



# Delaware Public Employees' Retirement System

— a component unit of the State of Delaware

Thirty-Ninth Comprehensive Annual Financial Report

Presented By The  
DPERS Board of Pension Trustees  
For the Fiscal Year Ended June 30

2010

Mailing Address:

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

Telephone:

(800) 722-7300

E-Mail Address:

[pensionoffice@state.de.us](mailto:pensionoffice@state.de.us)

WebSite:

[www.delawarepensions.com](http://www.delawarepensions.com)

# Delaware Public Employees' Retirement System

— a component unit of the State of Delaware

## Thirty-Ninth Comprehensive Annual Financial Report

Presented By The DPERS Board of Pension Trustees  
and Prepared by the Office of Pensions  
Fiscal Year Ended June 30, 2010

State Employees' Pension Plan

Special Fund

New State Police Pension Plan

Judiciary Pension Plans

County & Municipal Police and Firefighters' Plans

County & Municipal Other Employees' Pension Plan

Closed State Police Pension Plan

Diamond State Port Corporation Pension Plan

Delaware Volunteer Firemen's Fund

County & Municipal Police and Firefighters' COLA Fund

Post-Retirement Increase Fund

Delaware Local Government Retirement Investment Pool

## Introductory Section

Certificate of Achievement for Excellence in Financial Reporting . . . . .	4
Letter of Transmittal . . . . .	5
Board of Trustees and List of Consultants . . . . .	11
Organizational Chart . . . . .	12
Highlights of Board Activities . . . . .	13
PPCC Public Pension Standards Award . . . . .	15
2010 Legislation Affecting Pensions . . . . .	16

## Financial Section

Independent Auditors' Report . . . . .	18
Management's Discussion and Analysis . . . . .	20

### Basic Financial Statements:

Statement of Plan Net Assets . . . . .	24
Statement of Changes in Plan Net Assets . . . . .	26
Notes to Financial Statements (an integral part of the Basic Financial Statements) . . . . .	28

### Required Supplementary Information:

Schedule 1 - Funding Progress . . . . .	46
Schedule 2 - Employer Contributions . . . . .	49

### Supporting Schedules:

Schedule 3 - Administrative Expenses . . . . .	54
Schedule 4 - Investment Expenses . . . . .	55
Schedules for Delaware Local Government Retirement Investment Pool . . . . .	56
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards . . . . .	58

## Investment Section

Ten-Year Investment Comparison . . . . .	62
Letter from Investment Committee Chair . . . . .	63
Investment Activity . . . . .	65
Fifteen Year Total Investment Rates of Return . . . . .	67
Comparative Investment Results . . . . .	68
Five and Ten Year System Performance . . . . .	69
List of Largest Assets Held . . . . .	70
Asset Allocation . . . . .	71
Investment Managers . . . . .	72
Investment Summary and Schedule of Investment Fees . . . . .	73
Glossary . . . . .	73
Schedule of Broker Commissions . . . . .	74
Annual Market Value of Fund and Rate of Return . . . . .	75

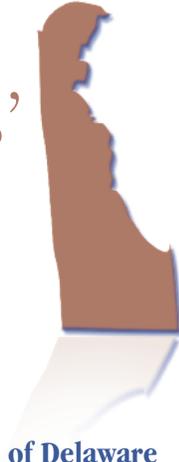
## Actuarial Section

Actuary's Opinion . . . . .	78
Summary of Actuarial Assumptions & Methods . . . . .	80
Mortality Table . . . . .	81
Summary of Plan Provisions and Changes in Plan Provisions . . . . .	81
Schedule of Active Member Valuation Data . . . . .	82
Schedule of Retirants and Beneficiaries Added to and Removed from Rolls . . . . .	84
Solvency Test . . . . .	87
Analysis of Financial Experience . . . . .	90

## Statistical Section

About the Statistical Section . . . . .	92
Principal Participating Employers in Multiple-Employer Plans . . . . .	93
Schedule of Additions by Source . . . . .	94
Schedule of Deductions by Type . . . . .	95
Schedule of Benefit Deductions by Type . . . . .	100
Schedule of Retired Members by Type of Benefit . . . . .	102
Schedule of Average Benefit Payments . . . . .	104
Total Benefit Payments Chart . . . . .	108
Total Membership Chart . . . . .	108
Schedule of Participating Employers . . . . .	109

# Delaware Public Employees' Retirement System



— a component unit of the State of Delaware

Introductory Section

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Delaware Public Employees' Retirement System

For its Comprehensive  
Annual Financial Report for the  
Fiscal Year Ended June 30, 2009

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.



