

# DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- a component unit of the State of Delaware

## 29TH COMPREHENSIVE ANNUAL FINANCIAL REPORT

*Presented by the Board of Pension Trustees  
For the Fiscal Year Ended June 30, 2000*

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

PREPARED BY THE OFFICE OF PENSIONS

E-MAIL ADDRESS: [pensionoffice@state.de.us](mailto:pensionoffice@state.de.us)

WEBSITE: [www.state.de.us/spo/pensions](http://www.state.de.us/spo/pensions)

MAIN OFFICE:

540 S. duPont Highway, Suite #1  
Dover, Delaware 19901-4523  
Telephone (800) 722-7300

INVESTMENT & ACCOUNTING OFFICE

861 Silver Lake Boulevard, Suite #200  
Dover, Delaware 19904-2467  
Telephone (302) 739-7936

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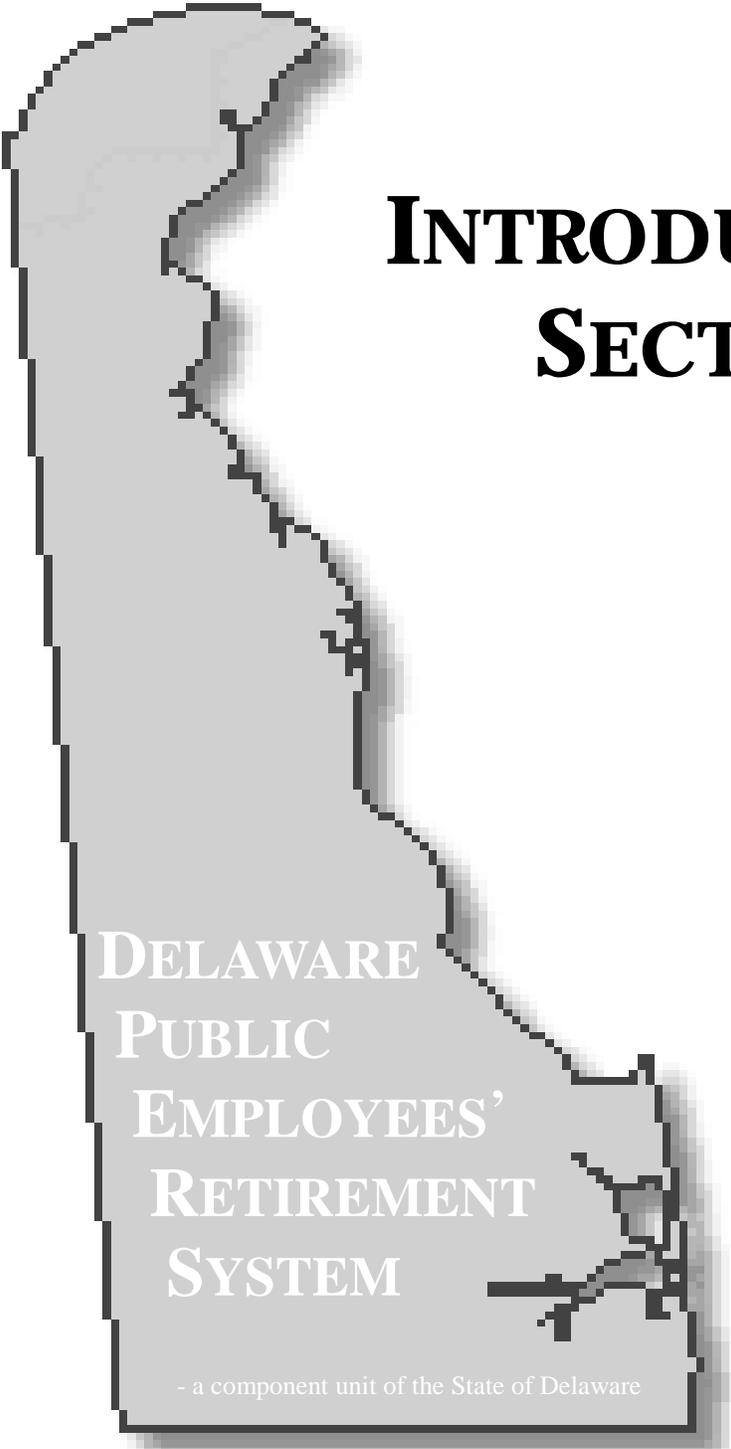
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# **INTRODUCTORY SECTION**

**DELAWARE  
PUBLIC  
EMPLOYEES'  
RETIREMENT  
SYSTEM**

- a component unit of the State of Delaware

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

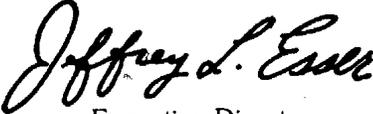
## Delaware Public Employees' Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1999

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.



  
Cary Brubaker  
President

  
Jeffrey L. Essler  
Executive Director



**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
540 S. duPont Highway, Suite #1  
Dover, DE 19901-4523

**When Calling Long Distance**  
**Toll Free Number 1-800-722-7300**

**Telephone (302) 739-4208**  
**Fax # (302) 739-6129**

October 6, 2000

The Honorable Thomas R. Carper  
and  
Members of the 140th General Assembly

Dear Governor and Members of the General Assembly:

This 29th Comprehensive Annual Financial Report (CAFR) of the Delaware Public Employees' Retirement System (System) provides comprehensive information on nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firemen's (FICA and Non-FICA), County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] plus three commingled pension funds [County & Municipal Police/Firemen's COLA Fund, Post-Retirement Increase Fund, and Delaware Local Government Retirement Investment Pool (DELRIP)]. 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 status and changes in financial status for the fiscal year ended June 30, 2000.

The 2000 Financial Report is presented in five sections. Contents are summarized below (a detailed Table of Contents may be found on page 2).

- ♦ **Introductory Section -**  
contains this transmittal letter, organization charts, Board and Legislative highlights.
- ♦ **Financial Section -**  
provides the independent auditors' opinion, the System's financial statements, required supplementary information, and supporting schedules with additional information about the System's financial position at the Plan level.
- ♦ **Investment Section -**  
details total Fund performance, investment policy, and investment activities.

# *INTRODUCTORY SECTION*

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- ♦ 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.

On June 11, 1970, legislation incorporated the State Employees', Judiciary, Closed State Police, and Retired & Disabled Teachers Pension Plans into the Delaware Public Employees' Retirement System. The State Employees' and the Judiciary Plans were changed to actuarial reserve funding shortly thereafter. The Retired & Disabled Teachers' Pension Plan remained pay-as-you-go until fiscal year 1994 when there were no longer members entitled to benefits. The Closed State Police Pension Plan remains a pay-as-you-go plan.

When calendar 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 2000, pensioners numbered 16,948; monies from nine plans, two post-retirement trusts and one investment pool were commingled in a total Fund of \$5.7 billion. The State's contribution rate for Fiscal Year 2000 was 3.85% of payroll. Benefit coverage varies by plan as shown on pages 24 - 26. In the major plans, benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states, especially considering post-retirement health and spousal benefits. The funding status of each plan is detailed on pages 32-33.

## **Major Accomplishments**

*Achievements* - For the fourth consecutive year, 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). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this Fiscal 2000 report continues to conform to the Certificate of Achievement program requirements, and we will be submitting this CAFR to the GFOA.



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*Improved Communications and Customer Service Initiatives* - During Fiscal 2000, the Pension Office has enhanced its website and has added a Pension Office e-mail address. Usage indicates both are well received. Comprehensive annual statements containing healthcare, survivor, and life insurance beneficiary information were distributed to all active employees and pension recipients.

*Improved Pension Benefits* - Legislation passed effective July 1, 2000 increased the pension calculation multiplier in the State Employees' Pension Plan from 1.66% to 1.8%. This change produced an approximate 8% increase in pension benefits for employees retiring effective July 1, 2000. For the seventh consecutive year, legislation granted a post-retirement increase to members of the State Employees', Special, New State Police, Judiciary, and the County & Municipal Police/Firemen's Pension Plans. The increase, effective July 1, 2000, applies to all members who retired on or before June 30, 2000.

*Technology Improvements* - The Pension Office continues to refine the Comprehensive Retirement Information System (CRIS) first implemented in May 1999. It has demonstrated the capability of effectively and efficiently tracking the active membership from their contributory years through retirement. The CRIS development project highlighted potential workflow and organizational efficiencies that have been and continue to be implemented.

Complementing CRIS will be the Pension Resource for Imaging Document Efficiency (PRIDE) project. Scheduled for July 2000 implementation, this system will facilitate individual document retrieval. Pension files will be converted to computer images for immediate access when questions arise or when needed for processing pension applications or estimates.

## **Investments**

For Fiscal 2000, investments provided a 16.8% rate of return. The total Fund's annualized rate of return over the last five and ten years was 16.7% and 13.8%, respectively. This performance placed the Fund in the top 10% of public fund returns for the fiscal year and in the top 25% of public funds for the three, five and ten year periods.

Fund investments are managed to control the extent of downside risk to which assets are exposed while maximizing long-term gain potential. This positions the Fund to limit the impact of adverse market conditions. Portfolio diversification is an important element of investment risk control.

# INTRODUCTORY SECTION

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The investment activity of the Delaware Public Employees' Retirement System is governed by the "prudent person rule". The prudent person rule establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the System. The prudent person rule states that fiduciaries shall discharge their duties solely in the interest of the System participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstances.

The prudent person rule permits the Board to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment managers. Page 45 shows the System's investment policy. 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 Fund as of June 30, 2000, may be found on page 53 of this report. A summary of the total Fund's asset allocation can be found on page 52.

## Additions/Deductions to Plan Net Assets

Employer and member contributions, as well as investment income, provide the reserves needed to finance retirement benefits. Contributions and net investment income for fiscal year 2000 totaled \$990.3 million.

| <b>Fiscal Years Ending June 30,</b><br><i>(Dollar values expressed in thousands)</i> | <b>2000</b>              | <b>1999</b>              | <b>Increase/<br/>(Decrease)<br/>Amount</b> | <b>Increase/<br/>(Decrease)<br/>Percent</b> |
|--|--------------------------|--------------------------|--|---|
| Employer Contributions   | \$ 95,675                | \$ 100,694               | \$ (5,019)                                 | (5.0%)                                      |
| Transfer of Contributions from PRI Fund  | 33,773                   | 31,175                   | 2,598                                      | 8.3%  |
| Transfer of Assets from Outside the System   | 3,864                    | 2,576                    | 1,288                                      | 50.0%                                       |
| Member Contributions   | 32,594                   | 29,379                   | 3,215                                      | 10.9%                                       |
| Other Income   | 22                       | 39                       | (17)                                       | (43.6%)                                     |
| Net Investment Earnings  | <u>824,408</u>           | <u>489,527</u>           | <u>334,881</u>                             | 68.4%                                       |
| <b>Total Additions</b>   | <b><u>\$ 990,336</u></b> | <b><u>\$ 653,390</u></b> | <b><u>\$ 336,946</u></b>                   | <b>51.6%</b>                                |



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 and  
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Employer contributions decreased approximately \$5 million because of lowered contribution rates. Member contributions increased by approximately \$3.2 million due to an increase in the number of active employees, an increase in some employee contribution rates, and an increase in salaries. The increase in Post-Retirement Fund transfers is a result of an increase granted effective July 1, 1999.

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.

| <b>Fiscal Years Ending June 30,</b><br><i>(Dollar values expressed in thousands)</i> | <b>2000</b>       | <b>1999</b>       | <b>Increase/<br/>(Decrease)<br/>Amount</b> | <b>Increase/<br/>(Decrease)<br/>Percent</b> |
|--|-------------------|-------------------|--|---|
| Transfer of Contributions from PRI Fund  | \$ 33,773         | \$ 31,175         | \$ 2,598                                   | 8.3%  |
| Transfer of Assets Outside the System  | 2,134             | 2,383             | (249)                                      | (10.5%)                                     |
| Benefit Payments   | 178,226           | 163,675           | 14,551                                     | 8.9%  |
| Refunded Contributions   | 2,526             | 2,654             | (128)                                      | (4.8%)                                      |
| Group Life Payments  | 3,615             | 2,444             | 1,171                                      | 47.9%                                       |
| <u>Administrative Expenses:</u>  |                   |                   |  |   |
| Pension Office   | 2,791             | 2,902             | (111)                                      | (3.8%)                                      |
| PRIDE Project  | 414               | -                 | 414  | 100.0%                                      |
| CRIS Project   | <u>1,131</u>      | <u>2,183</u>      | <u>(1,052)</u>                             | (48.2%)                                     |
| Total Administrative Expenses:   | <u>4,336</u>      | <u>5,085</u>      | <u>(749)</u>                               | (14.7%)                                     |
| <b>Total Deductions</b>  | <u>\$ 224,610</u> | <u>\$ 207,416</u> | <u>\$ 17,194</u>                           | 8.3%  |

Transfers of Assets Outside the System represents transfers from the County & Municipal COLA Fund to individual participating entities. Benefit payments increased by approximately 9.0% as a result of legislation which provided for a post-retirement increase effective July 1, 1999. Administrative Expenses for FY2000 totaled \$4.3 million, a decrease of 14.7%. These expenses include both the normal administrative expenses of the Pension Office, as well as expenses directly incurred by the CRIS project and the PRIDE project. Pension Office administrative expenses totaled \$2.8 million, a decrease of 3.8% from Fiscal 1999. The CRIS project came to a close in FY2000, eliminating the need for some temporary employees and dual encumbancies necessitated in FY1999.

# ***INTRODUCTORY SECTION***

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## **Economic Conditions and Outlook**

Over the past five years, a favorable investment climate has produced an annualized Fund return of 16.7%. This is the sixth consecutive fiscal year that the Fund return exceeded its 8.5% actuarial assumption. Employer contributions to the System have remained steady or declined while benefit improvements have been made and the total System has remained essentially fully funded.

As discussed more fully on pages 50-51, the technology sector of the stock market has been the clear winner during this five-year period. Indeed, both the technology sector and the total stock market returns have been substantially above their historic averages. The Fund has benefited by holding both large publicly traded technology stocks and from investing in small technology companies before their stock becomes publicly traded.

Recent experience indicates broader participation of other market segments in favorable returns. However, rising interest rates, corporate earnings concerns, and general market volatility may indicate more moderate investment returns going forward.

## **Funding Status**

A pension plan is well funded when it has enough money in reserve to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of accumulated assets to actuarial accrued liability. The six largest plans included in the System have been essentially fully funded based on market valuations for the past eight years. The three smaller plans are not totally funded, but annual contributions are being made at the actuarially determined rate to reach full funding. The Notes to Trend Data Schedule presented on page 36 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability (in all plans except the County & Municipal Police/Firemen's and Other Employees') was changed in 1996 from Projected Unit Credit to Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 62.

## **Internal Control**

System internal accounting controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. 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. The System is audited annually by both the Delaware Auditor of Accounts and the independent auditing firm of Ernst & Young LLP.



The Honorable Thomas R. Carper  
and  
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**Professional Services**

Professional consultants are appointed by the Board to perform professional services essential to the effective and efficient operation of the System. A joint opinion from the certified public accountant, Ernst & Young LLP, and the State Auditor, as well as an opinion from the actuary, Milliman & Robertson, Inc., are included in this report. Ashford Capital Management, Inc., serves as the investment advisor.

**Acknowledgments**

We commend the staff of the State Pension Office for its able administration of the retirement programs and support for the System's investment process. The compilation of this report reflects the caliber of staff professionalism. The staff continues to embrace technology improvements in its commitment to customer service.

It is with deep regret that we report the death of Richard N. Taylor, M.D. on July 22, 2000. Dr. Taylor served diligently on the Medical Committee for over fourteen years, a commendable example of volunteerism. We shall miss Dr. Taylor's unique insight in disability case reviews.

The Board welcomes Vincent DelDuca, Jr., M.D. to the Medical Committee in the position vacated last year by the retirement of Joseph H. Richman, M.D.

We also express appreciation to the State Personnel Director who provides administrative supervision to the Pension Office; other State support personnel; professional consultants; members of the Investment, Medical, and Audit Committees; and the Pension Advisory Council who continue to work so effectively to assure the soundness of the System.

Respectfully submitted,



A. Dale Stratton, Chair  
Board of Pension Trustees

# ***INTRODUCTORY SECTION***

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## **Board of Pension Trustees, Board Committees, and Professional Consultants**

### Board of Pension Trustees

A. Dale Stratton, Chair  
Former Director of Biotechnology Systems  
DuPont Company

Robert W. Allen  
President  
Allen Petroleum

Keith Dorman  
Former Principal  
Colonial School District, New Castle Cty

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

Donald F. McArdle  
Former Pension Administrator  
Delaware PERS

### Ex-Officio Board Members

John C. Carney Jr.  
State Secretary of Finance

Harriet N. Smith Windsor, Ed. D.  
State Personnel Director

### Executive Secretary to the Board and Pension Administrator

David C. Craik

### Investment Committee

Elva B. Ferrari, Chair  
Jan M. King  
Donald F. McArdle  
C. Raeford Minix  
A. Herbert Nehrling Jr.  
A. Dale Stratton

### Audit Committee

Joel S. Poorman, Chair  
Robert W. Allen  
Donald J. Hofmann  
William Markell, Ed.D.

### Medical Committee

William D. Shellenberger, M.D.  
Vincent DelDuca, Jr., M.D.  
Robert W. Frelich, M.D.  
Edward F. Gliwa, M.D.  
Charles S. Riegel, M.D.  
Patricia A. Smoyer, M.D.  
Richard N. Taylor, M.D. (*Dec'd 7/22/2000*)  
Charles O. Webber, M.D.

### Pension Advisory Council

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

### Legal Counsel

Calvin L. Scott, Jr.  
Deputy Attorney General

### Consulting Actuary

Milliman & Robertson, Inc.

### Investment Advisor

Ashford Capital Management, Inc.

### Auditors

Ernst & Young LLP  
State Auditor of Accounts

### Custodial Bank

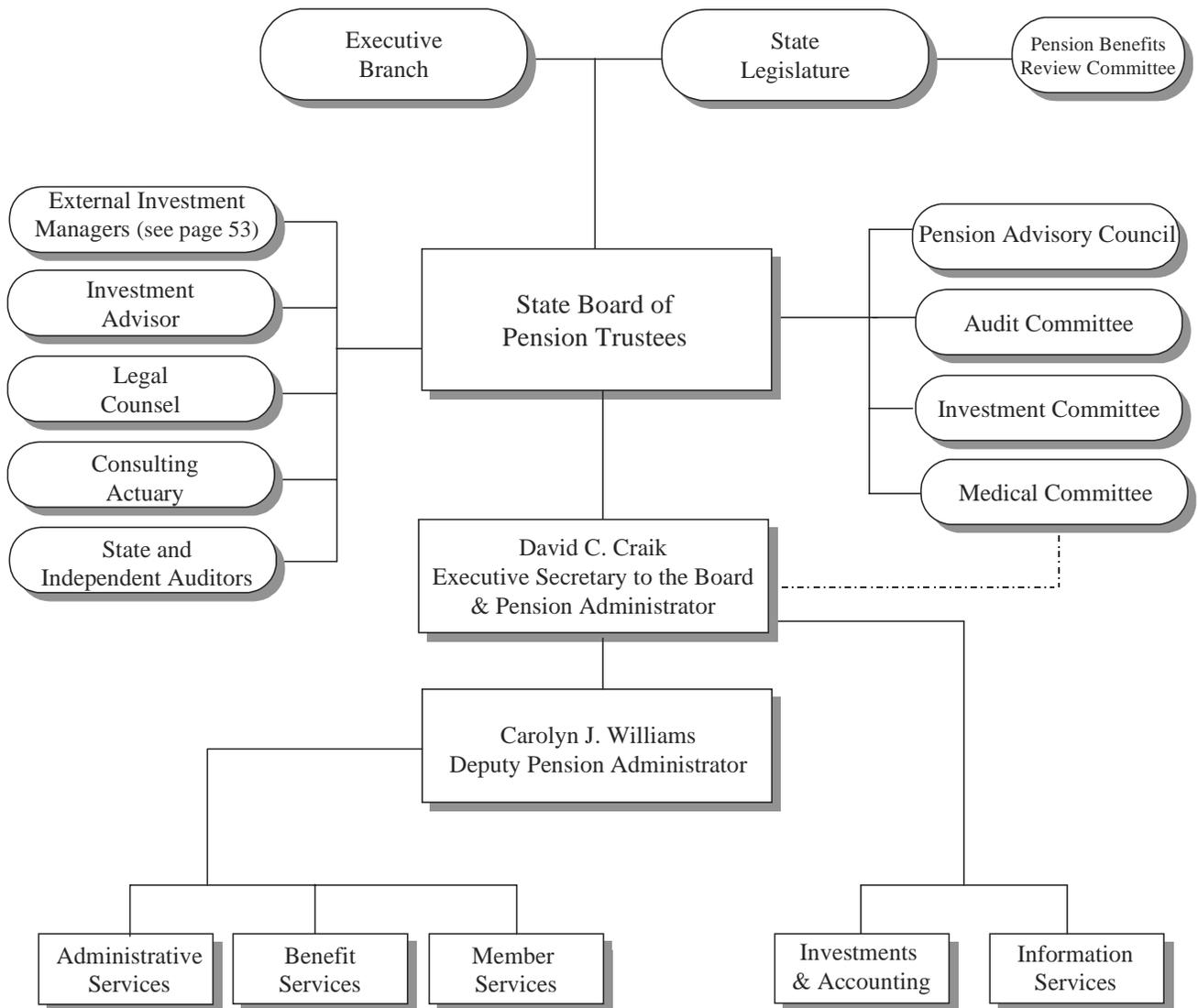
Mercantile-Safe Deposit & Trust Co.

### Sub-Custodial Bank

State Street Bank & Trust Co.



**Organizational Chart**



| <u>MANAGEMENT TEAM</u>   |  |
|--------------------------|--|
| Administrative Services  | Christy L. Ulmer, Administrative Secretary               |
| Benefit Services         | Raymond P. Stewart Jr., Fiscal Administrative Officer    |
| Member Services          | Kimberly S. Vincent, Human Resource Manager              |
| Investments & Accounting | Alice L. Simon, Pension Financial Manager                |
| Information Services     | John T. McCartney, Strategic Information Systems Manager |
|                          | W. Ray Johnson, Human Resource Manager                   |

# ***INTRODUCTORY SECTION***

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## **Highlights of Board Activities**

The Board of Pension Trustees (Board) -- comprised of five (5) members appointed by the Governor and confirmed by the Senate, and two (2) 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/Firemen's Pension Plans (FICA and Non-FICA covered).
- ◆ County & Municipal Other Employees' Pension Plan.
- ◆ Volunteer Firemen's Pension Plan.
- ◆ Diamond State Port Corporation Pension Plan.
- ◆ Closed State Police Pension Plan.

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

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

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

The Medical Committee of the Board is now comprised of eight (8) medical doctors [one (1) employed by the State and seven (7) in private practice]. It evaluates and makes recommendations concerning the medical condition of applicants for and recipients of disability pensions. The Medical Committee meets each month prior to the regular monthly meeting of the Board.

### 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 accepted accounting practices and procedures.

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

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

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

- ◆ County & Municipal Police/Firemen's COLA Fund.
- ◆ Post-Retirement Increase Fund.
- ◆ Delaware Local Government Retirement Investment Pool.

The Board retains Ashford Capital Management, Inc., as investment advisor for the System. Ashford Capital Management provides a variety of services to the System including investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, investment policy, and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the Fund as of June 30, 2000, may be found on page 53 of this report.

The major activities of the Board and their committees during the 12-month period July 1999 through June 2000 were:

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

**2000 Legislation Affecting Pensions**

|   |  |
|---|--|
| Senate Substitute #1<br>for S. B. 111<br>(72 Del. Laws, C439) | To utilize the funds available in the County & Municipal Police/Firefighters' COLA Fund, the City of Wilmington is required to provide a post-retirement increase to their police/firefighter retirees.  |
| S. B. 358<br>(72 Del. Laws, C384)                             | Clarifies the method used to grant post retirement increases under the Closed State Police Pension Plan.   |
| S. B. 378<br>(72 Del. Laws, C446)                             | Awarded a special pension benefit to an individual.  |
| S. B. 381<br>(72 Del. Laws, C483)                             | Reduces the eligibility requirements under the New State Police pension plan from 25 years to 20 years.  |
| S. B. 389<br>(72 Del. Laws, C447)                             | Effective July 1, 2000, members of the following pension plans that retired on or before June 30, 2000, were granted pension increases: State Employees', Special, New State Police, Judiciary, and County & Municipal Police/Firemen's (FICA and Non-FICA).             |
| S. B. 417<br>(72 Del. Laws, C438)                             | Effective July 1, 2000, increases the multiplier under the State Employees' Pension Plan from 1.66% of final average salary to 1.8%. This Act also provides a mechanism for funding the State's post-retirement health insurance premiums beginning in Fiscal Year 2002. |

# FINANCIAL SECTION

DELAWARE  
PUBLIC  
EMPLOYEES'  
RETIREMENT  
SYSTEM

component unit of the State of Delaware



STATE OF DELAWARE  
OFFICE OF AUDITOR OF ACCOUNTS



Report of Independent Auditors

State of Delaware  
Board of Pension Trustees

We have audited the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets of the Delaware Public Employees' Retirement System (DPERS) as of June 30, 2000, and for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System at June 30, 2000, and the changes in its financial status for the year then ended, in conformity with auditing standards generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of funding progress, employer contributions, and notes to trend data are presented in accordance with Statement No. 25 of the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in our 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

Report of Independent Auditors  
Page Two

whole. The supporting schedules of administrative expenses and investment expenses for the year ended June 30, 2000, on Schedules 4 and 5 are not a required part of the basic financial statements. Such supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2000, and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory, investment, actuarial and statistical sections of this report and, therefore, express no opinion thereon.



