

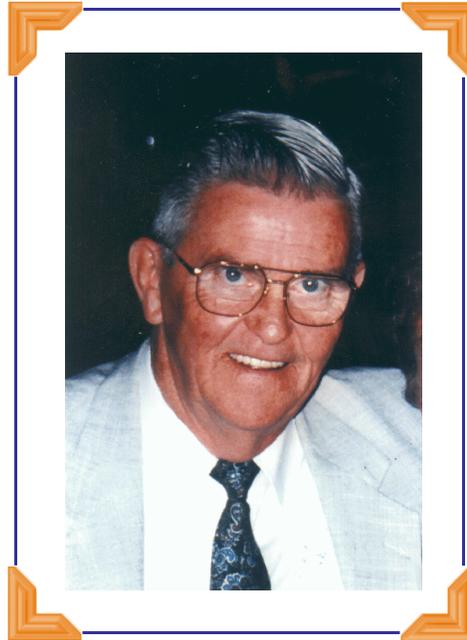
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
- a component unit of the State of Delaware



30TH
COMPREHENSIVE
ANNUAL FINANCIAL
REPORT

*Presented by the Board of
Pension Trustees
For the Fiscal Year Ended
June 30, 2001*

In Memoriam



Donald F. McArdle
1930 — 2000

Donald McArdle served the State of Delaware as the Retirement System Administrator for 17 years, retiring in 1992. After his retirement, he was appointed by the Governor to serve as the Commissioner of Elections for one year and, beginning in 1999, was appointed as a member of the State Board of Pension Trustees.

*In honor of Mr. McArdle's dedicated service to the Delaware Public Employees' Retirement System and to the State of Delaware in general, the new Pension Office building has been named the "**McArdle Building**" in his memory.*

The Board, its Committees, and the staff of the Pension Office extend fond wishes and continuing sympathy to his wife, Louise, and his three daughters, Kathy, Helen, and Peggy.



Thirty years ago, the first Thomas Collins Building was the home of the Pension Office. In 1971, there were less than 10 employees who worked under the direction of the State Treasurer.

The Thomas Collins Building, built in 1984, became the new home of the Pension Office. In 1984, the Pension Office still reported to the State Treasurer and had approximately 23 employees.



The McArdle Building, built in 1992, is the new home of the Pension Office since July 2001. The Pension Office is currently under the direction of the State Personnel Director and has a total of 55 employees.

On the Cover:

*Fourth of July Fireworks over Legislative Hall taken by Kevin Fleming.
Photo courtesy Delaware Development Office.*

State Personnel Office Mission Statement:

Provide the leadership and services for achieving a quality workforce.

Pension Office Programmatic Goal:

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

THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT HAS BEEN
PREPARED BY THE OFFICE OF PENSIONS

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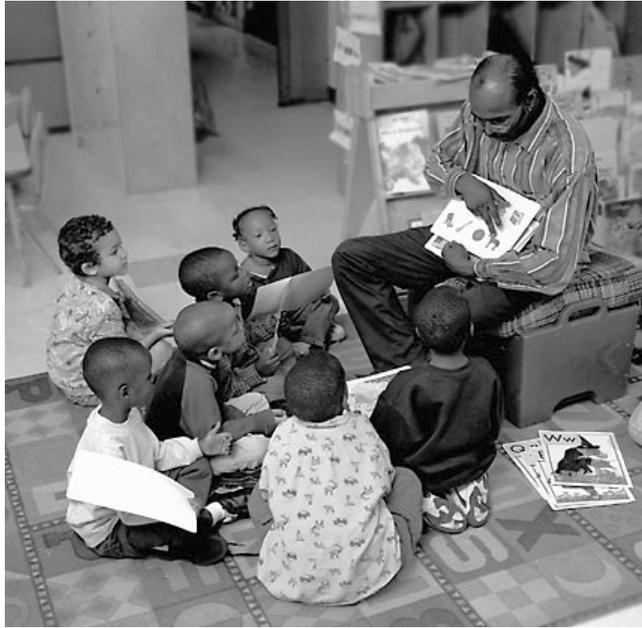
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John Loy photo, courtesy of the Department of Services for Children, Youth and Their Families, Wilmington.

***The State Employees Pension Plan** includes members throughout all three counties of the State of Delaware — from Department of Services for Children, Youth and Their Families in New Castle County — to the Charter Schools in Kent County — to the State Parks in Sussex County. Members include not only general State employees, but employees of Delaware Public and Charter Schools, the Delaware National Guard, the Solid Waste Authority, State Legislators and Elected Officials, Delaware State University, Delaware Technical & Community College, and some employees of the University of Delaware.*

Established in 1945, the State Employees' Pension Plan covered any employee who received regular salary or wage wholly or in part from the State Treasury. It included employees from the State Board of Health, the Department of Public Welfare, the University of Delaware, Public Schools within the State of Delaware, and the Board of Public Education. It specifically excluded officers elected by popular vote.

In the early years of the plan, employees were not required to contribute toward their pensions; the State contributed on a pay-as-you-go basis. The only eligibility requirement was the completion of 35 years of service. Disability pensions were available after 25 years of service. The maximum pension was \$150 per month.

In 1966, Governor Charles L. Terry, Jr., under the direction of the 123rd General Assembly, appointed a Pension Study Committee to “review the current system, to make recommendations, and to create legislation providing for an actuarially sound, completely equitable pension program for those not now adequately covered.”

This Committee issued its report in January 1969 with the following highlights which were enacted during Fiscal 1971:

- ◆ *Established a program of funding based on actuarial valuations and a 40-year amortization schedule.*
- ◆ *Benefit enhancements included:*
 - ◆ *vesting after 20 years of service,*
 - ◆ *an increase in the maximum annual benefit to \$12,000 for employees with 30 years or more of service, and*
- ◆ *Survivor benefits were expanded to include not only surviving spouses, but also dependent children and parents.*



Campus Community Charter School located in Dover.



Delaware Seashore State Park at the Indian River Inlet in Sussex County, Delaware. Photo courtesy Delaware Department of Natural Resources.

The State Employees' Pension Plan has undergone many enhancements in the last 30 years.

This plan achieved full funding in 1989 — only 19 years after funding began. Employees today contribute only 3% of their salary over \$6,000 per year and benefits have been improved dramatically.

As of December 31, 1970, there were 18,597 active members in the State Employees' Pension Plan compared to less than 7,000 active members in 1953. On June 30, 2001, plan participants total over 32,000 with an average age of 44, and an average annual salary of \$39,700.

At the end of 1970, there were 2,052 pensioners with an average age of 70 and an average monthly pension of \$246. On June 30, 2001, there were 15,651 pensioners with an average age of 70 and an average monthly pension of \$933.



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, 2000

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.



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
 McArdle Building, Suite #1
 860 Silver Lake Blvd.
 Dover, DE 19904-2402

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

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

September 28, 2001

The Honorable Ruth Ann Minner
 and
 Members of the 141st General Assembly

Dear Governor and Members of the General Assembly:

This Comprehensive Annual Financial Report (CAFR) marks the 30th anniversary of the Delaware Public Employees' Retirement System (System). It is dedicated to the memory of Donald F. McArdle, whose commendable service to the System spanned 19 of those 30 years, first as Pension Administrator and finally as a member of the Board of Pension Trustees. The Report also celebrates the nearly 56,000 members served and the progress made in assuring their pension benefit coverage.

This report 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 position and operational results for the fiscal year ended June 30, 2001.

The 2001 Financial Report is presented in five sections:

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

(A detailed Table of Contents may be found on page 5.)

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

When calendar 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 2001, pensioners numbered 17,449; monies from nine plans, two post-retirement trusts and one investment pool were commingled in a total Fund of \$5.3 billion. The State's contribution rate for Fiscal Year 2001 was 1.67% of payroll. Benefit coverage varies by plan as shown on pages 36 - 38. 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 44-45.

Major Accomplishments

Improved Communications and Customer Service Initiatives - During Fiscal 2001, the Pension Office launched an enhanced website, www.delawarepensions.com, and added a Pension Office e-mail address. The website allows members of each plan to calculate pension estimates based on their personal data. It includes plan descriptions, financial information, current news, and a facility to communicate with the Pension Office. Usage indicates both the website and e-mail link are well received. Comprehensive annual statements containing healthcare, survivor, and life insurance beneficiary information are distributed annually to all active employees and pension recipients. Newsletters to both employees and retirees are published at least semi-annually.

Improved Pension Benefits - Legislation passed effective July 1, 2001 increased the pension calculation multiplier in the State Employees' Pension Plan from 1.8% to 2.0% on creditable service prior to January 1, 1997 and to 1.85% on creditable service after December 31, 1996 for employees retiring after June 30, 2001. These changes increase the monthly pension entitlements by approximately 3 -10%, depending on years of credited service. The same legislation increased the death benefit payable to a pensioner's beneficiary or estate from \$6,000 to \$7,000.

For the eighth consecutive year, legislation granted a post-retirement increase to members of the State Employees', Special, New State Police, Judiciary, and the County & Municipal Police/

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Firemen's Pension Plans. The increase, effective July 1, 2001, applies to all members who retired on or before June 30, 2001.

Technology Improvements - The Pension Office implemented the Pension Resource for Imaging Document Efficiency (PRIDE) to facilitate individual document retrieval and reduce dependency on paper documentation. This project complements the Comprehensive Retirement Information System (CRIS) first implemented in May 1999. CRIS continues to demonstrate the capability of effectively and efficiently tracking the active membership from their contributory years through retirement.

New Facility - On July 27, 2001, the Pension Office moved to a renovated building in the Silver Lake Office and Residential Park. The new facility provides badly needed space for the staff and resources servicing a growing membership. It allows for confidential, individual counseling on pension matters, on-site workshops, and staff training.

Joint Sunset Committee Review - After a thorough review of the policies, practices, and operations of the Board of Pension Trustees and the Pension Office, the Joint Sunset Committee of the General Assembly recommended the Agency be continued subject to four recommendations. The first two recommendations involve statutory language modifications to codify current operations and will be addressed by legislation initiated by the Committee. The Board also welcomed the recommendation to continue its involvement in disability pensions. The Board will remain open to opportunities for private equity investment in Delaware which are commensurate with accepted market returns.

Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware Public Employees' Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. 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. This is the fifth consecutive year that DPERS has received a Certificate of Achievement. We believe this Fiscal 2001 report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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Analysis of Plan Net Assets

Employee and employer contributions, together with investment income, are used to fund retirement, survivor and disability benefits and pay all System expenses. Combined plan net assets decreased by \$383.2 million over the last fiscal year as total revenues declined 114% and expenses increased 11%.

Decreased revenue was primarily due to a \$1.1 billion decline in dollars generated by investment returns. Lower required actuarial rates reduced employer contributions approximately \$20.7 million. An increased number of active employees, as well as some higher employee contribution rates and salaries, raised employee contributions by almost \$3.0 million. A post-retirement increase effective in July 2000 increased PRI Fund transfers by 14%.

On the expense side, benefit payments increased 10% as legislation raised the pension multiplier in the State Employees' Pension Plan and granted a post-retirement increase. Administrative Expenses increased 15% to approximately \$5.0 million. These expenses include both normal Pension Office expenses as well as one-time charges for the PRIDE project, a special Health Care Study and the Pension Office relocation. Normal Pension Office expenses rose 30% as job upgrades increased salaries and data processing costs continued to escalate.

Additions to Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2001	2000	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 75,025	\$ 95,675	\$ (20,650)	(21.58%)
Transfer of Contributions from PRI Fund	38,526	33,773	4,753	14.07%
Transfer of Assets from Outside the System	3,239	3,864	(625)	(16.18%)
Member Contributions	35,550	32,594	2,956	9.07%
Other Income	21	22	(1)	(4.55%)
Net Investment Earnings	<u>(287,086)</u>	<u>824,408</u>	<u>(1,111,494)</u>	(134.82%)
Total Additions	<u>\$ (134,725)</u>	<u>\$ 990,336</u>	<u>\$ (1,125,061)</u>	(113.60%)

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Deductions from Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2001	2000	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Deductions:				
Transfer of Contributions from PRI Fund	\$ 38,526	\$ 33,773	\$ 4,753	14.07%
Transfer of Assets Outside the System	2,710	2,134	576	26.99%
Benefit Payments	195,971	178,226	17,745	9.96%
Refunded Contributions	2,610	2,526	84	3.33%
Group Life Payments	3,710	3,615	95	2.63%
General Administrative Expenses	3,623	2,791	832	29.81%
PRIDE Project Expenses	379	414	(35)	(8.45%)
CRIS Project Expenses	—	1,131	(1,131)	(100.00%)
Health Care Study	45	--	45	100.00%
Office Relocation Expenses	925	--	925	100.00%
Total Deductions	<u>\$ 248,499</u>	<u>\$ 224,610</u>	<u>\$ 23,889</u>	10.64%

Investments and Economic Climate

For Fiscal 2001, investments had a (5.1%) rate of return. The total Fund’s annualized rate of return over the last five and ten years was 11.3% and 12.7%, respectively. This performance placed the Fund above the median public fund return for the fiscal year and in the top 10% 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 such as those experienced during the fiscal year. In the 12 months ending June 30, 2001, equity markets in general declined; the S&P500 index declined 14.8% while the broad market Russell 3000 return was (13.9%). International equities measured by the EAFE index also declined 15.9%. The importance of a diversified portfolio was again demonstrated as the equity declines were partially offset by increased bond and cash holdings as the Lehman Aggregate Bond Index rose 11.2% and 91-day Treasury Bills returned 5.0%. For a further discussion of portfolio diversification, see *Surviving “The Perfect Storm”* on page 62.

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

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The Board has established the investment policy shown on page 57. 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, 2001, may be found on page 65 of this report. A summary of the total Fund's asset allocation can be found on page 64.

Equity markets continue to decline worldwide as concern for lower corporate profits, overextension in technology areas, and moderating demand for goods and services take their toll. Investment strategy reflects return expectations that are significantly more modest than those achieved during the period of the 1990's.

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 nine 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 48 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 76.

Legislation granting increased pensions for those retiring on or after July 1, 2000 has reduced the funding status of the State Employees Pension Plan from 117% to 112.4%.

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.

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Professional Services

Professional consultants are appointed by the Board to perform 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 USA, are included in this report. Ashford Capital Management, Inc., serves as the investment advisor.

Acknowledgments

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

It is with deep regret that we report the death of Donald F. McArdle in November 2000. Don served as pension administrator for 17 years, retiring in 1992. In 1999, Don re-joined DPERS as a member of both the Board and Investment Committee. Don's commitment to high standards and his dedication to fair administration continue to guide the System.

The Board welcomes Nancy J. Shevock to the Board of Pension Trustees in the position formerly held by Donald McArdle. Joining Nancy are two new ex-officio members to the Board — Lisa Blunt-Bradley, Director of State Personnel, and David W. Singleton, Secretary of Finance.

The Board commends the service of the previous ex-officio members: Harriet Smith Windsor, now Secretary of State, and John C. Carney, Jr., currently Lieutenant Governor.

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

Special thanks are due to the State of Delaware Public Archives and local offices of several State agencies for the pictures used throughout this report.

Respectfully submitted,



A. Dale Stratton, Chair
Board of Pension Trustees

INTRODUCTORY SECTION

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.

Nancy J. Shevock
Former Director
Delaware Transit Corporation

Ex-Officio Board Members

David W. Singleton
State Secretary of Finance

Lisa Blunt-Bradley
State Personnel Director

Executive Secretary to the Board and Pension Administrator

David C. Craik

Investment Committee

Elva B. Ferrari, Chair
Jan M. King
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. Frelick, M.D.
Edward F. Gliwa, M.D.
Charles S. Riegel, M.D.
Phyllis M. Smoyer, M.D.
Ignatius J. Tikellis, M.D.
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 USA

Investment Advisor

Ashford Capital Management, Inc.