President

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

Telephone (302) 739-4208  
Fax (302) 739-6129  
[www.delawarepensions.com](http://www.delawarepensions.com)

November 18, 2010

The Honorable Jack A. Markell  
and  
Members of the 146<sup>th</sup> General Assembly

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (DPERS or the System) is proud to present its 39th Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2010.

This report provides information on nine plans/funds [State Employees', Special Fund, New State Police, Judiciary, County & Municipal Police and Firefighters', County & Municipal Other Employees', Delaware Volunteer Firemen's Fund, Diamond State Port Corporation, and Closed State Police] plus three commingled investment funds [County & Municipal Police and Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI) and Delaware Local Government Retirement Investment Pool (DEL RIP)]. 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, 2010.

In the past year, investment markets were broadly positive, driven by a nascent economic recovery. Buoyed by inventory rebuilding, signs of employment growth, improved corporate earnings and balance sheets, equity and credit bond markets were strong through the first three quarters of the fiscal year. In the final quarter, signs of recovery subsided, and markets sold off, but all major asset classes in which the System invests experienced positive returns for the fiscal year. The fund's diversified portfolio produced a fiscal year return of 14.1%, slightly behind the S&P 500 return of 14.4%, but well ahead of both the MSCI EAFE foreign stock index return of 9.5% and the Barclays Aggregate Bond index return of 9.5%. Compared to other public funds with greater than \$5 billion in assets, DPERS' performance ranked in the top quartile for the one, three, five and ten year periods

The Honorable Jack A. Markell  
and  
Members of the 146<sup>th</sup> General Assembly  
Page 2  
November 18, 2010

ending June 30, 2010. The Board, its Investment Committee and staff continues to actively monitor and proactively manage the System in a manner fully consistent with its fiduciary duty to the System's beneficiaries.

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

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

When calendar year 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of Fiscal Year 2010, pensioners numbered 24,047; monies from the nine plans/funds and three pension commingled investment funds totaled \$6.4 billion. The State's contribution rate for the State Employees' Plan for Fiscal Year 2010 was 6.0% of payroll. Employer rates in the other plans that the Board administers range from 5.8% to 26.2% of covered payroll. Benefit coverage varies by plan as shown on pages 30-33. The majority of beneficiaries' pension benefits are well funded, with 88% of the System's total membership covered by plans with a funded ratio greater than 94%. The funding status of each plan is detailed on pages 46-48.

### **Major Accomplishments**

*Best Practices* – The Board, with the help of its legal counsel and various Committee members, continued its “Best Practices Review” during Fiscal Year 2010. Now in its sixth year, the process provides the benefit of annually comparing reviews of the System's operations and efficiency with similar public pension funds. Those reviews indicate the System continues to compare favorably or very favorably with its peers. The Board promoted Trustee training opportunities including special presentations by a leading economist and the investment advisor. In addition, with the help of outside legal counsel, the Board continued its review of the structure of the System and each of its nine plans/funds as established in the Delaware Code for compliance with the Internal Revenue Code and its rules, regulations, and interpretive opinions. See the Tax Status update in Note 7 to the financial statements on page 45 for more details.

*Identifying Growth Opportunities While Managing Risks* – Having re-engaged the liquidity cushion raised prior to the crisis in late 2008 in equity and credit bond markets in the second half of the prior fiscal year, the Board trimmed equity positions later in Fiscal Year 2010 in light of the gains made off the March 2009 market lows. In the face of lower interest rates and in order to pursue diversifying investment opportunities, the Board increased the allocation to alternative investments, which over the course of the fiscal year grew to 25.6% from 23.3%.

The Honorable Jack A. Markell  
and  
Members of the 146<sup>th</sup> General Assembly  
Page 3  
November 18, 2010

### **Major Accomplishments (continued)**

**Local Government Participation** – Membership in the County & Municipal plans continues to grow. New members include the Town of Laurel, Bowers/Frederica EMS and Talleyville Fire Company.