Auditor of Accounts  
Dover, Delaware



Ernst & Young LLP  
Philadelphia, Pennsylvania

August 25, 2000

**Statements of Plan Net Assets**

as of June 30, 2000 with Comparative Totals for June 30, 1999

(Expressed in thousands)

|   | State<br>Employees'<br>Plan | Special<br>Plan | New<br>State<br>Police<br>Plan | Judiciary<br>Plans | County & Municipal<br>Police/Firemen's Plans |               |  |
|---|-----------------------------|-----------------|--------------------------------|--------------------|--|---------------|--|
|   |                             |                 |                                |                    | FICA   | Non-FICA      |  |
| <b>Assets:</b>  |                             |                 |                                |                    |  |               |  |
| Cash  | \$ 870                      | -               | 22                             | 6                  | 1  | 2             |  |
| Receivables:  |                             |                 |                                |                    |  |               |  |
| Employer Contributions                                    | 944                         | -               | 97                             | 49                 | 52   | 145           |  |
| Member Contributions                                      | 1,534                       | -               | 55                             | 7                  | 22   | 71            |  |
| Total Receivables:  | \$ 2,478                    | -               | 152                            | 56                 | 74   | 216           |  |
| Investments at Fair Value:                                |                             |                 |                                |                    |  |               |  |
| Domestic Fixed Income                                     | 700,451                     | 299             | 13,430                         | 3,861              | 1,955  | 1,521         |  |
| Domestic Equities   | 1,451,463                   | 620             | 27,831                         | 8,000              | 4,051  | 3,151         |  |
| Pooled Equity & Fixed Income                              | 2,127,610                   | 909             | 40,796                         | 11,728             | 5,938  | 4,620         |  |
| Pooled Real Estate  | 206                         | -               | 4                              | 1                  | 1  | 1             |  |
| Private Investments                                       | 676,852                     | 289             | 12,978                         | 3,731              | 1,889  | 1,470         |  |
| Short Term Investments                                    | 125,296                     | 67              | 2,639                          | 1,009              | 437  | 540           |  |
| Foreign Equities  | 345,079                     | 148             | 6,617                          | 1,902              | 963  | 749           |  |
| Total Investments:  | \$ 5,426,957                | 2,332           | 104,295                        | 30,232             | 15,234                                       | 12,052        |  |
| <b>Total Assets:</b>                                      | <b>\$ 5,430,305</b>         | <b>2,332</b>    | <b>104,469</b>                 | <b>30,294</b>      | <b>15,309</b>                                | <b>12,270</b> |  |
| <b>Liabilities:</b>                                       |                             |                 |                                |                    |  |               |  |
| Benefits Payable  | 877                         | 6               | 2                              | -                  | 10   | 5             |  |
| Accrued Administrative Expenses                           | 530                         | 1               | 5                              | 1                  | 1  | 3             |  |
| <b>Total Liabilities:</b>                                 | <b>\$ 1,407</b>             | <b>7</b>        | <b>7</b>                       | <b>1</b>           | <b>11</b>                                    | <b>8</b>      |  |
| <b>Net Assets Held in Trust<br/>for Pension Benefits:</b> | <b>\$ 5,428,898</b>         | <b>2,325</b>    | <b>104,462</b>                 | <b>30,293</b>      | <b>15,298</b>                                | <b>12,262</b> |  |

(A schedule of funding progress for each plan is presented on pages 32-33.)

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

| County & Municipal Other Employees' Plan | Volunteer Firemen's Plan | Diamond State Port Corporation Plan | County & Municipal Police and Firemen's COLA Fund | Post Retirement Increase Fund | Delaware Local Gov't Retirement Investment Pool | Closed State Police Plan | Totals as of June 30, |              |
|--|--------------------------|-------------------------------------|---|-------------------------------|---|--------------------------|-----------------------|--------------|
|  |                          |                                     |   |                               |   |                          | 2000                  | 1999         |
| 2  | 4                        | 1                                   | -   | 6                             | -   | 8                        | \$ 922                | \$ 291       |
| 10                                       | -                        | 37                                  | -   | 1,248                         | -   | -                        | 2,582                 | 3,227        |
| 6  | -                        | 14                                  | -   | -                             | -   | 3                        | 1,712                 | 1,485        |
| 16                                       | -                        | 51                                  | -   | 1,248                         | -   | 3                        | \$ 4,294              | \$ 4,712     |
| 361                                      | 1,325                    | 770                                 | 1,672   | 3,634                         | 842   | -                        | 730,121               | 674,323      |
| 749                                      | 2,744                    | 1,597                               | 3,464   | 7,529                         | 1,744   | -                        | 1,512,943             | 1,335,163    |
| 1,097                                    | 4,023                    | 2,340                               | 5,077   | 11,037                        | 2,556   | -                        | 2,217,731             | 2,041,326    |
| -  | -                        | 1                                   | -   | 1                             | -   | -                        | 215                   | 3,967        |
| 349                                      | 1,280                    | 744                                 | 1,615   | 3,511                         | 813   | -                        | 705,521               | 452,048      |
| 68                                       | 231                      | 171                                 | 2,031   | 1,128                         | 148   | 1,685                    | 135,450               | 56,977       |
| 178                                      | 652                      | 380                                 | 824   | 1,790                         | 415   | -                        | 359,697               | 330,444      |
| 2,802                                    | 10,255                   | 6,003                               | 14,683  | 28,630                        | 6,518   | 1,685                    | \$ 5,661,678          | \$ 4,894,248 |
| 2,820                                    | 10,259                   | 6,055                               | 14,683  | 29,884                        | 6,518   | 1,696                    | \$ 5,666,894          | \$ 4,899,251 |
| -  | 4                        | -                                   | 1,595   | -                             | -   | 3                        | 2,502                 | 965          |
| 1  | 1                        | 2                                   | -   | -                             | -   | 6                        | 551                   | 171          |
| 1  | 5                        | 2                                   | 1,595   | -                             | -   | 9                        | \$ 3,053              | \$ 1,136     |
| 2,819                                    | 10,254                   | 6,053                               | 13,088  | 29,884                        | 6,518   | 1,687                    | \$ 5,663,841          | \$ 4,898,115 |

**Statements of Changes in Plan Net Assets**

for the fiscal year ended June 30, 2000 with Comparative Totals for June 30, 1999

(Expressed in thousands)

|  | State<br>Employees'<br>Plan | Special<br>Plan | New<br>State<br>Police<br>Plan | Judiciary<br>Plans | County & Municipal<br>Police/Firemen's Plans |               |
|--|-----------------------------|-----------------|--------------------------------|--------------------|--|---------------|
|  |                             |                 |                                |                    | FICA   | Non-FICA      |
| <b>Additions:</b>                                    |                             |                 |                                |                    |  |               |
| <u>Contributions:</u>                                |                             |                 |                                |                    |  |               |
| Employer Contributions                               | \$ 43,433                   | -               | 2,585                          | 1,666              | 964  | 1,807         |
| Transfer of Contributions from PRI Fund              | 33,498                      | -               | 24                             | 251                | -  | -             |
| Transfer of Assets from Outside the System           | -                           | -               | -                              | -                  | -  | -             |
| Member Contributions                                 | 29,659                      | -               | 1,294                          | 183                | 208  | 765           |
| Other  | -                           | -               | 20                             | -                  | -  | -             |
| <b>Total Contributions:</b>                          | <b>\$ 106,590</b>           | <b>-</b>        | <b>3,923</b>                   | <b>2,100</b>       | <b>1,172</b>                                 | <b>2,572</b>  |
| <u>Investments:</u>                                  |                             |                 |                                |                    |  |               |
| Investment Earnings                                  | 162,921                     | 70              | 3,124                          | 898                | 455  | 353           |
| Net Increase in Fair Value of Investments            | 641,970                     | 280             | 12,117                         | 3,528              | 1,718  | 1,304         |
| <b>Total Investment Earnings:</b>                    | <b>\$ 804,891</b>           | <b>350</b>      | <b>15,241</b>                  | <b>4,426</b>       | <b>2,173</b>                                 | <b>1,657</b>  |
| Less Investment Manager/Advisor/Custody Fees         | (13,743)                    | (6)             | (263)                          | (76)               | (38)   | (30)          |
| Less Investment Administrative Expenses              | (183)                       | -               | (4)                            | (1)                | (1)  | -             |
| <b>Net Investment Earnings:</b>                      | <b>\$ 790,965</b>           | <b>344</b>      | <b>14,974</b>                  | <b>4,349</b>       | <b>2,134</b>                                 | <b>1,627</b>  |
| <b>Total Additions:</b>                              | <b>\$ 897,555</b>           | <b>344</b>      | <b>18,897</b>                  | <b>6,449</b>       | <b>3,306</b>                                 | <b>4,199</b>  |
| <b>Deductions:</b>                                   |                             |                 |                                |                    |  |               |
| Transfer of Contributions from PRI Fund              | \$ -                        | -               | -                              | -                  | -  | -             |
| Transfer of Assets Outside the System                | -                           | -               | -                              | -                  | -  | -             |
| Pension Payments                                     | 159,122                     | 133             | 166                            | 1,642              | 53   | 16            |
| Refunds of Contributions to Members                  | 2,376                       | -               | 56                             | -                  | 13   | 37            |
| Group Life Payments                                  | 3,573                       | 12              | -                              | -                  | -  | -             |
| Administrative Expenses                              | 4,336                       | -               | -                              | -                  | -  | -             |
| Allocation of Administrative Expenses                | (196)                       | 4               | 40                             | 8                  | 16   | 22            |
| <b>Total Deductions:</b>                             | <b>\$ 169,211</b>           | <b>149</b>      | <b>262</b>                     | <b>1,650</b>       | <b>82</b>                                    | <b>75</b>     |
| <b>Net Increase/(Decrease):</b>                      | <b>\$ 728,344</b>           | <b>195</b>      | <b>18,635</b>                  | <b>4,799</b>       | <b>3,224</b>                                 | <b>4,124</b>  |
| <b>Net Assets Held in Trust for Pension Benefits</b> |                             |                 |                                |                    |  |               |
| <b>Beginning of Year:</b>                            | <b>\$ 4,700,554</b>         | <b>2,130</b>    | <b>85,827</b>                  | <b>25,494</b>      | <b>12,074</b>                                | <b>8,138</b>  |
| <b>Net Assets Held in Trust for Pension Benefits</b> |                             |                 |                                |                    |  |               |
| <b>End of Year:</b>                                  | <b>\$ 5,428,898</b>         | <b>2,325</b>    | <b>104,462</b>                 | <b>30,293</b>      | <b>15,298</b>                                | <b>12,262</b> |

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

| County & Municipal Other Employees Plan | Volunteer Firemen's Plan | Diamond State Port Corporation Plan | County & Municipal Police and Firemen's COLA Fund | Post Retirement Increase Fund | Delaware Local Gov't Retirement Investment Pool | Closed State Police Plan | Totals for fiscal years ended June 30, |                   |
|---|--------------------------|-------------------------------------|---|-------------------------------|---|--------------------------|--|-------------------|
|   |                          |                                     |   |                               |   |                          | 2000                                   | 1999              |
| 352                                     | 645                      | 389                                 | -   | 27,626                        | -   | 16,208                   | \$ 95,675                              | \$ 100,694        |
| -                                       | -                        | -                                   | -   | -                             | -   | -                        | 33,773                                 | 31,175            |
| -                                       | -                        | -                                   | 1,917   | -                             | 1,947   | -                        | 3,864                                  | 2,576             |
| 46                                      | 203                      | 143                                 | -   | -                             | -   | 93                       | 32,594                                 | 29,379            |
| -                                       | -                        | -                                   | -   | -                             | -   | 2                        | 22                                     | 39                |
| <b>398</b>                              | <b>848</b>               | <b>532</b>                          | <b>1,917</b>                                      | <b>27,626</b>                 | <b>1,947</b>                                    | <b>16,303</b>            | <b>\$ 165,928</b>                      | <b>\$ 163,863</b> |
| 84                                      | 308                      | 179                                 | 389   | 844                           | 195   | 198                      | 170,018                                | 140,889           |
| 292                                     | 1,198                    | 684                                 | 1,589   | 3,555                         | 670   | -                        | 668,905                                | 362,716           |
| 376                                     | 1,506                    | 863                                 | 1,978   | 4,399                         | 865   | 198                      | \$ 838,923                             | \$ 503,605        |
| (7)                                     | (26)                     | (15)                                | (32)  | (71)                          | (17)  | -                        | (14,324)                               | (13,903)          |
| -                                       | -                        | -                                   | (1)   | (1)                           | -   | -                        | (191)                                  | (175)             |
| 369                                     | 1,480                    | 848                                 | 1,945   | 4,327                         | 848   | 198                      | \$ 824,408                             | \$ 489,527        |
| 767                                     | 2,328                    | 1,380                               | 3,862   | 31,953                        | 2,795   | 16,501                   | \$ 990,336                             | \$ 653,390        |
| -                                       | -                        | -                                   | -   | 33,773                        | -   | -                        | 33,773                                 | 31,175            |
| -                                       | -                        | -                                   | 2,134   | -                             | -   | -                        | 2,134                                  | 2,383             |
| 21                                      | 920                      | 75                                  | -   | -                             | -   | 16,078                   | 178,226                                | 163,675           |
| 3                                       | 29                       | 12                                  | -   | -                             | -   | -                        | 2,526                                  | 2,654             |
| -                                       | -                        | -                                   | -   | -                             | -   | 30                       | 3,615                                  | 2,444             |
| -                                       | -                        | -                                   | -   | -                             | -   | -                        | 4,336                                  | 5,085             |
| 16                                      | 22                       | 17                                  | -   | -                             | -   | 51                       | -                                      | -                 |
| 40                                      | 971                      | 104                                 | 2,134   | 33,773                        | -   | 16,159                   | \$ 224,610                             | \$ 207,416        |
| 727                                     | 1,357                    | 1,276                               | 1,728   | (1,820)                       | 2,795   | 342                      | \$ 765,726                             | \$ 445,974        |
| 2,092                                   | 8,897                    | 4,777                               | 11,360  | 31,704                        | 3,723   | 1,345                    | \$ 4,898,115                           | \$ 4,452,141      |
| 2,819                                   | 10,254                   | 6,053                               | 13,088  | 29,884                        | 6,518   | 1,687                    | \$ 5,663,841                           | \$ 4,898,115      |

## 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/Firemen's Pension Plans (FICA and Non-FICA).
- ◆ 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, 2000, employee membership data related to each of the Plans was as follows:

| Plan  | Retirees & Terminated Employees            |   | Active Participants | Total Membership | Total Participating Employers |
|---|--|---|---------------------|------------------|-------------------------------|
|   | Beneficiaries Currently Receiving Benefits | Beneficiaries Entitled to Benefits But Not Yet Receiving Them |                     |                  |                               |
| State Employees'                            | 15,199                                     | 528   | 31,740              | 47,467           | 7                             |
| Special                                     | 42   | -   | -                   | 42               | N/A                           |
| New State Police                            | 5  | 4   | 527                 | 536              | 1                             |
| Judiciary                                   | 37   | -   | 49                  | 86               | 1                             |
| County & Municipal Police/Firemen's: (FICA) | 4  | 6   | 163                 | 173              | 8                             |
| (Non FICA)                                  | 1  | 4   | 296                 | 301              | 2                             |
| County & Municipal Other Employees'         | 9  | 1   | 74                  | 84               | 6                             |
| Volunteer Firemen's                         | 1,103                                      | 7   | 4,579               | 5,689            | 61                            |
| Diamond State Port Corporation              | 7  | 5   | 227                 | 239              | 1                             |
| Closed State Police                         | 541  | -   | 57                  | 598              | 1                             |
| <b>Total:</b>                               | <b>16,948</b>                              | <b>555</b>  | <b>37,712</b>       | <b>55,215</b>    | <b>88</b>                     |

### 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:** 1/60th of final average monthly compensation multiplied by years of credited service, subject to minimum limitations.

**Vesting:** 5 years of credited service.

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

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

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

### Contributions:

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

**Death Benefit:** \$6,000 per member.

### Special Pension Plan

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

**Service Benefits:** Defined by special legislation.

**Vesting:** Not applicable.

**Retirement:** Not applicable.

**Disability Benefits:** Not applicable.

**Survivor Benefits:** Same as State Employees' Plan.

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

**Death Benefit:** \$6,000 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: 1/40th of final average monthly compensation multiplied by years of credited service (not to exceed 25 years).

Vesting: 10 years of credited service.

Retirement: Age 62 with 10 years of credited service; age plus credited service (but not less than 10 years) equals 75; or 25 years of credited service.

Disability Benefits:

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

*Partial Disability* - calculated the same as Service Benefits.

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - 5% of compensation.

Death Benefit: \$6,000 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 average annual 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.

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 50% of pension; if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions:

Employer - determined by Board of Pension Trustees.

Employee -

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.

**County & Municipal Police/Firemen's Pension Plans (FICA & Non-FICA)**

Plan Description and Eligibility: County & Municipal Police/Firemen's Pension Plan, both FICA and Non-FICA, are cost-sharing multiple employer defined benefit plans that cover police officers/firemen 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.

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.

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - FICA covered - 5% of compensation.

Non-FICA covered - 7% of compensation.

## 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.

**Vesting:** 5 years of credited service.

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

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

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

**Contributions:**

Employer - determined by Board of Pension Trustees.

Employee - 3% of earnings in excess of \$6,000, plus 2% of earnings that exceed the Social Security Wage Base.

## 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 year.

## 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).

**Vesting:** 5 years of credited service.

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

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

**Survivor Benefits:** If employee is receiving a pension or is active with at least 15 years of credited service, then eligible survivor receives 50% of pension the employee would have received at age 62.

**Contributions:**

Employer - determined by Board of Pension Trustees.

Employee - 2% of compensation.

## 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.

Ordinary - 50% of monthly salary.

**Survivor Benefits:** If employee is receiving a pension, the eligible survivor receives 75% of pension; if employee is active, eligible survivor receives 50% of salary.

**Contributions:**

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

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

**Death Benefit:** \$6,000 per member.

## **2. Fund Descriptions and Contributions**

### **County & Municipal Police and Firemen's 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 Firemen's Pension Plans. This mechanism allows the State to appropriate funds to a separate County & Municipal Police and Firemen's COLA Fund managed by the 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 officer basis. The portion of the tax payable relating to the State Police is re-directed into the COLA Fund. When a participating employer grants a post-retirement increase, funds are transferred from the COLA Fund to the employer. The participating employer must provide funds to match the State's contribution.

### **Post-Retirement Increase Fund**

During 1993, the State of Delaware passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to employees retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in Fiscal 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate Post-Retirement Increase Fund managed by the Board. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this Post-Retirement Increase Fund on a monthly basis based on a 5-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed.

### **Investment Trust Fund**

In June 1996, the State of Delaware passed legislation which established the Delaware Local Government Retirement Investment Pool (DELRIIP) in the custody of the Board of Pension Trustees to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System. The DELRIIP 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. There was one participating entity in the DELRIIP as of June 30, 2000 which comprises the pool in its entirety.

The DELRIIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the SEC. The System has not provided or obtained any legal binding guarantees during the year to support the value of shares. The fair value of the portion in the pool is the same as the value of the Master Trust shares.

## **3. Summary of Significant Accounting Policies**

### **Reporting Entity**

The management of all the Plans in the Delaware Public Employees' Retirement System (System) is the responsibility of the Board of Pension Trustees (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 are commingled for investment purposes, each Plan's assets may be used only for the payment of benefits to the members of that Plan in accordance with the terms of that Plan.

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.

## **Investments**

All of the investment assets of the Plans, with the exception of the Closed State Police Pension Plan, are pooled and invested in the common DPERS Master Trust. Each of the Plans have equity in the Master Trust based on funds contributed and earnings allocated.

Investments are presented at fair value. Fair values are determined by quoted market prices, where available. Investments in real estate pooled funds are determined based on appraised values. Venture capital and other limited partnership values are determined based on discounted market values where market quotes are available and by other methodologies which vary for individual partnerships with respect to investments in nonmarketable holdings.

## **Administrative Expenses**

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

## **4. Deposits and Investments**

### **Investment Policy**

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

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

For the year ended June 30, 2000, the System has operated in all material respects in accordance with these policies.

### **Deposits**

The bank balance and carrying amount of the System's deposits totaled \$922,000 as of June 30, 2000. The System's cash represents pooled deposits held by the State Treasurer's Office, which are uninsured and uncollateralized.

**Investments**

The following table presents the System's investments as of June 30, 2000, categorized to give an indication of the level of risk assumed by the System. The categories of investment risk are:

1. Insured or registered investments, or securities held by the System or its agent in the System's name.
2. Uninsured or unregistered investments, with securities held by the counterparty's trust department or agent in the System's name.
3. Uninsured and unregistered investments, with securities held by the counterparty in the System's name or held by the counterparty's trust department or agent but not in the System's name.

Investments not evidenced by securities are not categorized. Such investments include venture capital, limited partnerships, open-end mutual funds, and real estate. Pooled investments represent those investments in which the System owns units of the pool rather than specific securities. As a result, such investments cannot be categorized as to credit risk.

No significant changes occurred in the various categories of credit risk of the System's investments during the year ended June 30, 2000.

| <b>Summary of Investment Risk</b><br><i>(Expressed in thousands)</i> | <b>Category</b>     |          |          | <b>Securities not Subject</b> | <b>Fair Value</b>    |
|--|---------------------|----------|----------|-------------------------------|----------------------|
|  | <b>1</b>            | <b>2</b> | <b>3</b> | <b>to Classification of</b>   | <b>as of</b>         |
|  |                     |          |          | <b>Credit Risk</b>            | <b>June 30, 2000</b> |
| Domestic Fixed Income  | \$ 730,121          | —        | —        | \$ —                          | \$ 730,121           |
| Domestic Equities  | 1,512,943           | —        | —        | —                             | 1,512,943            |
| Pooled Equity & Fixed Income   | —                   | —        | —        | 2,217,731                     | 2,217,731            |
| Pooled Real Estate   | —                   | —        | —        | 215                           | 215                  |
| Private Investments  | —                   | —        | —        | 705,521                       | 705,521              |
| Short Term Investments*  | 135,450             | —        | —        | —                             | 135,450              |
| Foreign Equities   | 359,697             | —        | —        | —                             | 359,697              |
|  | <b>\$ 2,738,211</b> | <b>—</b> | <b>—</b> | <b>\$ 2,923,467</b>           | <b>\$ 5,661,678</b>  |

*\*Short Term Investments primarily includes Commercial Paper and Common Trust Funds.*

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

The following managers have investments at fair value in excess of 5% of the System's net assets held in trust for pension benefits as of June 30, 2000:

|   | <b>Fair Value</b><br><i>(Expressed in thousands)</i> |
|---|--|
| Mellon Capital Asset Allocation Fund        | \$ 1,437,839   |
| Mellon Capital Global Asset Allocation Fund | 779,892  |
| Lincoln Capital - Fixed                     | 284,573  |

## Management Fees

The System has paid \$6.9 million and \$5.1 million in management fees to the venture capital limited partnerships for the years ended June 30, 2000 and 1999, respectively. These fees are netted against investment income.

## Investment Commitments

The System has made commitments to invest up to an additional \$300.0 million in venture capital limited partnerships in varying amounts as of June 30, 2000, to be drawn down as called over a period of years.

## Risk Management

Risks of loss to which the System is exposed, other than routine investment losses, are covered by the System. Fixed assets used by the System are considered to be the property of the State of Delaware and total approximately \$827,000. Risk of loss relative to worker's compensation, self-insurance, theft, torts, etc., is assumed by the State of Delaware.

## Foreign Investments/Forward Exchange Contracts

Foreign investments pertain to investments in foreign equity securities, bonds issued by foreign entities and foreign short-term investments and money market funds.

In conjunction with certain of these investments, the System has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. At June 30, 2000, the System had six (6) open forward exchange contracts in various foreign currencies at various rates and dates through July 28, 2000. At June 30, 2000, the aggregate unrealized loss on such open contracts was \$2.4 million.

## 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. Only a few selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are spelled out in manager contracts and are monitored on an ongoing basis; so-called "exotic" derivatives and leverage are never employed. Managers authorized to use derivatives do so to reduce foreign exchange risk and minimize transaction costs. Managers may also use derivatives as part of an overall strategy to enhance returns.

The principal categories of derivatives employed and their uses during the year were as follows:

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION (continued)**

**Schedule 1 - Schedule of Funding Progress**

(Dollar values expressed in thousands)

| Plan  | Actuarial<br>Valuation<br>Date | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Unfunded<br>AAL<br>(UAAL)<br>(2)-(1) | (4)<br>Funded<br>Ratios<br>(1)/(2) | (5)<br>Annualized<br>Covered<br>Payroll | (6)<br>Assets in<br>Excess of<br>AAL as<br>a % of<br>Covered<br>Payroll<br>(3)/(5) |
|---|--------------------------------|--|---|---|------------------------------------|---|--|
|   |                                |  |   |   |                                    |   |  |
| State Employees'*                               | 6/30/2000                      | \$ 4,409,079                           | \$ 3,769,596                                      | \$ (639,483)                                | 117.0%                             | \$ 1,198,626                            | (53.4%)  |
|   | 6/30/1999                      | 3,888,852                              | 3,350,127   | (538,725)                                   | 116.1%                             | 1,125,857                               | (47.9%)  |
|   | 6/30/1998                      | 3,440,272                              | 3,135,665   | (304,607)                                   | 109.7%                             | 1,070,052                               | (28.5%)  |
|   | 6/30/1997                      | 3,011,521                              | 2,815,795   | (195,726)                                   | 107.0%                             | 1,024,976                               | (19.1%)  |
|   | 6/30/1996                      | 2,653,779                              | 2,670,701   | 16,922                                      | 99.4%                              | 981,800                                 | 1.7%   |
|   | 6/30/1995                      | 2,255,956                              | 2,161,328   | (94,628)                                    | 104.4%                             | 930,541                                 | (10.2%)  |
| Special   | 6/30/2000                      | \$ 1,834                               | \$ 834  | \$ (1,000)                                  | 219.9%                             | \$ N/A                                  | N/A  |
|   | 6/30/1999                      | 1,720                                  | 826   | (894)                                       | 208.2%                             | N/A                                     | N/A  |
|   | 6/30/1998                      | 1,652                                  | 899   | (753)                                       | 183.8%                             | N/A                                     | N/A  |
|   | 6/30/1997                      | 1,557                                  | 797   | (760)                                       | 195.4%                             | N/A                                     | N/A  |
|   | 6/30/1996                      | 1,498                                  | 824   | (674)                                       | 181.8%                             | N/A                                     | N/A  |
|   | 6/30/1995                      | 1,382                                  | 924   | (458)                                       | 149.6%                             | N/A                                     | N/A  |
| New State Police *                              | 6/30/2000                      | \$ 86,810                              | \$ 68,367   | \$ (18,443)                                 | 127.0%                             | \$ 25,558                               | (72.2%)  |
|   | 6/30/1999                      | 72,425                                 | 54,713  | (17,712)                                    | 132.4%                             | 23,518                                  | (75.3%)  |
|   | 6/30/1998                      | 60,191                                 | 47,078  | (13,113)                                    | 127.9%                             | 21,462                                  | (61.1%)  |
|   | 6/30/1997                      | 49,238                                 | 40,625  | (8,613)                                     | 121.2%                             | 19,227                                  | (44.8%)  |
|   | 6/30/1996                      | 40,506                                 | 34,589  | (5,917)                                     | 117.1%                             | 17,252                                  | (34.3%)  |
|   | 6/30/1995                      | 31,272                                 | 24,915  | (6,357)                                     | 125.5%                             | 14,796                                  | (43.0%)  |
| Judiciary*                                      | 6/30/2000                      | \$ 24,884                              | \$ 28,108   | \$ 3,224                                    | 88.5%                              | \$ 5,794                                | 55.6%  |
|   | 6/30/1999                      | 21,256                                 | 25,402  | 4,146                                       | 83.7%                              | 5,673                                   | 73.1%  |
|   | 6/30/1998                      | 18,429                                 | 24,175  | 5,746                                       | 76.2%                              | 5,118                                   | 112.3%   |
|   | 6/30/1997                      | 15,785                                 | 21,671  | 5,886                                       | 72.8%                              | 4,948                                   | 119.0%   |
|   | 6/30/1996                      | 13,622                                 | 20,846  | 7,224                                       | 65.3%                              | 4,685                                   | 154.2%   |
|   | 6/30/1995                      | 11,060                                 | 18,291  | 7,231                                       | 60.5%                              | 4,536                                   | 159.4%   |
| County & Municipal<br>Police/Firemen's (FICA)** | 6/30/2000                      | \$ 12,853                              | \$ 12,939   | \$ 86                                       | 99.3%                              | \$ 6,070                                | 1.4%   |
|   | 6/30/1999                      | 10,235                                 | 10,660  | 425   | 96.0%                              | 4,945                                   | 8.6%   |
|   | 6/30/1998                      | 8,367                                  | 8,393   | 26  | 99.7%                              | 4,150                                   | 0.6%   |
|   | 6/30/1997                      | 6,688                                  | 6,717   | 29  | 99.6%                              | 3,939                                   | 0.7%   |
|   | 6/30/1996                      | 5,196                                  | 5,268   | 72  | 98.6%                              | 3,514                                   | 2.0%   |
|   | 6/30/1995                      | 3,668                                  | 3,961   | 293   | 92.6%                              | 3,245                                   | 9.0%   |

