 1,978	\$ 2,795	\$ 2,247	\$ 4,816	\$ 2,245	\$ 3,996
Average Final Average Salary	\$ 99,999	\$ -	\$ 30,101	\$ 101,257	\$ -	\$ 79,846
Number of Active Retirees	1	1	2	5	4	1
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 2,658	\$ -	\$ 4,051	\$ 6,160	\$ 1,965	\$ -
Average Final Average Salary	\$ 64,482	\$ -	\$ 59,956	\$ 84,657	\$ -	\$ -
Number of Active Retirees	5	-	7	5	1	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 3,396	\$ -	\$ -	\$ 6,759	\$ 2,328	\$ -
Average Final Average Salary	\$ 71,629	\$ -	\$ -	\$ 98,655	\$ -	\$ -
Number of Active Retirees	24	-	-	8	3	-
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ 4,611	\$ -	\$ -	\$ 7,120	\$ 3,697	\$ -
Average Final Average Salary	\$ 81,908	\$ -	\$ -	\$ 106,491	\$ -	\$ -
Number of Active Retirees	1	-	-	4	4	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 8,139	\$ 4,731	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ 4,646	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	1	-

SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

Credited Service	2006			2006		
	County & Municipal Police and Firefighters' Pension Plans			County & Municipal Other Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ 581	\$ 1,431	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 27,400	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ 56	\$ 1,952	\$ 1,445	\$ 160	\$ -	\$ 184
Average Final Average Salary	\$ 14,185	\$ -	\$ 42,872	\$ 16,410	\$ -	\$ 24,070
Number of Active Retirees	1	1	2	6	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 742	\$ -	\$ 1,905	\$ 609	\$ -	\$ -
Average Final Average Salary	\$ 39,844	\$ -	\$ 42,342	\$ 28,610	\$ -	\$ -
Number of Active Retirees	2	-	2	5	-	-
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 2,372	\$ -	\$ 2,015	\$ 536	\$ -	\$ -
Average Final Average Salary	\$ 70,625	\$ -	\$ 46,481	\$ 26,082	\$ -	\$ -
Number of Active Retirees	4	-	1	2	-	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 2,386	\$ -	\$ 1,944	\$ 619	\$ -	\$ 851
Average Final Average Salary	\$ 49,218	\$ -	\$ 42,508	\$ 17,165	\$ -	\$ 24,741
Number of Active Retirees	9	-	1	1	-	1
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ -	\$ 1,765	\$ -	\$ -	\$ -	\$ -
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	2006 Volunteer Firemen's Pension Plan			2006 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	\$ -	\$ -	\$ -	\$ 366	\$ 233	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 44,129	\$ -	\$ -
Number of Active Retirees	-	-	-	5	1	-
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 57	\$ -	\$ -	\$ 413	\$ 304	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 34,104	\$ -	\$ -
Number of Active Retirees	616	-	-	2	1	-
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 84	\$ -	\$ -	\$ 919	\$ -	\$ 968
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 40,924	\$ -	\$ 32,905
Number of Active Retirees	378	-	-	7	-	3
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 108	\$ -	\$ -	\$ 685	\$ 506	\$ 1,132
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 33,488	\$ -	\$ 35,025
Number of Active Retirees	216	-	-	2	2	1
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ 125	\$ -	\$ -	\$ 1,331	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 31,250	\$ -	\$ -
Number of Active Retirees	94	-	-	1	-	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 1,892	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 41,187	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ 2,163	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 48,205	\$ -	\$ -
Number of Active Retirees	-	-	-	1	-	-

SCHEDULE OF AVERAGE BENEFIT PAYMENTS BY PLAN (continued)