**GFOA Certificate of Achievement** – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to DPERS for its comprehensive annual financial report (CAFR) for the Fiscal Year ended June 30, 2009. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the fourteenth consecutive year that DPERS has received a Certificate of Achievement. DPERS believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Public Pension Coordinating Council Award** – The Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2009. This is the seventh consecutive year the award has been received. The PPCC is a coalition of National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), and National Conference on Public Employee Retirement Systems (NCPERS). The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration and serve as a benchmark by which all defined benefit public plans should be measured. Public Pension Standards include: comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment Committee, and communications with membership.

**Technology Upgrades** – The System completed the installation and implementation of an upgrade to existing PeopleSoft Human Resources system during Fiscal Year 2010. Also, the System continued working on implementing a new financial reporting system.

### **Investments and Economic Climate**

The System's investments had a 14.1% return in Fiscal Year 2010. The System's annualized total returns for the last five, ten, and fifteen years are 4.3%, 3.9% and 8.0%, respectively. Relative to other public pension funds, the System's performance ranks in the top quartile for the most recent 3, 5 and 10 year period.

System investments are managed to control the downside risk to which assets are exposed, while maximizing long-term gain potential. This strategy positions the System to limit the impact of adverse market conditions. During the year, the investment market returns were higher as markets reacted to

The Honorable Jack A. Markell  
and  
Members of the 146<sup>th</sup> General Assembly  
Page 4  
November 18, 2010

### **Investments and Economic Climate (continued)**

improved corporate profits and underlying economic recovery. The system continues to manage its investments by focusing on risk control and diversification into non-traditional asset classes. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 61 of this report. The System's investment activity is governed by the "prudent person rule," a fiduciary standard, which applies to anyone with System authority. Fiduciaries must discharge their duties solely in the interest of System participants and beneficiaries and with the degree of diligence, care, and skill which prudent men and women would ordinarily exercise under similar circumstances.

The Board's investment policy is summarized on pages 65-66. Investment constraints are outlined in the investment policy established by the Board, including the appropriate degree of risk. Investment managers are hired to execute the investment policy and have discretion for investment decisions within statutory authority, Board policy, and their respective guidelines. A list of the investment managers under contract with the System as of June 30, 2010, may be found on page 72 of this report. A summary of the total System's asset allocation can be found on page 71.

### **Funding Status**

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. Four of the plans/funds included in the System – the State Employees', New State Police, and County & Municipal Police & Firemen's Plans and Special Fund – have funded ratios greater than 94% of the actuarial accrued liability. The combined total membership of those plans represents 88.4% of the total System. Of the remaining plans, two are making annual contributions at the actuarially determined rates to reach full funding and the Closed State Police Pension Plan remains a pay-as-you-go plan.

This report includes the current funded status of the pension plans and a description of the plan actuarial methods and remaining amortization periods as part of the Notes to the Financial Statements. This disclosure gives the reader the current status of each plan's funding level, while the Schedule of Funding Progress contained in the Required Supplementary Information provides the long-term trend data over a ten-year period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report which begins on page 77.

### **Internal Controls**

System internal accounting controls are designed to reasonably assure the safekeeping of assets and the reliability of financial reporting. Control procedures and responsibilities are well documented both in writing and with graphic flowcharts. These are reviewed and updated annually. The Audit Committee, a committee appointed by the Board, monitors operations and controls throughout the year. An independent auditing firm audits the System's basic financial statements annually and reports any findings to the Audit Committee and the Board.

The Honorable Jack A. Markell  
and  
Members of the 146<sup>th</sup> General Assembly  
Page 5  
November 18, 2010

### **Professional Services**

Professional consultants are appointed by the Board to perform ongoing services essential to the effective and efficient operation of the System. An opinion on the System's basic financial statements from the independent auditors, KPMG LLP, is included in the Financial Section of this report. Cheiron, Inc., is retained to perform actuarial valuations for the System. The Northern Trust Company is the global custodian for the System. Ashford Consulting Group, Inc., serves as the System's investment Advisor. The Advisor provides the Board with periodic investment performance updates and provides the Investment Committee and the Board with ongoing market insights, asset allocation recommendations, investment manager research, manager recommendations, performance and attribution analysis, and additional investment related services. With the ever increasing complexity of the financial markets, the Board added to its complement of professional services and engaged professional consultants and outside legal counsel. These professionals provide specialized advice to the System on tax matters, regulatory matters, investment documentation, monitoring securities litigation, measuring investment performance and assist in ongoing best practice reviews.