**Schedule 1 - Schedule of Funding Progress** *(continued)*

*(Dollar values expressed in thousands)*

| Plan                          | Actuarial<br>Valuation<br>Date | (1)<br>Actuarial<br>Value of<br>Assets | (2)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Unfunded<br>AAL<br>(UAAL)<br>(2)-(1) | (4)<br>Funded<br>Ratios<br>(1)/(2) | (5)<br>Annualized<br>Covered<br>Payroll | (6)   |
|-------------------------------|--------------------------------|--|---|---|------------------------------------|---|---|
|                               |                                |  |   |   |                                    |   | Assets in<br>Excess of<br>AAL as<br>a % of<br>Covered<br>Payroll<br>(3)/(5) |
| County & Municipal            | 6/30/2000                      | \$ 10,643                              | \$ 10,643   | \$ -  | 100.0%                             | \$ 11,941                               | 0.0%  |
| Police/Firemen's (Non-FICA)** | 6/30/1999                      | 7,037                                  | 7,037   | -   | 100.0%                             | 10,285                                  | 0.0%  |
|                               | 6/30/1998                      | 4,475                                  | 4,475   | -   | 100.0%                             | 7,562                                   | 0.0%  |
|                               | 6/30/1997                      | 2,670                                  | 2,670   | -   | 100.0%                             | 5,276                                   | 0.0%  |
|                               | 6/30/1996                      | 1,448                                  | 1,448   | -   | 100.0%                             | 3,735                                   | 0.0%  |
|                               | 6/30/1995                      | 590                                    | 590   | -   | 100.0%                             | 2,564                                   | 0.0%  |
| County & Municipal Other      | 6/30/2000                      | \$ 2,410                               | \$ 2,604  | \$ 194                                      | 92.5%                              | \$ 2,004                                | 9.7%  |
| Employees***                  | 6/30/1999                      | 1,783                                  | 2,272   | 489   | 78.5%                              | 1,706                                   | 28.7%   |
|                               | 6/30/1998                      | 1,419                                  | 1,552   | 133   | 91.4%                              | 1,385                                   | 9.6%  |
|                               | 6/30/1997                      | 1,152                                  | 1,274   | 122   | 90.4%                              | 1,279                                   | 9.5%  |
|                               | 6/30/1996                      | 893                                    | 1,028   | 135   | 86.9%                              | 1,096                                   | 12.3%   |
|                               | 6/30/1995                      | 474                                    | 820   | 346   | 57.8%                              | 1,119                                   | 30.9%   |
| Diamond State Port            | 6/30/2000                      | \$ 5,188                               | \$ 5,222  | \$ 34                                       | 99.3%                              | \$ 7,715                                | 0.4%  |
| Corporation                   | 6/30/1999                      | 4,171                                  | 4,951   | 780   | 84.2%                              | 7,637                                   | 10.2%   |
|                               | 6/30/1998                      | 3,310                                  | 4,368   | 1,058                                       | 75.8%                              | 6,731                                   | 15.7%   |
|                               | 6/30/1997                      | 2,533                                  | 3,861   | 1,328                                       | 65.6%                              | 4,116                                   | 32.3%   |
|                               | 6/30/1996                      | 1,830                                  | 4,731   | 2,901                                       | 38.7%                              | 3,464                                   | 83.7%   |
| Closed State Police * +       | 6/30/2000                      | \$ 1,468                               | \$ 302,795  | \$ 301,327                                  | 0.5%                               | \$ 3,888                                | 7,750.2%  |
|                               | 6/30/1999                      | 1,164                                  | 304,438   | 303,274                                     | 0.4%                               | 4,930                                   | 6,151.6%  |
|                               | 6/30/1998                      | 832                                    | 308,564   | 307,732                                     | 0.3%                               | 5,466                                   | 5,629.9%  |
|                               | 6/30/1997                      | 587                                    | 304,758   | 304,171                                     | 0.2%                               | 5,716                                   | 5,321.4%  |
|                               | 6/30/1996                      | 343                                    | 296,206   | 295,863                                     | 0.1%                               | 5,745                                   | 5,149.9%  |
| Volunteer Firemen's*          | 6/30/2000                      | \$ 8,412                               | \$ 13,703   | \$ 5,291                                    | 61.4%                              | Active<br>Members 4,579                 | Cost per<br>Active Member++ \$ 1,155  |
|                               | 6/30/1999                      | 7,447                                  | 13,077  | 5,630                                       | 56.9%                              | 4,706                                   | 1,196   |
|                               | 6/30/1998                      | 6,637                                  | 12,491  | 5,854                                       | 53.1%                              | 4,651                                   | 1,259   |
|                               | 6/30/1997                      | 5,775                                  | 12,011  | 6,236                                       | 48.1%                              | 4,621                                   | 1,349   |
|                               | 6/30/1996                      | 4,999                                  | 11,511  | 6,512                                       | 43.4%                              | 4,505                                   | 1,446   |
|                               | 6/30/1995                      | 4,223                                  | 10,300  | 6,077                                       | 41.0%                              | 4,465                                   | 1,361   |

\* Prior to the 6/30/96 valuation, the Actuarial Accrued Liability is reported on the Projected Unit Credit Cost Method. Commencing with the 6/30/96 valuation, it is reported on the Entry Age Normal Cost Method.

\*\* In all years, the Actuarial Accrued Liability is reported on the Frozen Initial Liability Cost Method.

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

++ Not expressed in thousands

**REQUIRED SUPPLEMENTARY INFORMATION** *(continued)*

**Schedule 2 - Schedule of Employer Contributions**

*(Dollar values expressed in thousands)*

| <b>Plan</b>                                | <b>Fiscal Year Ended</b> | <b>Annual Required Contributions</b> | <b>Percentage Contributed</b> |
|--|--------------------------|--------------------------------------|-------------------------------|
| State Employees*                           | 6/30/2000                | \$ 43,433                            | 100.0%                        |
|  | 6/30/1999                | 52,338                               | 100.0%                        |
|  | 6/30/1998                | 57,049                               | 100.0%                        |
|  | 6/30/1997                | 58,525                               | 100.0%                        |
|  | 6/30/1996                | 52,216                               | 100.0%                        |
|  | 6/30/1995                | 53,065                               | 100.0%                        |
| Special                                    | 6/30/2000                | \$ -                                 | N/A                           |
|  | 6/30/1999                | -                                    | N/A                           |
|  | 6/30/1998                | -                                    | N/A                           |
|  | 6/30/1997                | -                                    | N/A                           |
|  | 6/30/1996                | -                                    | N/A                           |
|  | 6/30/1995                | -                                    | N/A                           |
| New State Police*                          | 6/30/2000                | \$ 2,585                             | 100.0%                        |
|  | 6/30/1999                | 2,624                                | 100.0%                        |
|  | 6/30/1998                | 2,546                                | 100.0%                        |
|  | 6/30/1997                | 1,913                                | 100.0%                        |
|  | 6/30/1996                | 1,851                                | 100.0%                        |
|  | 6/30/1995                | 1,712                                | 100.0%                        |
| Judiciary*                                 | 6/30/2000                | \$ 1,666                             | 100.0%                        |
|  | 6/30/1999                | 1,327                                | 100.0%                        |
|  | 6/30/1998                | 1,273                                | 100.0%                        |
|  | 6/30/1997                | 1,199                                | 100.0%                        |
|  | 6/30/1996                | 1,260                                | 100.0%                        |
|  | 6/30/1995                | 1,231                                | 100.0%                        |
| County & Municipal Police/Firemen's (FICA) | 6/30/2000                | \$ 964                               | 100.0%                        |
|  | 6/30/1999                | 622                                  | 100.0%                        |
|  | 6/30/1998                | 587                                  | 100.0%                        |
|  | 6/30/1997                | 648                                  | 100.0%                        |
|  | 6/30/1996                | 708                                  | 100.0%                        |
|  | 6/30/1995                | 397                                  | 100.0%                        |

**Schedule 2 - Schedule of Employer Contributions** *(continued)*

*(Dollar values expressed in thousands)*

| <b>Plan</b>                                       | <b>Fiscal Year<br/>Ended</b> | <b>Annual Required<br/>Contributions</b> | <b>Percentage<br/>Contributed</b> |
|---|------------------------------|--|-----------------------------------|
| County & Municipal Police/Firemen's<br>(Non-FICA) | 6/30/2000                    | \$ 1,807                                 | 100.0%                            |
|   | 6/30/1999                    | 1,403                                    | 100.0%                            |
|   | 6/30/1998                    | 1,064                                    | 100.0%                            |
|   | 6/30/1997                    | 740                                      | 100.0%                            |
|   | 6/30/1996                    | 542                                      | 100.0%                            |
|   | 6/30/1995                    | 321                                      | 100.0%                            |
| County & Municipal Other Employees'               | 6/30/2000                    | \$ 352                                   | 100.0%                            |
|   | 6/30/1999                    | 158                                      | 100.0%                            |
|   | 6/30/1998                    | 82                                       | 100.0%                            |
|   | 6/30/1997                    | 116                                      | 100.0%                            |
|   | 6/30/1996                    | 301                                      | 100.0%                            |
|   | 6/30/1995                    | 33                                       | 100.0%                            |
| Volunteer Firemen's                               | 6/30/2000                    | \$ 645                                   | 100.0%                            |
|   | 6/30/1999                    | 660                                      | 100.0%                            |
|   | 6/30/1998                    | 689                                      | 100.0%                            |
|   | 6/30/1997                    | 721                                      | 100.0%                            |
|   | 6/30/1996                    | 584                                      | 100.0%                            |
|   | 6/30/1995                    | 608                                      | 100.0%                            |
| Diamond State Port Corporation                    | 6/30/2000                    | \$ 389                                   | 100.0%                            |
|   | 6/30/1999                    | 407                                      | 100.0%                            |
|   | 6/30/1998                    | 384                                      | 100.0%                            |
|   | 6/30/1997                    | 189                                      | 100.0%                            |
|   | 6/30/1996                    | 146                                      | 100.0%                            |
| Closed State Police**                             | 6/30/2000                    | \$ 28,208                                | 57.5%                             |
|   | 6/30/1999                    | 28,716                                   | 54.5%                             |
|   | 6/30/1998                    | 28,420                                   | 53.0%                             |
|   | 6/30/1997                    | 27,638                                   | 52.5%                             |
|   | 6/30/1996                    | 13,960                                   | 100.0%                            |
|   | 6/30/1995                    | 12,863                                   | 100.0%                            |

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

\*\* The annual required contribution beginning with the fiscal year ended June 30, 1997 has increased due to the adoption of GASB Statement #27, "Accounting for Pensions by State and Local Government Employers," by the State of Delaware.

Note: Effective with the 6/30/96 actuarial valuation, employer contributions for all Plans administered by the System are actuarially determined.

**REQUIRED SUPPLEMENTARY INFORMATION** *(continued)*

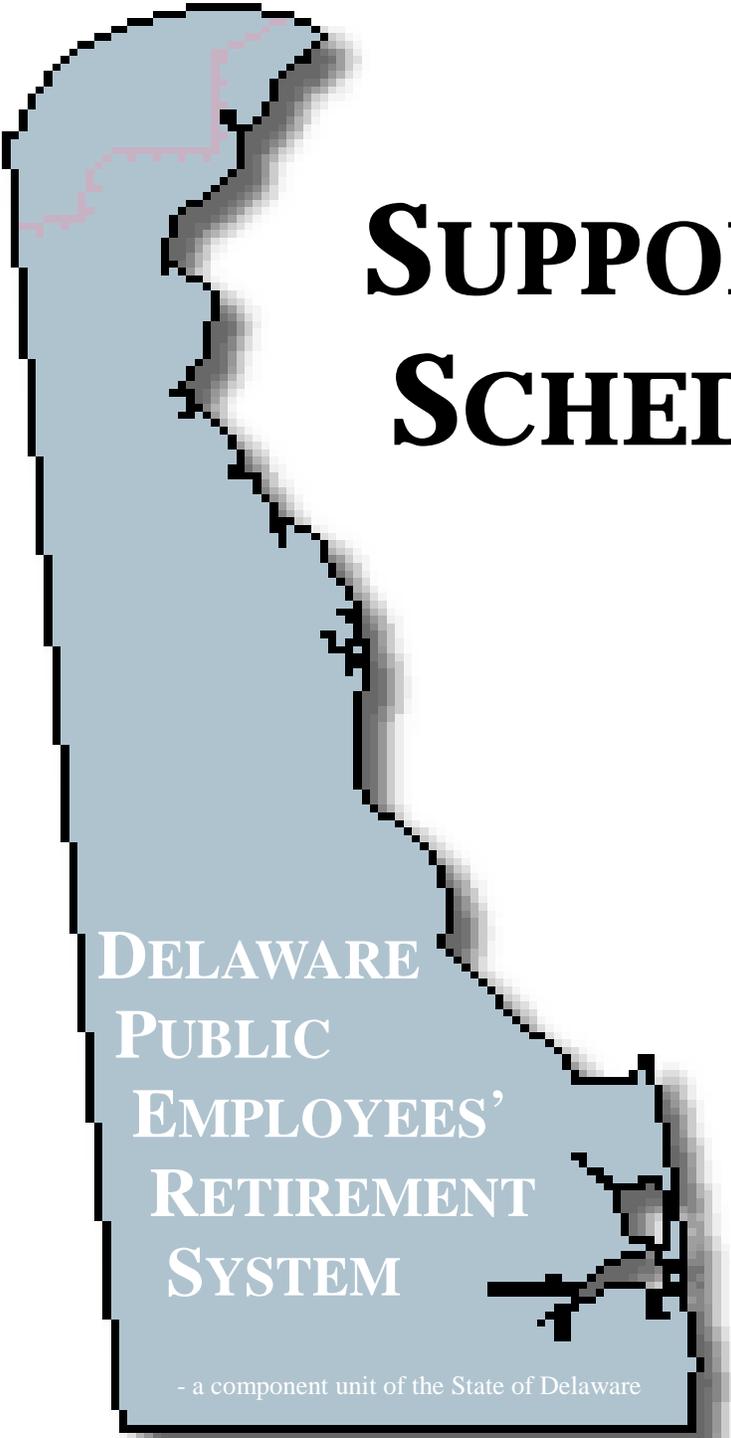
**Schedule 3 - Notes to Trend Data**

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

| <b>Plan</b>                   | <b>State Employees'</b> | <b>Special</b>         | <b>New State Police</b> | <b>Judiciary</b>       | <b>Closed State Police</b> |
|-------------------------------|-------------------------|------------------------|-------------------------|------------------------|----------------------------|
| Valuation Date                | 6/30/2000               | 6/30/2000              | 6/30/2000               | 6/30/2000              | 6/30/2000                  |
| Actuarial Cost Method         | Entry Age Normal        | N/A                    | Entry Age Normal        | Entry Age Normal       | Entry Age Normal           |
| Amortization Method           | Level Percent Closed    | N/A                    | Level Percent Closed    | Level Percent Closed   | Level Dollar Closed        |
| Remaining Amortization Period | 13.47 years             | N/A                    | 20 years                | 21 years               | 36 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     | 8.50%                   | 8.50%                  | 8.50%                   | 8.50%                  | 8.50%                      |
| Projected Salary Increases*   | 6.00% - 9.89%           | N/A                    | 7.00%                   | 5.50%                  | 7.00%                      |
| Cost-of-living adjustments    | Ad hoc                  | Ad hoc                 | Ad hoc                  | Ad hoc                 | Based on CPI               |

| <b>Plan</b>                   | <b>County &amp; Municipal Police/Firemen's (FICA)</b> | <b>County &amp; Municipal Police/Firemen's (Non-FICA)</b> | <b>County &amp; Municipal Other Employees'</b> | <b>Volunteer Firemen's</b> | <b>Diamond State Port Corporation</b> |
|-------------------------------|---|---|--|----------------------------|---------------------------------------|
| Valuation Date                | 6/30/2000   | 6/30/2000   | 6/30/2000                                      | 6/30/2000                  | 6/30/2000                             |
| Actuarial Cost Method         | Frozen Initial Liability                              | Frozen Initial Liability                                  | Frozen Initial Liability                       | Entry Age Normal           | Entry Age Normal                      |
| Amortization Method           | Level Percent Open                                    | Level Percent Open  | Level Percent Open                             | Level Dollar Closed        | Level Percent Closed                  |
| Remaining Amortization Period | 10 years  | 10 years  | 10 years                                       | 27 years                   | 22 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     | 8.50%   | 8.50%   | 8.50%  | 8.50%                      | 8.50%                                 |
| Projected Salary Increases*   | 7.00%   | 7.00%   | 7.00%  | N/A                        | 5.00%                                 |
| Cost-of-living adjustments    | Ad hoc  | Ad hoc  | Ad hoc   | Ad hoc                     | Ad hoc                                |

\* Projected Salary Increases include an inflation component of 5% for all plans.



# **SUPPORTING SCHEDULES**

**DELAWARE  
PUBLIC  
EMPLOYEES'  
RETIREMENT  
SYSTEM**

- a component unit of the State of Delaware

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## SUPPORTING SCHEDULES

### Schedule 4 - Schedule of Administrative Expenses

(Dollar values expressed in thousands)

|  | Fiscal 2000     | Fiscal 1999     | Change           |                |
|--|-----------------|-----------------|------------------|----------------|
|  |                 |                 | Dollars          | Percent        |
| <b>Personal Services:</b>                      |                 |                 |                  |                |
| Staff Salaries                                 | \$ 1,617        | \$ 1,613        | \$ 4             | 0.3%           |
| Fringe Benefits                                | 444             | 487             | (43)             | (8.8%)         |
| <b>Total Personal Services:</b>                | <b>\$ 2,061</b> | <b>\$ 2,100</b> | <b>\$ (39)</b>   | <b>(1.9%)</b>  |
| <b>Professional Services:</b>                  |                 |                 |                  |                |
| Actuarial                                      | \$ 150          | \$ 123          | \$ 27            | 22.0%          |
| Audit  | 42              | 38              | 4                | 10.5%          |
| Medical Services                               | 11              | 11              | -                | -              |
| State Agency Support Services                  | 39              | 32              | 7                | 21.9%          |
| Other Professional Services                    | 3               | 2               | 1                | 50.0%          |
| <b>Total Professional Services:</b>            | <b>\$ 245</b>   | <b>\$ 206</b>   | <b>\$ 39</b>     | <b>18.9%</b>   |
| <b>Communication:</b>                          |                 |                 |                  |                |
| Printing                                       | \$ 46           | \$ 36           | \$ 10            | 27.8%          |
| Telephone                                      | 38              | 38              | -                | -              |
| Postage  | 136             | 93              | 43               | 46.2%          |
| Travel   | 16              | 10              | 6                | 60.0%          |
| Other Communication                            | 15              | 12              | 3                | 25.0%          |
| <b>Total Communication:</b>                    | <b>\$ 251</b>   | <b>\$ 189</b>   | <b>\$ 62</b>     | <b>32.8%</b>   |
| <b>Data Processing:</b>                        |                 |                 |                  |                |
| Contractual Services                           | \$ 97           | \$ 104          | \$ (7)           | (6.7%)         |
| Training                                       | -               | 2               | (2)              | (100.0%)       |
| Maintenance                                    | 16              | 176             | (160)            | (90.9%)        |
| Equipment - Hardware                           | 45              | 57              | (12)             | (21.1%)        |
| Equipment - Software                           | 13              | 24              | (11)             | (45.8%)        |
| <b>Total Data Processing:</b>                  | <b>\$ 171</b>   | <b>\$ 363</b>   | <b>\$ (192)</b>  | <b>(52.9%)</b> |
| <b>Rentals:</b>                                |                 |                 |                  |                |
| Equipment Leasing                              | \$ 2            | \$ 2            | \$ -             | -              |
| Fleet Services                                 | 5               | 5               | -                | -              |
| Office Space                                   | 20              | -               | 20               | 100.0%         |
| <b>Total Rentals:</b>                          | <b>\$ 27</b>    | <b>\$ 7</b>     | <b>\$ 20</b>     | <b>285.7%</b>  |
| <b>Miscellaneous:</b>                          |                 |                 |                  |                |
| Supplies & Equipment                           | \$ 23           | \$ 28           | \$ (5)           | (17.9%)        |
| Maintenance                                    | 2               | 2               | -                | -              |
| Continuing Education                           | 6               | 1               | 5                | 500.0%         |
| Temporary Employment Services                  | 3               | 5               | (2)              | (40.0%)        |
| Other Miscellaneous                            | 2               | 1               | 1                | 100.0%         |
| <b>Total Miscellaneous:</b>                    | <b>\$ 36</b>    | <b>\$ 37</b>    | <b>\$ (1)</b>    | <b>(2.7%)</b>  |
| <b>Pension Office Administrative Expenses:</b> | <b>\$ 2,791</b> | <b>\$ 2,902</b> | <b>\$ (111)</b>  | <b>(3.8%)</b>  |
| <b>*PRIDE Project Administrative Expenses:</b> | <b>\$ 414</b>   | <b>\$ -</b>     | <b>\$ 414</b>    | <b>100.0%</b>  |
| <b>*CRIS Project Administrative Expenses:</b>  | <b>\$ 1,131</b> | <b>\$ 2,183</b> | <b>\$(1,052)</b> | <b>(48.2%)</b> |
| <b>Total Administrative Expenses:</b>          | <b>\$ 4,336</b> | <b>\$ 5,085</b> | <b>\$ (749)</b>  | <b>(14.7%)</b> |

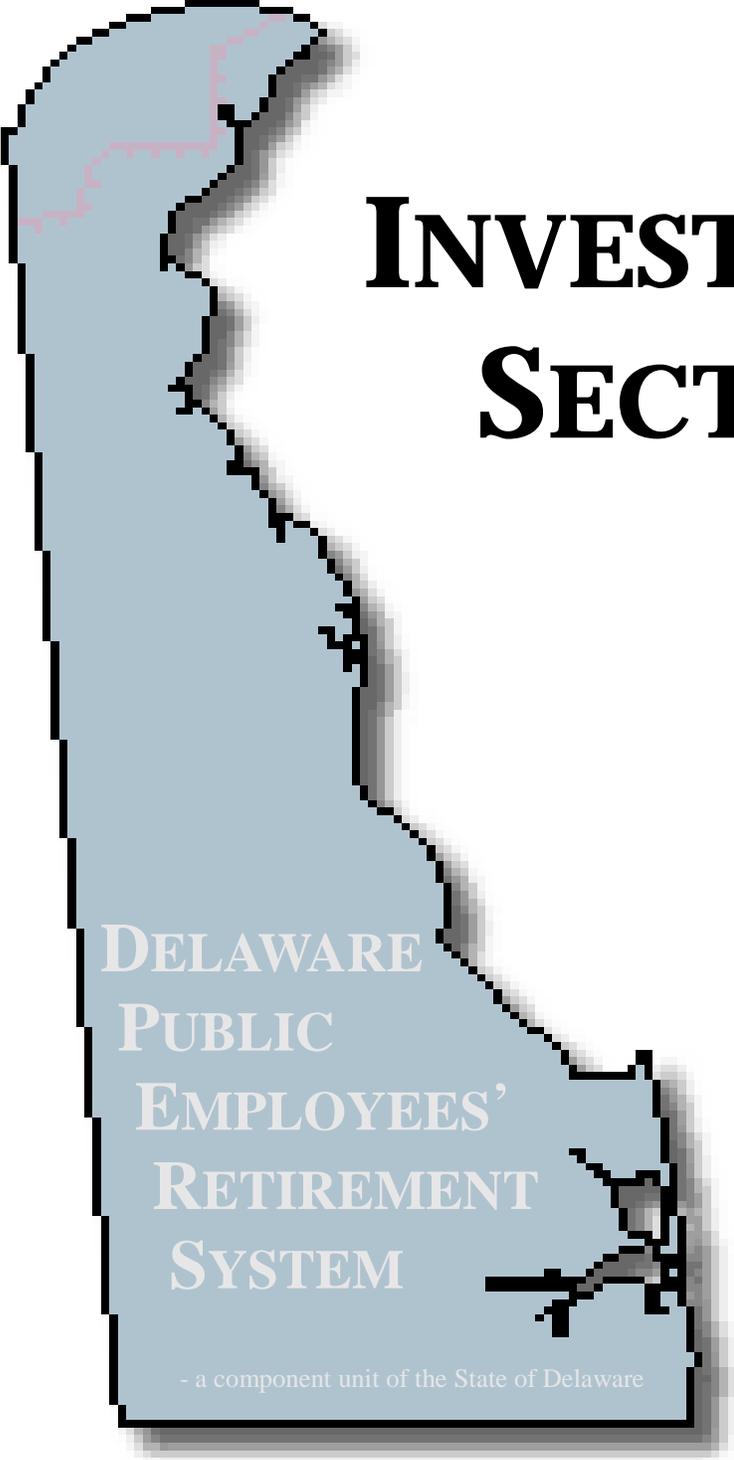
\* Details on PRIDE and CRIS Expenditures available upon request

# ***SUPPORTING SCHEDULES***

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**Schedule 5 - Schedule of Investment Expenses**  
**for the fiscal years ended June 30,**  
*(Dollar values expressed in thousands)*

|                                   | <b>2000</b>      | <b>1999</b>      | <b>Change</b>  |                |
|-----------------------------------|------------------|------------------|----------------|----------------|
|                                   |                  |                  | <b>Dollars</b> | <b>Percent</b> |
| Custody Fees:                     | \$ 468           | \$ 545           | \$ (77)        | (14.1%)        |
| Investment Manager/Advisor Fees:  | 13,856           | 13,358           | 498            | 3.7%           |
| Pension Office Support Staff:     | 191              | 175              | 16             | 9.1%           |
| <b>Total Investment Expenses:</b> | <b>\$ 14,515</b> | <b>\$ 14,078</b> | <b>\$ 437</b>  | <b>3.1%</b>    |