Auditors

Ernst & Young LLP
State Auditor of Accounts

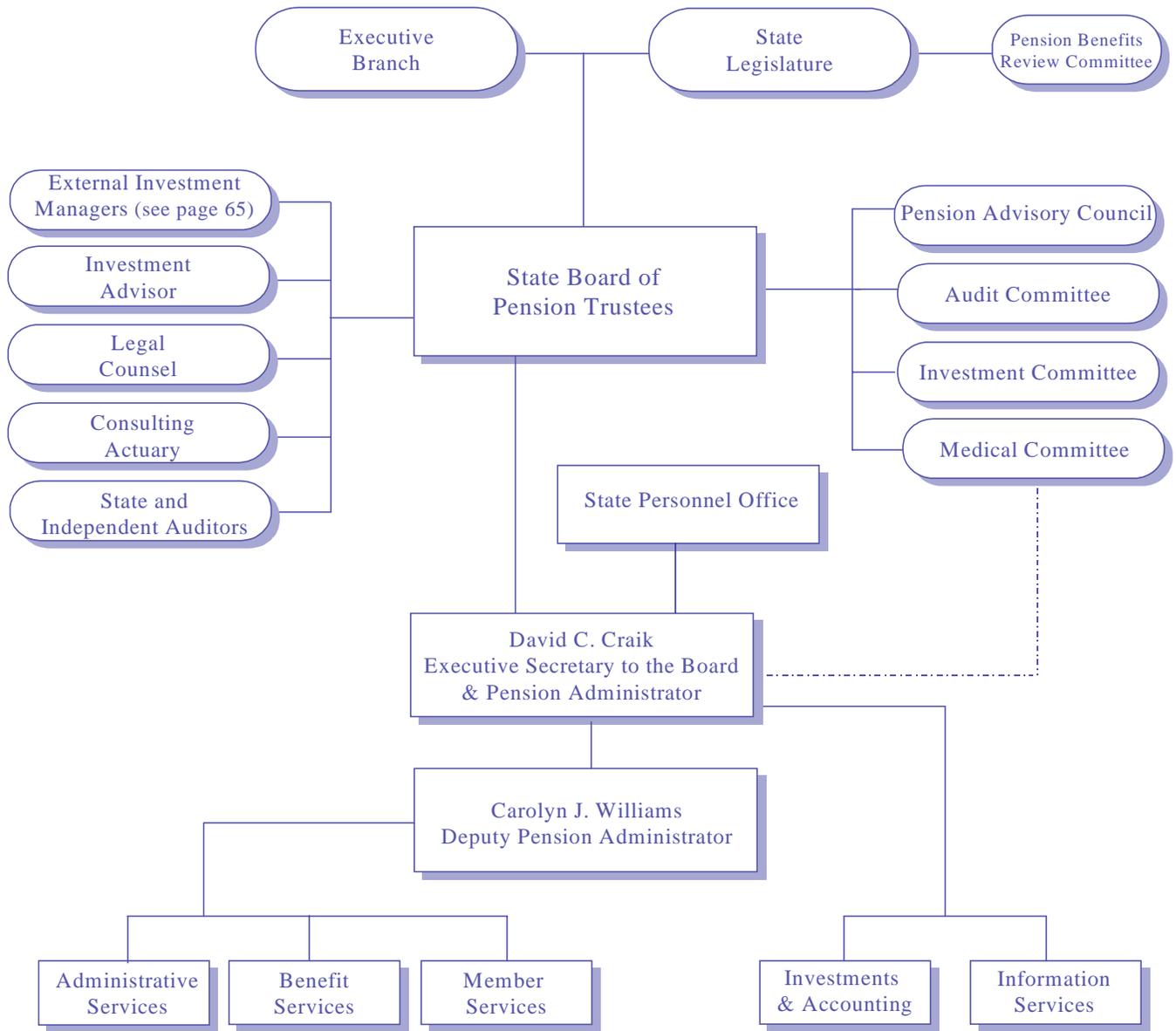
Custodial Bank

Mercantile-Safe Deposit & Trust Co.

Sub-Custodial Bank

State Street Bank & Trust Co.

Organizational Chart



MANAGEMENT TEAM

Administrative Services	Christy L. Ulmer, Office Manager
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, Information Systems Manager and W. Ray Johnson, Human Resource Manager

INTRODUCTORY SECTION

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

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

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

The following retirement funds have been established under the custody of the Board 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, 2001, may be found on page 65 of this report.

The major activities of the Board and their committees during the 12-month period July 2000 through June 2001 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.
- ◆ Participated in the thorough review of the policies, practices, and operations of the Board and Pension Office by the Joint Sunset Committee of the General Assembly.

2001 Legislation Affecting Pensions

- H. B. 17
(73 Del. Laws, C18) Permits retirees in the State Employees' Pension Plan to be substitute teachers without affecting their pension benefits.
- S. B. 120
(73 Del. Laws, C79) Allows retired Justices of the Peace to serve on a temporary basis as a Justice of the Peace without affecting their pension benefits.
- S. B. 160
(73 Del. Laws, C198) Allows former elected officials, who have earned their pensions and whose pensions are fully funded, to receive their pensions while employed by the State if they are age 55 or older.
- S. B. 253
(73 Del. Laws, C153) Allows employees under the State Employees' Pension Plan hired prior to July 1, 1976 to purchase approved medical leaves of absence at a maximum rate of 5% of the final average compensation.
- S. B. 254
(73 Del. Laws, C154) Provides for a two-thirds survivor option for retired members of the Revised Judiciary Plan if they elect a 2% reduction in their monthly pension benefit.
- S. B. 256
(73 Del. Laws, C146) Increases pension payments for members of the following pension plans who retired on or before June 30, 2001: State Employees', Special, New State Police, Judiciary, and County & Municipal Police/Firemen's (FICA and Non-FICA).
- Increases the group life benefit from \$6,000 to \$7,000 effective July 1, 2001 for the following plans: State Employees', Special, Closed State Police, and New State Police.
- Modifies the multiplier used in calculating benefits under the State Employees' Pension Plan from 1.8% of final average salary to 2.0% for years of credited service prior to January 1, 1997, and to 1.85% for years of credited service after December 31, 1996.

Members of the *Delaware State Police* were first covered under a pension plan in 1937. Delaware State police are covered under a pension plan only and are not covered under the Federal Social Security Program. The State Police Plan was substantially improved between 1937 and 1969 and, at that time, was considered to be one of the most liberal plans for policemen in the United States. Benefit provisions under the Closed State Police Pension Plan have remained essentially unchanged since 1969.



4th Delaware State Police Badge in service from 1944 until 1956

As of June 30, 1967, there were 264 active members in the Closed State Police Pension Plan. The average age was 33 and the average service was 9 years. The average annual salary was \$6,242 per member.

In 1967 there were 125 pensioners receiving benefits, including 91 service retirees, 13 disability retirees (10 service related and 3 non-service related), and 21 widows of deceased police officers (13 officers died after retirement and 8 who died in service). The average age of the service and disability retirees was 55 and the average monthly payment was \$328. The average age of the 21 survivors was 50 and the average monthly payment was \$239.

At the end of 1970, there were 154 pensioners receiving monthly benefits. The average monthly pension benefit was \$496.



The first State Police Station was located on the southbound side of the Philadelphia Pike at Bellevue. It was an old construction shack that served both as the station and as headquarters. This building housed fourteen men who worked twelve-hour shifts, seven days a week. From this single location the officers policed the entire state.



DELAWARE STATE POLICE MUSEUM

1425 North DuPont Highway
Dover, DE 19901

Photos and graphics courtesy Delaware State Police.

Effective July 1, 1980, all newly-hired State Police Officers were automatically enrolled in the New State Police Pension Plan. At the end of Fiscal Year 1981, there were 13 members with an average age of 24, average service was 4 months, and the average annual salary was \$14,300.

Pension benefits were first distributed from this plan during Fiscal Year 1989—one service-related disability and one surviving widow of a member who died in service. On June 30, 1989, there were 328 active members with an average age of 28.75 years, average service of 4 years, and an average annual salary of \$32,000.

On June 30, 2001, active members in both the Closed and New State Police Pension Plans totaled 584, with an average age of 37, average service of 11 years, and an average annual salary of \$52,900.

State Police Pensioners on June 30, 2001 totaled 563, with an average age of 61, average service of 19 years, and an average monthly benefit of \$2,600.

***Delaware State Police
Mission Statement:***

To provide citizens and visitors of the State of Delaware with a professional and compassionate police service in a fair and objective manner.



5th Delaware State Police
Badge in service since 1956



FINANCIAL SECTION

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware



STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

ERNST & YOUNG LLP

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, 2001, 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, 2001, and the changes in its financial status for the year then ended, in conformity with accounting principles 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 Management's Discussion and Analysis and schedules of funding progress, employer contributions, and notes to trend data are presented in accordance with Governmental Accounting Standards Board Statements Nos. 34 and 25, respectively. 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

Report of Independent Auditors
Page Two

to the basic financial statements taken as a whole. The supporting schedules of administrative expenses and investment expenses for the year ended June 30, 2001, 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, 2001, 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 21, 2001

Management's Discussion and Analysis

This discussion and analysis of the Delaware Public Employees' Retirement System's financial performance provides an overview of the Retirement System's financial activities for the fiscal year ended June 30, 2001. It is intended to be a narrative supplement to the Retirement System's financial statements, which begin on page 32 of this report.

Financial Highlights

The following financial highlights occurred during the fiscal year ended June 30, 2001:

- ◆ Plan net assets of all the pension funds administered by the Delaware Public Employees' Retirement System decreased by \$383.2 million during the 2000-2001 fiscal year.
- ◆ The covered payroll requiring both employee and employer pension contributions reported during the year totaled \$1,234.7 million, representing an increase of 6.3%. Employee contributions increased by 9.1% and employer contributions decreased by 21.6%.
- ◆ Net investment earnings (net depreciation in the fair value of investments, plus interest and dividend income, less investment expenses) decreased by 134.82% compared to last fiscal year. Adverse equity market conditions were the primary cause of the decrease compared to the prior year.
- ◆ Pension benefits paid to retirees and beneficiaries increased \$17.7 million bringing the total benefit payments to \$196.0 million. Post retirement increases and changes to benefit multipliers are responsible for the 10% increase in pension benefits. Refunds of contributions paid to former members upon termination of employment increased slightly from \$2.5 million to \$2.6 million.
- ◆ Administrative expenses and other project specific expenses totaled \$5.0 million, an increase of 14.7% over last fiscal year. Project specific expenses, including the PRIDE project and office relocation expenses, were one-time expenses during FY2001.

Using this Financial Report

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the plan's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The Combined Statements of Plan Net Assets and Combined Statements of Changes in Plan Net Assets (pages 32—35) provide information about the activities of the nine individual pension plans administered and the three funds managed, as well as comparative summary information about these activities for the retirement system as a whole.

The Schedule of Funding Progress (pages 44—45) includes historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions (pages 46—47) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.

Analysis of Plan Net Assets

The System was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the System. Combined plan net assets declined by \$383.2 million over the last fiscal year. Looking at additions to and deductions from Plan net assets, this decline is attributable to both economic conditions and legislative changes increasing benefit multipliers.

Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2001	2000	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 5,278,051	\$ 5,662,600	\$ (384,549)	(6.79%)
Receivables	<u>4,423</u>	<u>4,294</u>	<u>129</u>	3.00%
Total Assets	5,282,474	5,666,894	(384,420)	(6.78%)
Total Liabilities	<u>1,857</u>	<u>3,053</u>	<u>(1,196)</u>	(39.17%)
Total Plan Net Assets	<u>\$ 5,280,617</u>	<u>\$ 5,663,841</u>	<u>\$ (383,224)</u>	(6.77%)

Changes in Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2001	2000	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 75,025	\$ 95,675	\$ (20,650)	(21.58%)
Transfer of Contributions from PRI Fund	38,526	33,773	4,753	14.07%
Transfer of Assets from Outside the System	3,239	3,864	(625)	(16.18%)
Member Contributions	35,550	32,594	2,956	9.07%
Other Income	21	22	(1)	(4.55%)
Net Investment Earnings	<u>(287,086)</u>	<u>824,408</u>	<u>(1,111,494)</u>	(134.82%)
Total Additions	<u>\$ (134,725)</u>	<u>\$ 990,336</u>	<u>\$ (1,125,061)</u>	(113.60%)
Deductions:				
Transfer of Contributions from PRI Fund	\$ 38,526	\$ 33,773	\$ 4,753	14.07%
Transfer of Assets Outside the System	2,710	2,134	576	26.99%
Benefit Payments	195,971	178,226	17,745	9.96%
Refunded Contributions	2,610	2,526	84	3.33%
Group Life Payments	3,710	3,615	95	2.63%
General Administrative Expenses	3,623	2,791	832	29.81%
PRIDE Project Expenses	379	414	(35)	(8.45%)
CRIS Project Expenses	—	1,131	(1,131)	(100.00%)
Health Care Study	45	—	45	100.00%
Office Relocation Expenses	<u>925</u>	<u>—</u>	<u>925</u>	100.00%
Total Deductions	<u>\$ 248,499</u>	<u>\$ 224,610</u>	<u>\$ 23,889</u>	10.64%
(Decrease)/Increase in Plan Net Assets:	<u>\$ (383,224)</u>	<u>\$ 765,726</u>	<u>\$ 1,148,950</u>	(150.05%)

Employer contributions decreased approximately \$20.7 million because of lower required actuarial contribution rates. Member contributions increased by approximately \$3.0 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, 2000.

Transfers of Assets Outside the System represents transfers from the County & Municipal COLA Fund to individual participating entities. Benefit payments increased by approximately 10.0% as a result of legislation which provided for a post-retirement increase effective July 1, 2000, as well as a change to the pension multiplier in the State Employees' Pension Plan. Administrative Expenses for FY2001 totaled approximately \$5.0 million, an increase of 14.7%. These expenses include both the normal administrative expenses of the Pension Office, as well as non-repeating expenses directly incurred by the PRIDE project, a special Health Care Study, and the Pension Office relocation. Normal Pension Office administrative expenses totaled \$3.62 million, an increase of 30% over Fiscal 2000. This increase includes an 18% increase in salaries mainly due to a class upgrade which affected positions in the Human Resource Section. In the Data Processing-contractual services area, the Pension Office hired an outside consultant to conduct a member survey, assist with website development, and develop program-required interface between the CRIS system and PHRST, the State's new payroll system. Beginning with Fiscal 2002, administrative expenses will include an annual lease of \$400,000 for the new office space.

Investments

For Fiscal 2001, investments had a (5.1%) rate of return. The total Fund's annualized rate of return over the last five and ten years was 11.3% and 12.7%, respectively. This performance placed the Fund above the median for public fund return for the fiscal year and in the top 10% 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.

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 57 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, 2001, may be found on page 65 of this report. A summary of the total Fund's asset allocation can be found on page 64.

Historical Trends

Accounting standards require that the statement of plan net assets state asset value at fair value and include only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 44—45). The asset value stated in the Schedule of Funding Progress is the actuarial value of assets as determined by calculating the ratio of market value to book value of assets over a five-year period. The actuarial assumptions used in the most recent valuation are identified by plan on Schedule 3 — Notes to Trend Data (page 48).

Annual required contributions of employers and contributions made by employers in relation to the required contributions are provided in the Schedule of Employer Contributions (pages 46 — 47). This schedule indicates that employers are meeting their responsibilities to provide resources to the plans.

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 nine 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 48 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 76.

Legislation granting increased pensions for those retiring on or after July 1, 2000 has reduced the funding status of the State Employees' Pension Plan from 117.0% to 112.4%.

Statements of Plan Net Assets

as of June 30, 2001 with Comparative Totals for June 30, 2000

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police/Firemen's Plans		
					FICA	Non-FICA	
Assets:							
Cash	\$ 1,308	-	1	6	66	2	
Receivables:							
Employer Contributions	758	-	97	55	26	237	
Member Contributions	1,627	-	83	8	9	116	
Total Receivables:	\$ 2,385	-	180	63	35	353	
Investments at Fair Value:							
Domestic Fixed Income	860,422	349	17,420	4,862	2,576	2,381	
Domestic Equities	1,349,189	548	27,316	7,623	4,040	3,733	
Pooled Equity & Fixed Income	1,899,951	772	38,467	10,735	5,689	5,257	
Pooled Real Estate	28	-	1	-	-	-	
Private Investments	527,494	214	10,680	2,981	1,579	1,460	
Short Term Investments	100,688	44	2,309	563	367	335	
Foreign Equities	318,173	129	6,442	1,798	953	880	
Total Investments:	\$ 5,055,945	2,056	102,635	28,562	15,204	14,046	
Total Assets:	\$ 5,059,638	2,056	102,816	28,631	15,305	14,401	
Liabilities:							
Benefits Payable	702	6	-	-	-	-	
Accrued Administrative Expenses	1,087	1	11	2	5	8	
Total Liabilities:	\$ 1,789	7	11	2	5	8	
Net Assets Held in Trust for Pension Benefits:							
	\$ 5,057,849	2,049	102,805	28,629	15,300	14,393	

(A schedule of funding progress for each plan is presented on pages 44-45.)