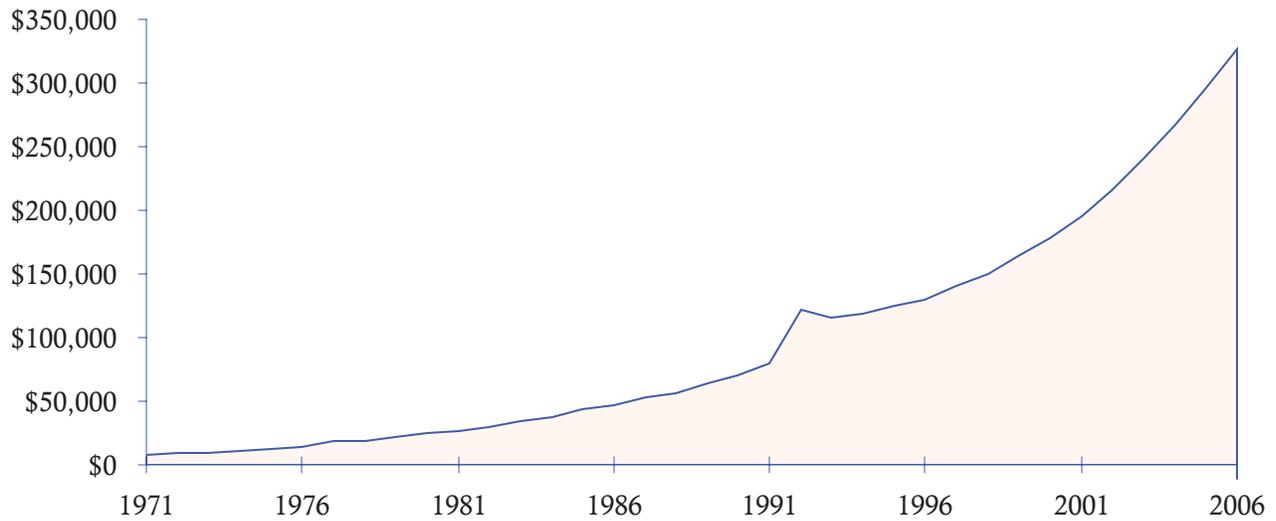
Credited Service	2006		
	Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>			
Average Monthly Benefit	\$ -	\$ 2,323	\$ 2,598
Average Final Average Salary	\$ -	\$ -	\$ 22,172
Number of Active Retirees	-	3	3
<i>5 - 9.99 years</i>			
Average Monthly Benefit	\$ -	\$ 2,180	\$ 2,858
Average Final Average Salary	\$ -	\$ -	\$ 25,793
Number of Active Retirees	-	3	20
<i>10 - 14.99 years</i>			
Average Monthly Benefit	\$ -	\$ 2,188	\$ 3,056
Average Final Average Salary	\$ -	\$ -	\$ 28,825
Number of Active Retirees	-	9	26
<i>15 - 19.99 years</i>			
Average Monthly Benefit	\$ -	\$ 2,925	\$ 3,477
Average Final Average Salary	\$ -	\$ -	\$ 47,695
Number of Active Retirees	-	6	17
<i>20 - 24.99 years</i>			
Average Monthly Benefit	\$ 2,976	\$ 2,313	\$ 4,335
Average Final Average Salary	\$ 61,453	\$ -	\$ 51,154
Number of Active Retirees	321	79	10
<i>25 - 29.99 years</i>			
Average Monthly Benefit	\$ 3,701	\$ 2,182	\$ -
Average Final Average Salary	\$ 81,714	\$ -	\$ -
Number of Active Retirees	39	3	-
<i>30 - 34.99 years</i>			
Average Monthly Benefit	\$ 4,388	\$ -	\$ -
Average Final Average Salary	\$ 98,365	\$ -	\$ -
Number of Active Retirees	12	-	-
<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	-	-	-