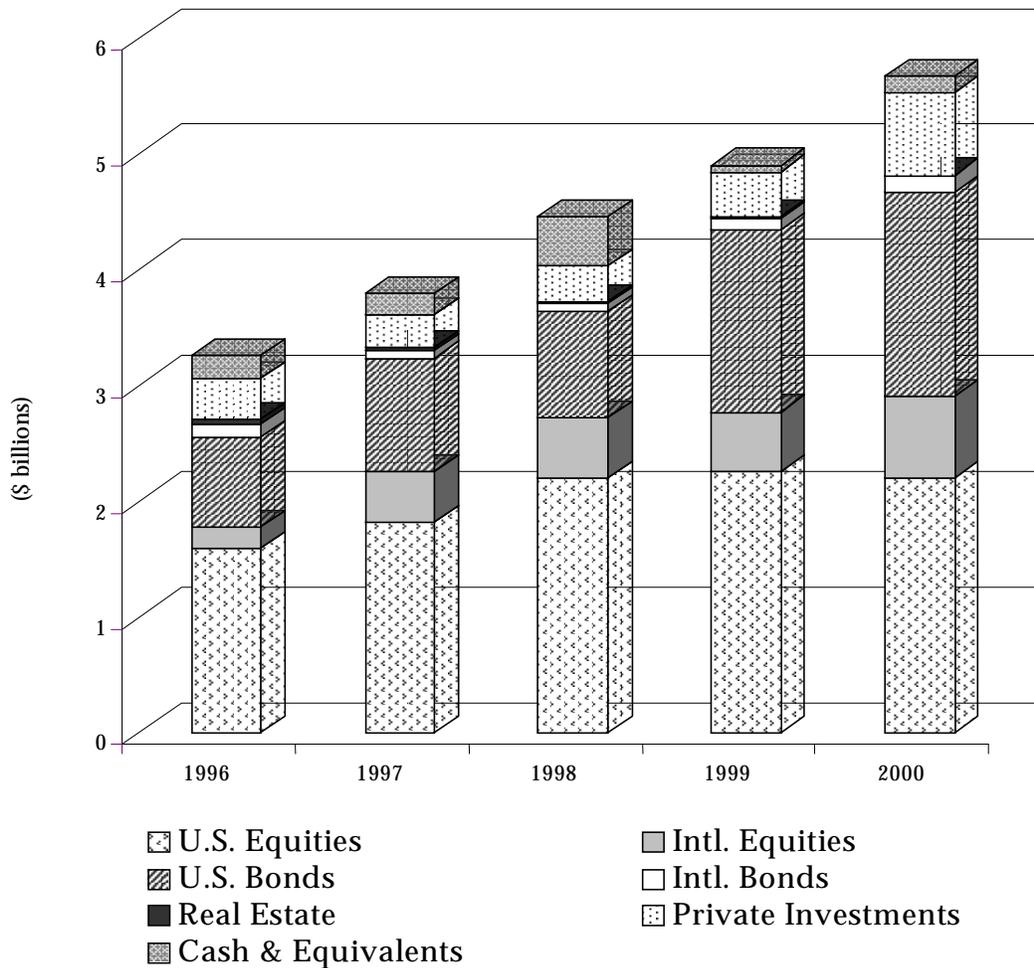


# **INVESTMENT SECTION**

**DELAWARE  
PUBLIC  
EMPLOYEES'  
RETIREMENT  
SYSTEM**

- a component unit of the State of Delaware

**Five-Year Investment Comparison**



| <i>(expressed in millions)</i> | Fiscal Years ending June 30, |                   |                   |                   |                   |
|--------------------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                | 1996                         | 1997              | 1998              | 1999              | 2000              |
| U.S. Equities                  | \$ 1,585.5                   | \$ 1,813.1        | \$ 2,199.3        | \$ 2,248.2        | \$ 2,197.6        |
| Intl. Equities                 | 185.2                        | 436.2             | 520.9             | 519.2             | 702.3             |
| U.S. Bonds                     | 779.7                        | 982.5             | 912.7             | 1,572.3           | 1,761.4           |
| Intl. Bonds                    | 110.5                        | 68.3              | 71.2              | 102.9             | 152.9             |
| Real Estate                    | 42.2                         | 26.6              | 13.4              | 4.9               | - *               |
| Private Investments            | 354.1                        | 280.7             | 316.1             | 391.8             | 708.0             |
| Cash & Equivalents             | 191.7                        | 185.9             | 418.5             | 58.8              | 141.6             |
| <b>Totals</b>                  | <b>\$ 3,248.9</b>            | <b>\$ 3,793.3</b> | <b>\$ 4,452.1</b> | <b>\$ 4,898.1</b> | <b>\$ 5,663.8</b> |

*\*less than 0.1% under management*

**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 asset classes used in the financial section on pages 20-21.



**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
540 S. duPont Highway, Suite #1  
Dover, DE 19901-4523

**When Calling Long Distance**  
**Toll Free Number 1-800-722-7300**

**Telephone (302) 739-4208**  
**Fax # (302) 739-6129**

August 22, 2000

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. The Committee's investment oversight includes the the nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firemen's (FICA and Non-FICA), County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] that the Board administers and the three commingled pension funds [County & Municipal Police/Firemen's COLA Fund, Post-Retirement Increase Fund, and Delaware Local Government Retirement Investment Pool (DELRIP)] that the Board manages.

The Committee consists of six 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 Fund.
- To realize as high a rate of total return as possible consistent with all of the above.

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

Board Members, Participants and Beneficiaries

Page 2

August 22, 2000

The Fund returned 16.8% for fiscal year 2000. The total Fund's annualized rate of return over the last five, ten, and fifteen years was 16.7%, 13.8%, and 13.2%, respectively. This long-term return is well in excess of the actuarial assumption rate of 8.5%. As reported by a major performance ranking comparison service, the System's investment performance ranks in the top decile for this fiscal year and in the top quartile of public funds for the three, five and ten year periods. For the period ending June 30, 2000, the Fund market value totaled \$5.7 billion representing a growth in assets of \$766 million.

On behalf of our Trustees, we thank our dedicated professional staff at the Office of Pensions, our investment advisor, and our money managers, who all work diligently to assure the successful operation of the Board of Pension Trustees Investment Committee.

Respectfully submitted,

*Elva B. Ferrari*

Elva B. Ferrari, Chair

Board of Pension Trustees Investment Committee

## Investment Activity

The U.S. stock markets performed well, but the bond markets were weak during the fiscal year ending June 30, 2000. For the fiscal year, the S&P 500 stock index returned 7.4% and the Lehman Aggregate bond index returned 4.6%.

For the fiscal year, the Delaware Public Employees' Retirement System (System) had a return of 16.8%. This performance ranks the System in the top decile of public funds for this fiscal year and in the top quartile of public funds for the three, five and ten year periods.

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

## Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For over 20 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 (Fund 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 Fund in any 12-month period.
- ◆ To realize as high a rate of total return as possible, consistent with all of the above.

To achieve these objectives, these investment policies are employed:

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

## Investment Process

While the objectives and policies have been repeatedly reaffirmed, the implementation process undergoes continuous evolution. The increasing volume of investment information and the complexities of the global marketplace necessitate the ongoing development and use of advanced information systems. Computer technology is now used as a tool in every aspect of investment management, from asset allocation decisions to manager selection and performance measurement.

## General Management

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

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

# INVESTMENT SECTION

## Investment Results

In Fiscal 2000, the investment process achieved:

- A time-weighted total return of 16.8% based on market values.
- Payments of benefits and expenses exceeding net employer and member contributions by \$58.7 million.
- Net interest and dividend income of \$155.5 million.
- Net appreciation of \$668.9 million.
- Growth in total Fund assets from \$4.9 billion to \$5.7 billion.
- Overall volatility well below that of an all common stock portfolio.

The System is 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 Years          | Ten Years           | Fifteen Years       |
|----------------------------|------------------------------|-------|-------|-------|-------|---------------------|---------------------|---------------------|
|                            | 1996                         | 1997  | 1998  | 1999  | 2000  | ending<br>06/30/00* | ending<br>06/30/00* | ending<br>06/30/00* |
| Total Fund Return          | 20.0%                        | 17.8% | 18.0% | 11.1% | 16.8% | 16.7%               | 13.8%               | 13.2%               |
| Consumer Price Index (CPI) | 2.8%                         | 2.3%  | 1.7%  | 2.0%  | 3.7%  | 2.5%                | 2.9%                | 3.2%                |
| Fund Real Return           | 17.2%                        | 15.5% | 16.3% | 9.1%  | 13.1% | 14.2%               | 11.0%               | 10.0%               |

*\*(All Returns Greater Than One Year Are Annualized)*

Chart I on page 47 summarizes the cash flows and total Fund returns for each of the last five fiscal years and the cumulative results for 5-year and 10-year periods ending June 30, 2000.

Chart II on page 47 summarizes the total Fund 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, 2000.

Charts III and IV on page 48 show the quarterly cumulative total Fund performance for the 5-year and 10-year periods ending June 30, 2000 compared to indices representative of some of the asset classes in which the Fund invests.

One investment objective is to achieve an annualized rate of total return over any 15-year period that is at least 3 percentage points greater than inflation. The most recent 15-year result is a real rate of return of 10.0% (13.2% Fund less 3.2% CPI) measured on a time-weighted basis. During this period, risk as measured by relative volatility, was approximately 51% 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 16.0% (19.2% S&P 500 less 3.2% 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, 2000<br><i>(All Returns Greater Than One Year Are Annualized)</i> |           |               |
|-----------------------------------|---|-----------|---------------|
|                                   | Five Years  | Ten Years | Fifteen Years |
| Total Fund Return                 | 16.7%   | 13.8%     | 13.2%         |
| S&P 500 Index % Return            | 23.8%   | 17.8%     | 17.6%         |
| Relative Return vs. S&P 500 Index | 70.1%   | 77.7%     | 74.8%         |
| Relative Risk vs. S&P 500 Index   | 55.3%   | 57.3%     | 51.1%         |

**Chart I  
Calculated Returns**

*(Dollar values expressed in thousands)  
(All returns for periods greater than one year are annualized)*

|   | Fiscal Years Ending June 30, |            |            |            |            | Five Years        | Ten Years         |
|---|------------------------------|------------|------------|------------|------------|-------------------|-------------------|
|   | 1996                         | 1997       | 1998       | 1999       | 2000       | ending<br>6/30/00 | ending<br>6/30/00 |
| Beginning Market Value                        | \$ 2,732.5                   | \$ 3,248.9 | \$ 3,793.3 | \$ 4,452.1 | \$ 4,898.1 | \$2,732.5         | \$1,731.8         |
| Net Contributions/(Withdrawals)               | (18.7)                       | (19.6)     | (30.4)     | (43.6)     | (58.7)     | (171.0)           | (292.4)           |
| Net Investment Income                         | 113.7                        | 123.8      | 130.2      | 126.9      | 155.5      | 650.1             | 1,132.6           |
| Net Appreciation/(Depreciation)               | 421.4                        | 440.2      | 559.0      | 362.7      | 668.9      | 2,452.2           | 3,091.8           |
| Ending Market Value                           | \$ 3,248.9                   | \$ 3,793.3 | \$ 4,452.1 | \$ 4,898.1 | \$ 5,663.8 | \$ 5,663.8        | \$ 5,663.8        |
| Time Weighted Total Return<br>on Market Value | 20.0%                        | 17.8%      | 18.0%      | 11.1%      | 16.8%      | 16.7%             | 13.2%             |
| Consumer Price Index                          | 2.8%                         | 2.3%       | 1.7%       | 2.0%       | 3.7%       | 2.5%              | 2.9%              |

**Chart II  
Investment Performance Summary**

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

|   | Fiscal Years Ending June 30, |       |       |       |       | Three Years       | Five Years        |
|---|------------------------------|-------|-------|-------|-------|-------------------|-------------------|
|   | 1996                         | 1997  | 1998  | 1999  | 2000  | Ending<br>6/30/00 | Ending<br>6/30/00 |
| (1) Total Fund                            | 20.0%                        | 17.8% | 18.0% | 11.1% | 16.8% | 15.3%             | 16.7%             |
| (2) Equity and Private Equity Segment**   | 27.3%                        | 14.4% | 16.0% | 11.2% | 33.6% | 19.9%             | 20.2%             |
| (3) Fixed Income and Cash Segment***      | 5.7%                         | 7.3%  | 7.8%  | 6.1%  | 5.2%  | 6.4%              | 6.4%              |
| (4) Tactical Asset Allocation Segment**** | 19.3%                        | 24.4% | 27.0% | 13.4% | 7.0%  | 15.5%             | 18.0%             |
| Consumer Price Index*                     | 2.8%                         | 2.3%  | 1.7%  | 2.0%  | 3.7%  | 2.4%              | 2.5%              |
| S&P 500 Index                             | 26.1%                        | 34.6% | 30.2% | 22.7% | 7.4%  | 19.7%             | 23.8%             |
| Russell 3000 Index                        | 26.0%                        | 30.6% | 28.8% | 20.1% | 9.6%  | 19.2%             | 22.8%             |
| MSCI EAFE Index                           | 13.3%                        | 12.8% | 6.1%  | 7.6%  | 17.2% | 10.2%             | 11.3%             |
| Lehman Gov't Corp                         | 4.7%                         | 7.8%  | 11.3% | 2.7%  | 4.3%  | 6.0%              | 6.1%              |
| 90-Day T-Bill                             | 5.1%                         | 5.1%  | 5.1%  | 4.5%  | 5.5%  | 5.0%              | 5.1%              |
| 60/40 S&P/Lehman Gov't Corp Mix           | 17.2%                        | 23.4% | 22.5% | 15.2% | 6.5%  | 14.6%             | 16.8%             |
| 60/40 MSCI World/Salomon WGBI             | 10.9%                        | 14.7% | 12.1% | 11.5% | 8.7%  | 10.8%             | 11.6%             |

\* A benchmark for establishing the Total Fund real return.

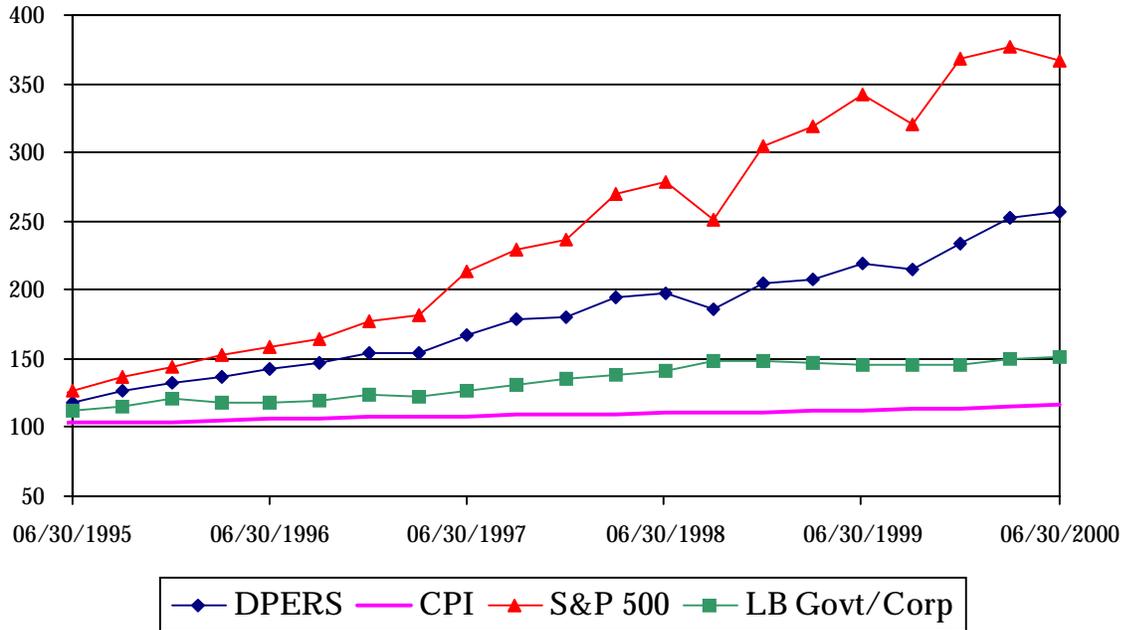
\*\* Includes convertible securities and private equity; excludes equity portion of tactical asset allocation portfolios.

\*\*\* Excludes fixed income and cash segments of tactical asset allocation portfolios.

\*\*\*\* Comprises investment accounts which tactically rebalance among stocks, bonds and cash (including foreign stocks, bonds and cash beginning in 1997) to optimize the risk/return characteristics of the mix. The underlying assets in these accounts are generally passively invested in index vehicles.

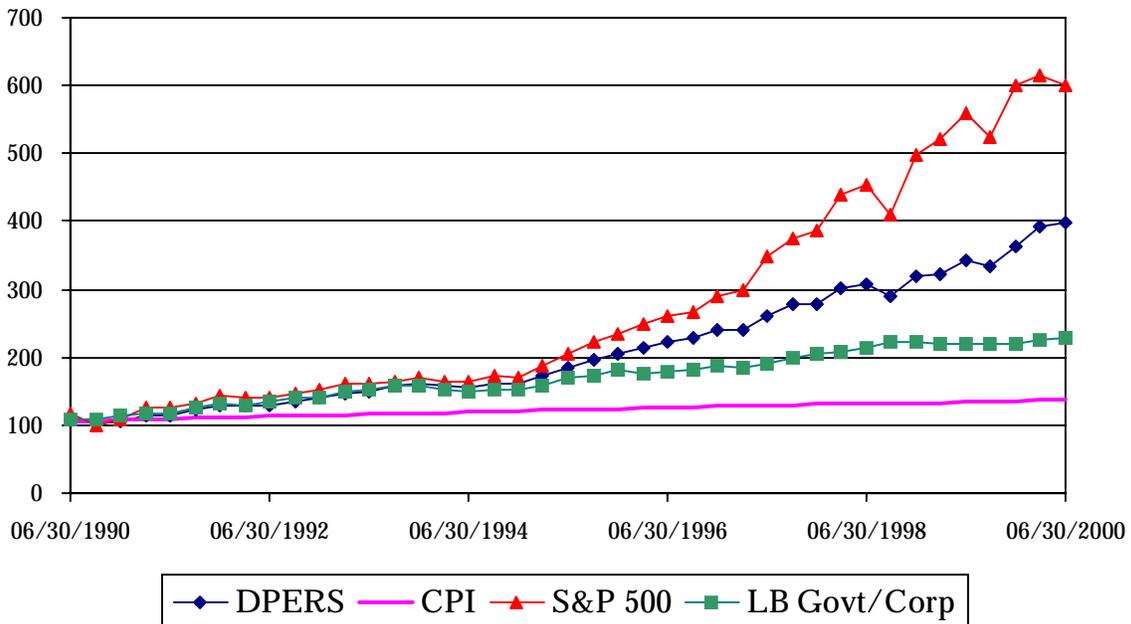
**Chart III**

**Total Return Performance Comparison - 5 Years**



**Chart IV**

**Total Return Performance Comparison - 10 Years**



**List of Largest Assets Directly Held\***

as of June 30, 2000 (excludes investments in pooled vehicles)

| <b>Equities (Includes Convertibles)</b>        | <b>Market Value</b>   | <b>% of Total Fund</b> | <b>Shares/Par (\$)</b> |
|--|-----------------------|------------------------|------------------------|
| CISCO SYS INC                                  | \$ 33,942,820         | 0.60%                  | 534,007 shares         |
| THRUCOMM INC SR SUB DEBT<br>10.000% 12/31/2004 | 20,475,000            | 0.36%                  | \$ 6,300,000           |
| GENERAL ELECTRIC CO                            | 15,582,000            | 0.28%                  | 294,000 shares         |
| INTEL CORP.                                    | 14,785,838            | 0.26%                  | 110,600 shares         |
| VITRIA TECHNOLOGY INC.                         | 12,356,908            | 0.22%                  | 202,158 shares         |
| ORACLE CORP.                                   | 11,197,125            | 0.20%                  | 133,200 shares         |
| SERACARE INC. SUB DEBT<br>12.000% 02/13/2005   | \$ 11,002,421         | 0.19%                  | \$ 7,858,872           |
| EQUITY OFFICE PPTYS TR                         | 10,573,967            | 0.19%                  | 383,636 shares         |
| PFIZER INC.                                    | 10,302,000            | 0.18%                  | 214,625 shares         |
| FOUNDRY NETWORKS INC.                          | 9,829,490             | 0.17%                  | 89,359 shares          |
| <b>Total</b>                                   | <b>\$ 150,047,569</b> | <b>2.65%</b>           |                        |

| <b>Fixed Income</b>                               | <b>Market Value</b>   | <b>% of Total Fund</b> | <b>Par (\$)</b> |
|---|-----------------------|------------------------|-----------------|
| UNITED STATES TREAS NTS 6.375%<br>09/30/2001      | \$ 27,951,840         | 0.49%                  | \$ 28,000,000   |
| UNITED STATES TREAS NTS 5.875%<br>10/31/2001      | 25,796,940            | 0.46%                  | \$ 26,000,000   |
| UNITED STATES TREAS NTS 6.250%<br>02/28/2002      | 25,412,280            | 0.45%                  | \$ 25,500,000   |
| UNITED STATES TREAS NTS 5.875%<br>11/30/2001      | 19,837,400            | 0.35%                  | \$ 20,000,000   |
| UNITED STATES TREAS NTS 6.250%<br>06/30/2002      | 15,456,445            | 0.27%                  | \$ 15,500,000   |
| UNITED STATES TREAS NTS 5.875%<br>09/30/2002      | 14,339,195            | 0.25%                  | \$ 14,500,000   |
| UNITED STATES TREAS NTS 8.125%<br>08/15/2021      | 12,559,282            | 0.22%                  | \$ 10,280,000   |
| UNITED STATES TREAS NTS 6.375%<br>04/30/2002      | 9,987,500             | 0.18%                  | \$ 10,000,000   |
| FEDERAL NATIONAL MTG ASSN NT<br>5.750% 04/15/2003 | 9,915,597             | 0.18%                  | \$ 10,240,000   |
| FEDERAL NATIONAL MTG ASSN NT<br>5.750% 07/15/2003 | 9,657,800             | 0.17%                  | \$ 10,000,000   |
| <b>Total</b>                                      | <b>\$ 170,914,279</b> | <b>3.02%</b>           |                 |

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



**New Economy – Old Economy**

Cell phones, laptop computers and the Internet are among the dramatic technologies of the new millennium. The companies that provide these products and services are growing rapidly and their stock prices have risen substantially. Many stock market analysts now refer to this group of companies as the “new economy”. In contrast, companies that make everyday items like cars, washing machines, soap and toothpaste are now referred to as the “old economy”.

These “new economy” technologies have been the clear winners in the stock market during the last five years. The table below shows the percent return from the technology sector of the S&P 500 stock market index compared to the total return for the S&P 500 stock market index excluding the technology sector.

|                      | Technology<br>Sector<br><u>Return</u> | S&P 500<br>excluding<br><u>Technology</u> |
|----------------------|---------------------------------------|---|
| 1995                 | 40.8%                                 | 37.3%                                     |
| 1996                 | 44.4%                                 | 20.7%                                     |
| 1997                 | 28.6%                                 | 33.9%                                     |
| 1998                 | 79.6%                                 | 21.1%                                     |
| 1999                 | <u>73.3%</u>                          | <u>9.0%</u>                               |
| 5 Years (annualized) | 52.1%                                 | 24.0%                                     |

During these five years, the technology sector grew from 9% of the total market value of the S&P 500 index at the end of 1994 to 30% of the total market value at the end of 1999.

The Delaware Retirement Fund has participated in these “new economy” technology stocks in two ways. First, the fund has owned many of the large publicly traded technology stocks. Second, the fund has participated in a number of venture capital partnerships that invest in small technology companies before their stock becomes publicly traded. When these private technology companies issue public stock for the first time (an initial public offering, or IPO), the fund benefits from the difference between the public stock price and the original private stock cost.

However, it is important to understand that both the technology sector returns and the total stock market returns have been substantially above average during the last five years. The table below presents the annualized returns for the five-year periods of the last three decades.

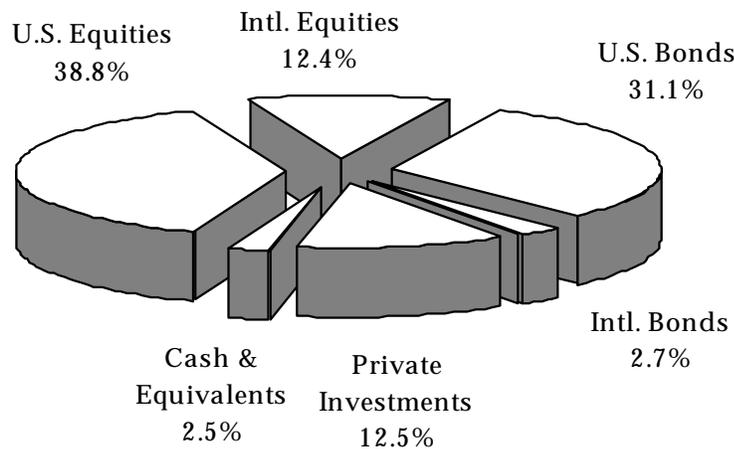
|                       | Technology<br>Sector<br><u>Return</u> | S&P 500<br>excluding<br><u>Technology</u> |
|-----------------------|---------------------------------------|---|
| 1970-74               | -10.6%                                | -1.1%                                     |
| 1975-79               | 14.8%                                 | 14.7%                                     |
| 1980-84               | 14.0%                                 | 14.6%                                     |
| 1985-89               | 3.2%                                  | 22.2%                                     |
| 1990-94               | 12.8%                                 | 8.4%                                      |
| 1995-99               | <u>52.1%</u>                          | <u>24.0%</u>                              |
| 30 Years (annualized) | 12.9%                                 | 13.5%                                     |

The stock market success of these “new economy” companies during the last five years presents important challenges for the future. The stock prices for these companies are much higher than they were a few years ago. Investors are expecting their rapid growth to continue. In our dynamic economy, however, there is always the next wave of new products and services just waiting to be invented, and many of the “old economy” companies are rapidly incorporating these new technologies into their existing businesses. Do today’s stock prices reflect the changes that will occur? Of course, no one knows for sure. But it is probably too much to expect that the stock market returns of these “new economy” companies will be as high for the next five years as they have been for the last five years.

## Asset Allocation

To achieve investment objectives, monies are deployed in diverse asset classes offering the risk and return characteristics desired. The following chart illustrates the diversification of assets at the end of the fiscal year. The accompanying table shows the 5-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 20-21.