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,	
							2001	2000
33	4	1	-	7	-	6	\$ 1,434	\$ 922
32	-	33	-	1,319	-	-	2,557	2,582
7	-	13	-	-	-	3	1,866	1,712
39	-	46	-	1,319	-	3	\$ 4,423	\$ 4,294
470	1,624	1,034	1,767	3,152	1,283	-	897,340	730,121
737	2,546	1,621	2,771	4,941	2,013	-	1,407,078	1,512,943
1,038	3,586	2,283	3,903	6,958	2,834	-	1,981,473	2,217,731
-	-	-	-	-	-	-	29	215
288	995	633	1,084	1,932	787	-	550,127	705,521
57	192	123	1,342	566	145	2,014	108,745	135,450
174	600	382	654	1,165	475	-	331,825	359,697
2,764	9,543	6,076	11,521	18,714	7,537	2,014	\$ 5,276,617	\$ 5,661,678
2,836	9,547	6,123	11,521	20,040	7,537	2,023	\$ 5,282,474	\$ 5,666,894
-	9	1	-	-	-	-	718	2,502
3	1	7	-	-	-	14	1,139	551
3	10	8	-	-	-	14	\$ 1,857	\$ 3,053
2,833	9,537	6,115	11,521	20,040	7,537	2,009	\$ 5,280,617	\$ 5,663,841

Statements of Changes in Plan Net Assets

for the fiscal year ended June 30, 2001 with Comparative Totals for June 30, 2000

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police/Firemen's Plans	
					FICA	Non-FICA
Additions:						
<u>Contributions:</u>						
Employer Contributions	\$ 20,542	-	2,480	1,333	672	1,992
Transfer of Contributions from PRI Fund	38,191	-	29	306	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	31,888	-	1,710	206	288	977
Other	-	-	19	-	-	-
Total Contributions:	\$ 90,621	-	4,238	1,845	960	2,969
<u>Investments:</u>						
Investment Earnings	169,528	69	3,433	957	508	469
Net (Decrease)/Increase in Fair Value of Investments	(429,538)	(175)	(8,643)	(2,421)	(1,277)	(1,140)
	<u>\$ (260,010)</u>	<u>(106)</u>	<u>(5,210)</u>	<u>(1,464)</u>	<u>(769)</u>	<u>(671)</u>
Less Investment Manager/Advisor/Custody Fees	(15,375)	(6)	(311)	(87)	(46)	(43)
Less Investment Administrative Expenses	(198)	-	(4)	(1)	(1)	(1)
Total Net Investment Earnings:	\$ (275,583)	(112)	(5,525)	(1,552)	(816)	(715)
Total Additions:	\$ (184,962)	(112)	(1,287)	293	144	2,254
Deductions:						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Pension Payments	175,312	135	289	1,949	100	51
Refunds of Contributions to Members	2,485	-	33	-	7	13
Group Life Payments	3,632	24	-	-	-	-
Administrative Expenses	4,972	-	-	-	-	-
Allocation of Administrative Expenses	(314)	5	48	8	35	59
Total Deductions:	\$ 186,087	164	370	1,957	142	123
Net (Decrease)/Increase:	\$ (371,049)	(276)	(1,657)	(1,664)	2	2,131
Net Assets Held in Trust for Pension Benefits						
Beginning of Year:	\$ 5,428,898	2,325	104,462	30,293	15,298	12,262
Net Assets Held in Trust for Pension Benefits						
End of Year:	\$ 5,057,849	2,049	102,805	28,629	15,300	14,393

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,	
							2001	2000
165	618	386	-	29,663	-	17,174	\$ 75,025	\$ 95,675
-	-	-	-	-	-	-	38,526	33,773
-	-	-	1,798	-	1,441	-	3,239	3,864
53	205	154	-	-	-	69	35,550	32,594
-	-	-	-	-	-	2	21	22
218	823	540	1,798	29,663	1,441	17,245	\$ 152,361	\$ 165,928
93	320	204	348	621	253	234	177,037	170,018
(233)	(783)	(504)	(971)	(1,545)	(652)	-	(447,882)	668,905
(140)	(463)	(300)	(623)	(924)	(399)	234	\$ (270,845)	\$ 838,923
(8)	(29)	(19)	(32)	(56)	(23)	-	(16,035)	(14,324)
-	-	-	-	(1)	-	-	(206)	(191)
(148)	(492)	(319)	(655)	(981)	(422)	234	\$ (287,086)	\$ 824,408
70	331	221	1,143	28,682	1,019	17,479	\$ (134,725)	\$ 990,336
-	-	-	-	38,526	-	-	38,526	33,773
-	-	-	2,710	-	-	-	2,710	2,134
26	971	98	-	-	-	17,040	195,971	178,226
9	55	8	-	-	-	-	2,610	2,526
-	-	-	-	-	-	54	3,710	3,615
-	-	-	-	-	-	-	4,972	4,336
21	22	53	-	-	-	63	-	-
56	1,048	159	2,710	38,526	-	17,157	\$ 248,499	\$ 224,610
14	(717)	62	(1,567)	(9,844)	1,019	322	\$ (383,224)	\$ 765,726
2,819	10,254	6,053	13,088	29,884	6,518	1,687	\$ 5,663,841	\$ 4,898,115
2,833	9,537	6,115	11,521	20,040	7,537	2,009	\$ 5,280,617	\$ 5,663,841

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, 2001, employee membership data related to each of the Plans was as follows:

Plan	Retirees & Terminated Employees			Active Participants	Total Participating Membership	Total Employers
	Beneficiaries Currently Receiving Benefits	Entitled to Benefits But Not Yet Receiving Them				
State Employees'	15,651	481		31,989	48,121	7
Special	39	-		-	39	N/A
New State Police	11	4		539	554	1
Judiciary	38	1		50	89	1
County & Municipal Police/Firemen's: (FICA)	8	7		170	185	9
(Non FICA)	3	4		313	320	2
County & Municipal Other Employees'	10	1		85	96	7
Volunteer Firemen's	1,131	7		4,769	5,907	61
Diamond State Port Corporation	10	-		272	282	1
Closed State Police	548	-		45	593	1
Total:	17,449	505		38,232	56,186	90

State Employees' Pension Plan

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

Service Benefits: Final average monthly compensation multiplied by 1.8% and 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: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years.

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 20 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 - 7% 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.

Death Benefit: Not applicable.

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.

Assets of one plan can not be used to satisfy the liabilities of the other 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.

Death Benefit: Not applicable.

County & Municipal Other Employees' Pension Plan

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

Service Benefits: 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations.

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.

Death Benefit: Not applicable.

Volunteer Firemen's Pension Plan

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

Employer - determined by Board of Pension Trustees.

Volunteer Member - \$60 per member per year.

Death Benefit: Not applicable.

Diamond State Port Corporation Pension Plan

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

Service Benefits: 1.75% of final average monthly compensation multiplied by the years of credited service (not to exceed 30 years).

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.

Death Benefit: Not applicable.

Closed State Police Pension Plan

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

Service Benefits: 50% of monthly salary.

Vesting / Retirement:

20 years of credited service or age 55.

Disability Benefits: Duty - 75% of monthly salary.
Ordinary - 50% of monthly salary.

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

Contributions:

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

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

Death Benefit: \$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/Firemen's Pension Plans. This mechanism allows the State to appropriate funds to a separate County & Municipal Police/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, 2001 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.

FINANCIAL SECTION

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.

During the year ended June 30, 2001, the System adopted Statement No. 34 of the Governmental Accounting Standards Board "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Adoption of this Standard had no material impact on the System's Financial Statements.

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States.

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, 2001, 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 \$1,434,000 as of June 30, 2001. 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, 2001, 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, 2001.

Summary of Investment Risk <i>(Expressed in thousands)</i>	Category			Securities not Subject to Classification of Credit Risk	Fair Value as of June 30, 2001
	1	2	3		
Domestic Fixed Income	\$ 897,340	—	—	\$ —	\$ 897,340
Domestic Equities	1,407,078	—	—	—	1,407,078
Pooled Equity & Fixed Income	—	—	—	1,981,473	1,981,473
Pooled Real Estate	—	—	—	29	29
Private Investments	—	—	—	550,127	550,127
Short Term Investments*	108,745	—	—	—	108,745
Foreign Equities	331,825	—	—	—	331,825
	\$ 2,744,988	—	—	\$ 2,531,629	\$ 5,276,617

**Short Term Investments primarily includes Commercial Paper and Overnight Deposits*

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, 2001:

	Fair Value <i>(Expressed in thousands)</i>
Mellon Capital Asset Allocation Fund	\$ 1,282,930
Mellon Capital Global Asset Allocation Fund	698,543
Lincoln Capital - Fixed	317,348
T. Rowe Price 1-3 Year Bonds	291,512



FINANCIAL SECTION

Management Fees

The System has paid \$12.1 million and \$6.9 million in management fees to the venture capital limited partnerships for the years ended June 30, 2001 and 2000, respectively. Additional capital commitments of approximately \$300 million made during the last quarter of fiscal year 2000 and during fiscal year 2001 contributed to the increase in fees paid. These fees are netted against investment income.

Investment Commitments

The System has made commitments to invest up to an additional \$251.3 million in venture capital limited partnerships in varying amounts as of June 30, 2001, 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 \$893,000. 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, 2001, the System had twelve (12) open forward exchange contracts in various foreign currencies at various rates and dates through July 18, 2001. At June 30, 2001, the aggregate unrealized gain on such open contracts was \$6.4 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 fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. For fixed income derivatives such as collateralized mortgage obligations (CMO), commercial pricing services (where available) or bid-side prices from a broker/dealer are used. Foreign exchange forward contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1 - Schedule of Funding Progress

(Dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) Assets in Excess of AAL as a % of Covered Payroll (3)/(5)
State Employees'	6/30/2001	\$ 4,759,031	\$ 4,232,244	\$ (526,787)	112.4%	\$ 1,270,632	(41.5%)
	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%
Special	6/30/2001	\$ 1,866	\$ 993	\$ (873)	187.9%	N/A	N/A
	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
New State Police	6/30/2001	\$ 99,138	\$ 80,040	\$ (19,098)	123.9%	\$ 27,624	(69.1%)
	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%)
Judiciary	6/30/2001	\$ 27,231	\$ 29,635	\$ 2,404	91.9%	\$ 6,371	37.7%
	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%
County & Municipal Police/Firemen's (FICA)*	6/30/2001	\$ 14,899	\$ 14,975	\$ 76	99.5%	\$ 6,624	1.1%
	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%

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

(Dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) Assets in Excess of AAL as a % of Covered Payroll (3)/(5)
County & Municipal	6/30/2001	\$ 14,490	\$ 14,490	\$ -	100.0%	\$ 12,981	0.0%
Police/Firemen's (Non-FICA)*	6/30/2000	10,643	10,643	-	100.0%	11,941	0.0%
	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%
County & Municipal Other	6/30/2001	\$ 2,794	\$ 2,962	\$ 168	94.3%	\$ 2,292	7.3%
Employees**	6/30/2000	2,410	2,604	194	92.5%	2,004	9.7%
	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%
Diamond State Port	6/30/2001	\$ 6,044	\$ 5,618	\$ (426)	107.6%	\$ 8,788	(4.8%)
Corporation	6/30/2000	5,188	5,222	34	99.3%	7,715	0.4%
	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 +	6/30/2001	\$ 1,749	\$ 306,194	\$ 304,445	0.6%	\$ 3,247	9,376.2%
	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%
						Active	++Cost per
						Members	Active Member
Volunteer Firemen's	6/30/2001	\$ 9,022	\$ 13,837	\$ 4,815	65.2%	4,769	\$ 1,010
	6/30/2000	8,412	13,703	5,291	61.4%	4,579	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

* 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)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees*	6/30/2001	\$ 20,542	100.0%
	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%
Special	6/30/2001	\$ -	N/A
	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
New State Police*	6/30/2001	\$ 2,480	100.0%
	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%
Judiciary*	6/30/2001	\$ 1,333	100.0%
	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%
County & Municipal Police/Firemen's (FICA)	6/30/2001	\$ 672	100.0%
	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%

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

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
County & Municipal Police/Firemen's (Non-FICA)	6/30/2001	\$ 1,992	100.0%
	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%
County & Municipal Other Employees'	6/30/2001	\$ 165	100.0%
	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%
Volunteer Firemen's	6/30/2001	\$ 618	100.0%
	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%
Diamond State Port Corporation	6/30/2001	\$ 386	100.0%
	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**	6/30/2001	\$ 27,709	62.0%
	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%

* 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.

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

Schedule 3 - Notes to Trend Data

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

Plan	State Employees'	Special	New State Police	Judiciary	Closed State Police
Valuation Date	6/30/2001	6/30/2001	6/30/2001	6/30/2001	6/30/2001
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases and Open for Aggregate Gain/Loss	N/A	Level Percent Closed	Level Percent Closed	Level Dollar Closed
Remaining Amortization Period	13.62 years	N/A	19 years	20 years	35 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

Plan	County & Municipal Police/Firemen's		County & Municipal Other Employees'	Volunteer Firemen's	Diamond State Port Corporation
	(FICA)	(Non-FICA)			
Valuation Date	6/30/2001	6/30/2001	6/30/2001	6/30/2001	6/30/2001
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	26 years	21 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. A more detailed discussion of projected salary increases may be found on page 76.



SUPPORTING SCHEDULES

**DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM**

- a component unit of the State of Delaware

SUPPORTING SCHEDULES

Schedule 4 - Schedule of Administrative Expenses

(Dollar values expressed in thousands)

	Fiscal 2001	Fiscal 2000	Change	
			Dollars	Percent
Personal Services:				
Staff Salaries	\$ 1,917	\$ 1,617	\$ 300	18.6%
Fringe Benefits	531	444	87	19.6%
Total Personal Services:	\$ 2,448	\$ 2,061	\$ 387	18.8%
Professional Services:				
Actuarial	\$ 118	\$ 150	\$ (32)	(21.3%)
Audit	58	42	16	38.1%
Medical Services	11	11	-	-
State Agency Support Services	24	39	(15)	(38.5%)
Other Professional Services	1	3	(2)	(66.7%)
Total Professional Services:	\$ 212	\$ 245	\$ (33)	(13.5%)
Communication:				
Printing	\$ 40	\$ 46	\$ (6)	(13.0%)
Telephone	31	38	(7)	(18.4%)
Postage	128	136	(8)	(5.9%)
Travel	34	16	18	112.5%
Other Communication	25	15	10	66.7%
Total Communication:	\$ 258	\$ 251	\$ 7	2.8%
Data Processing:				
Contractual Services	\$ 359	\$ 97	\$ 262	270.1%
Training	15	-	15	100.0%
Maintenance	190	16	174	1063.0%
Equipment - Hardware	41	45	(4)	(8.9%)
Equipment - Software	21	13	8	61.9%
Total Data Processing:	\$ 626	\$ 171	\$ 455	266.1%
Rentals:				
Equipment Leasing	\$ 3	\$ 2	\$ 1	50.0%
Fleet Services	6	5	1	20.0%
Office Space	24	20	4	20.0%
Total Rentals:	\$ 33	\$ 27	\$ 6	22.2%
Miscellaneous:				
Supplies & Equipment	\$ 20	\$ 23	\$ (3)	(13.0%)
Maintenance	3	2	1	50.0%
Continuing Education	5	6	(1)	(16.7%)
Temporary Employment Services	15	3	12	400.0%
Other Miscellaneous	3	2	1	50.0%
Total Miscellaneous:	\$ 46	\$ 36	\$ 10	27.8%
Pension Office Administrative Expenses:	\$ 3,623	\$ 2,791	\$ 832	29.8%
PRIDE Project Administrative Expenses:	\$ 379	\$ 414	\$ (35)	(8.5%)
CRIS Project Administrative Expenses:	\$ -	\$ 1,131	\$(1,131)	(100.0%)
Relocation Project Administrative Expenses:	\$ 925	\$ -	\$ 925	100.0%
Special Retiree Health Liability Study:	\$ 45	\$ -	\$ 45	100.0%
Total Administrative Expenses:	\$ 4,972	\$ 4,336	\$ 636	14.7%

Schedule 5 - Schedule of Investment Expenses

(Dollar values expressed in thousands)

	Fiscal 2001	Fiscal 2000	Change	
			Dollars	Percent
Custody Fees:	\$ 499	\$ 468	\$ 31	6.6%
Investment Manager/Advisor Fees:	15,536	13,856	1,680	12.1%
Pension Office Support Staff:	206	191	15	7.9%
Total Investment Expenses:	\$ 16,241	\$ 14,515	\$ 1,726	11.9%

The Delaware Volunteer Firemen's Pension Plan was established in July 1986. The purpose of this legislation was to assist Delaware's Volunteers with recruitment and retention of members. Eligible participating employers include volunteer fire companies, ladies auxiliaries, and volunteer ambulance services in the State of Delaware.