### **Acknowledgments**

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

The Board thanks Robert Allen, who stepped down from the Board of Trustees and Audit Committee after twenty years of service. The Board also thanks Joel S. Poorman, who stepped down as Chair of the Audit Committee, but remained on the committee through the end of the fiscal year to assist with the transition in leadership of the Audit Committee.

The Board welcomes Thomas S. Shaw, former Executive Vice President and Chief Operating Officer of Pepco Holdings Inc., a public holding company headquartered in Washington, DC, to the Board of Trustees. The Board also appointed Suzanne B. Grant as Chair of the Audit Committee.

The Board recognizes the contributions of the late Ernst Dannemann who passed away June 27, 2010. Mr. Dannemann was a model public servant and a devoted friend to all who knew him. Mr. Danneman served as a Trustee from 1974 and became Chairman of the Board in December of 1977 until his departure from the Board in 1990. He was also the first Chairman of the Investment Committee and guided DPERS during its early years as it established and implemented policies and procedures for the System. Many of Mr. Dannemann's innovative initiatives are still in place today, having stood the test of time. Ernie was a tireless volunteer for his community and the State of Delaware. He served on many Boards and Commissions and spent untold hours of his time in service to the State of Delaware. Ernie's genuine dedication and countless contributions to the State of Delaware and its citizens will be greatly missed.

The Honorable Jack A. Markell  
and  
Members of the 146<sup>th</sup> General Assembly  
Page 6  
November 18, 2010

**Acknowledgments (continued)**

The Board appreciates the contributions made by the late W. Ray Johnson, who worked in the Pension Office for nearly 40 years and passed away on January 30, 2010. His work ethic and contributions to the Pension Office will be missed.

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

Respectfully submitted,



Philip S. Reese, Chair  
Board of Pension Trustees

## Board of Pension Trustees, Board Committees, & Professional Consultants

### Board of Pension Trustees

**Philip S. Reese, Chair**

*Former Vice President Corporate  
Development and Treasurer*  
Conectiv

**Thomas S. Shaw**

*Former Executive Vice President and  
Chief Operating Officer*  
Pepco Holdings Inc.

**Nancy J. Shevock**

*Former Director*  
Delaware Transit Corporation

**Helen R. Foster, J.D.**

*President*  
CTW & Consulting Associates, LLC

**Suzanne B. Grant**

*Former Vice President*  
Salomon Smith Barney, Consulting Group

### Ex-Officio Board Members

**Thomas J. Cook**

*State Secretary of Finance*

**Ann S. Visalli**

*Director, Office of Management & Budget*

### Executive Secretary to the Board and Pension Administrator

**David C. Craik**

### Legal Counsel

**Cynthia L. Collins, Esq.**

*Deputy Attorney General*

### Investment Committee

**George J. Saxon, Chair**

**Jan M. King**  
**Clark Phippen**  
**Philip S. Reese**  
**Nancy J. Shevock**  
**Mark E. Stalnecker**  
**A. Dale Stratton**

### Audit Committee

**Suzanne B. Grant, Chair**

**Araya Debessay, Ph.D.**  
**Mark Finfrock**  
**Susan Herrmann**  
**Joel S. Poorman**  
**Harold D. Smith, II**

### Medical Committee

**William D. Shellenberger, M.D., Chair**

**Aydin Z. Bill, M.D.**  
**Robert B. Brereton, M.D.**  
**Vincent DelDuca, Jr., M.D.**  
**Robert W. Frelick, M.D.**  
**Albert Gelb, M.D.**  
**G. Dean MacEwen, M.D.**  
**Charles S. Riegel, M.D.**  
**Phyllis M. Smoyer, M.D.**