## Asset Allocation as of 6/30/2000



|                     | Fiscal Years ending June 30, |       |       |       |       |
|---------------------|------------------------------|-------|-------|-------|-------|
|                     | 1996                         | 1997  | 1998  | 1999  | 2000  |
| U.S. Equities       | 48.8%                        | 47.8% | 49.4% | 45.3% | 38.8% |
| Intl. Equities      | 5.7%                         | 11.5% | 11.7% | 10.5% | 12.4% |
| U.S. Bonds          | 24.0%                        | 25.9% | 20.5% | 31.6% | 31.1% |
| Intl. Bonds         | 3.4%                         | 1.8%  | 1.6%  | 2.1%  | 2.7%  |
| Real Estate         | 1.3%                         | 0.7%  | 0.3%  | 0.1%  | 0.0%* |
| Private Investments | 10.9%                        | 7.4%  | 7.1%  | 9.2%  | 12.5% |
| Cash & Equivalents  | 5.9%                         | 4.9%  | 9.4%  | 1.2%  | 2.5%  |

*\*less than 0.1% under management*

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

All investment managers are expected to meet and maintain a number of organizational and performance criteria in order to continue as managers. One manager was terminated during the fiscal year, one manager had its responsibilities reduced, one real estate fund terminated, and six managers were given additional responsibilities in the area of private equity. At the end of the fiscal year, the money managers of the Fund and their responsibilities were:

| <b>Investment Manager</b>     | <b>Responsibility</b>                | <b>Calendar Year Retained</b> |
|-------------------------------|--------------------------------------|-------------------------------|
| <u>U.S. Equities</u>          |                                      |                               |
| Barclays Global Investors     | Equities                             | 1977                          |
| Cadence Capital Management    | Equities                             | 1989                          |
| Fidelity Management Trust Co. | Equities                             | 1995                          |
| Froley, Revy Investment Co.   | Convertible Securities               | 1984                          |
| Lincoln Capital Management    | Equities                             | 1978                          |
| Mellon Capital Management     | Equities                             | 1984                          |
| Oaktree Capital Management    | Convertible Securities               | 1995                          |
| T. Rowe Price Associates      | Equities                             | 1971                          |
| Trinity Investment Management | Equities                             | 1982                          |
| <u>International Equities</u> |                                      |                               |
| Barclays Global Investors     | International Equities               | 1999                          |
| Mellon Capital Management     | International Equities               | 1996                          |
| Oaktree Capital Management    | International Convertible Securities | 1995                          |
| <u>U.S. Bonds</u>             |                                      |                               |
| Lincoln Capital Management    | Fixed Income                         | 1995                          |
| Mellon Capital Management     | Fixed Income                         | 1984                          |
| T. Rowe Price Associates      | Fixed Income                         | 1996                          |
| Loomis Sayles & Company LPP   | Fixed Income                         | 1998                          |
| <u>Real Estate</u>            |                                      |                               |
| Allegis Realty Investors LLC  | Real Estate                          | 1979                          |
| <u>Private Investments</u>    |                                      |                               |
| Accel Partners                | Venture Capital                      | 1984                          |
| Advanced Technology Ventures  | Venture Capital                      | 1990                          |
| Brentwood Associates          | Venture Capital                      | 1983                          |
| The Carlyle Group             | Private Equity                       | 1996                          |
| Cherry Tree Ventures          | Venture Capital                      | 1984                          |
| Coller Isnard Ltd.            | Venture Capital                      | 1994                          |
| Equity Linked Investors       | Private Equity                       | 1984                          |
| MeriTech Capital Partners     | Venture Capital                      | 1999                          |
| Oaktree Capital Management    | Distressed Debt                      | 1997                          |
| One Liberty Ventures          | Venture Capital                      | 1982                          |
| ONSET Enterprise Associates   | Venture Capital                      | 1989                          |
| Pecks Partners                | Private Equity                       | 1986                          |
| Spectra Enterprise Associates | Venture Capital                      | 1986                          |
| Summit Ventures               | Venture Capital                      | 1988                          |
| T. Rowe Price Recovery Fund   | Distressed Debt                      | 1988                          |
| T. Rowe Price Threshold Funds | Venture Capital                      | 1984                          |
| TCW Asset Management          | Distressed Debt                      | 1990                          |
| Trident Management            | Venture Capital                      | 1999                          |
| Weston Presidio Capital       | Venture Capital                      | 1995                          |
| <u>Cash &amp; Equivalents</u> |                                      |                               |
| T. Rowe Price Associates      | Cash & Equivalents                   | 1983                          |

# INVESTMENT SECTION

## Investment Summary

(Dollar values expressed in thousands)

|                                       | Market Value as of<br>June 30, 2000 | Percent of Total<br>Investment Assets | Total FY 2000<br>Investment Fees | Basis<br>Points |
|---------------------------------------|-------------------------------------|---------------------------------------|----------------------------------|-----------------|
| <b>Equities</b>                       |                                     |                                       |                                  |                 |
| U.S. Equities                         | \$ 2,197,570                        | 38.8%                                 |                                  |                 |
| Intl. Equities                        | 702,316                             | 12.4%                                 |                                  |                 |
| Sub-Total                             | \$ 2,899,886                        | 51.2%                                 | \$ 10,507                        |                 |
| <b>Fixed Income</b>                   |                                     |                                       |                                  |                 |
| U.S. Bonds                            | \$ 1,761,455                        | 31.1%                                 |                                  |                 |
| Intl. Bonds                           | 152,924                             | 2.7%                                  |                                  |                 |
| Sub-Total                             | \$ 1,914,379                        | 33.8%                                 | \$ 2,250                         |                 |
| <b>Other Asset Allocations</b>        |                                     |                                       |                                  |                 |
| Real Estate                           | \$ -                                |                                       |                                  |                 |
| Private Investments                   | 707,980                             | 12.5%                                 |                                  |                 |
| Cash & Equivalents                    | 141,596                             | 2.5%                                  |                                  |                 |
| Sub-Total                             | \$ 849,576                          | 15.0%                                 | \$ 6,904                         |                 |
| <b>Other Investment Services</b>      |                                     |                                       |                                  |                 |
| Custodian/Investment Advisor Fees     |                                     |                                       | \$ 1,516                         |                 |
| Pension Office Support Staff Expenses |                                     |                                       | 191                              |                 |
| Grand Totals                          | \$ 5,663,841                        | 100.0%                                | \$ 21,368                        | 26 bp*          |

\* Other fees include Private Investment fees detailed on page 30. These fees have been excluded from the basis point calculation since they have already been netted from income.

**Schedule of Broker Commissions**

The System has no commission recapture, directed payment, or “soft dollar” arrangements. Broker selection is the responsibility of individual investment managers.

Appendix A (pages 55 - 57) is a complete schedule of all commissions paid during Fiscal 2000. Appendix B (on page 58) is a schedule of commissions paid during Fiscal 2000 which totaled over \$20,000.

**Appendix - A**

**Broker Commission Summary for Fiscal Year 2000**

| Broker                          | # of Shares | Commission Per Share | Total Dollar Amount of Trades | Total Commission |
|---------------------------------|-------------|----------------------|-------------------------------|------------------|
| ABEL NOSER CORPORATION          | 108,800     | \$0.02               | \$2,294,638.59                | \$2,278.60       |
| ABN AMRO INCORPORATED           | 235,700     | \$0.02               | \$2,068,698.91                | \$5,549.84       |
| ADAMS HARKNESS & HILL           | 6,000       | \$0.05               | \$189,242.47                  | \$300.00         |
| ADVEST INC                      | 4,400       | \$0.05               | \$35,540.78                   | \$220.00         |
| ARNESON, KERCHEVILLE, EHRENBERG | 16,000      | \$0.05               | \$412,584.75                  | \$800.00         |
| ARNHOLD & S. BLEICHROEDER, INC. | 2,900       | \$0.05               | \$115,903.00                  | \$145.00         |
| AUTRANET INC.                   | 221,100     | \$0.04               | \$7,547,047.77                | \$8,599.50       |
| AVALON REASEARCH GROUP INC      | 9,800       | \$0.05               | \$624,836.38                  | \$490.00         |
| BAIRD ROBERT W                  | 68,100      | \$0.05               | \$1,758,764.37                | \$3,455.00       |
| BAKER WATTS (FERRIS,INC)        | 12,600      | \$0.05               | \$328,942.17                  | \$677.50         |
| BANC/AMERICA SEC, LCC,          | 410,250     | \$0.05               | \$8,139,633.56                | \$20,512.50      |
| BANK OF AMERICA-MONTGOMERY SEC  | 31,100      | \$0.05               | \$1,458,901.00                | \$1,555.00       |
| BARING SECURITIES INC.          | 2,800       | \$0.05               | \$157,695.49                  | \$140.00         |
| BARRINGTON RESEARCH ASSOCIATES  | 23,308      | \$0.05               | \$284,907.73                  | \$1,177.40       |
| BB&T CAPITAL MARKETS            | 15,000      | \$0.05               | \$626,137.49                  | \$750.00         |
| BEARS STEARNS & CO              | 3,557,605   | \$0.05               | \$109,250,276.04              | \$176,474.99     |
| BERNARD, HEROLD & CO INC.       | 5,000       | \$0.05               | \$109,619.08                  | \$250.00         |
| BERNSTEIN SANFORD & CO INC      | 140,000     | \$0.05               | \$4,685,897.64                | \$7,000.00       |
| BLACK AND COMPANY               | 1,700       | \$0.05               | \$59,871.26                   | \$85.00          |
| BLAIR (WILLIAM) & CO            | 16,100      | \$0.05               | \$1,389,676.59                | \$805.00         |
| BLAYLOCK PARTNERSHIP L P        | 1,000       | \$0.05               | \$59,310.52                   | \$50.00          |
| BLOOMBERG                       | 1,188,400   | \$0.02               | \$42,121,780.04               | \$23,768.00      |
| BNY ESI & CO - ALPHA DIVISION   | 4,100       | \$0.05               | \$122,862.86                  | \$205.00         |
| BRADFORD, J.C. & CO             | 14,000      | \$0.05               | \$246,782.99                  | \$700.00         |
| BRIDGE TRADING CO.              | 353,900     | \$0.05               | \$7,680,614.63                | \$16,746.00      |
| BROADCORT CAP CORP/SUB OF MLPFS | 2,400       | \$0.03               | \$77,646.76                   | \$72.00          |
| BROWN BROTHERS HARRIMAN & CO    | 10,300      | \$0.05               | \$316,129.59                  | \$541.50         |
| BT ALEX BROWN INCORPORATED      | 3,000       | \$0.05               | \$50,648.70                   | \$150.00         |
| B-TRADE SECURITIES LLC          | 1,566,510   | \$0.02               | \$41,337,998.92               | \$31,348.60      |
| BUNTING WARBURG INCORPORATED    | 48,400      | \$0.03               | \$329,631.53                  | \$1,537.90       |
| BYN ESI & CO - ALPHA DIVISION   | 4,500       | \$0.05               | \$382,337.85                  | \$225.00         |
| CANACCORD CAP CORP/CDS          | 103,400     | \$0.05               | \$660,432.84                  | \$4,978.61       |
| CANTOR FITZGERALD & CO          | 1,072,067   | \$0.04               | \$23,440,483.68               | \$44,040.68      |
| CAPITAL INSTITUTIONAL SVCS      | 15,300      | \$0.05               | \$624,469.62                  | \$695.00         |
| CHAPIN DAVIS                    | 153,600     | \$0.05               | \$3,435,670.42                | \$7,680.00       |
| CHARLES SCHWAB                  | 2,200       | \$0.05               | \$60,126.00                   | \$110.00         |
| CHASE HAMBRECHT & QUIST         | 8,200       | \$0.05               | \$544,972.00                  | \$410.00         |
| CIBC OPPENHEIMER CORP           | 1,146,585   | \$0.05               | \$33,896,332.52               | \$51,612.40      |
| CITATION GROUP, THE             | 288,200     | \$0.05               | \$7,144,212.71                | \$14,590.00      |
| CONNING & CO/BCC CLRG           | 40,800      | \$0.05               | \$993,605.74                  | \$2,040.00       |
| CORRESPONDENT SERVICES CORP     | 7,600       | \$0.03               | \$147,997.93                  | \$238.00         |
| COWEN & COMPANY                 | 81,850      | \$0.05               | \$2,845,478.97                | \$4,092.50       |
| CREDIT SUISSE FIRST BOSTON CORP | 1,582,000   | \$0.04               | \$48,225,662.58               | \$69,091.00      |

*(continued on next page)*

# INVESTMENT SECTION

## Broker Commission Summary (continued)

| Broker                            | # of Shares | Commission Per Share | Total Dollar Amount of Trades | Total Commission |
|-----------------------------------|-------------|----------------------|-------------------------------|------------------|
| DAIN RAUSCHER INCORPORATED        | 145,500     | \$0.05               | \$3,519,745.65                | \$7,690.00       |
| DAVIDSON, D.A., & SOMpany, INC    | 371,600     | \$0.05               | \$7,250,605.21                | \$18,580.00      |
| DB CLEARING SECURITIES            | 684,800     | \$0.05               | \$10,353,828.83               | \$34,831.50      |
| DL&J SECURITIES CORP              | 73,700      | \$0.05               | \$1,939,877.08                | \$3,498.50       |
| DONALDSON LUFKIN JENRETTE         | 2,247,047   | \$0.05               | \$64,764,663.82               | \$107,173.60     |
| DOWLING PARTNERS SECURITIES LLC   | 24,700      | \$0.05               | \$233,858.29                  | \$1,235.00       |
| DRESDNER SECURITIES (USA) INC     | 57,600      | \$0.05               | \$1,138,932.18                | \$2,908.95       |
| EDGE SECURITIES INC               | 4,500       | \$0.05               | \$127,810.33                  | \$225.00         |
| EDWARDS A G & SONS INC            | 8,200       | \$0.05               | \$574,555.64                  | \$410.00         |
| ESI SECURITIES COMPANY            | 91,550      | \$0.04               | \$3,787,318.62                | \$3,970.00       |
| FACTSET DATA SYSTEMS, INC.        | 26,900      | \$0.05               | \$920,145.19                  | \$1,350.50       |
| FIDELITY CAP MKTS (DIV OF NFSC)   | 122,900     | \$0.04               | \$3,657,134.90                | \$4,781.00       |
| FIDELITY INST'L                   | 73,300      | \$0.05               | \$2,307,536.44                | \$3,665.00       |
| FIRST ALBANY CORP.                | 73,600      | \$0.05               | \$2,230,164.66                | \$3,680.00       |
| FIRST ANALYSIS SECURITIES CORP    | 21,500      | \$0.05               | \$541,270.83                  | \$1,152.50       |
| FIRST OPTIONS OF CHICAGO          | 45,000      | \$0.05               | \$361,396.28                  | \$2,250.00       |
| FIRST UNION CAPITAL MARKETS       | 358,600     | \$0.05               | \$8,708,203.09                | \$17,945.00      |
| FIRST UNION SECURITIES            | 1,900       | \$0.05               | \$67,888.00                   | \$95.00          |
| FOURTEEN RESEARCH CO              | 700         | \$0.05               | \$19,040.73                   | \$35.00          |
| FOX-PITT, KELTON, INC             | 20,200      | \$0.05               | \$561,672.25                  | \$1,010.00       |
| FRANK RUSSELL SEC/PAINE WEBBER    | 10,800      | \$0.05               | \$462,849.45                  | \$578.00         |
| FREIMARK, BLAIR & CO INC/BCC CLRG | 2,000       | \$0.05               | \$54,995.60                   | \$100.00         |
| FURMAN SELZ LLC                   | 126,600     | \$0.06               | \$2,646,941.82                | \$7,077.00       |
| GERARD KLAUER MATTISON & CO       | 43,900      | \$0.05               | \$946,264.16                  | \$2,207.50       |
| GOLDMAN SACHS & CO                | 1,814,400   | \$0.05               | \$56,242,844.43               | \$90,165.03      |
| GOLDSMITH & HARRIS                | 25,000      | \$0.05               | \$597,023.23                  | \$1,250.00       |
| GREEN STREET ADVISORS INC         | 197,000     | \$0.05               | \$4,664,933.96                | \$9,850.00       |
| HOAK BREEDLOVE WESNESKI & CO      | 19,800      | \$0.05               | \$490,008.03                  | \$990.00         |
| HOWARD, WEIL, LABOUISE, FRIEDRICH | 60,900      | \$0.05               | \$1,288,520.35                | \$3,217.50       |
| HSBC SECURITIES, INC/JAMES CAPEL  | 201,100     | \$0.02               | \$937,049.26                  | \$4,860.40       |
| ING BARINGS LLC                   | 1,000       | \$0.05               | \$55,850.00                   | \$50.00          |
| INSTINET                          | 2,446,429   | \$0.02               | \$60,009,906.86               | \$56,762.04      |
| INTERSTATE JOHNSON LANE CORP      | 23,700      | \$0.05               | \$462,387.41                  | \$1,185.00       |
| INVESTMENT TECHNOLOGY GROUP       | 7,675,817   | \$0.02               | \$207,505,939.38              | \$154,617.34     |
| ISI GROUP, INC./BT ALEX BROWN INC | 64,200      | \$0.05               | \$1,394,394.16                | \$3,210.00       |
| JANNEY, MONTGOMERY, & SCOTT       | 26,600      | \$0.05               | \$701,420.60                  | \$1,330.00       |
| JB OXFORD & COMPANY #89925        | 7,600       | \$0.04               | \$236,297.13                  | \$304.00         |
| JEFFERIES & CO INC                | 852,231     | \$0.04               | \$18,589,034.78               | \$32,966.93      |
| JOHNSON RICE & CO.                | 43,500      | \$0.05               | \$672,853.38                  | \$2,200.00       |
| JONES & ASSOCIATES                | 265,300     | \$0.04               | \$7,054,166.71                | \$11,337.00      |
| KEEFE, BRUYETTE & WOODS           | 24,100      | \$0.05               | \$998,285.86                  | \$1,205.00       |
| KING, C.L. & ASSOC.               | 31,000      | \$0.05               | \$358,981.45                  | \$1,550.00       |
| KLEINWORT, BENSON NORTH AMERICA   | 7,000       | \$0.03               | \$112,570.73                  | \$225.59         |
| KNIGHT SECURITIES, L.P.           | 158,546     | \$0.03               | \$2,421,026.02                | \$4,756.38       |
| LAZARD FRERES & CO                | 26,900      | \$0.05               | \$374,147.65                  | \$1,345.00       |
| LEERINK, SWANN & CO.              | 5,300       | \$0.05               | \$399,452.00                  | \$265.00         |
| LEGG MASON WOOD WALKER            | 805,800     | \$0.05               | \$18,509,282.56               | \$40,508.50      |
| LEHMAN BROTHERS INC               | 878,300     | \$0.05               | \$22,726,376.29               | \$42,273.50      |
| LEWCO SEC/AGT HAMBRECHT & QUIST   | 88,800      | \$0.05               | \$3,196,228.21                | \$4,693.50       |
| LYNCH, JONES, & RYAN              | 5,500       | \$0.05               | \$193,356.82                  | \$275.00         |
| MAXUS CORP                        | 16,800      | \$0.05               | \$490,194.32                  | \$905.00         |
| MCDONALD & CO                     | 99,200      | \$0.05               | \$2,117,406.85                | \$4,960.00       |
| MERRILL LYNCH PIER FEN SMITH      | 1,590,972   | \$0.04               | \$39,016,383.94               | \$67,778.50      |
| MILLER, TABAK, HIRSCH & COMPANY   | 8,500       | \$0.04               | \$73,924.16                   | \$340.00         |
| MONNESS, CRESPI, HARDT & CO INC   | 3,000       | \$0.06               | \$77,227.50                   | \$165.00         |
| MORGAN (J.P.) SECURITIES INC      | 472,675     | \$0.05               | \$18,390,317.42               | \$21,588.75      |
| MORGAN KEEGAN & CO INC            | 86,500      | \$0.05               | \$2,111,439.36                | \$4,395.00       |
| MORGAN STANLEY                    | 1,277,881   | \$0.05               | \$41,145,049.68               | \$58,595.33      |

**Broker Commission Summary (continued)**

| Broker                           | # of Shares       | Commissions Per Share | Total Dollar Amount of Trades | Total Commission      |
|----------------------------------|-------------------|-----------------------|-------------------------------|-----------------------|
| NATIONSBANC MONTGOMERY SEC'S/SAN | 138,200           | \$0.06                | \$3,937,491.72                | \$8,243.00            |
| NATL INVESTOR SERV CORP #82632   | 62,800            | \$0.03                | \$491,770.17                  | \$2,009.60            |
| NEEDHAM & COMPANY                | 2,100             | \$0.05                | \$113,202.00                  | \$105.00              |
| NESBITT BURNS SECURITIES, INC    | 86,700            | \$0.03                | \$391,704.80                  | \$2,513.50            |
| NEUBERGER & BERMAN               | 72,900            | \$0.05                | \$2,452,136.77                | \$3,652.50            |
| OFF THE RECORD RESEARCH          | 1,200             | \$0.05                | \$134,520.00                  | \$60.00               |
| OPPENHEIMER                      | 436,300           | \$0.04                | \$16,706,627.94               | \$17,452.00           |
| PAINE WEBBER JACKSON/CURTIS INC  | 574,700           | \$0.05                | \$15,247,490.28               | \$29,310.00           |
| PCS SECURITIES, INC              | 19,500            | \$0.05                | \$1,178,102.90                | \$975.00              |
| PFORZHEIMER (CARL H.) & CO NYC   | 3,100             | \$0.06                | \$127,071.97                  | \$170.50              |
| PIPER ,JAFFRAY & HOPWOOD         | 2,600             | \$0.05                | \$130,066.00                  | \$130.00              |
| PRUDENTIAL SECURITIES, INC       | 811,600           | \$0.05                | \$17,408,730.07               | \$39,379.00           |
| QUAKER SEC                       | 850,900           | \$0.02                | \$26,602,857.68               | \$17,083.00           |
| RAYMOND JAMES & ASSOCIATES       | 49,900            | \$0.05                | \$848,327.18                  | \$2,495.00            |
| RBC DOMINION SECURITIES CORP     | 100,695           | \$0.05                | \$1,204,801.40                | \$4,948.75            |
| ROBERT BRANDT                    | 21,600            | \$0.03                | \$773,132.87                  | \$648.00              |
| ROBERT W. BAIRD                  | 2,400             | \$0.05                | \$81,040.00                   | \$120.00              |
| ROBERTSON, STEPHENS & CO.        | 339,311           | \$0.05                | \$9,440,237.25                | \$17,269.55           |
| ROBINSON HUMPHREY CO INC         | 35,646            | \$0.05                | \$1,088,464.55                | \$1,782.30            |
| ROCHDALE SECURITIES CORP         | 2,600             | \$0.21                | \$165,320.10                  | \$535.00              |
| SALOMON SMITH BARNEY             | 866,100           | \$0.04                | \$22,732,962.85               | \$36,386.00           |
| SANDERS MORRIS MUNDY             | 34,800            | \$0.05                | \$770,125.60                  | \$1,740.00            |
| SANDLER O'NEILL & PARTNERS, LP   | 16,300            | \$0.05                | \$326,405.58                  | \$815.00              |
| SANFORD BERNSTEIN                | 41,700            | \$0.05                | \$1,883,274.00                | \$2,085.00            |
| SCHWAB (CHARLES) & CO            | 1,156,500         | \$0.03                | \$42,315,282.53               | \$33,860.00           |
| SCOTIA CAPITAL MKTS (USA) INC    | 61,200            | \$0.04                | \$532,470.02                  | \$2,373.60            |
| SEI FINL SERVICES,CO/MLPFS       | 5,000             | \$0.05                | \$330,008.45                  | \$250.00              |
| SG COWEN & COMPANY               | 31,800            | \$0.05                | \$1,859,842.00                | \$1,590.00            |
| SHARPE CAPITAL, INC.             | 4,000             | \$0.05                | \$25,011.60                   | \$200.00              |
| SMITH BARNEY INC                 | 754,550           | \$0.05                | \$18,718,074.22               | \$37,209.50           |
| SOUNDVIEW FINANCIAL              | 6,600             | \$0.05                | \$325,882.00                  | \$330.00              |
| SOUNDVIEW TECHNOLOGY GROUP INC   | 40,000            | \$0.05                | \$904,887.15                  | \$2,000.00            |
| SOUTHCOAST CAPITAL LLC           | 70,000            | \$0.05                | \$856,412.39                  | \$3,500.00            |
| SPEAR, LEEDS, & KELLOGG          | 1,185,280         | \$0.03                | \$43,809,194.73               | \$32,086.45           |
| STANDARD & POOR'S SECURITIES INC | 243,166           | \$0.05                | \$6,939,997.59                | \$12,158.30           |
| STATE ST BROKERAGE SVCS INC      | 20,700            | \$0.05                | \$511,311.20                  | \$1,035.00            |
| STEPHENS, INC.                   | 25,800            | \$0.05                | \$974,767.12                  | \$1,290.00            |
| STUART, FRANKEL AND CO.          | 859,700           | \$0.03                | \$45,585,105.47               | \$28,735.00           |
| SUNTRUST EQUITABLE SECURITIES CL | 10,700            | \$0.05                | \$258,254.13                  | \$535.00              |
| SUTRO AND COMPANY INCORPORATED   | 1,700             | \$0.05                | \$8,945.94                    | \$85.00               |
| THOMAS WEISEL PARTNERS, LLC      | 40,100            | \$0.05                | \$1,852,399.56                | \$2,005.00            |
| TROSTER SINGER CORP              | 51,100            | \$0.02                | \$2,410,055.25                | \$885.50              |
| U.S. BANCORP PIPER JAFFRAY INC   | 98,250            | \$0.05                | \$2,173,618.02                | \$4,912.50            |
| U.S. CLEARING INST TRADING       | 87,200            | \$0.04                | \$2,878,105.82                | \$3,864.00            |
| UBS WARBURG                      | 21,100            | \$0.05                | \$773,749.00                  | \$1,055.00            |
| VERITAS                          | 614,900           | \$0.03                | \$20,459,297.69               | \$15,372.50           |
| WACHOVIA SECURITIES              | 9,200             | \$0.05                | \$139,691.66                  | \$460.00              |
| WARBURG DILLON READ DTC#645      | 265,900           | \$0.06                | \$7,033,798.19                | \$15,444.00           |
| WEEDEN AND CO                    | 386,000           | \$0.05                | \$8,395,968.55                | \$17,665.50           |
| WEISS PECK & GREER               | 6,400             | \$0.03                | \$366,115.07                  | \$192.00              |
| WERE, J.B.                       | 151,800           | \$0.01                | \$196,405.60                  | \$981.44              |
| WILLIAM BLAIR & CO.              | 30,000            | \$0.05                | \$1,674,896.00                | \$1,500.00            |
| YORK SECURITIES INC              | 2,400             | \$0.03                | \$20,328.24                   | \$76.80               |
| YORKTON SECURITIES INC.          | 600               | \$0.03                | \$4,965.72                    | \$19.20               |
| <b>TOTALS:</b>                   | <b>47,350,321</b> | <b>\$0.037</b>        | <b>\$1,323,645,688.60</b>     | <b>\$1,774,335.85</b> |

**Avg cents/share = \$0.03747**

# INVESTMENT SECTION

## Schedule of Broker Commissions Over \$20,000

The following is a list of brokers who received \$20,000 or more in commissions during Fiscal Year 2000.