Prior service was converted into the new plan at the rate of one (1) year of credit for every three (3) years of service prior to 1986. This prior service, combined with at least two (2) years of service after 1986, allowed the first pension benefit checks to volunteers to be distributed in July 1988.



Photo courtesy Delaware Volunteer Firemen's Association.

At the end of fiscal year 1989, there were over 3,800 active members compared to 4,780 total active members on June 30, 2001.

Pension benefits were first distributed from this plan during Fiscal Year 1989. On June 30, 1989, there were 652 retired members receiving an average monthly benefit of \$65. On June 30, 2001, there are 1,131 retired members receiving an average monthly benefit of \$72.

***Delaware Volunteer Firemen's Association
Mission Statement:***

To serve, promote, advocate, coordinate, represent and support the interests of the member Companies in the performance of providing community based Fire, Rescue, Emergency Medical, and other emergency response related services to the citizens of the State of Delaware.

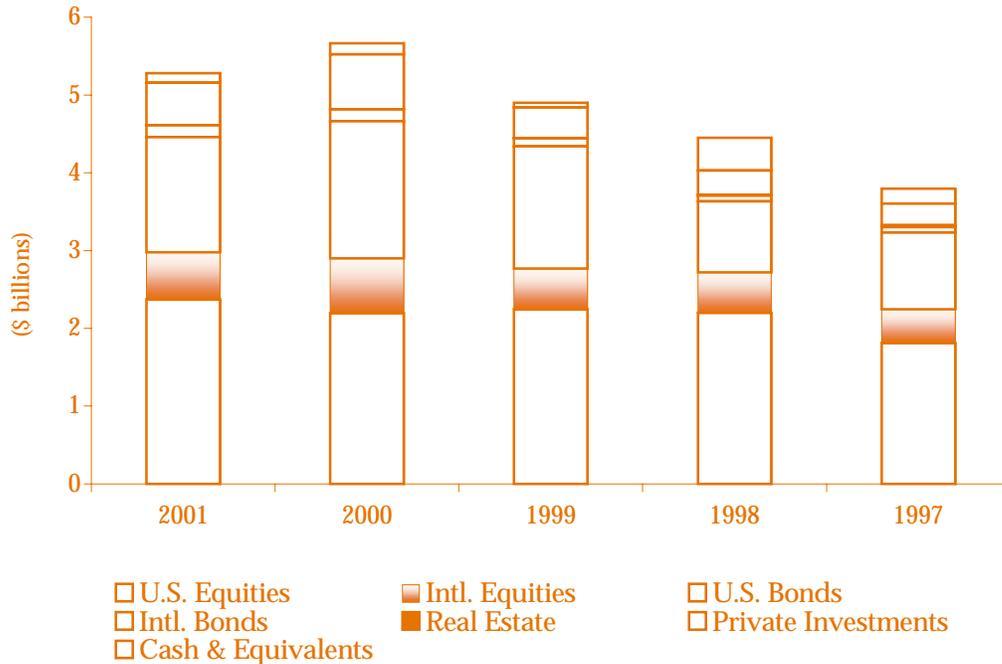


INVESTMENT SECTION

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Five-Year Investment Comparison



(expressed in millions)	Fiscal Years ending June 30,				
	2001	2000	1999	1998	1997
U.S. Equities	\$ 2,371.0	\$ 2,197.6	\$ 2,248.2	\$ 2,199.3	\$ 1,813.2
Intl. Equities	607.3	702.3	519.2	520.9	436.2
U.S. Bonds	1,483.8	1,761.4	1,572.3	912.7	982.5
Intl. Bonds	147.8	152.9	102.9	71.2	68.3
Real Estate	- *	- *	4.9	13.4	26.6
Private Investments	549.2	708.0	391.8	316.1	280.7
Cash & Equivalents	121.5	141.6	58.8	418.5	185.9
Totals	\$ 5,280.6	\$ 5,663.8	\$ 4,898.1	\$ 4,452.1	\$ 3,793.3

*less than 0.1% under management. Other real estate holdings in the form of Real Estate Investment Trusts are included in equities.

Note: For these asset classifications, the Pooled Equity and Fixed Income Accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the categories used in the financial section on pages 32-33.



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
McArdle Building, Suite #1
860 Silver Lake Boulevard
Dover, DE 19904

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

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

August 21, 2001

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 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 five 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 21, 2001

The Fund returned (5.1%) for fiscal year 2001. The total Fund's annualized rate of return over the last five, ten, and fifteen years was 11.3%, 12.7%, and 11.1%, 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 above the median for this fiscal year and in the top decile of public funds for the three, five, and ten year periods. For the period ending June 30, 2001, the Fund market value totaled \$5.3 billion representing a decrease in assets of \$383.2 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, Chair

Board of Pension Trustees Investment Committee

Investment Activity

The bond markets performed well, but the U.S. stock markets were weak during the fiscal year ending June 30, 2001. For the fiscal year, the S&P 500 stock index returned (14.8%) while the Lehman Aggregate bond index returned 11.1%.

For the fiscal year, the Delaware Public Employees' Retirement System (System) had a (5.1%) rate of return. This performance ranks the System above the median of public funds for this fiscal year and in the top decile 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 Committee with Board oversight carries out a number of general management practices to assure that the appropriate policies, controls, and resources are in place. Areas that are reviewed at least annually include:

- ◆ Investment objectives and policies based on an analysis of cash flow and liabilities.
- ◆ Management tools for decision making.
- ◆ Long term risk and return levels for various investment options.
- ◆ Manager organizations, performance, transaction costs, fees and expenses, proxy voting procedures, and adherence to investment philosophy.
- ◆ 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 2001, the investment process experienced:

- A time-weighted total return of (5.1%) based on market values.
- Benefit and expense payments exceeded net employer and member contributions by \$96.1 million.
- Net interest and dividend income of \$160.8 million.
- Net depreciation of \$447.9 million.
- Decrease in total Fund assets from \$5.7 billion to \$5.3 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
	2001	2000	1999	1998	1997	Ending 6/30/01*	Ending 6/30/01*	Ending 6/30/01*
Total Fund Return	(5.1%)	16.8%	11.1%	18.0%	17.8%	11.3%	12.7%	11.1%
Consumer Price Index (CPI)	3.3%	3.7%	2.0%	1.7%	2.3%	2.6%	2.7%	3.3%
Fund Real Return	(8.4%)	13.1%	9.1%	16.3%	15.5%	8.7%	10.0%	7.8%

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

Chart I on page 59 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, 2001.

Chart II on page 59 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, 2001.

Charts III and IV on page 60 show the quarterly cumulative total Fund performance for the 5-year and 10-year periods ending June 30, 2001 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 7.8% (11.1% Fund less 3.3% 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 10.7% (14.0% S&P 500 less 3.3% 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, 2001 <i>(All Returns Greater Than One Year Are Annualized)</i>		
	Five Years	Ten Years	Fifteen Years
Total Fund Return	11.3%	12.7%	11.1%
S&P 500 Index % Return	14.5%	15.1%	14.0%
Relative Return vs. S&P 500 Index	78.3%	84.2%	79.1%
Relative Risk vs. S&P 500 Index	55.2%	58.5%	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
						Ending	Ending
	2001	2000	1999	1998	1997	6/30/01	6/30/01
Beginning Market Value	5,663.8	\$ 4,898.1	\$ 4,452.1	\$ 3,793.3	\$ 3,248.9	\$ 3,248.9	\$1,826.7
Net (Withdrawals)/Contributions	(96.1)	(58.7)	(43.6)	(30.4)	(19.6)	(248.4)	(400.7)
Net Investment Income	160.8	155.5	126.9	130.2	123.8	697.2	1,195.8
Net (Depreciation)/Appreciation	(447.9)	668.9	362.7	559.0	440.2	1,582.9	2,658.8
Ending Market Value	\$5,280.6	\$ 5,663.8	\$ 4,898.1	\$ 4,452.1	\$ 3,793.3	\$ 5,280.6	\$ 5,280.6
Time Weighted Total Return on Market Value	(5.1%)	16.8%	11.1%	18.0%	17.8%	11.3%	12.7%
Consumer Price Index	3.3%	3.7%	2.0%	1.7%	2.3%	2.6%	2.7%

**Chart II
Investment Performance Summary**

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

	Fiscal Years Ending June 30,					Three	Five
						Years	Years
	2001	2000	1999	1998	1997	Ending	Ending
						6/30/01	6/30/01
(1) Total Fund	(5.1%)	16.8%	11.1%	18.0%	17.8%	7.2%	11.4%
(2) Equity and Private Equity Segment**	(8.7%)	33.6%	11.2%	16.0%	14.4%	10.7%	12.5%
(3) Fixed Income and Cash Segment***	8.5%	5.2%	6.1%	7.8%	7.3%	6.6%	7.0%
(4) Tactical Asset Allocation Segment****	(6.2%)	7.0%	13.4%	27.0%	24.4%	4.4%	12.4%
Consumer Price Index*	3.3%	3.7%	2.0%	1.7%	2.3%	3.0%	2.6%
S&P 500 Index	(14.8%)	7.4%	22.7%	30.2%	34.6%	3.9%	14.5%
Russell 3000 Index	(13.9%)	9.6%	20.1%	28.8%	30.6%	4.2%	13.8%
MSCI EAFE Index	(23.6%)	17.2%	7.6%	6.1%	12.8%	(1.2%)	2.9%
Lehman Gov't Corp	11.1%	4.3%	2.7%	11.3%	7.8%	6.0%	7.4%
90-Day T-Bill	5.0%	5.5%	4.5%	5.1%	5.1%	5.0%	5.0%
60/40 S&P/Lehman Gov't Corp Mix	(4.8%)	6.5%	15.2%	22.5%	23.4%	5.3%	12.1%
60/40 MSCI World/Salomon WGBI	(13.5%)	8.7%	11.5%	12.1%	14.7%	1.6%	6.2%

* 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

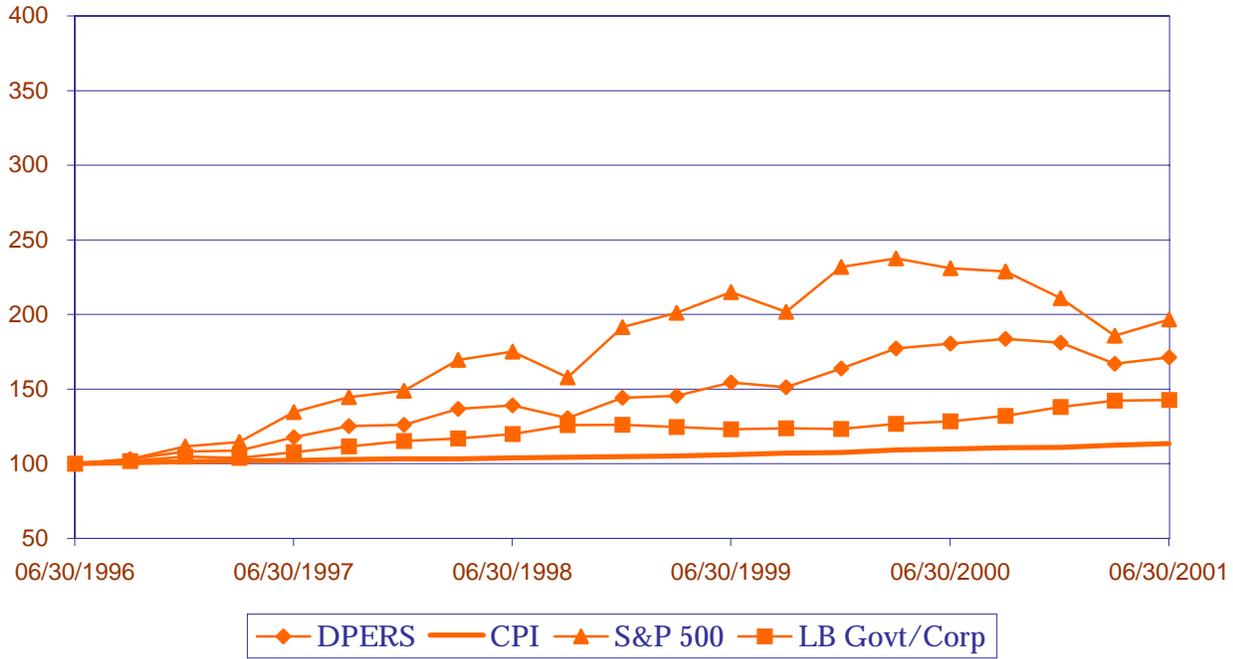
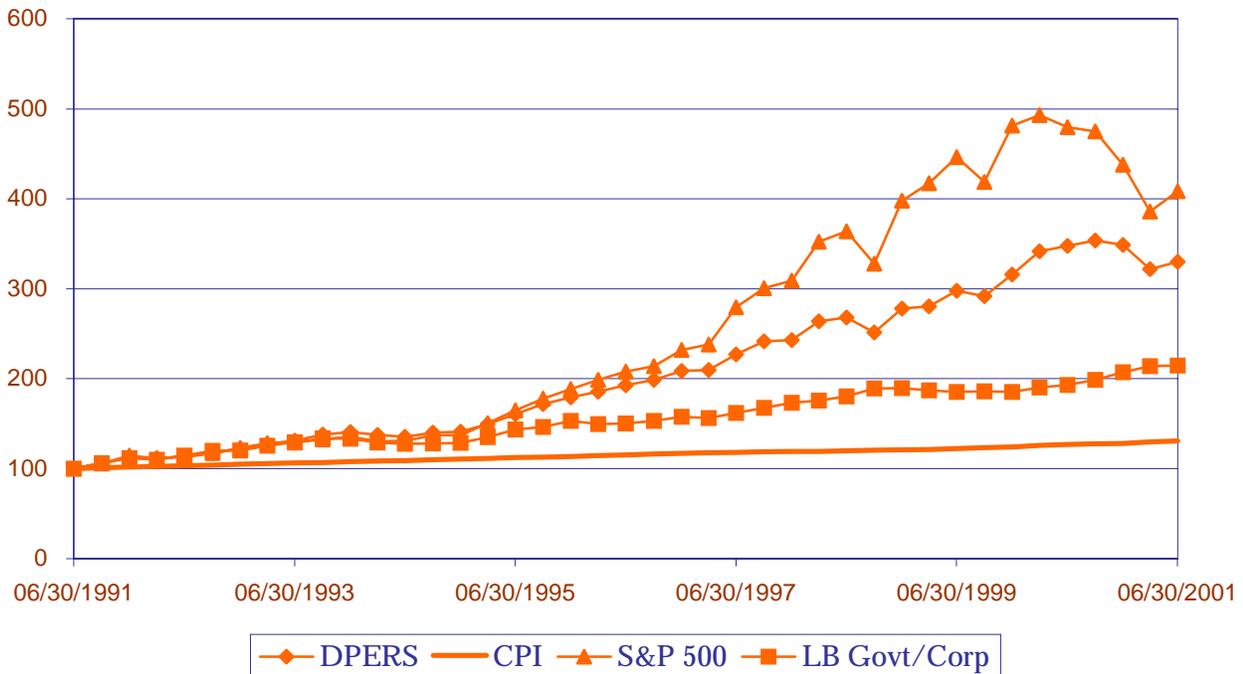


Chart IV

Total Return Performance Comparison - 10 Years



List of Largest Assets Directly Held*

as of June 30, 2001 (excludes investments in pooled vehicles)

Equities (Includes Convertibles)	Market Value	% of Total Fund	Shares/Par (\$)
EQUITY OFFICE PPTYS TRUST	\$ 16,336,501	0.31%	517,436 shares
SERACARE INC. WT Exp 02/18/2005 +5	15,604,621	0.30%	2,235,619 shares
GENERAL ELECTRIC CO	15,536,625	0.29%	318,700 shares
APARTMENT INVT & MGMT CO CL A	12,213,880	0.23%	253,400 shares
EQUITY RESIDENTIAL PPTYS TRUST	9,291,165	0.18%	164,300 shares
PFIZER INC	9,272,576	0.18%	231,525 shares
CENTERPOINT PROPERTIES TRUST	9,041,020	0.17%	180,100 shares
MICROSOFT CORP	8,431,500	0.16%	115,400 shares
CHASE TELECOMMUNICATIONS Sr Nt 10.0% 06/30/2008 With CL A, CL B	7,895,823	0.15%	\$ 6,338,280
VORNADO RLTY TRUST	7,792,384	0.15%	199,600 shares
Total	\$ 111,446,095	2.12%	

Fixed Income	Market Value	% of Total Fund	Par (\$)
UNITED STATES TREAS NTS 5.875% 11/15/2004	\$ 26,889,460	0.51%	\$ 26,000,000
UNITED STATES TREAS NTS 6.250% 02/28/2002	25,910,295	0.49%	\$ 25,500,000
UNITED STATES TREAS NTS 5.750% 08/15/2003	25,710,750	0.49%	\$ 25,000,000
FEDERAL NATIONAL MTG ASSN NT 5.125% 02/13/2004	20,092,400	0.38%	\$ 20,000,000
UNITED STATES TREAS NTS 5.875% 09/30/2002	16,868,610	0.32%	\$ 16,500,000
FEDERAL HOME LN MTG CORP NT 5.750% 07/15/2003	16,347,520	0.31%	\$ 16,000,000
UNITED STATES TREAS NTS 5.875% 11/30/2001	16,142,560	0.31%	\$ 16,000,000
UNITED STATES TREAS NTS 6.250% 06/30/2002	15,848,750	0.30%	\$ 15,500,000
UNITED STATES TREAS NTS 6.375% 04/30/2002	10,203,500	0.19%	\$ 10,000,000
FEDERAL HOME LN BANK BD 5.750% 01/05/2004	10,118,700	0.19%	\$ 10,000,000
Total	\$ 184,132,545	3.49%	

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

Surviving “The Perfect Storm”

In both the book and the movie, The Perfect Storm tells the story of an unusual combination of bad weather off the coast of New England. A fishing boat and a sailboat are caught in this perfect storm. The fishing boat sinks, and the crew of the sailboat has to be rescued by the Coast Guard. Sometimes unwary investors can also get caught in the perfect storm.