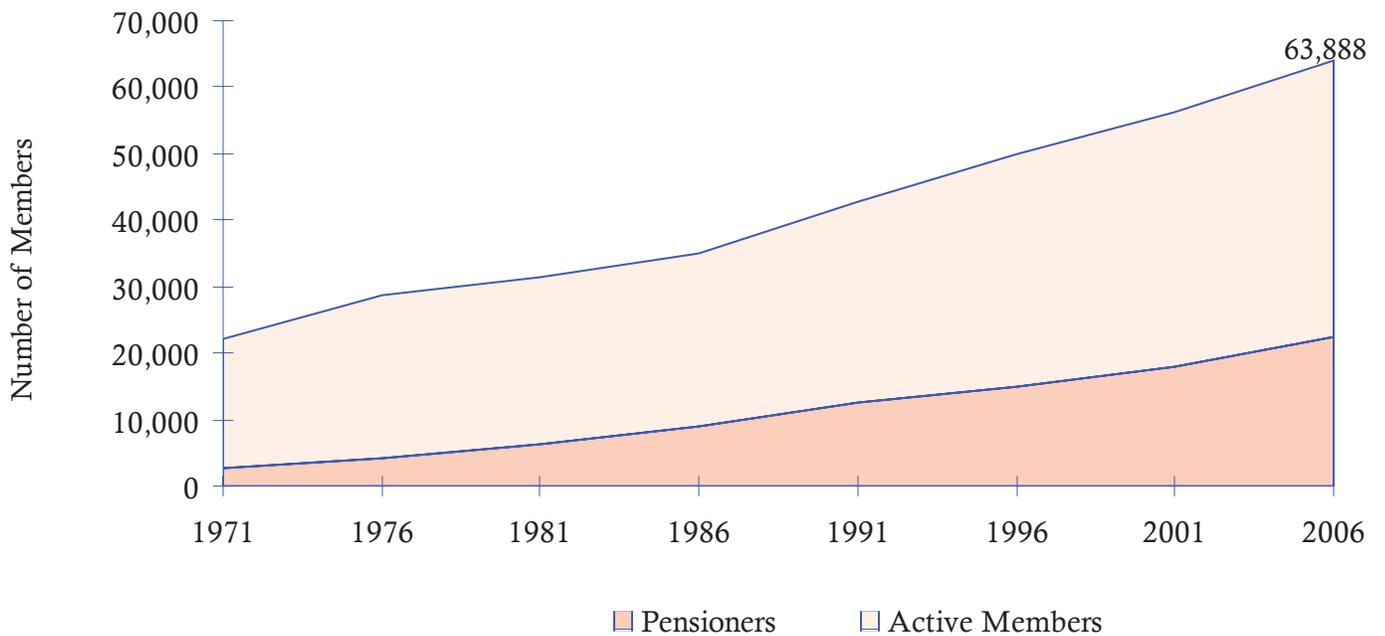
Total Benefit Payments

(Expressed in thousands)

\$326,325



Total Membership



SCHEDULE OF PARTICIPATING EMPLOYERS

State Employees' Pension Plan (established 1970)

- State of Delaware
- State of Delaware Charter Schools (1996)
- Delaware National Guard
- Delaware Solid Waste Authority (1986)
- Delaware State University
- Delaware Technical & Community College
- University of Delaware (excluding most faculty and designated professional staff)

Closed State Police Plan (established 1970)

- Delaware State Police (Appointed before July 1, 1980)

New State Police Plan (established 7/1980)

- Delaware State Police (Appointed after July 1, 1980)

Judiciary Pension Plans (established 1970)

- Appointed members of the State Judiciary

Diamond State Port Corporation Plan (established 1996)

- Diamond State Port Corporation Employees

County & Municipal Police and Firefighters' Plans

- Town of Camden (7/2003)
- Town of Cheswold (7/1995)
- Town of Dagsboro (7/1989)
- Town of Delmar (7/1990)
- Town of Dewey Beach (7/1990)
- City of Dover (7/1984)
- Town of Felton (1/2001)
- Town of Georgetown (7/1990)
- City of Harrington (7/1989)
- City of Milford (1/2005)
- Town of Millsboro (7/1999)
- Town of Milton (10/2003)
- City of New Castle (7/1995)
- New Castle County (2/1993)
- Town of Ocean View (5/2003)
- Town of Rehoboth Beach (4/2005)
- City of Wilmington (8/1991)
- Town of Wyoming (7/1995)

County & Municipal Other Employees' Plan

- Town of Cheswold (7/1995)
- Town of Clayton (7/2004)
- Delaware City Fire Company (7/2002)
- Felton Fire Company (7/2000)
- Town of Georgetown (7/1990)
- Good-Will Fire Company (7/2002)
- City of Harrington (7/2002)
- Harrington Fire Company (7/1999)
- Kent Conservation District (11/2002)
- Lewes Fire Company (7/2002)
- City of Milford (1/2005)
- Town of Millsboro (7/1999)
- Millville Fire Company (11/2003)
- Town of Milton (10/2003)
- City of New Castle (7/1995)
- Town of Newport (7/2004)
- Town of Ocean View (5/2003)
- Port Penn Fire Co. (11/2003)
- Town of South Bethany (5/2003)
- Sussex Conservation District (7/1987)
- Townsend Fire Company (7/1999)
- Volunteer Hose Co. of Middletown (5/1998)
- Town of Wyoming (7/1995)



SCHEDULE OF PARTICIPATING EMPLOYERS *(continued)*

Delaware Local Gov't Retirement Investment Pool

City of Dover (3/2005)
 Town of Elsmere (3/2002)
 Town of Newport (2/2005)
 Sussex County Government (12/1996)

County & Municipal COLA Fund

City of Dover (1991)
 Town of New Castle (1996)
 New Castle County (1993)
 City of Wilmington (1992)

Volunteer Firemen's Pension Plan (established 1987)

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
 Talleyville 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



With the passage of House Bill 299 effective July 1, 2005, the Office of Pensions is incorporated under the newly created Office of Management and Budget (OMB).

Pension Office Programmatic Goal is to maintain comprehensive and responsive systems for benefits and funds management, which helps retain a quality workforce and provides a secure and supportive retirement commitment.