### Appendix - B

#### Broker Commission Summary for Fiscal Year 2000

| Broker                          | # of Shares | Commission Per Share | Total Dollar Amount of Trades | Total Commission |
|---------------------------------|-------------|----------------------|-------------------------------|------------------|
| BEARS STEARNS & CO              | 3,557,605   | \$0.05               | \$109,250,276.04              | \$176,474.99     |
| INVESTMENT TECHNOLOGY GROUP     | 7,675,817   | \$0.02               | \$207,505,939.38              | \$154,617.34     |
| DONALDSON LUFKIN JENRETTE       | 2,247,047   | \$0.05               | \$64,764,663.82               | \$107,173.60     |
| GOLDMAN SACHS & CO              | 1,814,400   | \$0.05               | \$56,242,844.43               | \$90,165.03      |
| CREDIT SUISSE FIRST BOSTON CORP | 1,582,000   | \$0.04               | \$48,225,662.58               | \$69,091.00      |
| MERRILL LYNCH PIER FEN SMITH    | 1,590,972   | \$0.04               | \$39,016,383.94               | \$67,778.50      |
| MORGAN STANLEY                  | 1,277,881   | \$0.05               | \$41,145,049.68               | \$58,595.33      |
| INSTINET                        | 2,446,429   | \$0.02               | \$60,009,906.86               | \$56,762.04      |
| CIBC OPPENHEIMER CORP           | 1,146,585   | \$0.05               | \$33,896,332.52               | \$51,612.40      |
| CANTOR FITZGERALD & CO          | 1,072,067   | \$0.04               | \$23,440,483.68               | \$44,040.68      |
| LEHMAN BROTHERS INC             | 878,300     | \$0.05               | \$22,726,376.29               | \$42,273.50      |
| LEGG MASON WOOD WALKER          | 805,800     | \$0.05               | \$18,509,282.56               | \$40,508.50      |
| PRUDENTIAL SECURITIES, INC      | 811,600     | \$0.05               | \$17,408,730.07               | \$39,379.00      |
| SMITH BARNEY INC                | 754,550     | \$0.05               | \$18,718,074.22               | \$37,209.50      |
| SALOMON SMITH BARNEY            | 866,100     | \$0.04               | \$22,732,962.85               | \$36,386.00      |
| DB CLEARING SECURITIES          | 684,800     | \$0.05               | \$10,353,828.83               | \$34,831.50      |
| SCHWAB (CHARLES) & CO           | 1,156,500   | \$0.03               | \$42,315,282.53               | \$33,860.00      |
| JEFFERIES & CO INC              | 852,231     | \$0.04               | \$18,589,034.78               | \$32,966.93      |
| SPEAR, LEEDS, & KELLOGG         | 1,185,280   | \$0.03               | \$43,809,194.73               | \$32,086.45      |
| B-TRADE SECURITIES LLC          | 1,566,510   | \$0.02               | \$41,337,998.92               | \$31,348.60      |
| PAINE WEBBER JACKSON/CURTIS INC | 574,700     | \$0.05               | \$15,247,490.28               | \$29,310.00      |
| STUART, FRANKEL AND CO.         | 859,700     | \$0.03               | \$45,585,105.47               | \$28,735.00      |
| BLOOMBERG                       | 1,188,400   | \$0.02               | \$42,121,780.04               | \$23,768.00      |
| MORGAN (J.P.) SECURITIES INC    | 472,675     | \$0.05               | \$18,390,317.42               | \$21,588.75      |
| BANC/AMERICA SEC, LCC,          | 410,250     | \$0.05               | \$8,139,633.56                | \$20,512.50      |

### 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 real estate which is adjusted quarterly to appraised values, venture capital which is adjusted 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 Fund. 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 Fund.

#### Private Investments:

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

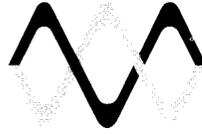
*This report was prepared by Pension Office Staff with input from the Board of Pension Trustees and the Investment Committee.*



# ACTUARIAL SECTION

DELAWARE  
PUBLIC  
EMPLOYEES'  
RETIREMENT  
SYSTEM

- a component unit of the State of Delaware



## MILLIMAN & ROBERTSON, INC.

Actuaries & Consultants

*Internationally WOODROW MILLIMAN*

Suite 1000, 8000 Towers Crescent Drive, Vienna, VA 22182-2700

Telephone: 703/917-0143

Fax: 703/827-9266

October 6, 2000

Board of Pension Trustees  
Delaware Public Employees' Retirement System  
Thomas Collins Building  
P. O. Box 1401  
Dover, Delaware 19903

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, 2000. The results of these valuations are contained in this report.

### **Funding Objective**

The funding objective of the System is to establish contribution rates which, over time, will remain level as a percent of payroll. In order to achieve this, a contribution rate has been determined which will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus level percent of payroll amortizations of each layer of the unfunded liability the periods disclosed on page 36 of the CAFR. This funding objective is currently being realized.

Furthermore, each of the plans is subject to statutory funding requirements which, in our judgement, are in conformity with generally accepted actuarial principles and practices. To our knowledge, the State has consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

### **Assumptions**

The actuarial assumptions and methods used in these valuations have been recommended by the actuary and adopted by the Board of Trustees. The assumptions are annually screened for their continued applicability to this plan. We believe that the assumptions and methods are reasonable, and in the aggregate represent our best estimate of anticipated experience under the plans.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*.

Albany, Atlanta, Boise, Boston, Chicago, Columbus, Dallas, Denver, Hartford, Houston, Indianapolis, Irvine, Los Angeles, Milwaukee, Minneapolis, New York, Omaha, Philadelphia, Phoenix, Portland, ME, Portland, OR, St. Louis, Salt Lake City, San Diego, San Francisco, Seattle, Tampa, Washington, D.C., Bermuda, Tokyo

WOODROW MILLIMAN Member Firms in Principal Cities Worldwide

Board of Pension Trustees  
October 6, 2000  
Page Two

**Reliance on Others**

In preparing our report, we relied, without audit, on employee census data provided by the Delaware State Pension Office. Census data provided by the Office has been reviewed for reasonableness, and for consistency with the data used in prior years.

**Supporting Schedules**

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

**Certification**

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

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

MILLIMAN & ROBERTSON, INC.



Fiona E. Liston, F.S.A.  
Consulting Actuary



Gene Kalwarski, F.S.A.  
Principal & Consulting Actuary

MILLIMAN & ROBERTSON, INC.

## 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 into the future during which time market values can be expected to fluctuate widely. If market values were used to develop contribution rates, the resulting contribution rates would also vary widely.

In order to produce a stable pattern of contribution rates, market values are adjusted so that some of the volatility is removed. The actuarial value of assets has been calculated by taking 1/5th of the market value plus 4/5th's of the expected value, where the expected value is last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest at the valuation rate (8.5%).

### Funding Method

The plans generally use the Aggregate Entry Age Normal Method with projection to determine costs. The municipal plans use a modification of this method known as the Frozen Initial Liability Method. Under the 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 and a budgeting adjustment, which takes into account the one-year lag between an actuarial valuation being performed and the subsequent rates going into effect.

For each State plan, an Individual Entry Age Normal cost rate is determined for the typical new entrant of each respective plan. This rate is determined by taking the value, as of entry into the plan, of the member's projected future benefits less the member's projected future employee contributions, and dividing it by the value, also as of the member's entry age, of his expected future salary.

In addition to contributions required to meet the normal cost, contributions will be required to meet each plan's unfunded actuarial liability. Actuarial liability is defined as the present value of future benefits less the present value of future normal costs and future employee contributions. The unfunded liability is the total of the 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 July 1, 1996, July 1, 1997, July 1, 1998, July 1, 1999, and July 1, 2000 as well as the decoupling from Social Security as it applies to the retired population as of July 1, 1996. The remaining unfunded actuarial liability will be amortized over the next 15 years (for the State Employees' Plan, 21 years for the Judiciary Plan, 20 years for the New State Police Plan, and 27 years for the Volunteer Firemen's Plan) through the unfunded liability amortization component of the total contribution. The latest plan amendment to the State Employees' Plan is being amortized over a fixed 30-year period.

### Actuarial Assumptions

The assumptions used for the actuarial valuation were recommended by the actuary and adopted by the Board based upon an ongoing analysis of the plans' experience. 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, 2000:

1. a rate of return on investments of 8.5% compounded annually (adopted 1990);
2. projected salary increases of 5% compounded annually, attributable to inflation (adopted 1983);

3. additional projected salary increases ranging from ½% to 5% per year attributable to seniority, productivity, and merit (adopted 1985);
4. rates of mortality are based on the 1983 Group Annuity Mortality Table in all cases except for the Diamond State Port Corporation Plan which uses the UP-84 Mortality Table with ages set forward two years for males and set back three years for females (adopted 1984). Sample rates from all of these tables follow:

| Age | 1983 GAM |        | UP84 (+2, -3) |        |
|-----|----------|--------|---------------|--------|
|     | Male     | Female | Male          | Female |
| 35  | 0.09%    | 0.05%  | 0.16%         | 0.12%  |
| 40  | 0.12%    | 0.07%  | 0.26%         | 0.16%  |
| 45  | 0.22%    | 0.10%  | 0.42%         | 0.26%  |
| 50  | 0.39%    | 0.16%  | 0.69%         | 0.42%  |
| 55  | 0.61%    | 0.25%  | 1.08%         | 0.69%  |
| 60  | 0.92%    | 0.42%  | 1.70%         | 1.08%  |

5. rates of termination of service, disablement, and retirement are based on continuous monitoring of actual experience (adopted 1999); and
6. the aggregate active member payroll is assumed to increase by 4% annually (adopted 1976).

**Summary of Plan Provisions and Changes in Plan Provisions**

The plans valued are those described on pages 24-26 of the Financial Section. As of July 1, 2000, there were significant plan changes in five of the plans, which are not reflected in the aforementioned plan descriptions.

The State Employees' Pension Plan was amended to grant an ad hoc post-retirement benefit increase to those currently receiving benefits. The pension calculation multiplier increased from 1.66 to 1.8.

Currently retired members of the Special Pension Plan received an ad hoc post-retirement benefit increase in benefits.

Currently retired members of the New State Police Pension Plan received an ad hoc post-retirement benefit increase in benefits. Also, eligibility requirements were reduced from 25 years to 20 years, the member contribution rate was increased by 2% of pay, and the multiplier for years of service in excess of 20 was increased to 3.5%

The Judiciary Pension Plan was also amended to grant an ad hoc post-retirement benefit increase to those currently receiving benefits.

Currently retired members of the County & Municipal Police/Firemen's Plans (FICA and Non-FICA) received an ad hoc post-retirement benefit increase in benefits.

All of these plan changes are reflected in the liabilities shown as of June 30, 2000.

# ACTUARIAL SECTION

## Schedule of Active Member Valuation Data

| Plan   | Fiscal Year Ended                      | Number of Members | Annualized Covered Payroll<br>(Expressed in thousands) | Annual Average Pay | % Increase in Average Pay |
|--|--|-------------------|--|--------------------|---------------------------|
| State Employees'                                     | 6/30/2000                              | 31,740            | \$ 1,198,626   | \$ 37,764          | 6.1%                      |
|  | 6/30/1999                              | 31,634            | 1,125,857  | 35,590             | (0.1%)                    |
|  | 6/30/1998                              | 30,031            | 1,070,052  | 35,632             | 4.9%                      |
|  | 6/30/1997                              | 30,163            | 1,024,976  | 33,981             | 1.9%                      |
|  | 6/30/1996                              | 29,435            | 981,800  | 33,355             | 3.7%                      |
|  | 6/30/1995                              | 28,927            | 930,541  | 32,169             | 4.8%                      |
| Special  | The Special Plan has no Active Members |                   |  |                    |                           |
| New State Police                                     | 6/30/2000                              | 527               | \$ 25,558  | \$ 48,497          | 6.4%                      |
|  | 6/30/1999                              | 516               | 23,518   | 45,578             | 5.3%                      |
|  | 6/30/1998                              | 496               | 21,462   | 43,270             | 4.6%                      |
|  | 6/30/1997                              | 465               | 19,227   | 41,348             | 4.5%                      |
|  | 6/30/1996                              | 436               | 17,252   | 39,569             | 3.0%                      |
|  | 6/30/1995                              | 385               | 14,796   | 38,433             | 4.3%                      |
| Judiciary  | 6/30/2000                              | 49                | \$ 5,794   | \$ 118,245         | 0.1%                      |
|  | 6/30/1999                              | 48                | 5,673  | 118,188            | 8.5%                      |
|  | 6/30/1998                              | 47                | 5,118  | 108,894            | (1.0%)                    |
|  | 6/30/1997                              | 45                | 4,948  | 109,959            | 3.3%                      |
|  | 6/30/1996                              | 44                | 4,685  | 106,479            | 8.0%                      |
|  | 6/30/1995                              | 46                | 4,536  | 98,618             | (1.4%)                    |
| County & Municipal<br>Police/Firemen's<br>(FICA)     | 6/30/2000                              | 163               | \$ 6,070   | \$ 37,239          | 13.0%                     |
|  | 6/30/1999                              | 150               | 4,945  | 32,965             | (3.1%)                    |
|  | 6/30/1998                              | 122               | 4,150  | 34,016             | 6.2%                      |
|  | 6/30/1997                              | 123               | 3,939  | 32,022             | 8.4%                      |
|  | 6/30/1996                              | 119               | 3,514  | 29,530             | 1.0%                      |
|  | 6/30/1995                              | 111               | 3,245  | 29,235             | 10.7%                     |
| County & Municipal<br>Police/Firemen's<br>(Non-FICA) | 6/30/2000                              | 296               | \$ 11,941  | \$ 40,341          | 0.8%                      |
|  | 6/30/1999                              | 257               | 10,285   | 40,019             | 22.8%                     |
|  | 6/30/1998                              | 232               | 7,562  | 32,595             | 6.3%                      |
|  | 6/30/1997                              | 172               | 5,276  | 30,676             | 1.9%                      |
|  | 6/30/1996                              | 124               | 3,735  | 30,118             | 15.1%                     |
|  | 6/30/1995                              | 98                | 2,564  | 26,162             | 2.3%                      |

**Schedule of Active Member Valuation Data** *(continued)*

| <b>Plan</b>                    | <b>Fiscal Year<br/>Ended</b> | <b>Number of<br/>Members</b> | <b>Annualized<br/>Covered Payroll<br/><i>(Expressed in thousands)</i></b> | <b>Annual<br/>Average Pay</b> | <b>% Increase<br/>in Average Pay</b> |
|--------------------------------|------------------------------|------------------------------|---|-------------------------------|--------------------------------------|
| County & Municipal             | 6/30/2000                    | 74                           | \$ 2,004  | \$ 27,081                     | 9.5%                                 |
| Other Employees'               | 6/30/1999                    | 69                           | 1,706   | 24,725                        | 8.9%                                 |
|                                | 6/30/1998                    | 61                           | 1,385   | 22,705                        | (7.7%)                               |
|                                | 6/30/1997                    | 52                           | 1,279   | 24,595                        | 16.7%                                |
|                                | 6/30/1996                    | 51                           | 1,096   | 21,074                        | (2.1%)                               |
|                                | 6/30/1995                    | 52                           | 1,119   | 21,526                        | (0.7%)                               |
| Volunteer Firemen's            | 6/30/2000                    | 4,579                        | -   | -                             | -                                    |
|                                | 6/30/1999                    | 4,706                        | -   | -                             | -                                    |
|                                | 6/30/1998                    | 4,651                        | -   | -                             | -                                    |
|                                | 6/30/1997                    | 4,621                        | -   | -                             | -                                    |
|                                | 6/30/1996                    | 4,505                        | -   | -                             | -                                    |
|                                | 6/30/1995                    | 4,465                        | -   | -                             | -                                    |
| Diamond State Port Corporation | 6/30/2000                    | 227                          | \$ 7,715  | \$ 33,987                     | (7.9%)                               |
|                                | 6/30/1999                    | 207                          | 7,637   | 36,894                        | 0.3%                                 |
|                                | 6/30/1998                    | 183                          | 6,731   | 36,781                        | (1.7%)                               |
|                                | 6/30/1997                    | 110                          | 4,116   | 37,422                        | 9.1%                                 |
|                                | 6/30/1996                    | 101                          | 3,464   | 34,302                        | N/A                                  |
| Closed State Police            | 6/30/2000                    | 57                           | \$ 3,888  | \$ 68,211                     | 3.8%                                 |
|                                | 6/30/1999                    | 75                           | 4,930   | 65,733                        | 4.6%                                 |
|                                | 6/30/1998                    | 87                           | 5,466   | 62,828                        | 6.6%                                 |
|                                | 6/30/1997                    | 97                           | 5,716   | 58,929                        | 6.7%                                 |
|                                | 6/30/1996                    | 104                          | 5,745   | 55,246                        | 6.0%                                 |
|                                | 6/30/1995                    | 125                          | 6,514   | 52,116                        | (1.2%)                               |

# ACTUARIAL SECTION

## Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

| Plan   | Fiscal Year Ended | Additions | Deletions | Year-end Total | Annual Allowances<br>(Expressed in thousands) | % Increase<br>in Annual<br>Allowances | Average<br>Annual<br>Allowances |
|--|-------------------|-----------|-----------|----------------|---|---------------------------------------|---------------------------------|
| State Employees'                                 | 6/30/2000         | 1,135     | 611       | 15,199         | \$ 159,122                                    | 9.4%                                  | \$ 10,469                       |
|  | 6/30/1999         | 1,076     | 536       | 14,675         | 145,391                                       | 9.3%                                  | 9,907                           |
|  | 6/30/1998         | 892       | 566       | 14,135         | 133,018                                       | 7.7%                                  | 9,410                           |
|  | 6/30/1997         | 892       | 594       | 13,809         | 123,478                                       | 8.6%                                  | 8,942                           |
|  | 6/30/1996         | 750       | 507       | 13,511         | 113,703                                       | 4.8%                                  | 8,416                           |
|  | 6/30/1995         | 681       | 470       | 13,268         | 108,503                                       | 4.2%                                  | 8,178                           |
| Special  | 6/30/2000         | -         | 1         | 42             | \$ 133  | 0.8%                                  | \$ 3,167                        |
|  | 6/30/1999         | 2         | 4         | 43             | 132   | 5.6%                                  | 3,070                           |
|  | 6/30/1998         | 2         | -         | 45             | 125   | (3.0%)                                | 2,895                           |
|  | 6/30/1997         | 2         | 4         | 43             | 129   | (2.7%)                                | 2,985                           |
|  | 6/30/1996         | -         | 6         | 45             | 132   | (2.8%)                                | 2,932                           |
|  | 6/30/1995         | -         | 2         | 51             | 136   | 0.6%                                  | 2,662                           |
| New State Police*                                | 6/30/2000         | -         | -         | 5              | \$ 166  | 46.9%                                 | \$ 33,200                       |
|  | 6/30/1999         | -         | -         | 5              | 113   | (7.4%)                                | 22,600                          |
|  | 6/30/1998         | -         | -         | 5              | 122   | 41.1%                                 | 24,372                          |
|  | 6/30/1997         | 1         | -         | 5              | 87  | 0.9%                                  | 17,272                          |
|  | 6/30/1996         | -         | -         | 4              | 86  | 1.1%                                  | 21,388                          |
|  | 6/30/1995         | -         | -         | 4              | 85  | 1.6%                                  | 21,158                          |
| Judiciary  | 6/30/2000         | 5         | 1         | 37             | \$ 1,642                                      | 9.6%                                  | \$ 44,378                       |
|  | 6/30/1999         | 3         | -         | 33             | 1,498   | 10.5%                                 | 45,394                          |
|  | 6/30/1998         | 5         | 3         | 30             | 1,356   | 6.8%                                  | 45,203                          |
|  | 6/30/1997         | -         | 2         | 28             | 1,268   | 7.2%                                  | 45,333                          |
|  | 6/30/1996         | 2         | 1         | 30             | 1,184   | 5.9%                                  | 39,475                          |
|  | 6/30/1995         | 1         | -         | 29             | 1,118   | 12.6%                                 | 38,567                          |
| County & Municipal<br>Police/Firemen's<br>(FICA) | 6/30/2000         | -         | -         | 4              | \$ 53   | 1.9%                                  | \$ 13,250                       |
|  | 6/30/1999         | 1         | -         | 4              | 52  | 48.6%                                 | 13,000                          |
|  | 6/30/1998         | -         | -         | 3              | 35  | 10.5%                                 | 11,795                          |
|  | 6/30/1997         | -         | -         | 3              | 32  | 1.7%                                  | 10,672                          |
|  | 6/30/1996         | -         | -         | 3              | 32  | 76.8%                                 | 10,495                          |
|  | 6/30/1995         | 1         | -         | 3              | 18  | 58.3%                                 | 5,938                           |

\* In FY1998 and in FY2000, the New State Police Plan settled appeal cases which included prior year funds. Therefore, even though there was no change to the membership, there was a significant increase in the annual allowance for this Plan.

**Schedule of Retirants and Beneficiaries Added to and Removed from Rolls (continued)**

| <b>Plan</b>                         | <b>Fiscal Year Ended</b> | <b>Additions</b> | <b>Deletions</b> | <b>Year-end Total</b> | <b>Annual Allowances (Expressed in thousands)</b> | <b>% Increase in Annual Allowances</b> | <b>Average Annual Allowance</b> |
|-------------------------------------|--------------------------|------------------|------------------|-----------------------|---|--|---------------------------------|
| County & Municipal                  | 6/30/2000                | -                | -                | 1                     | \$ 16   | 23.1%                                  | \$ 16,000                       |
| Police/Firemen's (Non-FICA)         | 6/30/1999                | 1                | -                | 1                     | 13  | 100.0%                                 | 13,000                          |
|                                     | 6/30/1998                | -                | -                | -                     | -   | -                                      | -                               |
|                                     | 6/30/1997                | -                | -                | -                     | -   | -                                      | -                               |
| County & Municipal Other Employees' | 6/30/2000                | 1                | -                | 9                     | \$ 21   | 50.0%                                  | \$ 2,333                        |
|                                     | 6/30/1999                | 1                | -                | 8                     | 14  | (6.7%)                                 | 1,750                           |
|                                     | 6/30/1998                | -                | -                | 7                     | 15  | 0.0%                                   | 2,161                           |
|                                     | 6/30/1997                | -                | -                | 7                     | 15  | 1.9%                                   | 2,161                           |
|                                     | 6/30/1996                | 4                | -                | 7                     | 15  | 31.4%                                  | 2,119                           |
|                                     | 6/30/1995                | -                | -                | 3                     | 11  | 36.1%                                  | 3,762                           |
| Volunteer Firemen's                 | 6/30/2000                | 66               | 42               | 1,103                 | \$ 920  | 3.4%                                   | \$ 834                          |
|                                     | 6/30/1999                | 73               | 33               | 1,079                 | 890   | 6.5%                                   | 825                             |
|                                     | 6/30/1998                | 68               | 38               | 1,039                 | 836   | 3.1%                                   | 805                             |
|                                     | 6/30/1997                | 68               | 50               | 1,009                 | 811   | 2.7%                                   | 804                             |
|                                     | 6/30/1996                | 67               | 36               | 991                   | 791   | 4.6%                                   | 798                             |
|                                     | 6/30/1995                | 67               | 33               | 960                   | 755   | 4.4%                                   | 787                             |
| Diamond State Port Corporation      | 6/30/2000                | 1                | 1                | 7                     | \$ 75   | (14.8%)                                | \$ 10,714                       |
|                                     | 6/30/1999                | 2                | 1                | 7                     | 88  | 66.0%                                  | 12,571                          |
|                                     | 6/30/1998                | 1                | -                | 6                     | 53  | 64.8%                                  | 8,894                           |
|                                     | 6/30/1997                | 4                | -                | 5                     | 33  | 1,292.0%                               | 6,476                           |
|                                     | 6/30/1996                | 1                | -                | 1                     | 2   | 100.0%                                 | 2,326                           |
| Closed State Police                 | 6/30/2000                | 22               | 4                | 541                   | \$ 16,078   | 3.9%                                   | \$ 29,719                       |
|                                     | 6/30/1999                | 21               | 14               | 523                   | 15,481  | 3.1%                                   | 29,600                          |
|                                     | 6/30/1998                | 16               | 11               | 516                   | 15,018  | 3.8%                                   | 29,105                          |
|                                     | 6/30/1997                | 15               | 12               | 511                   | 14,465  | 4.1%                                   | 28,308                          |
|                                     | 6/30/1996                | 23               | 9                | 508                   | 13,902  | 6.3%                                   | 27,365                          |
|                                     | 6/30/1995                | 14               | 6                | 494                   | 13,082  | 4.4%                                   | 26,481                          |

# ACTUARIAL SECTION

## Solvency Test

(Dollar values expressed in thousands)

| Plan   | Valuation Date | Aggregate Accrued Liabilities for |                           |   | Market Value of Reported Assets | Portion of Accrued Liabilities by Reported Assets |      |      |
|--|----------------|-----------------------------------|---------------------------|---|---------------------------------|---|------|------|
|  |                | Active Member Contributions       | Retirants & Beneficiaries | Active Member Employer Financed Contributions |                                 | (1)   | (2)  | (3)  |
|  |                | (1)                               | (2)                       | (3)   |                                 | (1)   | (2)  | (3)  |
| State Employees'                               | 6/30/2000      | \$ 325,684                        | \$ 1,453,396              | \$ 1,990,516                                  | \$ 5,428,898                    | 100%  | 100% | 183% |
|  | 6/30/1999      | 307,831                           | 1,333,509                 | 1,708,787                                     | 4,700,554                       | 100%  | 100% | 179% |
|  | 6/30/1998      | 291,421                           | 1,231,545                 | 1,612,699                                     | 4,277,736                       | 100%  | 100% | 171% |
|  | 6/30/1997      | 269,295                           | 1,154,814                 | 1,391,686                                     | 3,651,457                       | 100%  | 100% | 160% |
|  | 6/30/1996      | 248,535                           | 1,062,198                 | 1,359,967                                     | 3,135,119                       | 100%  | 100% | 134% |
|  | 6/30/1995      | 227,106                           | 1,001,137                 | 933,085                                       | 2,654,066                       | 100%  | 100% | 152% |
| Special  | 6/30/2000      | \$ -                              | \$ 834                    | -   | \$ 2,325                        | -   | 279% | -    |
|  | 6/30/1999      | -                                 | 826                       | -   | 2,131                           | -   | 258% | -    |
|  | 6/30/1998      | -                                 | 899                       | -   | 2,090                           | -   | 232% | -    |
|  | 6/30/1997      | -                                 | 797                       | -   | 1,906                           | -   | 239% | -    |
|  | 6/30/1996      | -                                 | 824                       | -   | 1,777                           | -   | 216% | -    |
|  | 6/30/1995      | -                                 | 925                       | -   | 1,626                           | -   | 176% | -    |
| New State Police                               | 6/30/2000      | \$ 12,600                         | \$ 1,495                  | \$ 54,272                                     | \$ 104,462                      | 100%  | 100% | 167% |
|  | 6/30/1999      | 10,680                            | 1,319                     | 42,714  | 85,827                          | 100%  | 100% | 173% |
|  | 6/30/1998      | 9,258                             | 1,337                     | 36,483  | 73,521                          | 100%  | 100% | 172% |
|  | 6/30/1997      | 8,064                             | 1,188                     | 31,373  | 58,929                          | 100%  | 100% | 158% |
|  | 6/30/1996      | 6,830                             | 1,013                     | 26,746  | 47,281                          | 100%  | 100% | 147% |
|  | 6/30/1995      | 5,763                             | 997                       | 18,154  | 36,790                          | 100%  | 100% | 165% |
| Judiciary                                      | 6/30/2000      | \$ 1,803                          | \$ 14,727                 | \$ 11,578                                     | \$ 30,293                       | 100%  | 100% | 119% |
|  | 6/30/1999      | 1,064                             | 12,131                    | 12,207  | 25,494                          | 100%  | 100% | 101% |
|  | 6/30/1998      | 1,437                             | 11,463                    | 11,275  | 22,698                          | 100%  | 100% | 87%  |
|  | 6/30/1997      | 1,331                             | 9,704                     | 10,637  | 18,958                          | 100%  | 100% | 74%  |
|  | 6/30/1996      | 1,128                             | 10,094                    | 9,624   | 15,918                          | 100%  | 100% | 49%  |
|  | 6/30/1995      | 1,081                             | 9,428                     | 7,781   | 13,012                          | 100%  | 100% | 32%  |
| County & Municipal Police/Firemen's (FICA)     | 6/30/2000      | \$ 1,308                          | \$ 460                    | \$ 11,171                                     | \$ 15,298                       | 100%  | 100% | 121% |
|  | 6/30/1999      | 995                               | 463                       | 9,202   | 12,074                          | 100%  | 100% | 115% |
|  | 6/30/1998      | 895                               | 303                       | 7,195   | 10,089                          | 100%  | 100% | 124% |
|  | 6/30/1997      | 752                               | 304                       | 5,661   | 7,923                           | 100%  | 100% | 121% |
|  | 6/30/1996      | 615                               | 284                       | 4,369   | 6,007                           | 100%  | 100% | 117% |
|  | 6/30/1995      | 516                               | 278                       | 2,861   | 4,263                           | 100%  | 100% | 121% |
| County & Municipal Police/Firemen's (Non-FICA) | 6/30/2000      | \$ 1,979                          | \$ 183                    | \$ 8,481                                      | \$ 12,262                       | 100%  | 100  | 119% |
|  | 6/30/1999      | 1,101                             | 180                       | 5,756   | 8,138                           | 100%  | 100  | 119% |
|  | 6/30/1998      | 908                               | -                         | 3,567   | 5,056                           | 100%  | -    | 116% |
|  | 6/30/1997      | 578                               | -                         | 2,091   | 3,036                           | 100%  | -    | 118% |
|  | 6/30/1996      | 344                               | -                         | 1,104   | 1,629                           | 100%  | -    | 116% |
|  | 6/30/1995      | 148                               | -                         | 398   | 634                             | 100%  | -    | 122% |
| County & Municipal Other Employees'            | 6/30/2000      | \$ 227                            | \$ 185                    | \$ 2,192                                      | \$ 2,819                        | 100%  | 100% | 110% |
|  | 6/30/1999      | 130                               | 144                       | 1,918   | 2,092                           | 100%  | 100% | 91%  |
|  | 6/30/1998      | 170                               | 120                       | 1,262   | 1,704                           | 100%  | 100% | 112% |
|  | 6/30/1997      | 132                               | 123                       | 1,019   | 1,357                           | 100%  | 100% | 108% |
|  | 6/30/1996      | 106                               | 126                       | 797   | 1,017                           | 100%  | 100% | 99%  |
|  | 6/30/1995      | 88                                | 92                        | 626   | 556                             | 100%  | 100% | 60%  |