Just recently, some of the new economy/internet stocks declined by over 80%. The Nasdaq stock index declined by over 60%. How can investors survive the perfect storm? They have to keep part of their portfolio in calm waters. In the investment world, these calm waters are in the bond market.



Any basic investment textbook, seminar, article or website will talk about stocks and bonds as the primary investment choices. Then virtually all of the subsequent discussion will be about stocks. Like Rodney Dangerfield, bonds don't get any respect. But bonds are important. Bonds are legally obligated to provide a steady source of cash income – the annual interest payment. Bonds are also a legal obligation to return the principal amount to the investor. These legal obligations for bonds make the investment behavior of bonds much calmer than stocks.

In general, two factors influence the market prices for bonds. One is the credit quality of the borrower. The other is the bond's maturity – the length of time until the principal is paid back.

If the credit quality of the borrower is very high, the market price of their bonds will not be influenced by changes in economic conditions. The best quality is provided by bonds issued by the U.S. government. Because these government bonds have a very low credit risk, they pay the lowest rate of interest. On the other hand, bonds issued by companies affected by economic conditions pay a higher level of interest. But when investors become concerned about getting the principal amount paid back, the market price of the bonds can go down.



A bond's maturity affects its market price because the legal obligations of a bond are fixed. When future interest rate levels rise or fall, the interest rate for an existing bond doesn't change. However, the market price of the existing bond does change. If someone owns a bond with an 8% interest rate, and the future interest rate declines to 6%, the 8% bond becomes more valuable than the new 6% bonds. The market price of the 8% bond will go up. However, if the maturity of the 8% bond is short, the interest rate advantage will not last very long, and the market price

increase will be small. On the other hand, if the maturity of the 8% bond is long, the interest rate advantage will continue for a long time, and the market price increase will be larger.

Of course, the opposite can happen. If someone owns a bond with an 8% interest rate, and the future interest rate increases to 10%, the 8% bond becomes less valuable. In this case, the market price of the 8% bond will go down.

The following table, covering the last 30 years, compares the declines in the bond and stock markets.

Bonds vs. Stocks		
<small>(120 Rolling 4-quarter periods, 1971 - 2001)</small>		
	Bonds	Stocks
Number of declining periods	11	21
Percent of declining periods	9%	18%
Average percent decline	-3.1%	-11.2%
Largest percent decline	-8.6%	-39.0%

Bonds - Lehman Aggregate Bond Index
 Stocks - S&P 500 Stock Index

Stocks declined twice as often as bonds. The average stock decline was three times larger than bonds. The largest stock decline was almost five times larger than bonds.

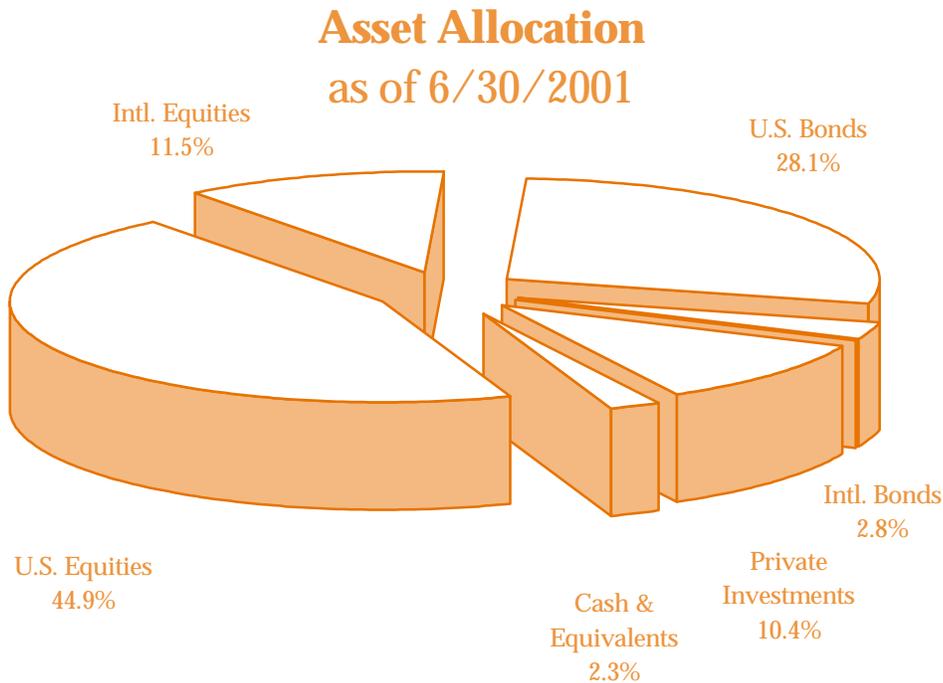
The Delaware retirement fund targets 25% of total plan assets as a minimum level of fixed income investments. At the end of the current fiscal year, June 30, 2001, the fund held 33% of total plan assets in fixed income investments.

Despite its occasional declines, the bond market provides calm waters compared to the choppy seas of the stock market – and helps investors survive The Perfect Storm.

INVESTMENT SECTION

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 five-year history and trends in asset allocation. For these asset classifications, the Pooled Equity and Fixed Income Accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the asset classes used in the financial section on pages 32-33.



	Fiscal Years ending June 30,				
	2001	2000	1999	1998	1997
U.S. Equities	44.9%	38.8%	45.3%	49.4%	47.8%
Intl. Equities	11.5%	12.4%	10.5%	11.7%	11.5%
U.S. Bonds	28.1%	31.1%	31.6%	20.5%	25.9%
Intl. Bonds	2.8%	2.7%	2.1%	1.6%	1.8%
Real Estate	- *	- *	0.1%	0.3%	0.7%
Private Investments	10.4%	12.5%	9.2%	7.1%	7.4%
Cash & Equivalents	2.3%	2.5%	1.2%	9.4%	4.9%

**less than 0.1% under management. Other real estate holdings in the form of Real Estate Investment Trusts are included in equities.*

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

All investment managers are expected to meet and maintain a number of organizational criteria in order to continue as managers. During the fiscal year, existing managers were given additional responsibilities in the areas of private and alternative assets, high yield bonds, and domestic equity. Additionally, three venture capital funds reached their scheduled termination dates. At the end of the fiscal year, the money managers of the Fund and their responsibilities were:

Investment Manager	Responsibility	Calendar Year Retained
<u>U.S. Equities</u>		
Barclays Global Investors	Equities	1977
Cadence Capital Management	Equities	1989
Fidelity Management Trust Co.	Real Estate Investment Trusts	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 LP	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
Oaktree Capital Management	Emerging Markets	2000
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 & Equivalents</u>		
T. Rowe Price Associates	Cash & Equivalents	1983

INVESTMENT SECTION

Investment Summary

(Dollar values expressed in thousands)

	Market Value as of June 30, 2001	Percent of Total Investment Assets	Total FY 2001 Investment Fees	Basis Points
<u>Equities</u>				
U.S. Equities	\$ 2,370,997	44.9%		
Intl. Equities	607,271	11.5%		
Sub-Total	\$ 2,978,268	56.4%	\$ 10,680	
<u>Fixed Income</u>				
U.S. Bonds	\$ 1,483,853	28.1%		
Intl. Bonds	147,857	2.8%		
Sub-Total	\$ 1,631,711	30.9%	\$ 2,217	
<u>Other Asset Allocations</u>				
Private Investments	549,184	10.4%		
Cash & Equivalents	121,454	2.3%		
Sub-Total	\$ 670,638	12.7%	\$ 13,670	
<u>Other Investment Services</u>				
Custodian/Investment Advisor Fees			\$ 1,583	
Pension Office Support Staff Expenses			206	
Grand Totals	\$ 5,280,617	100.0%	\$ 28,356	29 bp*

* Other fees include Private Investment fees detailed on page 42. These fees have been excluded from the basis point calculation since they have already been netted from income. Basis point calculation is the weighted average based on the quarterly fund valuation.

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.

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 (on page 67) is a schedule of commissions paid during Fiscal 2001 which totaled over \$20,000. Appendix B (pages 68-70) is a complete schedule of all commissions paid during Fiscal 2001.

Appendix - A 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 2001.

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
BEAR STEARNS & CO INC	3,362,900	\$0.05	\$101,305,072.50	\$161,798.40
INVESTMENT TECHNOLOGY GROUP	7,258,284	\$0.02	\$195,753,574.27	\$145,130.08
SMITH BARNEY INC	2,804,132	\$0.04	\$65,707,539.84	\$116,648.59
LEHMAN BROTHERS INC	2,546,745	\$0.04	\$69,265,850.14	\$114,468.00
B-TRADE SECURITIES LLC	4,194,170	\$0.02	\$100,862,542.04	\$83,813.50
CIBC OPPENHEIMER CORP	1,590,700	\$0.04	\$45,569,049.75	\$70,086.00
GOLDMAN SACHS & CO	1,416,450	\$0.05	\$41,413,376.91	\$68,073.48
CS FIRST BOSTON CORPORATION	1,700,379	\$0.04	\$35,523,212.00	\$64,813.52
WEEDEN & COMPANY	1,263,100	\$0.04	\$22,998,426.26	\$56,256.00
SPEAR, LEEDS, & KELLOGG	2,014,550	\$0.03	\$73,441,951.32	\$51,780.75
MORGAN STANLEY & CO	1,169,812	\$0.04	\$41,818,352.12	\$51,600.07
MERRILL LYNCH PIER FEN SMITH	1,342,516	\$0.03	\$28,448,520.19	\$46,635.32
LEGG MASON WOOD WALKER	884,700	\$0.05	\$17,299,047.20	\$44,235.00
JEFFERIES & CO INC	856,200	\$0.05	\$20,667,146.42	\$40,400.00
INSTINET	1,498,480	\$0.03	\$49,466,152.36	\$39,949.35
BANC/AMERICA SEC, LCC, AUTRANET INC.	754,850	\$0.05	\$20,736,633.20	\$37,742.50
PRUDENTIAL SECURITIES, INC	754,900	\$0.04	\$20,917,885.53	\$29,447.50
JONES ASSOCIATES 4TH	570,500	\$0.05	\$16,506,178.59	\$28,525.00
DL&J SECURITIES CORP	690,450	\$0.04	\$18,347,932.49	\$26,065.50
NEUBERGER & BERMAN	519,700	\$0.05	\$12,190,299.78	\$24,709.00
STANDARD & POOR'S SECURITIES INC	493,900	\$0.05	\$16,368,045.58	\$24,695.00
LAZARD FRERES & CO	477,902	\$0.05	\$16,108,190.36	\$23,895.10
SCHWAB (CHARLES) & CO	446,200	\$0.05	\$9,505,139.84	\$22,310.00
UBS WARBURG	704,033	\$0.03	\$17,600,985.60	\$21,495.49
	419,200	\$0.05	\$14,323,343.01	\$20,960.00

INVESTMENT SECTION

Appendix - B

Broker Commission Summary for Fiscal Year 2001

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
BANC/AMERICA SEC, LCC,	754,850	\$0.05	\$20,736,633.20	\$37,742.50
BARING SECURITIES INC.	89,400	\$0.05	\$3,117,409.36	\$4,470.00
BARRINGTON RESEARCH ASSOCIATES	5,000	\$0.05	\$231,296.29	\$250.00
BEAR STEARNS & CO INC	3,366,900	\$0.05	\$101,460,123.22	\$161,998.40
BERNSTEIN SANFORD & CO INC	246,500	\$0.05	\$9,866,245.03	\$12,325.00
BLACK AND COMPANY	11,800	\$0.05	\$551,403.54	\$590.00
BLAIR (WILLIAM) & CO	131,900	\$0.05	\$5,049,789.60	\$6,595.00
BMO NESBITT BURNS INC	1,100	\$0.03	\$8,517.34	\$35.20
BRIDGE TRADING CO.	151,300	\$0.05	\$4,931,328.04	\$7,095.00
B-TRADE SECURITIES LLC	4,194,170	\$0.02	\$100,862,542.04	\$83,813.50
CANACCORD CAPITAL CORP	127,000	\$0.05	\$998,633.20	\$6,350.00
CANADIAN IMPERIAL BK OF COMMERCE	10,000	\$0.05	\$274,490.83	\$500.00
CANTOR FITZGERALD & CO	476,700	\$0.04	\$10,156,242.23	\$18,940.00
CAPITAL INSTITUTIONAL SERVICES	2,400	\$0.05	\$79,084.32	\$120.00
CHAPIN DAVIS	37,800	\$0.05	\$2,583,112.79	\$1,890.00
CIBC OPPENHEIMER CORP	1,800,605	\$0.05	\$47,202,921.06	\$83,324.83
CITATION GROUP, THE	210,100	\$0.05	\$3,765,855.16	\$10,505.00
CJS SECURITIES	5,000	\$0.05	\$120,567.47	\$250.00
CLEARY,GULL,REILAND & MCDEVITT	29,800	\$0.05	\$800,898.99	\$1,490.00
CONNING & CO/BCC CLRG	30,900	\$0.05	\$716,455.28	\$1,545.00
CORRESPONDENT SERVICES CORP	12,400	\$0.03	\$204,667.60	\$404.00
COWEN & COMPANY	248,300	\$0.05	\$5,503,047.72	\$12,415.00
CS FIRST BOSTON CORPORATION	1,700,379	\$0.04	\$35,523,212.00	\$64,813.52
DAIN RAUSCHER INCORPORATED	74,400	\$0.05	\$2,008,282.52	\$3,720.00
DAVIDSON, D.A., & COMPANY, INC	221,200	\$0.05	\$4,099,818.29	\$11,060.00
DB CLEARING SECURITIES #80122	68,800	\$0.05	\$1,945,974.02	\$3,440.00
DEUTSCHE BANC ALEX BROWN INC	110,100	\$0.05	\$3,378,596.68	\$5,505.00
DL&J SECURITIES CORP	519,700	\$0.05	\$12,190,299.78	\$24,709.00
DRESDNER SECURITIES (USA) INC	15,200	\$0.05	\$402,779.17	\$760.00
EDWARDS A G & SONS INC	64,200	\$0.05	\$1,571,435.21	\$3,210.00
ERNST & CO	3,500	\$0.05	\$146,808.24	\$175.00
ESI SECURITIES COMPANY	33,982	\$0.04	\$1,277,795.77	\$1,359.28
FACTSET DATA SYSTEMS INC/BCC CLR	32,500	\$0.05	\$1,874,550.60	\$1,625.00
FIDELITY CAP MKTS (DIV OF NFSC)	132,300	\$0.05	\$3,303,072.08	\$6,337.00
FIRST ALBANY CORP	55,900	\$0.05	\$2,079,518.29	\$2,795.00
FIRST ANALYSIS SECURITIES CORP	2,500	\$0.05	\$141,708.02	\$125.00
FIRST TENNESSEE SEC CORP	63,300	\$0.05	\$910,874.00	\$3,165.00
FIRST UNION CAPITAL MARKETS	251,300	\$0.05	\$6,114,260.55	\$12,565.00
FOX-PITT,KELTON,INC	76,850	\$0.05	\$2,768,041.05	\$3,842.50
FRIEDMAN BILLINGS & RAMSEY	151,800	\$0.05	\$2,391,165.69	\$7,590.00
FROST SECURITIES INC	63,600	\$0.05	\$2,481,833.64	\$3,180.00
GERARD KLAUER MATTISON & CO	99,900	\$0.05	\$2,467,316.95	\$4,995.00
GOLDMAN SACHS & CO	1,416,450	\$0.05	\$41,413,376.91	\$68,073.48
GREEN STREET ADVISORS INC	5,000	\$0.05	\$48,948.00	\$250.00
GRUNTAL & COMPANY INC	25,900	\$0.05	\$617,797.08	\$1,295.00
HOAK BREEDLOVE WESNESKI & CO	46,350	\$0.05	\$1,743,777.86	\$2,317.50
HOWARDWEIL,LABOUISSIE,FRIEDRICHS	56,500	\$0.05	\$1,987,550.49	\$2,825.00
HSBC SECURITIES INC	538,700	\$0.00	\$828,549.50	\$1,993.25
INSTINET	1,498,480	\$0.03	\$49,466,152.36	\$39,949.35
INTERSTATE JOHNSON LANE CORP	1,400	\$0.05	\$37,489.90	\$70.00
INVESTEC ERNST & CO	118,200	\$0.04	\$4,396,012.96	\$5,030.00
INVESTMENT TECHNOLOGY GROUP	7,258,284	\$0.02	\$195,753,574.27	\$145,130.08