### Pension Advisory Council

**James B. Testerman, Chair**

*Member, Delaware State Education Assoc.*

### Consulting Actuary

**Cheiron, Inc.**

### Investment Advisor

**Ashford Consulting Group, Inc.**

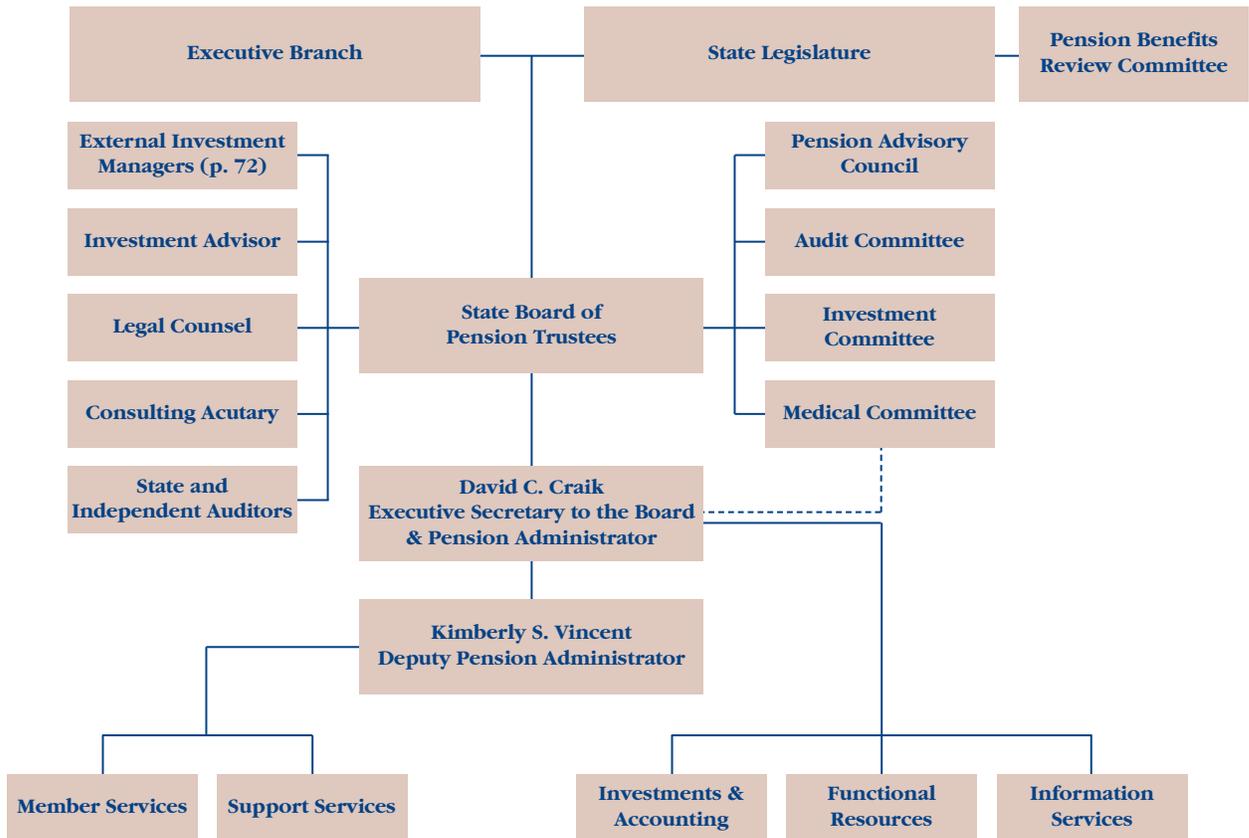
### Independent Auditors

**KPMG LLP**

### Global Custody Bank

**Northern Trust Co.**

## Organizational Chart



### Management Team:

- Investments & Accounting:** Wade Sallings, *Pension Cash/Debt Manager*
- Functional Resources:** Joanna M. Adams, *Strategic Information Systems Manager*
- Information Services - Applications:** Ralph Ball, *Strategic Information Systems Project Leader*
- Information Services - Systems:** Robert Eckstine, *Strategic Information Systems Project Leader*
- Member Services:** Kim Vincent, *Deputy Pension Administrator*
- Support Services:** Terri L. Timmons, *Office Manager*

## Highlights of Board Activities

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

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

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

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

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

- Maintain and oversee the investment of the Delaware Public Employees' Retirement System (System) and the Delaware OPEB Fund Trust (OPEB)
- Appoint an independent actuary to perform annual actuarial valuations used as the basis for contributions to the System
- Control and manage State pension payments
- Hear appeals from State Pension Office decisions regarding eligibility for pension benefits
- Adopt rules and regulations for the general administration of State pension plans
- Prepare and publish an annual report to the Governor and General Assembly
- To contract with State agencies and others for assistance in the general administration and the investing or advising as to the investment of pension system and OPEB assets
- 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 plans/funds is performed by the State Pension Office, which also determines the eligibility of individual employees for pension benefits. The Pension Administrator reports to the Director of the Office of Management & Budget and also serves as Executive Secretary to the Board.