**Solvency Test** *(continued)*  
*(Dollar values expressed in thousands)*

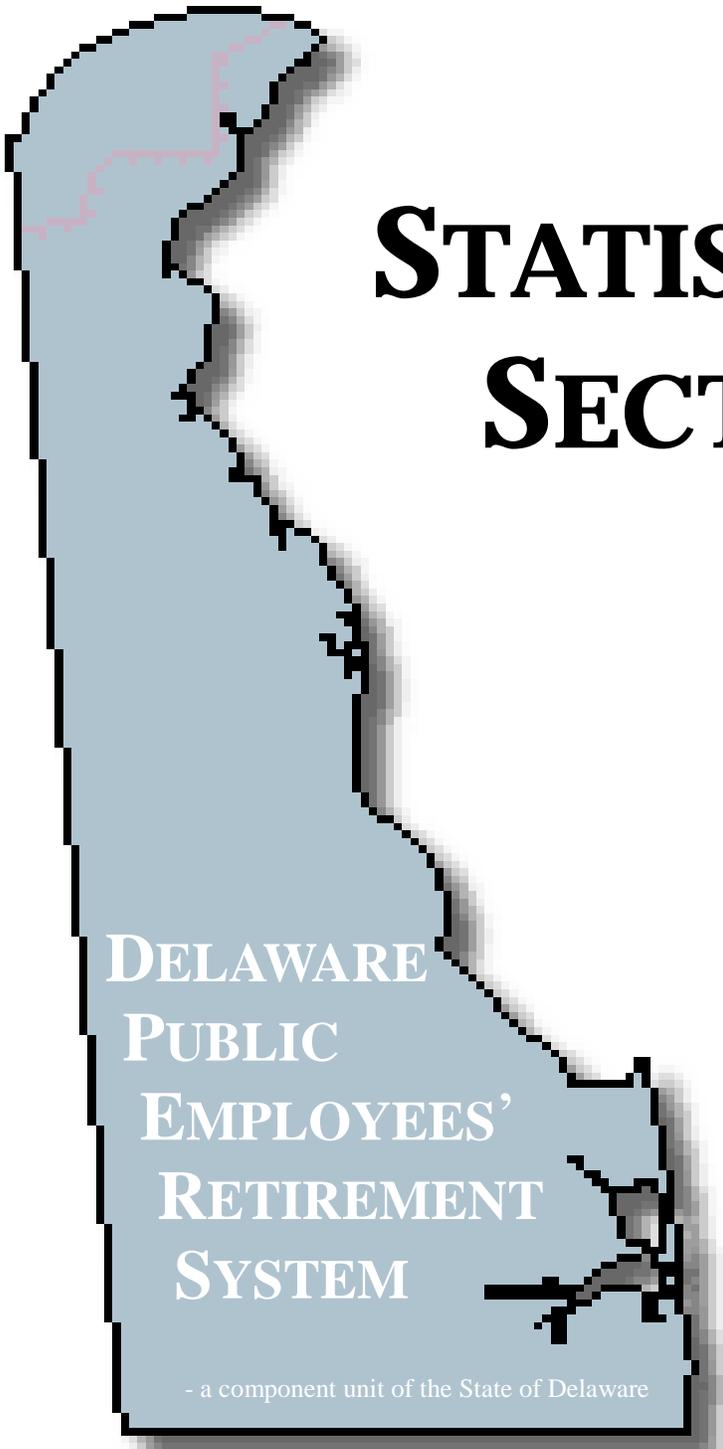
| Plan                | Valuation Date | Aggregate Accrued Liabilities for |                           |   | Market Value of Reported Assets | Portion of Accrued Liabilities by Reported Assets |      |      |
|---------------------|----------------|-----------------------------------|---------------------------|---|---------------------------------|---|------|------|
|                     |                | Active Member Contributions       | Retirants & Beneficiaries | Active Member Employer Financed Contributions |                                 | (1)   | (2)  | (3)  |
|                     |                | (1)                               | (2)                       | (3)   |                                 | (1)   | (2)  | (3)  |
| Volunteer Firemen's | 6/30/2000      | \$ 2,784                          | \$ 6,887                  | \$ 3,757                                      | \$ 10,254                       | 100%  | 100% | 8%   |
|                     | 6/30/1999      | 2,744                             | 6,655                     | 3,678   | 8,897                           | 100%  | 92%  | 0%   |
|                     | 6/30/1998      | 2,521                             | 6,351                     | 3,619   | 8,162                           | 100%  | 89%  | 0%   |
|                     | 6/30/1997      | 2,311                             | 6,053                     | 3,648   | 6,901                           | 100%  | 76%  | 0%   |
|                     | 6/30/1996      | 2,077                             | 5,888                     | 3,546   | 5,875                           | 100%  | 65%  | 0%   |
|                     | 6/30/1995      | 1,875                             | 5,729                     | 2,696   | 4,969                           | 100%  | 54%  | 0%   |
| Diamond State Port  | 6/30/2000      | \$ 626                            | \$ 584                    | \$ 4,012                                      | \$ 6,053                        | 100%  | 100% | 121% |
|                     | 6/30/2000      | 542                               | 624                       | 3,785   | 4,777                           | 100%  | 100% | 95%  |
|                     | 6/30/1998      | 532                               | 467                       | 3,369   | 3,833                           | 100%  | 100% | 84%  |
|                     | 6/30/1997      | 337                               | 431                       | 3,094   | 2,891                           | 100%  | 100% | 69%  |
|                     | 6/30/1996      | 418                               | 11                        | 4,302   | 1,808                           | 100%  | 100% | 32%  |
| Closed State Police | 6/30/2000      | \$ 3,248                          | \$ 264,722                | \$ 34,825                                     | \$ 1,687                        | 52%   | 0%   | 0%   |
|                     | 6/30/1999      | 4,021                             | 256,445                   | 43,970  | 1,345                           | 33%   | 0%   | 0%   |
|                     | 6/30/1998      | 4,285                             | 255,383                   | 48,896  | 1,029                           | 24%   | 0%   | 0%   |
|                     | 6/30/1997      | 4,374                             | 250,364                   | 50,021  | 731                             | 17%   | 0%   | 0%   |
|                     | 6/30/1996      | 4,287                             | 242,724                   | 49,196  | 432                             | 10%   | 0%   | 0%   |

**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 Ending June 30, |           |          |           |          |           |
|---|--|-----------|----------|-----------|----------|-----------|
|   | 1995   | 1996      | 1997     | 1998      | 1999     | 2000      |
| Investment Income on Actuarial Assets             | \$ 94,994  | 120,335   | 159,984  | 209,366   | 202,925  | 254,955   |
| Combined Liability Experience                     | (226)  | 18,367    | 60,984   | 3,073     | 39,854   | 4,349     |
| Gain/(Loss) During Year from Financial Experience | \$ 94,768  | 138,702   | 220,968  | 212,439   | 242,779  | 259,304   |
| Non-Recurring Items                               | -  | (243,125) | (23,322) | (134,164) | (41,170) | (202,468) |
| Composite Gain/(Loss) During Year                 | \$ 94,768  | (104,423) | 197,646  | 78,275    | 201,609  | 56,836    |

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# STATISTICAL SECTION

DELAWARE  
PUBLIC  
EMPLOYEES'  
RETIREMENT  
SYSTEM

- a component unit of the State of Delaware

# STATISTICAL SECTION

## Schedule of Additions by Source

(Dollar values expressed in thousands)

| Plan   | Fiscal Year Ended | Employer Contributions | Transfer of Contributions from PRI Fund | Transfer of Assets from Outside the System | Member Contributions |
|--|-------------------|------------------------|---|--|----------------------|
| State Employees'                               | 6/30/2000         | \$ 43,433              | 33,498                                  | -  | 29,659               |
|  | 6/30/1999         | 52,338                 | 30,933                                  | -  | 26,932               |
|  | 6/30/1998         | 57,049                 | 27,074                                  | -  | 23,093               |
|  | 6/30/1997         | 58,525                 | 20,786                                  | -  | 24,194               |
|  | 6/30/1996         | 52,216                 | 9,675                                   | -  | 23,343               |
|  | 6/30/1995         | 53,065                 | 6,704                                   | -  | 21,815               |
| Special  | 6/30/2000         | \$ -                   | -                                       | -  | -                    |
|  | 6/30/1999         | -                      | -                                       | -  | -                    |
|  | 6/30/1998         | -                      | -                                       | -  | 4                    |
|  | 6/30/1997         | -                      | -                                       | -  | -                    |
|  | 6/30/1996         | -                      | -                                       | -  | -                    |
|  | 6/30/1995         | -                      | -                                       | -  | -                    |
| New State Police                               | 6/30/2000         | \$ 2,585               | 24                                      | -  | 1,294                |
|  | 6/30/1999         | 2,624                  | 21                                      | -  | 1,168                |
|  | 6/30/1998         | 2,546                  | 18                                      | -  | 1,040                |
|  | 6/30/1997         | 1,913                  | 13                                      | -  | 946                  |
|  | 6/30/1996         | 1,851                  | 9                                       | -  | 867                  |
|  | 6/30/1995         | 1,712                  | 6                                       | -  | 750                  |
| Judiciary                                      | 6/30/2000         | \$ 1,666               | 251                                     | -  | 183                  |
|  | 6/30/1999         | 1,327                  | 221                                     | -  | 165                  |
|  | 6/30/1998         | 1,273                  | 189                                     | -  | 133                  |
|  | 6/30/1997         | 1,199                  | 134                                     | -  | 144                  |
|  | 6/30/1996         | 1,260                  | 64                                      | -  | 141                  |
|  | 6/30/1995         | 1,231                  | 45                                      | -  | 128                  |
| County & Municipal Police/Firemen's (FICA)     | 6/30/2000         | \$ 964                 | -                                       | -  | 208                  |
|  | 6/30/1999         | 622                    | -                                       | -  | 136                  |
|  | 6/30/1998         | 587                    | -                                       | -  | 126                  |
|  | 6/30/1997         | 648                    | -                                       | -  | 115                  |
|  | 6/30/1996         | 708                    | -                                       | -  | 103                  |
|  | 6/30/1995         | 397                    | -                                       | -  | 87                   |
| County & Municipal Police/Firemen's (Non-FICA) | 6/30/2000         | \$ 1,807               | -                                       | -  | 765                  |
|  | 6/30/1999         | 1,403                  | -                                       | -  | 468                  |
|  | 6/30/1998         | 1,064                  | -                                       | -  | 351                  |
|  | 6/30/1997         | 740                    | -                                       | -  | 244                  |
|  | 6/30/1996         | 542                    | -                                       | -  | 185                  |
|  | 6/30/1995         | 321                    | -                                       | -  | 112                  |
| County & Municipal Other Employees'            | 6/30/2000         | \$ 352                 | -                                       | -  | 46                   |
|  | 6/30/1999         | 158                    | -                                       | -  | 30                   |
|  | 6/30/1998         | 82                     | -                                       | -  | 33                   |
|  | 6/30/1997         | 116                    | -                                       | -  | 30                   |
|  | 6/30/1996         | 301                    | -                                       | -  | 26                   |
|  | 6/30/1995         | 33                     | -                                       | -  | 18                   |

# STATISTICAL SECTION

| Other | Net Investment Income | Net Increase/(Decrease)<br>in Fair Value of Investments | Total Additions | Employer Contributions<br>as a Percent of<br>Covered Payroll |
|-------|-----------------------|---|-----------------|--|
| -     | 149,001               | 642,212   | \$ 897,803      | 3.9%   |
| 2     | 121,749               | 345,930   | 577,884         | 5.2%   |
| 2     | 125,113               | 537,329   | 769,660         | 5.8%   |
| 3     | 119,143               | 422,815   | 645,466         | 6.2%   |
| 139   | 109,913               | 406,175   | 601,461         | 5.6%   |
| 91    | 102,708               | 317,569   | 501,952         | 6.1%   |
| -     | 64                    | 280   | \$ 344          | -  |
| -     | 56                    | 153   | 209             | -  |
| -     | 62                    | 264   | 330             | -  |
| -     | 64                    | 213   | 277             | -  |
| -     | 64                    | 222   | 286             | -  |
| -     | 64                    | 200   | 264             | -  |
| 20    | 2,857                 | 12,122  | \$ 18,902       | 10.0%  |
| 32    | 2,211                 | 6,481   | 12,537          | 11.3%  |
| 11    | 2,142                 | 9,172   | 14,929          | 12.3%  |
| 8     | 1,881                 | 7,001   | 11,762          | 10.0%  |
| 8     | 1,613                 | 6,314   | 10,662          | 10.7%  |
| 15    | 1,381                 | 4,277   | 8,141           | 11.4%  |
| -     | 821                   | 3,530   | \$ 6,451        | 23.1%  |
| -     | 659                   | 1,944   | 4,316           | 24.2%  |
| -     | 663                   | 2,858   | 5,116           | 24.9%  |
| -     | 613                   | 2,217   | 4,307           | 24.2%  |
| -     | 552                   | 2,091   | 4,108           | 25.6%  |
| -     | 497                   | 1,540   | 3,441           | 27.0%  |
| -     | 416                   | 1,719   | \$ 3,307        | 12.5%  |
| -     | 309                   | 1,008   | 2,075           | 13.7%  |
| -     | 296                   | 1,221   | 2,230           | 13.9%  |
| -     | 246                   | 956   | 1,965           | 16.0%  |
| -     | 198                   | 809   | 1,818           | 13.6%  |
| -     | 156                   | 484   | 1,124           | 14.1%  |
| -     | 324                   | 1,304   | \$ 4,200        | 14.3%  |
| -     | 187                   | 1,067   | 3,125           | 14.9%  |
| -     | 140                   | 505   | 2,060           | 15.2%  |
| -     | 81                    | 361   | 1,426           | 15.3%  |
| -     | 44                    | 233   | 1,004           | 14.4%  |
| -     | 16                    | 51  | 500             | 14.3%  |
| -     | 77                    | 292   | \$ 767          | 4.6%   |
| -     | 53                    | 176   | 417             | 5.7%   |
| -     | 50                    | 204   | 369             | 5.7%   |
| -     | 41                    | 172   | 359             | 7.3%   |
| -     | 30                    | 132   | 489             | 7.3%   |
| -     | 21                    | 64  | 136             | 4.5%   |

*(continued on next page)*

# STATISTICAL SECTION

## Schedule of Additions by Source *(continued)*

*(Dollar values expressed in thousands)*

| Plan                           | Fiscal Year Ended | Employer Contributions | Transfer of Contributions from PRI Fund | Transfer of Assets from Outside the System | Member Contributions |
|--------------------------------|-------------------|------------------------|---|--|----------------------|
| Volunteer Firemen's            | 6/30/2000         | \$ 645                 | -                                       | -  | 203                  |
|                                | 6/30/1999         | 660                    | -                                       | -  | 203                  |
|                                | 6/30/1998         | 689                    | -                                       | -  | 205                  |
|                                | 6/30/1997         | 721                    | -                                       | -  | 201                  |
|                                | 6/30/1996         | 584                    | -                                       | -  | 202                  |
|                                | 6/30/1995         | 608                    | -                                       | -  | 205                  |
| Diamond State Port Corporation | 6/30/2000         | \$ 389                 | -                                       | -  | 143                  |
|                                | 6/30/1999         | 407                    | -                                       | -  | 125                  |
|                                | 6/30/1998         | 384                    | 247                                     | -  | 110                  |
|                                | 6/30/1997         | 189                    | -                                       | -  | 77                   |
|                                | 6/30/1996         | 146                    | 1,588                                   | -  | 53                   |
| Closed State Police            | 6/30/2000         | \$ 16,208              | -                                       | -  | 93                   |
|                                | 6/30/1999         | 15,664                 | -                                       | -  | 152                  |
|                                | 6/30/1998         | 15,071                 | -                                       | -  | 193                  |
|                                | 6/30/1997         | 14,520                 | -                                       | -  | 207                  |
|                                | 6/30/1996         | 13,960                 | -                                       | -  | 214                  |
|                                | 6/30/1995         | 12,863                 | -                                       | -  | 259                  |

## Schedule of Deductions by Type

*(Expressed in thousands)*

|                  | Fiscal Year Ended | Transfer of Contributions from PRI Fund | Transfer of Assets Outside the System | Benefit Payments | Refunds of Contributions |
|------------------|-------------------|---|---------------------------------------|------------------|--------------------------|
| State Employees' | 6/30/2000         | \$ -                                    | -                                     | 159,122          | 2,376                    |
|                  | 6/30/1999         | -                                       | -                                     | 145,391          | 2,488                    |
|                  | 6/30/1998         | -                                       | -                                     | 133,018          | 2,220                    |
|                  | 6/30/1997         | -                                       | -                                     | 123,478          | 1,808                    |
|                  | 6/30/1996         | -                                       | -                                     | 113,703          | 2,137                    |
|                  | 6/30/1995         | -                                       | -                                     | 108,503          | 1,605                    |
| Special          | 6/30/2000         | \$ -                                    | -                                     | 133              | -                        |
|                  | 6/30/1999         | -                                       | -                                     | 132              | -                        |
|                  | 6/30/1998         | -                                       | -                                     | 125              | -                        |
|                  | 6/30/1997         | -                                       | -                                     | 129              | -                        |
|                  | 6/30/1996         | -                                       | -                                     | 132              | -                        |
|                  | 6/30/1995         | -                                       | -                                     | 136              | -                        |
| New State Police | 6/30/2000         | \$ -                                    | -                                     | 166              | 56                       |
|                  | 6/30/1999         | -                                       | -                                     | 113              | 73                       |
|                  | 6/30/1998         | -                                       | -                                     | 122              | 159                      |
|                  | 6/30/1997         | -                                       | -                                     | 87               | 19                       |
|                  | 6/30/1996         | -                                       | -                                     | 86               | 61                       |
|                  | 6/30/1995         | -                                       | -                                     | 85               | 14                       |
| Judiciary        | 6/30/2000         | \$ -                                    | -                                     | 1,642            | -                        |
|                  | 6/30/1999         | -                                       | -                                     | 1,498            | -                        |
|                  | 6/30/1998         | -                                       | -                                     | 1,356            | -                        |
|                  | 6/30/1997         | -                                       | -                                     | 1,268            | -                        |
|                  | 6/30/1996         | -                                       | -                                     | 1,184            | 11                       |
|                  | 6/30/1995         | -                                       | -                                     | 1,118            | -                        |

# STATISTICAL SECTION

| Other | Net Investment Income | Net Increase/(Decrease)<br>in Fair Value of Investments | Total Additions | Employer Contributions<br>as a Percent of<br>Covered Payroll |
|-------|-----------------------|---|-----------------|--|
| -     | 282                   | 1,198   | \$ 2,328        | -  |
| -     | 232                   | 615   | 1,710           | -  |
| -     | 243                   | 1,028   | 2,165           | -  |
| -     | 216                   | 741   | 1,879           | -  |
| 1     | 207                   | 768   | 1,762           | -  |
| -     | 191                   | 592   | 1,596           | -  |
| -     | 156                   | 433   | \$ 1,121        | 5.3%   |
| -     | 121                   | 412   | 1,065           | 6.4%   |
| -     | 113                   | 411   | 1,265           | 6.9%   |
| -     | 83                    | 551   | 900             | 5.0%   |
| -     | 47                    | -   | 1,834           | 5.0%   |
| 2     | 198                   | -   | \$ 16,501       | -  |
| 5     | 109                   | -   | 15,930          | -  |
| 2     | 157                   | -   | 15,423          | -  |
| 1     | 128                   | -   | 14,856          | -  |
| 3     | 127                   | -   | 14,304          | -  |
| 5     | 83                    | -   | 13,210          | -  |

| Group Life<br>Payments | Administrative<br>Expenses | Total<br>Deductions |
|------------------------|----------------------------|---------------------|
| 3,573                  | 4,140                      | \$ 169,211          |
| 2,344                  | 4,843                      | 155,066             |
| 2,600                  | 4,484                      | 142,322             |
| 2,450                  | 2,451                      | 130,187             |
| 2,241                  | 2,327                      | 120,408             |
| 2,095                  | 2,434                      | 114,637             |
| 12                     | 4                          | \$ 149              |
| 30                     | 6                          | 168                 |
| 15                     | 6                          | 146                 |
| 20                     | -                          | 149                 |
| -                      | 3                          | 135                 |
| -                      | 4                          | 140                 |
| -                      | 40                         | \$ 262              |
| -                      | 45                         | 231                 |
| -                      | 39                         | 320                 |
| -                      | 25                         | 131                 |
| -                      | 25                         | 172                 |
| -                      | 23                         | 122                 |
| -                      | 8                          | \$ 1,650            |
| -                      | 23                         | 1,521               |
| -                      | 13                         | 1,369               |
| -                      | 5                          | 1,273               |
| -                      | 7                          | 1,202               |
| -                      | 4                          | 1,122               |

*(continued on next page)*

# STATISTICAL SECTION

## Schedule of Deductions by Type *(continued)* *(Expressed in thousands)*

|                                | Fiscal Year Ended | Transfer of Contributions from PRI Fund | Transfer of Assets Outside the System | Benefit Payments | Refunds of Contributions |
|--------------------------------|-------------------|---|---------------------------------------|------------------|--------------------------|
| County & Municipal             | 6/30/2000         | \$ -                                    | -                                     | 53               | 13                       |
| Police/Firemen's (FICA)        | 6/30/1999         | -                                       | -                                     | 52               | 12                       |
|                                | 6/30/1998         | -                                       | -                                     | 35               | 10                       |
|                                | 6/30/1997         | -                                       | -                                     | 32               | 8                        |
|                                | 6/30/1996         | -                                       | -                                     | 32               | 29                       |
|                                | 6/30/1995         | -                                       | -                                     | 18               | 12                       |
| County & Municipal             | 6/30/2000         | \$ -                                    | -                                     | 16               | 37                       |
| Police/Firemen's (Non-FICA)    | 6/30/1999         | -                                       | -                                     | 13               | 14                       |
|                                | 6/30/1998         | -                                       | -                                     | -                | 28                       |
|                                | 6/30/1997         | -                                       | -                                     | -                | 8                        |
|                                | 6/30/1996         | -                                       | -                                     | -                | 2                        |
|                                | 6/30/1995         | -                                       | -                                     | -                | -                        |
| County & Municipal             | 6/30/2000         | \$ -                                    | -                                     | 21               | 3                        |
| Other Employees'               | 6/30/1999         | -                                       | -                                     | 17               | 4                        |
|                                | 6/30/1998         | -                                       | -                                     | 15               | 1                        |
|                                | 6/30/1997         | -                                       | -                                     | 15               | 1                        |
|                                | 6/30/1996         | -                                       | -                                     | 15               | 9                        |
|                                | 6/30/1995         | -                                       | -                                     | 11               | 10                       |
| Volunteer Firemen's            | 6/30/2000         | \$ -                                    | -                                     | 920              | 29                       |
|                                | 6/30/1999         | -                                       | -                                     | 890              | 51                       |
|                                | 6/30/1998         | -                                       | -                                     | 836              | 42                       |
|                                | 6/30/1997         | -                                       | -                                     | 811              | 29                       |
|                                | 6/30/1996         | -                                       | -                                     | 791              | 47                       |
|                                | 6/30/1995         | -                                       | -                                     | 755              | 29                       |
| Diamond State Port Corporation | 6/30/2000         | \$ -                                    | -                                     | 75               | 12                       |
|                                | 6/30/1999         | -                                       | -                                     | 88               | 12                       |
|                                | 6/30/1998         | -                                       | -                                     | 53               | 7                        |
|                                | 6/30/1997         | -                                       | -                                     | 33               | 9                        |
|                                | 6/30/1996         | -                                       | -                                     | 2                | -                        |
| Closed State Police            | 6/30/2000         | \$ -                                    | -                                     | 16,078           | -                        |
|                                | 6/30/1999         | -                                       | -                                     | 15,481           | -                        |
|                                | 6/30/1998         | -                                       | -                                     | 15,018           | -                        |
|                                | 6/30/1997         | -                                       | -                                     | 14,465           | -                        |
|                                | 6/30/1996         | -                                       | -                                     | 13,902           | -                        |
|                                | 6/30/1995         | -                                       | -                                     | 13,082           | 27                       |

| <b>Group Life<br/>Payments</b> | <b>Administrative<br/>Expenses</b> |    | <b>Total<br/>Deductions</b> |
|--------------------------------|------------------------------------|----|-----------------------------|
| -                              | 16                                 | \$ | 82                          |
| -                              | 26                                 |    | 90                          |
| -                              | 16                                 |    | 61                          |
| -                              | 12                                 |    | 52                          |
| -                              | 13                                 |    | 74                          |
| -                              | 6                                  |    | 36                          |
| -                              | 22                                 | \$ | 75                          |
| -                              | 16                                 |    | 43                          |
| -                              | 12                                 |    | 40                          |
| -                              | 12                                 |    | 52                          |
| -                              | 7                                  |    | 9                           |
| -                              | 6                                  |    | 6                           |
| -                              | 16                                 | \$ | 40                          |
| -                              | 8                                  |    | 29                          |
| -                              | 4                                  |    | 20                          |
| -                              | 4                                  |    | 20                          |
| -                              | 4                                  |    | 28                          |
| -                              | 2                                  |    | 23                          |
| -                              | 22                                 | \$ | 971                         |
| -                              | 34                                 |    | 975                         |
| -                              | 24                                 |    | 902                         |
| -                              | 15                                 |    | 855                         |
| -                              | 18                                 |    | 856                         |
| -                              | 19                                 |    | 803                         |
| -                              | 17                                 | \$ | 104                         |
| -                              | 21                                 |    | 121                         |
| -                              | 21                                 |    | 81                          |
| -                              | 17                                 |    | 59                          |
| -                              | 24                                 |    | 26                          |
| 30                             | 51                                 | \$ | 16,159                      |
| 70                             | 63                                 |    | 15,614                      |
| 45                             | 62                                 |    | 15,125                      |
| 55                             | 37                                 |    | 14,557                      |
| 20                             | 35                                 |    | 13,957                      |
| -                              | 35                                 |    | 13,144                      |