(continued on next page)

Broker Commission Summary (continued)

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
ISI GROUP, INC. C/T BEAR STEARNS	23,700	\$0.05	\$895,321.67	\$1,185.00
ISLAND EXECUTION SERVICES LLC	500	\$0.01	\$3,125.65	\$5.00
J B WERE	53,500	\$0.02	\$251,168.90	\$1,262.17
JANNEY MONTGOMERY SCOTT INC	23,900	\$0.05	\$148,036.60	\$1,195.00
JEFFERIES & CO INC	856,200	\$0.05	\$20,667,146.42	\$40,400.00
JOHNSON RICE & CO.	6,000	\$0.05	\$238,121.27	\$300.00
JONES ASSOCIATES 4TH	690,450	\$0.04	\$18,347,932.49	\$26,065.50
KEEFE BRUYETTE & WOODS INC	104,800	\$0.05	\$2,848,147.81	\$5,240.00
KNIGHT SEC BROADCORT CAP CLEAR	2,600	\$0.05	\$16,302.00	\$130.00
LAZARD FRERES & CO	446,200	\$0.05	\$9,505,139.84	\$22,310.00
LEERINK SWANN & CO	42,300	\$0.05	\$1,525,628.15	\$2,115.00
LEGG MASON WOOD WALKER	884,700	\$0.05	\$17,299,047.20	\$44,235.00
LEHMAN BROTHERS INC	2,546,745	\$0.04	\$69,265,850.14	\$114,468.00
LEWCO SEC/AGT HAMBRECHT & QUIST	22,000	\$0.05	\$1,457,674.58	\$1,100.00
LIQUIDNET INC	14,800	\$0.02	\$587,203.33	\$296.00
LYNCH JONES & RYAN INC/JEFFERIES	6,400	\$0.05	\$317,184.60	\$320.00
MACQUARIE EQUITIES (USA) INC	25,000	\$0.02	\$113,312.11	\$398.58
MCDONALD & CO	93,000	\$0.05	\$2,836,516.75	\$4,650.00
MERRILL LYNCH PIER FEN SMITH	1,342,516	\$0.03	\$28,448,520.19	\$46,635.32
MERRILL LYNCH PROF CLRG CORP	90,300	\$0.05	\$3,225,850.95	\$4,515.00
MORGAN (J.P.) SECURITIES INC	276,800	\$0.05	\$9,540,580.87	\$13,840.00
MORGAN KEEGAN & CO INC	17,200	\$0.05	\$401,920.11	\$860.00
MORGAN STANLEY & CO	1,169,812	\$0.04	\$41,818,352.12	\$51,600.07
NESBITT BURNS SECURITIES, INC	54,500	\$0.03	\$626,763.89	\$1,860.92
NEUBERGER & BERMAN	493,900	\$0.05	\$16,368,045.58	\$24,695.00
O'NEIL WILLIAM & CO INC/BCC CLRG	10,000	\$0.05	\$337,893.33	\$500.00
PAINE WEBBER JACKSON/CURTIS INC	76,600	\$0.05	\$1,989,833.45	\$3,830.00
PCS SECURITIES INC	26,700	\$0.05	\$1,111,409.14	\$1,335.00
PFORZHEIMER (CARL H.) & CO NYC	10,000	\$0.05	\$466,053.69	\$500.00
PRUDENTIAL SECURITIES, INC	570,500	\$0.05	\$16,506,178.59	\$28,525.00
PULSE TRADING LLC	6,400	\$0.05	\$193,920.00	\$320.00
PUTNAM LOVELL DE GUARDIOLA & THO	4,300	\$0.05	\$63,815.44	\$215.00
QUAKER SECURITIES INC/SLK	66,600	\$0.02	\$1,239,743.05	\$1,573.00
RAGEN MACKENZIE INC	8,000	\$0.05	\$309,025.55	\$400.00
RAYMOND JAMES & ASSOC	60,100	\$0.05	\$1,457,738.90	\$3,005.00
ROBB, PECK, MCCOOEY CORP	80,905	\$0.05	\$2,276,011.61	\$4,045.25
ROBERTSON, STEPHENS & CO	232,000	\$0.05	\$4,423,451.63	\$11,600.00
ROBINSON HUMPHREY CO INC	131,900	\$0.05	\$4,002,624.74	\$6,595.00
ROCHDALE SECURITIES CORP	11,000	\$0.05	\$232,720.50	\$550.00
RYAN BECK & CO	38,700	\$0.05	\$1,222,751.25	\$1,935.00
SALOMON SMITH BARNEY INC.	150,900	\$0.05	\$3,881,737.22	\$7,545.00
SANDERS MORRIS MUNDY	22,200	\$0.05	\$877,550.86	\$1,110.00
SANDLER O'NEILL & PARTNERS, LP	178,312	\$0.05	\$5,109,219.52	\$8,915.60
SCHWAB (CHARLES) & CO	704,033	\$0.03	\$17,600,985.60	\$21,495.49
SCOTIA CAPITAL MKTS (USA) INC	129,000	\$0.05	\$1,074,544.06	\$5,995.80
SCOTT & STRINGFELLOW	5,400	\$0.05	\$248,238.00	\$270.00
SHERWOOD SECS / BROADCORT CAP	18,800	\$0.05	\$381,313.72	\$940.00
SIMMONS & CO INTERNATIONAL	21,700	\$0.05	\$710,031.78	\$1,085.00
SMITH BARNEY INC	2,804,132	\$0.04	\$65,707,539.84	\$116,648.59
SOUNDVIEW TECHNOLOGY GROUP INC	122,800	\$0.05	\$4,303,236.99	\$6,140.00
SOUTHCOAST CAPITAL LLC	109,500	\$0.05	\$2,220,738.89	\$5,475.00
SPEAR, LEEDS, & KELLOGG	2,014,550	\$0.03	\$73,441,951.32	\$51,780.75
STANDARD & POOR'S SECURITIES INC	477,902	\$0.05	\$16,108,190.36	\$23,895.10

(continued on next page)

INVESTMENT SECTION

Broker Commission Summary (continued)

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
STATE ST BROKERAGE SVCS INC	39,800	\$0.05	\$1,008,876.92	\$1,990.00
STUART FRANKEL & CO	235,500	\$0.05	\$12,250,619.81	\$11,775.00
SUNTRUST EQUITABLE SECURITIES CL	51,500	\$0.05	\$1,345,010.80	\$2,575.00
SUTRO AND COMPANY INCORPORATED	8,400	\$0.05	\$317,545.00	\$420.00
THOMAS WEISEL PARTNERS, LLC	172,800	\$0.05	\$4,358,875.27	\$8,640.00
TROSTER SINGER CORP	4,900	\$0.05	\$144,795.00	\$245.00
U.S. BANCORP PIPER JAFFRAY INC	116,600	\$0.05	\$2,386,064.27	\$5,830.00
U.S. CLEARING INST TRADING	1,500	\$0.05	\$48,669.45	\$75.00
UBS WARBURG	419,200	\$0.05	\$14,323,343.01	\$20,960.00
VAN KASPER & CO	93,800	\$0.05	\$1,850,988.17	\$4,690.00
WARBURG DILLON READ INC	257,900	\$0.04	\$7,111,840.59	\$10,243.71
WEEDEN & COMPANY	1,263,100	\$0.04	\$22,998,426.26	\$56,256.00
WEISS PECK & GREER	83,100	\$0.05	\$1,491,569.58	\$4,089.00
WR HAMBRECHT & COMPANY LLC	15,700	\$0.05	\$221,301.19	\$785.00
TOTALS:	48,188,757	\$0.037	\$1,282,761,771.73	\$1,793,615.34

Average cents/share = \$0.03722

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

The County & Municipal Police/Firefighter's Pension Plan covers individuals employed by municipalities that have become part of the plan. This plan provides retirement, disability, and survivor benefits to covered participants.

During Fiscal Year 1986, the City of Dover Police department was the first agency to join the plan. Since then, the plan has grown to cover the employees of the police departments of Dagsboro, Delmar, Dewey Beach, Felton, Georgetown, Harrington, Millsboro, New Castle, Wilmington, and New Castle County, as well as fire department employees of New Castle County and the City of Wilmington.



Photo courtesy Delaware Public Archives

The City of Wilmington Police Department joined the County Municipal Police/Firefighters' Pension Plan in 1991. This scene from 1915 depicts a Wilmington Police truck. The City police force has grown to its current compliment of 289 authorized positions.



Photo courtesy City of Dover Police Department

In 1985, the City of Dover Police were the first to join this Plan. The City recently completed an expansion of its police department facility.

In June, 1986, the plan covered 17 officers of the City of Dover Police Department. At that time, plan participants were, on average, 27 years old, and were credited with an average 2.75 years of service and an average salary of \$18,300. Currently, the Plan covers 483 participants, who average 32 years of age, and earn an average salary of \$40,000. There are 11 pensioners/survivors who are an average 38 years of age, and receive an average monthly benefit of \$ 800.

County & Municipal Other Employees' Pension Plan

The employees of the Sussex Conservation District were the first to be covered under the County & Municipal Other Employees' Pension Plan. This Plan includes county or municipal employees who are not enforcement officers or fire fighters.

The first agency to join the County & Municipal Other Employees' Pension Plan was the Sussex Conservation District (SCD). This picture from the 1950s shows two SCD technicians surveying ditch construction. Over the past decades, the SCD has significantly improved Sussex County lands through improved drainage and erosion control projects.



Photo Courtesy Delaware Public Archives

Since entering the plan in 1987, the Sussex Conservation District has been joined by the covered employees of the towns of Georgetown and Millsboro, the City of New Castle, and the Middletown, Harrington, Townsend, and Felton fire companies.

At its start, the plan covered 17 employees of the Sussex Conservation District, who were an average 39 years old. Those employees were credited with an average 9 months of service and an average annual salary of \$17,300. There were no pensioners or survivors receiving benefits.

The Plan has grown to cover 85 participants, who average 43 years of age, and earn an average annual salary of \$27,000. There are 10 pensioners/survivors who are an average 66 years of age and receive an average monthly benefit of \$216.



The Town of Millsboro joined the Plan in 1999. Pictured above is the Millsboro Town Hall which includes facilities utilized by many programs and citizens.



ACTUARIAL SECTION

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware



A MILLIMAN GLOBAL FIRM

Milliman USA

Consultants and Actuaries

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August 23, 2001

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

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2001. 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 over the periods disclosed on page 48 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*.

OFFICES IN PRINCIPAL CITIES WORLDWIDE



Board of Pension Trustees
August 23, 2001
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 USA, 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

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

I, Fiona E. Liston, am a consulting actuary for Milliman USA. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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

Sincerely,

Milliman USA

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

OFFICES IN PRINCIPAL CITIES WORLDWIDE

Actuarial Assumptions and Methods

Asset Valuation Method

The market value of assets, representing the realizable value of the assets on a particular day, is not necessarily an appropriate value for the purpose of setting contribution rates. This is because funding will take place over a long period 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 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, 1997, July 1, 1998, July 1, 1999, July 1, 2000, and July 1, 2001. The remaining unfunded actuarial liability will be amortized over the next 20 years for the Judiciary Plan, 19 years for the New State Police Plan, 26 years for the Volunteer Firemen's Plan, and 21 years for the Diamond State Corporation Plan. There are existing plan change liability bases in the State Employees' Plan being amortized over 14 and 29 years. The cumulative gain/loss base in this plan is amortized over a rolling 15 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, 2001:

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 36-38 of the Financial Section. As of July 1, 2001, there were significant plan changes in six 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 1.8% to 1.85% for all service accrued after January 1, 1997. For service accrued prior to that date, the multiplier was increased from 1.8% to 2.0%. The life insurance amount payable in the event of death was increased from \$6,000 to \$7,000.

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

Currently retired members of the New State Police Pension Plan received an ad hoc post-retirement benefit increase. Also, the life insurance amount payable in the event of death was increased from \$6,000 to \$7,000.

Members of the Closed State Police Pension Plan received an increase in the life insurance amount payable in the event of death from \$6,000 to \$7,000.

The Judiciary Pension Plan was also amended to grant an ad hoc post-retirement benefit increase to those currently receiving benefits. It was further amended to provide for a 2/3's survivor benefit for retired members of the Revised State Judicial Plan if they elect a 2% reduction in their monthly benefit.

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

All of these plan changes are reflected in the liabilities shown as of June 30, 2001.

ACTUARIAL SECTION

Schedule of Active Member Valuation Data

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (Expressed in thousands)	Annual Average Pay	% Increase in Average Pay
State Employees'	6/30/2001	31,989	\$ 1,270,632	\$ 39,721	5.2%
	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%
Special	The Special Plan has no Active Members				
New State Police	6/30/2001	539	\$ 27,624	\$ 51,250	5.7%
	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%
Judiciary	6/30/2001	50	\$ 6,371	\$ 127,420	7.8%
	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%
County & Municipal Police/Firemen's (FICA)	6/30/2001	170	\$ 6,624	\$ 38,965	4.6%
	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%
County & Municipal Police/Firemen's (Non-FICA)	6/30/2001	313	\$ 12,981	\$ 41,473	2.8%
	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%

Schedule of Active Member Valuation Data *(continued)*

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll <i>(Expressed in thousands)</i>	Annual Average Pay	% Increase in Average Pay
County & Municipal Other Employees'	6/30/2001	85	\$ 2,292	\$ 26,965	(0.4%)
	6/30/2000	74	2,004	27,081	9.5%
	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%)
Volunteer Firemen's	6/30/2001	4,769	-	-	-
	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	-	-	-
Diamond State Port Corporation	6/30/2001	272	\$ 8,788	\$ 32,309	(4.9%)
	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	6/30/2001	45	\$ 3,247	\$ 72,156	5.8%
	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%

ACTUARIAL SECTION

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Plan	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances (Expressed in thousands)	% Increase in Annual Allowances	Average Annual Allowances
State Employees'	6/30/2001	1,174	722	15,651	\$ 175,312	10.2%	\$ 11,180
	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
Special	6/30/2001	2	5	39	\$ 135	1.5%	\$ 3,462
	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
New State Police*	6/30/2001	6	-	11	\$ 289	74.1%	\$ 26,273
	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
Judiciary	6/30/2001	4	3	38	\$ 1,949	18.7%	\$ 51,289
	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
County & Municipal Police/Firemen's (FICA)	6/30/2001	4	-	8	\$ 100	88.7%	\$ 12,500
	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

* 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)

Plan	Fiscal Ended	Additions	Deletions	Year-end Total	Annual Allowances (Expressed in thousands)	% Increase in Annual Allowances	Average Annual Allowances
County & Municipal Police/Firemen's (Non-FICA)	6/30/2001	2	-	3	\$ 51	218.8%	\$ 17,000
	6/30/2000	-	-	1	16	23.1%	16,000
	6/30/1999	1	-	1	13	100.0%	13,000
	6/30/1998	-	-	-	-	-	-
	6/30/1997	-	-	-	-	-	-
County & Municipal Other Employees'	6/30/2001	1	-	10	\$ 26	23.8%	\$ 2,600
	6/30/2000	1	-	9	21	50.0%	2,333
	6/30/1999	1	-	8	14	(6.7%)	1,750
	6/30/1999	-	-	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
Volunteer Firemen's	6/30/2001	60	32	1,131	\$ 971	5.5%	\$ 859
	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
Diamond State Port Corporation	6/30/2001	3	-	10	\$ 98	30.7%	\$ 9,800
	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	6/30/2001	13	6	548	\$ 17,040	6.0%	\$ 31,095
	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

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)				
State Employees'	6/30/2001	\$ 343,466	\$ 1,597,526	\$ 2,291,252	\$ 5,057,849	100%	100%	136%
	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%
Special	6/30/2001	\$ -	\$ 993	-	\$ 2,049	-	206%	-
	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%	-
New State Police	6/30/2001	\$ 14,571	\$ 2,909	\$ 62,560	\$ 102,804	100%	100%	136%
	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%
Judiciary	6/30/2001	\$ 1,932	\$ 16,622	\$ 11,081	\$ 28,629	100%	100%	91%
	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%
County & Municipal Police/Firemen's (FICA)	6/30/2001	\$ 1,691	\$ 1,279	\$ 12,005	\$ 15,301	100%	100%	103%
	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%
County & Municipal Police/Firemen's (Non-FICA)	6/30/2001	\$ 3,057	\$ 671	\$ 10,762	\$ 14,393	100%	100%	99%
	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%
County & Municipal Other Employees'	6/30/2001	\$ 283	\$ 283	\$ 2,396	\$ 2,832	100%	100%	95%
	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%

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	6/30/2001	\$ 2,308	\$ 7,186	\$ 4,343	\$ 9,536	100%	100%	1%
	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%
Diamond State Port	6/30/2001	\$ 670	\$ 913	\$ 4,035	\$ 6,115	100%	100%	112%
	6/30/2000	626	584	4,012	6,053	100%	100%	121%
	6/30/1999	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	6/30/2001	\$ 2,757	\$ 274,477	\$ 28,960	\$ 2,009	73%	0%	0%
	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,					
	2001	2000	1999	1998	1997	1996
Investment Income on Actuarial Assets	\$ 74,705	254,955	202,925	209,366	159,984	120,335
Combined Liability Experience	(182,632)*	4,349	39,854	3,073	60,984	18,367
Gain/(Loss) During Year from Financial Experience	(107,927)	259,304	242,779	212,439	220,968	138,702
Non-Recurring Items	(23,431)**	(202,468)	(41,170)	(134,164)	(23,322)	(243,125)
Composite Gain/(Loss) During Year	\$ (131,358)	56,836	201,609	78,275	197,646	(104,423)

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

** PRI increase of 1.5%, funded from PRI fund

The State Judiciary Pension Plan was established in 1955, following recommendations of the State Employees' Pension Study Committee. Traditionally, the retirement provisions applicable to judges are more liberal than those applicable to public employees in general. The benefit provisions of this plan have remained essentially unchanged since 1967.

In 1967, there were 21 active members covered by the State Judiciary Pension Plan. The average age was 53 and the average length of service was 8 years. The average annual salary was \$22,615 per member.

In addition, there were 5 pensioners receiving benefits under the State Judiciary Pension Plan, 4 retired judges and 1 widow of a deceased judge. The average age of the 4 retired judges was 77.5 years and the average monthly payment was \$1,056.



Photo courtesy SussexCountyOnline.com

Georgetown, the Sussex County seat, was founded and incorporated in 1791. The town's center, "The Circle," is listed in the National Historic Register with a number of historic buildings including the Sussex County Courthouse (pictured above).



Architect's rendering of the new State court building, the largest non-transportation construction project in State history. When completed in 2002, it will house approximately 900 employees of the Courts and auxiliary agencies.

The revised Judiciary Pension Plan was passed during the 1980 legislative session. The main purpose of this legislation was to provide for an actuarially funded pension plan for all judges appointed after July 1, 1980.

As of December 31, 1980, there were 35 active members covered by the State Judiciary Pension Plan. Their average age was 53 and the average length of service was 10.5 years. The average annual salary was \$46,200 per member.

In addition, there were 14 pensioners receiving benefits under the State Judiciary Pension Plan, 6 retired judges and 8 widows of deceased judges. The average age of the retired judges was 73 years and the average monthly payment was \$1,340. The average age of the widows was 74 and the average monthly benefit was \$750.

As of June 30, 2001, there were 51 active members of the State Judiciary Pension Plan with an average age of 52, average years of service of 10, and an average annual salary of \$127,000.

Judicial retirees as of June 30, 2001 totaled 38, with an average age of 73, average service credit of 19 years, and an average monthly benefit of \$4,274.

Diamond State Port Corporation Pension Plan

First opened as the Wilmington Marine Terminal in 1923, the Port of Wilmington handled shipments of lumber, wood pulp, quebracho logs, cork, jute, burlap, lead, ore, fertilizer, and petroleum products. By 1948, the port was handling more than twice as much cargo as it had just fifteen years earlier.



Photo courtesy Delaware Public Archives

Located at the confluence of the Delaware and Christina Rivers, the Port of Wilmington is owned and operated by the Diamond State Port Corporation (DSPC), a corporate entity of the State of Delaware authorized in 1995. Operating as the Wilmington Marine Terminal for many of its early years, it serves as a major Mid-Atlantic import/export gateway for a wide variety of maritime cargoes and trade. Its location is ideal for providing shippers with overnight access to every major market on the East Coast of the United States.

The Diamond State Port Corporation Pension Plan covers all employees of the DSPC, and provides retirement, disability, and survivor benefits. In June 1996, the total membership of the plan was 105 members, 101 of whom were active participants, and 1 retiree/beneficiary currently receiving benefits. The average annual salary of the active participants was \$34,302; the average benefit paid was \$1,330 per month.

By June 2001, there were 285 members covered by the plan, 275 of whom were active participants and 10 retirees/beneficiaries receiving benefits. The average annual salary of the active participants was \$32,300; the average benefit paid was \$817 per month.



This aerial photo of the modern-day port shows how the facility has expanded. The Port of Wilmington is the top ranked port in North America for imports of fresh fruit, bananas, juice concentrate, and meat. It also supports the largest dock-side cold storage facility available to shippers.

Photo courtesy Port of Wilmington



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'	6/30/2001	\$ 20,542	38,191	-	31,888
	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
	Special	6/30/2001	\$ -	-	-
6/30/2000		-	-	-	-
6/30/1999		-	-	-	-
6/30/1998		-	-	-	4
6/30/1997		-	-	-	-
6/30/1996		-	-	-	-
New State Police		6/30/2001	\$ 2,480	29	-
	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
	Judiciary	6/30/2001	\$ 1,333	306	-
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
County & Municipal Police/Firemen's (FICA)		6/30/2001	\$ 672	-	-
	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
	County & Municipal Police/Firemen's (Non-FICA)	6/30/2001	\$ 1,992	-	-
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
County & Municipal Other Employees'		6/30/2001	\$ 165	-	-
	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

Other	Net Investment Income	Net Increase/(Decrease) in Fair Value of Investments	Total Additions	Employer Contributions as a Percent of Covered Payroll
-	153,955	(429,538)	\$ (184,962)	1.7%
-	148,995	641,970	897,555	3.9%
2	121,749	345,930	577,884	5.2%
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%
-	63	(175)	\$ (112)	-
-	64	280	344	-
-	56	153	209	-
-	62	264	330	-
-	64	213	277	-
-	64	222	286	-
19	3,118	(8,643)	\$ (1,287)	8.9%
20	2,857	12,117	18,897	10.0%
32	2,211	6,481	12,537	11.3%
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%
-	869	(2,421)	\$ 293	20.5%
-	821	3,528	6,449	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%
-	461	(1,277)	\$ 144	10.6%
-	416	1,718	3,306	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%
-	425	(1,140)	\$ 2,254	14.3%
-	323	1,304	4,199	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%
-	85	(233)	\$ 70	3.7%
-	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%

(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	6/30/2001	\$ 618	-	-	205
	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
Diamond State Port Corporation	6/30/2001	\$ 386	-	-	154
	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	6/30/2001	\$ 17,174	-	-	69
	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

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'	6/30/2001	\$ -	-	175,312	2,485
	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
Special	6/30/2001	\$ -	-	135	-
	6/30/2000	-	-	133	-
	6/30/1999	-	-	132	-
	6/30/1998	-	-	125	-
	6/30/1997	-	-	129	-
	6/30/1996	-	-	132	-
New State Police	6/30/2001	\$ -	-	289	33
	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
Judiciary	6/30/2001	\$ -	-	1,949	-
	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

	Other	Net Investment Income	Net Increase/(Decrease) in Fair Value of Investments	Total Additions	Employer Contributions as a Percent of Covered Payroll
	-	291	(783)	\$ 331	-
	-	282	1,198	2,328	-
	-	232	615	1,710	-
	-	243	1,028	2,165	-
	-	216	741	1,879	-
	1	207	768	1,762	-
	-	185	(504)	\$ 221	4.9%
	-	164	684	1,380	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	234	-	\$ 17,479	-
	2	198	-	16,501	-
	5	109	-	15,930	-
	2	157	-	15,423	-
	1	128	-	14,856	-
	3	127	-	14,304	-

Group Life Payments	Administrative Expenses	Total Deductions
3,632	4,658	\$ 186,087
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
24	5	\$ 164
12	4	149
30	6	168
15	6	146
20	-	149
-	3	135
-	48	\$ 370
-	40	262
-	45	231
-	39	320
-	25	131
-	25	172
-	8	\$ 1,957
-	8	1,650
-	23	1,521
-	13	1,369
-	5	1,273
-	7	1,202

(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	6/30/2001	\$ -	-	100	7
Police/Firemen's (FICA)	6/30/2000	-	-	53	13
	6/30/1999	-	-	52	12
	6/30/1998	-	-	35	10
	6/30/1997	-	-	32	8
	6/30/1996	-	-	32	29
County & Municipal	6/30/2001	\$ -	-	51	13
Police/Firemen's (Non-FICA)	6/30/2000	-	-	16	37
	6/30/1999	-	-	13	14
	6/30/1998	-	-	-	28
	6/30/1997	-	-	-	8
	6/30/1996	-	-	-	2
County & Municipal	6/30/2001	\$ -	-	26	9
Other Employees'	6/30/2000	-	-	21	3
	6/30/1999	-	-	17	4
	6/30/1998	-	-	15	1
	6/30/1997	-	-	15	1
	6/30/1996	-	-	15	9
Volunteer Firemen's	6/30/2001	\$ -	-	971	55
	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
Diamond State Port Corporation	6/30/2001	\$ -	-	98	8
	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	6/30/2001	\$ -	-	17,040	-
	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	-

Group Life Payments	Administrative Expenses		Total Deductions
-	35	\$	142
-	16		82
-	26		90
-	16		61
-	12		52
-	13		74
-	59	\$	123
-	22		75
-	16		43
-	12		40
-	12		52
-	7		9
-	21	\$	56
-	16		40
-	8		29
-	4		20
-	4		20
-	4		28
-	22	\$	1,048
-	22		971
-	34		975
-	24		902
-	15		855
-	18		856
-	53	\$	159
-	17		104
-	21		121
-	21		81
-	17		59
-	24		26
54	63	\$	17,157
30	51		16,159
70	63		15,614
45	62		15,125
55	37		14,557
20	35		13,957

STATISTICAL SECTION

Schedule of Benefit Deductions by Type

(Expressed in thousands)

Plan	Fiscal Years Ended June 30,	Service	Survivor	Disability	Total
State Employees'	2001	\$ 146,079	14,858	14,375	\$ 175,312
	2000	132,568	13,587	12,967	159,122
	1999	121,017	12,528	11,846	145,391
	1998	110,988	11,365	10,665	133,018
	1997	103,834	10,021	9,623	123,478
	1996	96,113	8,938	8,652	113,703
Special	2001	\$ 70	57	8	\$ 135
	2000	73	52	8	133
	1999	78	46	8	132
	1998	78	40	7	125
	1997	83	39	7	129
	1996	132	-	-	132
New State Police	2001	\$ 44	26	219	\$ 289
	2000	-	19	147	166
	1999	-	18	95	113
	1998	-	18	104	122
	1997	-	18	69	87
	1996	-	18	68	86
Judiciary	2001	\$ 1,497	351	101	\$ 1,949
	2000	1,236	298	108	1,642
	1999	1,137	256	105	1,498
	1998	1,022	231	103	1,356
	1997	985	182	101	1,268
	1996	897	189	98	1,184
County & Municipal Police/Firemen's (FICA)	2001	\$ 43	32	25	\$ 100
	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 (Non-FICA)	2001	\$ 29	-	22	\$ 51
	2000	-	-	16	16
	1999	-	-	13	13
	1998	-	-	-	-
	1997	-	-	-	-
	1996	-	-	-	-
County & Municipal Other Employees'	2001	\$ 21	-	5	\$ 26
	2000	19	-	2	21
	1999	15	-	2	17
	1998	13	-	2	15
	1997	13	-	2	15
	1996	13	-	2	15

Schedule of Benefit Deductions by Type (continued)

(Expressed in thousands)

Plan	Fiscal Years Ended June 30,	Service	Survivor	Disability	Total
Volunteer Firemen's	2001	\$ 971	-	-	\$ 971
	2000	920	-	-	920
	1999	890	-	-	890
	1998	836	-	-	836
	1997	811	-	-	811
	1996	791	-	-	791
Diamond State Port Corporation	2001	\$ 59	11	28	\$ 98
	2000	51	11	13	75
	1999	54	28	6	88
	1998	53	-	-	53
	1997	33	-	-	33
	1996	2	-	-	2
Closed State Police	2001	\$ 12,002	2,131	2,907	\$ 17,040
	2000	11,352	1,928	2,798	16,078
	1999	10,782	1,870	2,829	15,481
	1998	10,620	1,669	2,729	15,018
	1997	10,343	1,467	2,655	14,465
	1996	9,931	1,390	2,581	13,902

STATISTICAL SECTION

Schedule of Retired Members by Type of Benefit by Plan

as of June 30, 2001

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	481			
	\$1 - 499	5,839	3,045	1,774	1,020
	500 - 999	4,180	3,061	609	510
	1000 - 1499	2,500	2,106	192	202
	1500 - 1999	1,426	1,266	59	101
	2000 - 2499	881	829	17	35
	2500 - 2999	468	447	5	16
	over \$3,000	357	346	3	8
Special	Deferred				
	\$1 - 499	36	15	20	1
	500 - 999	2	1	1	
	over \$1,000	1	1		
New State Police	Deferred	4			
	\$1 - 1,499	2		2	
	1500 - 1999	3	1	1	1
	2000 - 2499	4	1		3
	over \$2,500	2	1		1
Judiciary	Deferred				
	\$1 - 499				
	500 - 999	1		1	
	1000 - 1499	1		1	
	1500 - 1999	2		2	
	2000 - 2499	4	2	2	
	2500 - 2999	4	1	2	1
over \$3,000	26	20	4	2	
County & Municipal Police/Firemen's (FICA)	Deferred	7			
	\$1 - 499				
	500 - 999	3	1	2	
	1000 - 1499	1	1		
	1500 - 1999	3	1	1	1
over \$2,000	1			1	
County & Municipal Police/Firemen's (Non-FICA)	Deferred	4			
	\$1 - 499				
	500 - 999				
	1000 - 1499	1			1
over \$1,500	2		1	1	
County & Municipal Other Employees'	Deferred	1			
	\$1 - 499	9	8		1
	over \$500	1			1
Volunteer Firemen's	Deferred	7			
	\$1 - 74	620	620		
	75 - 99	402	402		
over \$100	109	109			
Diamond State Port Corporation	Deferred				
	\$1 - 499	1	1		
	500 - 999	4	3	1	
	1000 - 1499	5	3		2
over \$1,500					
Closed State Police	Deferred				
	\$1 - 999				
	1000 - 1499	5		5	
	1500 - 1999	51		43	8
	2000 - 2499	128	84	28	16
	2500 - 2999	293	260	3	30
	over \$3,000	71	38	3	30