# STATISTICAL SECTION

## Schedule of Benefit Deductions by Type

(Expressed in thousands)

| Plan  | Fiscal Years   |    | Service | Survivor | Disability | Total      |
|---|----------------|----|---------|----------|------------|------------|
|   | Ended June 30, |    |         |          |            |            |
| State Employees'                                  | 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    |
|   | 1996           |    | 96,113  | 8,938    | 8,652      | 113,703    |
| Special   | 2000           | \$ | 73      | 52       | 8          | \$ 133     |
|   | 1999           |    | 78      | 46       | 8          | 132        |
|   | 1998           |    | 78      | 40       | 7          | 125        |
|   | 1997           |    | 83      | 39       | 7          | 129        |
|   | 1996           |    | 132     | -        | -          | 132        |
| New State Police                                  | 2000           | \$ | -       | 19       | 147        | \$ 166     |
|   | 1999           |    | -       | 18       | 95         | 113        |
|   | 1998           |    | -       | 18       | 104        | 122        |
|   | 1997           |    | -       | 18       | 69         | 87         |
|   | 1996           |    | -       | 18       | 68         | 86         |
| Judiciary   | 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      |
|   | 1996           |    | 897     | 189      | 98         | 1,184      |
| County & Municipal Police/Firemen's<br>(FICA)     | 2000           | \$ | -       | 32       | 21         | \$ 53      |
|   | 1999           |    | -       | 34       | 18         | 52         |
|   | 1998           |    | -       | 15       | 20         | 35         |
|   | 1997           |    | -       | 11       | 21         | 32         |
|   | 1996           |    | -       | 12       | 20         | 32         |
| County & Municipal Police/Firemen's<br>(Non-FICA) | 2000           | \$ | -       | -        | 16         | \$ 16      |
|   | 1999           |    | -       | -        | 13         | 13         |
|   | 1998           |    | -       | -        | -          | -          |
|   | 1997           |    | -       | -        | -          | -          |
|   | 1996           |    | -       | -        | -          | -          |
| County & Municipal Other Employees'               | 2000           | \$ | 19      | -        | 2          | \$ 21      |
|   | 1999           |    | 15      | -        | 2          | 17         |
|   | 1998           |    | 13      | -        | 2          | 15         |
|   | 1997           |    | 13      | -        | 2          | 15         |
|   | 1996           |    | 13      | -        | 2          | 15         |
| Volunteer Firemen's                               | 2000           | \$ | 920     | -        | -          | \$ 920     |
|   | 1999           |    | 890     | -        | -          | 890        |
|   | 1998           |    | 836     | -        | -          | 836        |
|   | 1997           |    | 811     | -        | -          | 811        |
|   | 1996           |    | 791     | -        | -          | 791        |
| Diamond State Port Corporation                    | 2000           | \$ | 51      | 11       | 13         | \$ 75      |
|   | 1999           |    | 54      | 28       | 6          | 88         |
|   | 1998           |    | 53      | -        | -          | 53         |
|   | 1997           |    | 33      | -        | -          | 33         |
|   | 1996           |    | 2       | -        | -          | 2          |
| Closed State Police                               | 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     |
|   | 1996           |    | 9,931   | 1,390    | 2,581      | 13,902     |



**Schedule of Retired Members by Type of Benefit by Plan**

as of June 30, 2000

| Plan   | Amount of Monthly Benefit | Number of Retirants | Type of Retirement |          |            |
|--|---------------------------|---------------------|--------------------|----------|------------|
|  |                           |                     | Service            | Survivor | Disability |
| State Employees'                               | Deferred                  | 528                 |                    |          |            |
|  | \$1 - 499                 | 6,043               | 3,179              | 1,800    | 1,064      |
|  | 500 - 999                 | 4,078               | 3,074              | 541      | 463        |
|  | 1000 - 1499               | 2,363               | 2,013              | 164      | 186        |
|  | 1500 - 1999               | 1,323               | 1,192              | 49       | 82         |
|  | 2000 - 2499               | 784                 | 734                | 14       | 36         |
|  | 2500 - 2999               | 362                 | 347                | 6        | 9          |
|  | over \$3,000              | 246                 | 241                | 2        | 3          |
| Special  | Deferred                  |                     |                    |          |            |
|  | \$1 - 499                 | 40                  | 18                 | 20       | 2          |
|  | 500 - 999                 | 2                   | 1                  | 1        |            |
|  | over \$1,000              |                     |                    |          |            |
| New State Police                               | Deferred                  | 4                   |                    |          |            |
|  | \$1 - 1,499               |                     |                    |          |            |
|  | 1500 - 1999               | 2                   |                    | 1        | 1          |
|  | 2000 - 2499               | 2                   |                    |          | 2          |
|  | over \$2,500              | 1                   |                    |          | 1          |
| Judiciary                                      | Deferred                  |                     |                    |          |            |
|  | \$1 - 499                 |                     |                    |          |            |
|  | 500 - 999                 | 1                   |                    | 1        |            |
|  | 1000 - 1499               | 1                   |                    | 1        |            |
|  | 1500 - 1999               | 1                   |                    | 1        |            |
|  | 2000 - 2499               | 3                   |                    | 3        |            |
|  | 2500 - 2999               | 6                   | 3                  | 1        | 2          |
|  | over \$3,000              | 25                  | 21                 | 3        | 1          |
| County & Municipal Police/Firemen's (FICA)     | Deferred                  | 6                   |                    |          |            |
|  | \$1 - 499                 |                     |                    |          |            |
|  | 500 - 999                 | 2                   |                    | 2        |            |
|  | 1000 - 1499               |                     |                    |          |            |
|  | 1500 - 1999               | 2                   |                    | 1        | 1          |
| County & Municipal Police/Firemen's (Non-FICA) | Deferred                  | 4                   |                    |          |            |
|  | \$1 - 499                 |                     |                    |          |            |
|  | 500 - 999                 |                     |                    |          |            |
|  | 1000 - 1499               | 1                   |                    |          | 1          |
| County & Municipal Other Employees'            | Deferred                  | 1                   |                    |          |            |
|  | \$1 - 499                 | 9                   | 8                  |          | 1          |
|  | over \$500                |                     |                    |          |            |
| Volunteer Firemen's                            | Deferred                  | 7                   |                    |          |            |
|  | \$1 - 74                  | 633                 | 633                |          |            |
|  | 75 - 99                   | 390                 | 390                |          |            |
|  | over \$100                | 80                  | 80                 |          |            |
| Diamond State Port Corporation                 | Deferred                  |                     |                    |          |            |
|  | \$1 - 499                 | 1                   | 1                  |          |            |
|  | 500 - 999                 | 3                   | 2                  | 1        |            |
|  | 1000 - 1499               | 3                   | 2                  |          | 1          |
| Closed State Police                            | Deferred                  |                     |                    |          |            |
|  | \$1 - 999                 |                     |                    |          |            |
|  | 1000 - 1499               | 5                   |                    | 5        |            |
|  | 1500 - 1999               | 53                  |                    | 44       | 9          |
|  | 2000 - 2499               | 218                 | 174                | 25       | 19         |
|  | 2500 - 2999               | 209                 | 177                | 4        | 28         |
|  | over \$3,000              | 56                  | 25                 | 2        | 29         |

# STATISTICAL SECTION

## 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, 2000, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

| Credited Service             | 2000                          |               |            |
|------------------------------|-------------------------------|---------------|------------|
|                              | State Employees' Pension Plan |               |            |
|                              | Retirants                     | Beneficiaries | Disability |
| <i>Less than 5 years</i>     |                               |               |            |
| Average Monthly Benefit      | \$ 43                         | \$ 87         | \$ -       |
| Average Final Average Salary | \$ 17,104                     | \$ -          | \$ -       |
| Number of Active Retirees    | 8                             | 1             |            |
| <i>5 - 9.99 years</i>        |                               |               |            |
| Average Monthly Benefit      | \$ 260                        | \$ 130        | \$ 200     |
| Average Final Average Salary | \$ 22,957                     | \$ -          | \$ 17,452  |
| Number of Active Retirees    | 566                           | 335           | 413        |
| <i>10 - 14.99 years</i>      |                               |               |            |
| Average Monthly Benefit      | \$ 357                        | \$ 229        | \$ 367     |
| Average Final Average Salary | \$ 20,547                     | \$ -          | \$ 20,141  |
| Number of Active Retirees    | 1,125                         | 461           | 462        |
| <i>15 - 19.99 years</i>      |                               |               |            |
| Average Monthly Benefit      | \$ 519                        | \$ 312        | \$ 551     |
| Average Final Average Salary | \$ 21,837                     | \$ -          | \$ 22,328  |
| Number of Active Retirees    | 1,778                         | 580           | 393        |
| <i>20 - 24.99 years</i>      |                               |               |            |
| Average Monthly Benefit      | \$ 757                        | \$ 466        | \$ 836     |
| Average Final Average Salary | \$ 23,647                     | \$ -          | \$ 26,852  |
| Number of Active Retirees    | 1,949                         | 445           | 309        |
| <i>25 - 29.99 years</i>      |                               |               |            |
| Average Monthly Benefit      | \$ 1,168                      | \$ 639        | \$ 1,247   |
| Average Final Average Salary | \$ 30,190                     | \$ -          | \$ 33,014  |
| Number of Active Retirees    | 2,078                         | 283           | 170        |
| <i>30 - 34.99 years</i>      |                               |               |            |
| Average Monthly Benefit      | \$ 1,617                      | \$ 815        | \$ 1,647   |
| Average Final Average Salary | \$ 35,911                     | \$ -          | \$ 36,825  |
| Number of Active Retirees    | 2,196                         | 305           | 70         |
| <i>35 - 39.99 years</i>      |                               |               |            |
| Average Monthly Benefit      | \$ 2,008                      | \$ 1,140      | \$ 1,767   |
| Average Final Average Salary | \$ 38,514                     | \$ -          | \$ 34,750  |
| Number of Active Retirees    | 824                           | 123           | 20         |
| <i>40 years and over</i>     |                               |               |            |
| Average Monthly Benefit      | \$ 2,254                      | \$ 1,121      | \$ 1,523   |
| Average Final Average Salary | \$ 37,131                     | \$ -          | \$ 25,902  |
| Number of Active Retirees    | 256                           | 43            | 6          |

**Schedule of Average Benefit Payments** *(continued)*

| <b>Credited Service</b>      | <b>2000</b>                          |                      |                   | <b>2000</b>                   |                      |                   |
|------------------------------|--------------------------------------|----------------------|-------------------|-------------------------------|----------------------|-------------------|
|                              | <b>New State Police Pension Plan</b> |                      |                   | <b>Judiciary Pension Plan</b> |                      |                   |
|                              | <b>Retirants</b>                     | <b>Beneficiaries</b> | <b>Disability</b> | <b>Retirants</b>              | <b>Beneficiaries</b> | <b>Disability</b> |
| <i>Less than 5 years</i>     |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      |                                      |                      | \$ 2,011          |                               |                      | \$ 2,516          |
| Average Final Average Salary |                                      |                      | \$ 28,297         |                               |                      | \$ 40,930         |
| Number of Active Retirees    |                                      |                      | 1                 |                               |                      | 1                 |
| <i>5 - 9.99 years</i>        |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      | \$ 1,562                             |                      | \$ 2,653          |                               |                      |                   |
| Average Final Average Salary | \$ -                                 |                      | \$ 33,234         |                               |                      |                   |
| Number of Active Retirees    | 1                                    |                      | 2                 |                               |                      |                   |
| <i>10 - 14.99 years</i>      |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      |                                      |                      | \$ 1,957          | \$ 3,898                      | \$ 1,820             | \$ 3,229          |
| Average Final Average Salary |                                      |                      | \$ 30,101         | \$ 88,155                     | \$ -                 | \$ 68,824         |
| Number of Active Retirees    |                                      |                      | 1                 | 7                             | 2                    | 2                 |
| <i>15 - 19.99 years</i>      |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      |                                      |                      |                   | \$ 4,021                      | \$ 1,726             |                   |
| Average Final Average Salary |                                      |                      |                   | \$ 75,987                     | \$ -                 |                   |
| Number of Active Retirees    |                                      |                      |                   | 4                             | 1                    |                   |
| <i>20 - 24.99 years</i>      |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      |                                      |                      |                   | \$ 5,084                      | \$ 1,576             |                   |
| Average Final Average Salary |                                      |                      |                   | \$ 80,638                     | \$ -                 |                   |
| Number of Active Retirees    |                                      |                      |                   | 8                             | 2                    |                   |
| <i>25 - 29.99 years</i>      |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      |                                      |                      |                   | \$ 6,630                      | \$ 2,978             |                   |
| Average Final Average Salary |                                      |                      |                   | \$ 95,398                     | \$ -                 |                   |
| Number of Active Retirees    |                                      |                      |                   | 3                             | 3                    |                   |
| <i>30 - 34.99 years</i>      |                                      |                      |                   |                               |                      |                   |
| Average Monthly Benefit      |                                      |                      |                   | \$ 6,686                      | \$ 4,306             |                   |
| Average Final Average Salary |                                      |                      |                   | \$ 95,939                     | \$ -                 |                   |
| Number of Active Retirees    |                                      |                      |                   | 2                             | 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      |                                      |                      |                   |                               | \$ 4,229             |                   |
| Average Final Average Salary |                                      |                      |                   |                               | \$ -                 |                   |
| Number of Active Retirees    |                                      |                      |                   |                               | 1                    |                   |

*(continued on next page)*

# STATISTICAL SECTION

## Schedule of Average Benefit Payments *(continued)*

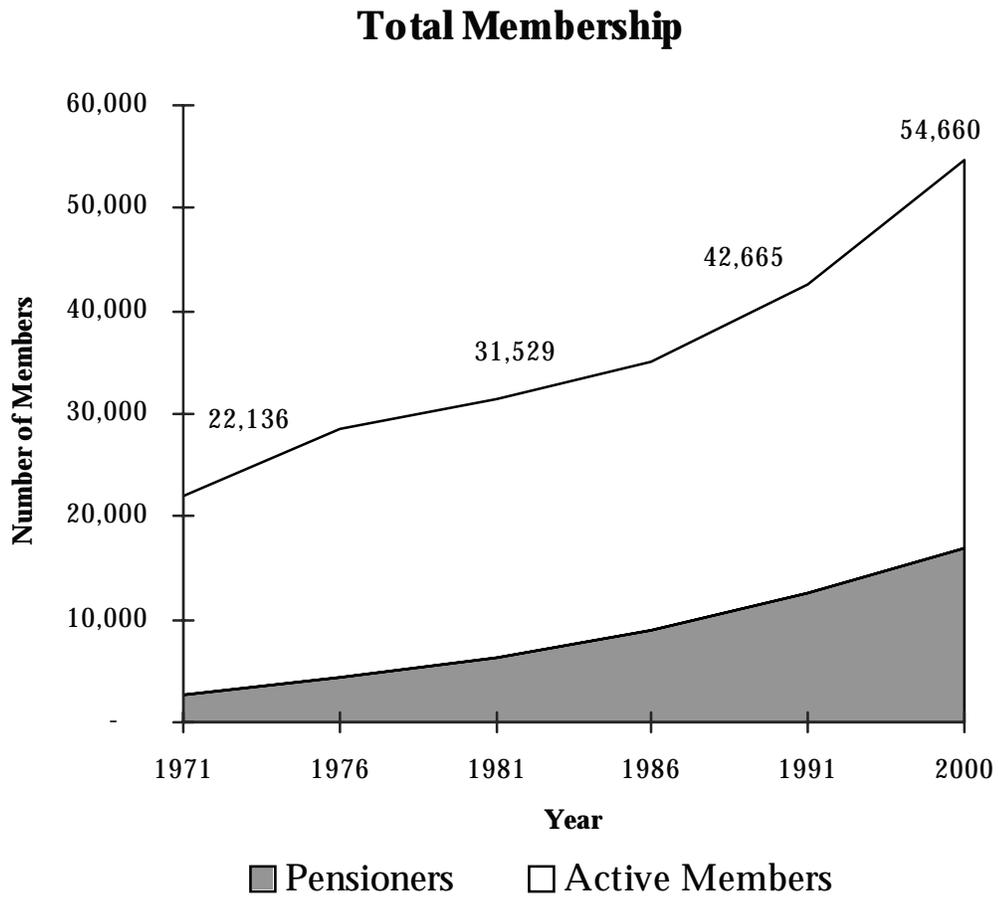
| Credited Service             | 2000<br>County & Municipal Police/<br>Firemen's Pension Plan (FICA) |               |            | 2000<br>County & Municipal Police/Firemen's<br>Pension Plan (Non-FICA) |               |            |
|------------------------------|---|---------------|------------|--|---------------|------------|
|                              | Retirants   | Beneficiaries | Disability | Retirants  | Beneficiaries | Disability |
| <i>Less than 5 years</i>     |   |               |            |  |               |            |
| Average Monthly Benefit      |   | \$ 505        |            |  |               |            |
| Average Final Average Salary |   | \$ -          |            |  |               |            |
| Number of Active Retirees    |   | 2             |            |  |               |            |
| <i>5 - 9.99 years</i>        |   |               |            |  |               |            |
| Average Monthly Benefit      |   |               |            |  | \$ 1,297      |            |
| Average Final Average Salary |   |               |            |  | \$ 27,400     |            |
| Number of Active Retirees    |   |               |            |  | 1             |            |
| <i>10 - 14.99 years</i>      |   |               |            |  |               |            |
| Average Monthly Benefit      |   |               |            |  |               |            |
| Average Final Average Salary |   |               |            |  |               |            |
| Number of Active Retirees    |   |               |            |  |               |            |
| <i>15 - 19.99 years</i>      |   |               |            |  |               |            |
| Average Monthly Benefit      |   |               | \$ 1,765   |  |               |            |
| Average Final Average Salary |   |               | \$ 32,606  |  |               |            |
| Number of Active Retirees    |   |               | 1          |  |               |            |
| <i>20 - 24.99 years</i>      |   |               |            |  |               |            |
| Average Monthly Benefit      |   |               |            |  |               |            |
| Average Final Average Salary |   |               |            |  |               |            |
| Number of Active Retirees    |   |               |            |  |               |            |
| <i>25 - 29.99 years</i>      |   |               |            |  |               |            |
| Average Monthly Benefit      | \$ 1,606  |               |            |  |               |            |
| Average Final Average Salary | \$ -  |               |            |  |               |            |
| Number of Active Retirees    | 1   |               |            |  |               |            |
| <i>30 - 34.99 years</i>      |   |               |            |  |               |            |
| Average Monthly Benefit      |   |               |            |  |               |            |
| Average Final Average Salary |   |               |            |  |               |            |
| Number of Active Retirees    |   |               |            |  |               |            |
| <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    |   |               |            |  |               |            |

| <b>Credited Service</b>      | <b>2000</b>   |                      |                   | <b>2000</b>                                 |                      |                   |
|------------------------------|---|----------------------|-------------------|---|----------------------|-------------------|
|                              | <b>County &amp; Municipal<br/>Other Employees' Pension Plan</b> |                      |                   | <b>Volunteer Firemen's<br/>Pension Plan</b> |                      |                   |
|                              | <b>Retirants</b>  | <b>Beneficiaries</b> | <b>Disability</b> | <b>Retirants</b>                            | <b>Beneficiaries</b> | <b>Disability</b> |
| <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      | \$ 110  |                      | \$ 184            |   |                      |                   |
| Average Final Average Salary | \$ 14,296   |                      | \$ 24,070         |   |                      |                   |
| Number of Active Retirees    | 4   |                      | 1                 |   |                      |                   |
| <i>10 - 14.99 years</i>      |   |                      |                   |   |                      |                   |
| Average Monthly Benefit      | \$ 263  |                      |                   | \$ 58                                       |                      |                   |
| Average Final Average Salary | \$ 17,761   |                      |                   | \$ -  |                      |                   |
| Number of Active Retirees    | 3   |                      |                   | 633   |                      |                   |
| <i>15 - 19.99 years</i>      |   |                      |                   |   |                      |                   |
| Average Monthly Benefit      |   |                      |                   | \$ 83                                       |                      |                   |
| Average Final Average Salary |   |                      |                   | \$ -  |                      |                   |
| Number of Active Retirees    |   |                      |                   | 390   |                      |                   |
| <i>20 - 24.99 years</i>      |   |                      |                   |   |                      |                   |
| Average Monthly Benefit      | \$ 491  |                      |                   | \$ 104                                      |                      |                   |
| Average Final Average Salary | \$ 17,165   |                      |                   | \$ -  |                      |                   |
| Number of Active Retirees    | 1   |                      |                   | 80  |                      |                   |
| <i>25 - 29.99 years</i>      |   |                      |                   |   |                      |                   |
| Average Monthly Benefit      |   |                      |                   |   |                      |                   |
| Average Final Average Salary |   |                      |                   |   |                      |                   |
| Number of Active Retirees    |   |                      |                   |   |                      |                   |
| <i>30 - 34.99 years</i>      |   |                      |                   |   |                      |                   |
| Average Monthly Benefit      |   |                      |                   |   |                      |                   |
| Average Final Average Salary |   |                      |                   |   |                      |                   |
| Number of Active Retirees    |   |                      |                   |   |                      |                   |
| <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    |   |                      |                   |   |                      |                   |

*(continued on next page)*

# STATISTICAL SECTION

| <b>Schedule of Average Benefit Payments (continued)</b> |   |                      |                   |  |                      |                   |
|---|---|----------------------|-------------------|--|----------------------|-------------------|
| <b>Credited Service</b>                                 | <b>2000<br/>Diamond State Port Corporation<br/>Pension Plan</b> |                      |                   | <b>2000<br/>Closed State Police<br/>Pension Plan</b> |                      |                   |
|   | <b>Retirants</b>  | <b>Beneficiaries</b> | <b>Disability</b> | <b>Retirants</b>                                     | <b>Beneficiaries</b> | <b>Disability</b> |
| <i>Less than 5 years</i>                                |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 |   |                      |                   |  |                      | \$ 2,220          |
| Average Final Average Salary                            |   |                      |                   |  |                      | \$ 22,172         |
| Number of Active Retirees                               |   |                      |                   |  |                      | 3                 |
| <i>5 - 9.99 years</i>                                   |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 |   |                      |                   | \$ 1,543   |                      | \$ 2,408          |
| Average Final Average Salary                            |   |                      |                   | \$ -   |                      | \$ 25,793         |
| Number of Active Retirees                               |   |                      |                   | 3  |                      | 21                |
| <i>10 - 14.99 years</i>                                 |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 | \$ 528  |                      |                   | \$ 1,905   |                      | \$ 2,588          |
| Average Final Average Salary                            | \$ 33,914   |                      |                   | \$ -   |                      | \$ 28,825         |
| Number of Active Retirees                               | 1   |                      |                   | 5  |                      | 30                |
| <i>15 - 19.99 years</i>                                 |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 | \$ 700  |                      | \$ 1,132          | \$ 2,459   |                      | \$ 3,023          |
| Average Final Average Salary                            | \$ 27,564   |                      | \$ 27,041         | \$ -   |                      | \$ 47,695         |
| Number of Active Retirees                               | 2   |                      | 1                 | 3  |                      | 22                |
| <i>20 - 24.99 years</i>                                 |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 | \$ 996  |                      |                   | \$ 2,525   | \$ 2,016             | \$ 3,529          |
| Average Final Average Salary                            | \$ 30,195   |                      |                   | \$ 60,591  | \$ -                 | \$ 49,097         |
| Number of Active Retirees                               | 1   |                      |                   | 349  | 69                   | 9                 |
| <i>25 - 29.99 years</i>                                 |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 | \$ 1,331  |                      |                   | \$ 2,766   |                      |                   |
| Average Final Average Salary                            | \$ 31,250   |                      |                   | \$ 66,102  |                      |                   |
| Number of Active Retirees                               | 1   |                      |                   | 23   |                      |                   |
| <i>30 - 34.99 years</i>                                 |   |                      |                   |  |                      |                   |
| Average Monthly Benefit                                 |   | \$ 883               |                   | \$ 3,287   |                      |                   |
| Average Final Average Salary                            |   | \$ -                 |                   | \$ 78,294  |                      |                   |
| Number of Active Retirees                               |   | 1                    |                   | 4  |                      |                   |
| <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 Participating Employers

### State Employees' Pension Plan

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

### Closed State Police Plan

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

### New State Police Plan

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

### Judiciary Pension Plan

- ♦ Appointed members of the State Judiciary

### Diamond State Port Corporation Pension Plan

- ♦ Diamond State Port Corporation Employees

### County & Municipal Police/Firemen's Pension Plan (FICA)

- ♦ Town of Dagsboro
- ♦ Town of Delmar
- ♦ Town of Dewey Beach
- ♦ City of Dover
- ♦ Town of Georgetown
- ♦ Town of Harrington
- ♦ Town of Millsboro
- ♦ City of New Castle

### County & Municipal Police/Firemen's Pension Plan (Non-FICA)

- ♦ New Castle County
- ♦ City of Wilmington

### County & Municipal Other Employees' Pension Plan

- ♦ Town of Georgetown
- ♦ Town of Millsboro
- ♦ Harrington Fire Co.
- ♦ City of New Castle
- ♦ Sussex Conservation District
- ♦ Townsend Fire Co.
- ♦ Volunteer Hose Company of Middletown

### Delaware Local Government Investment Pool

- ♦ Sussex County Government

## Volunteer Firemen's Pension Plan

- ♦ Aetna Hose, Hook & Ladder Co. & Auxiliary
- ♦ Brandywine Hundred Fire Co. & Auxiliary
- ♦ Christiana Fire Co. & Auxiliary
- ♦ Claymont Fire Co. & Auxiliary
- ♦ Cranston Heights Fire Co. & Auxiliary
- ♦ Delaware City Fire Co. & Auxiliary
- ♦ Elsmere Fire Co. & Auxiliary
- ♦ Five Points Fire Co. No. 1 & Auxiliary
- ♦ Goodwill Fire Co. & Auxiliary
- ♦ Hockessin Fire Co. & Auxiliary
- ♦ Holloway Terrace Fire Co. & Auxiliary
- ♦ Mill Creek Fire Co. & Auxiliary
- ♦ Minquadales 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