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, 2001, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2001		
	State Employees' Pension Plan		
	Retirants	Beneficiaries	Disability
<i>Less than 5 years</i>			
Average Monthly Benefit	\$ 458	\$ 519	
Average Final Average Salary	\$ 17,104	\$ -	
Number of Active Retirees	9	4	
<i>5 - 9.99 years</i>			
Average Monthly Benefit	\$ 270	\$ 144	\$ 217
Average Final Average Salary	\$ 23,224	\$ -	\$ 17,833
Number of Active Retirees	577	346	404
<i>10 - 14.99 years</i>			
Average Monthly Benefit	\$ 372	\$ 240	\$ 380
Average Final Average Salary	\$ 20,838	\$ -	\$ 20,663
Number of Active Retirees	1,141	472	458
<i>15 - 19.99 years</i>			
Average Monthly Benefit	\$ 543	\$ 333	\$ 588
Average Final Average Salary	\$ 22,258	\$ -	\$ 23,302
Number of Active Retirees	1,784	593	412
<i>20 - 24.99 years</i>			
Average Monthly Benefit	\$ 799	\$ 496	\$ 869
Average Final Average Salary	\$ 24,298	\$ -	\$ 27,382
Number of Active Retirees	1,971	449	331
<i>25 - 29.99 years</i>			
Average Monthly Benefit	\$ 1,237	\$ 677	\$ 1,305
Average Final Average Salary	\$ 31,301	\$ -	\$ 33,619
Number of Active Retirees	2,173	308	178
<i>30 - 34.99 years</i>			
Average Monthly Benefit	\$ 1,715	\$ 855	\$ 1,704
Average Final Average Salary	\$ 38,681	\$ -	\$ 37,162
Number of Active Retirees	2,339	313	79
<i>35 - 39.99 years</i>			
Average Monthly Benefit	\$ 2,121	\$ 1,167	\$ 1,819
Average Final Average Salary	\$ 39,640	\$ -	\$ 34,375
Number of Active Retirees	848	131	23
<i>40 years and over</i>			
Average Monthly Benefit	\$ 2,384	\$ 1,182	\$ 1,869
Average Final Average Salary	\$ 38,210	\$ -	\$ 31,225
Number of Active Retirees	258	43	7

(continued on next page)

Schedule of Average Benefit Payments *(continued)*

Credited Service	2001 New State Police Pension Plan			2001 Judiciary Pension Plan		
	Retirants	Beneficiaries	Disability	Retirants	Beneficiaries	Disability
<i>Less than 5 years</i>						
Average Monthly Benefit		\$ 877	\$ 2,051			\$ 2,192
Average Final Average Salary		\$ -	\$ 28,297			\$ 40,930
Number of Active Retirees		2	1			1
<i>5 - 9.99 years</i>						
Average Monthly Benefit		\$ 1,593	\$ 2,751			\$ 5,051
Average Final Average Salary		\$ -	\$ 33,234			\$ 121,230
Number of Active Retirees		1	2			1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 1,836		\$ 1,996	\$ 3,976	\$ 1,881	\$ 3,710
Average Final Average Salary	\$ 53,543		\$ 30,101	\$ 88,155	\$ -	\$ 79,846
Number of Active Retirees	1		1	7	3	1
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 2,352		\$ 2,449	\$ 4,628	\$ 1,778	
Average Final Average Salary	\$ 58,647		\$ 53,225	\$ 84,657	\$ -	
Number of Active Retirees	1		1	5	1	
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 2,629			\$ 5,680	\$ 2,159	
Average Final Average Salary	\$ 60,626			\$ 84,938	\$ -	
Number of Active Retirees	1			7	3	
<i>25 - 29.99 years</i>						
Average Monthly Benefit				\$ 6,763	\$ 3,038	
Average Final Average Salary				\$ 95,398	\$ -	
Number of Active Retirees				3	3	
<i>30 - 34.99 years</i>						
Average Monthly Benefit				\$ 7,556	\$ 4,392	
Average Final Average Salary				\$ 118,522	\$ -	
Number of Active Retirees				1	1	
<i>35 - 39.99 years</i>						
Average Monthly Benefit						
Average Final Average Salary						
Number of Active Retirees						
<i>40 years and over</i>						
Average Monthly Benefit					\$ 4,314	
Average Final Average Salary					\$ -	
Number of Active Retirees						1

Schedule of Average Benefit Payments *(continued)*

Credited Service	2001 County & Municipal Police/ Firemen's Pension Plan (FICA)			2001 County & Municipal Police/Firemen's Pension Plan (Non-FICA)		
	Retirants	Beneficiaries	Disability	Retirants	Beneficiaries	Disability
<i>Less than 5 years</i>						
Average Monthly Benefit		\$ 525	\$ 2,405			\$ 1,329
Average Final Average Salary		\$ -	\$ 33,180			\$ 27,400
Number of Active Retirees		2	1			1
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ 572			\$ 1,812		\$ 1,565
Average Final Average Salary	\$ 27,453			\$ -		\$ 37,550
Number of Active Retirees	1			1		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			\$ 1,800			
Average Final Average Salary			\$ 32,606			
Number of Active Retirees			1			
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 1,487					
Average Final Average Salary	\$ 41,566					
Number of Active Retirees	2					
<i>25 - 29.99 years</i>						
Average Monthly Benefit		\$ 1,638				
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						

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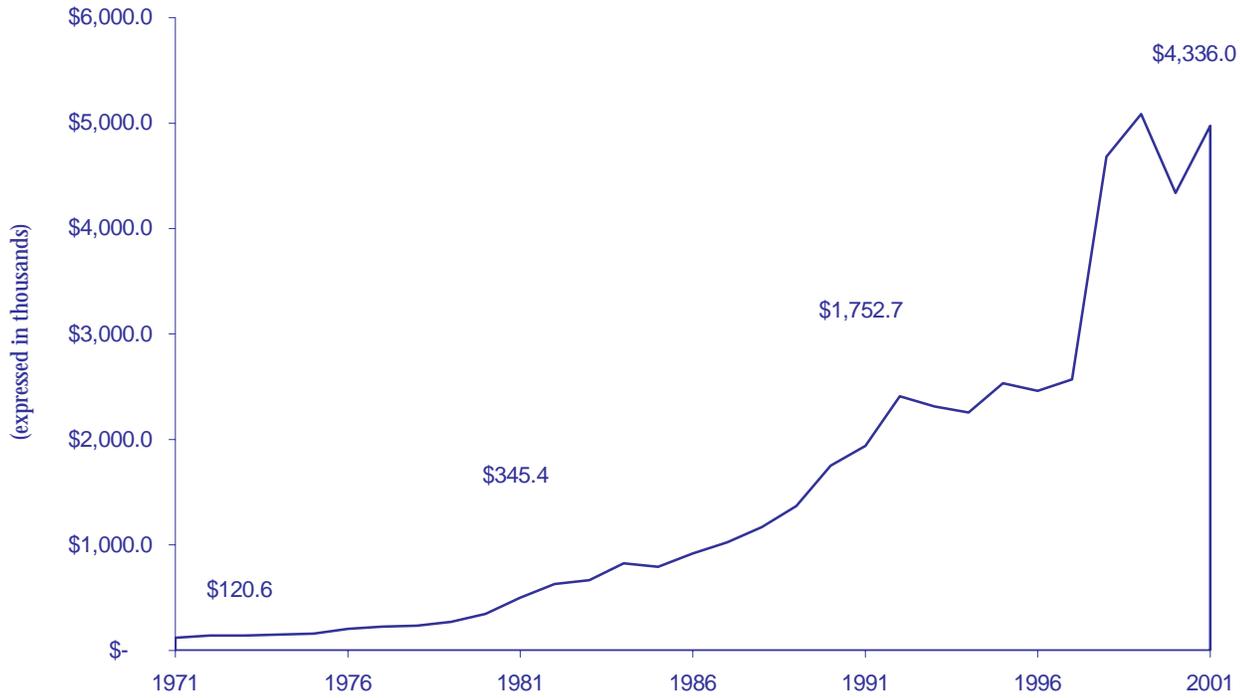
Schedule of Average Benefit Payments *(continued)*

Credited Service	2001 County & Municipal Other Employees' Pension Plan			2001 Volunteer Firemen's Pension Plan		
	Retirants	Beneficiaries	Disability	Retirants	Beneficiaries	Disability
<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			620		
<i>15 - 19.99 years</i>						
Average Monthly Benefit				\$ 83		
Average Final Average Salary				\$ -		
Number of Active Retirees				402		
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 491		\$ 851	\$ 106		
Average Final Average Salary	\$ 17,165		\$ 24,741	\$ -		
Number of Active Retirees	1		1	109		
<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						

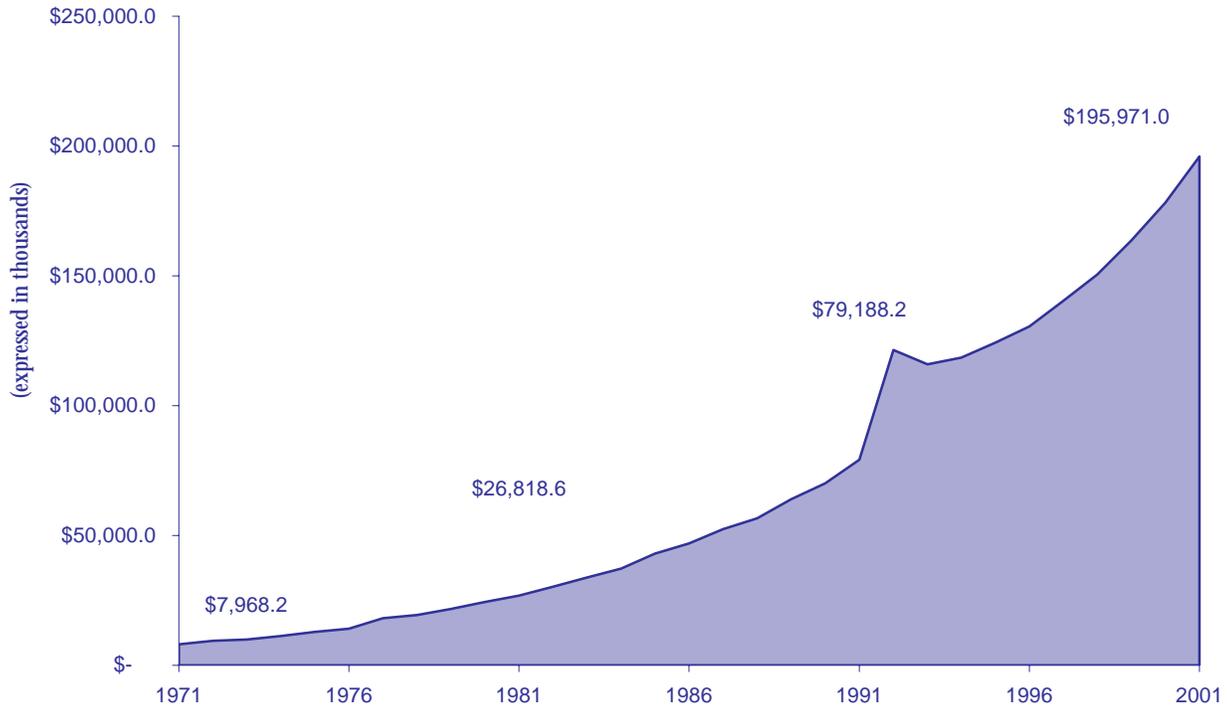
Credited Service	2001 Diamond State Port Corporation Pension Plan			2001 Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disability	Retirants	Beneficiaries	Disability
<i>Less than 5 years</i>						
Average Monthly Benefit						\$ 2,299
Average Final Average Salary						\$ 22,172
Number of Active Retirees						3
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ 1,096			\$ 1,598		\$ 2,493
Average Final Average Salary	\$ 33,495			\$ -		\$ 25,793
Number of Active Retirees	2			3		21
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 528			\$ 1,973		\$ 2,680
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			\$ 2,486		\$ 3,133
Average Final Average Salary	\$ 27,564			\$ -		\$ 47,695
Number of Active Retirees	2			4		21
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 996		\$ 1,186	\$ 2,620	\$ 2,078	\$ 3,655
Average Final Average Salary	\$ 30,195		\$ 31,674	\$ 60,593	\$ -	\$ 49,097
Number of Active Retirees	1		2	347	70	9
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ 1,331			\$ 2,964		
Average Final Average Salary	\$ 31,250			\$ 69,066		
Number of Active Retirees	1			31		
<i>30 - 34.99 years</i>						
Average Monthly Benefit		\$ 883		\$ 3,404		
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						

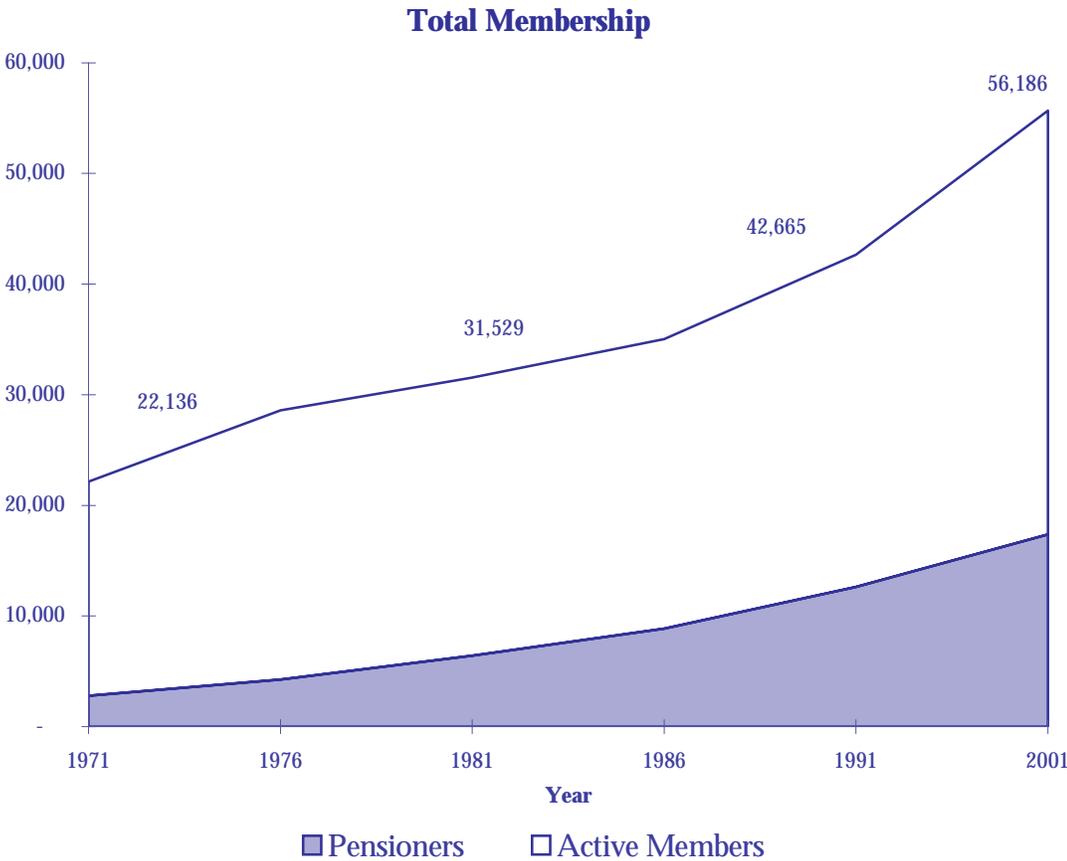


Administrative Expenses



Total Benefit Payments





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 Felton
- ◆ 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

- ◆ Felton Fire Co .
- ◆ Town of Georgetown
- ◆ Harrington Fire Co.
- ◆ Town of Millsboro
- ◆ 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