The Medical Committee of the Board is comprised of nine medical doctors, all retired from private practice. It evaluates and makes recommendations concerning the medical condition of applicants for and recipients of disability pensions. The Medical Committee meets monthly and reviews the

## Highlights of Board Activities (continued)

files of individuals who elected to remain in the disability pension program offered prior to January 1, 2006. Other disability cases are now determined by the State's insurance carrier.

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

The Investment Committee of the Board is currently comprised of seven members. This Committee operates within the investment guidelines established by the Board. The Committee establishes policies to meet these objectives and monitors these policies with the assistance of the Investment Advisor. The Committee also reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by selecting managers who demonstrate different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives. Further discussion of the Investment Committee's activities may be found in the Investment Section of this report beginning on page 61.

The Board retains Ashford Consulting Group, Inc., as investment advisor for the System. Ashford provides a variety of services to the System including: investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, and investment policy and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the System as of June 30, 2010, may be found on page 72 of this report.

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

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

The major activities of the Board and its committees during the 12-month period July 2009 through June 2010 were:

- As part of its continuing best practices review, continued to retain additional outside counsel to ensure full compliance with the IRS Code. Outside counsel was also retained for the purpose of drafting and reviewing alternative investment contracts.
- Held regular monthly meetings and met with representatives of investment management firms and the custodial bank on a regular basis
- Held hearings for individual plan members who appealed decisions of the Pension Office, including eligibility of individual employees for disability pension benefits, or questioned the Board's interpretation of State pension laws
- Participated in meetings with the Governor's staff, members of the General Assembly, officials of State agencies and school districts, the Pension Advisory Council, representatives of employee organizations, and other interested parties.



Public Pension Coordinating Council

Public Pension Standards Award  
For Funding and Administration  
2009

Presented to

Delaware Public Employees' Retirement System

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

*Presented by the Public Pension Coordinating Council, a confederation of*

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

A handwritten signature in blue ink that reads "Alan H. Winkle". The signature is written in a cursive, flowing style.

Alan H. Winkle  
Program Administrator

## 2010 Legislation Affecting Pensions

**Senate Bill 324**

(77 Del. Laws, C407)

This act clarifies the situations where a police or firefighter may retire from the employment of one Delaware county/municipal fire/police department and receive pension benefits, then subsequently obtain employment with a different employer while continuing to receive pension benefits from the State of Delaware County and Municipal Police/Firefighter Pension Plan.

**House Bill 325**

(77 Del. Laws, C408)

Provides that persons with disabilities who are eligible for a service pension, disability pension, or survivor's pension, can direct the Delaware Public Employees' Retirement System to place eligible pension benefits directly into a Miller trust, without those pension funds adversely affecting an individual's eligibility for Medicaid or other benefits. Income generated by the trust that remains in the trust is not income to the individual.

**House Bill 218**

(77 Del. Laws, C232)

This Act for the county/municipal police/firefighters Pension Plan would allow the calculation of a retiree's final average compensation so that it does not result in a loss of pension due to mandatory leave without pay (furlough). Signed by the Governor on 2/23/10. This bill is pending a Private Letter Ruling by the Internal Revenue Service.

Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Financial Section



**KPMG LLP**  
Suite 200  
30 North Third Street  
PO Box 1190  
Harrisburg, PA 17108-1190

## Independent Auditors' Report

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

We have audited the accompanying statement of plan net assets of the Delaware Public Employees' Retirement System (the System) as of June 30, 2010 and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying summarized comparative financial information has been derived from the Delaware Public Employees' Retirement System's June 30, 2009 financial statements and, in our report dated November 18, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 plan net assets of the Delaware Public Employees' Retirement System as of June 30, 2010 and its changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

KPMG LLP, is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.



compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2009, from which such summarized information was derived.

The information in the Management's Discussion and Analysis, Schedule of Funding Progress, and Schedule of Employer Contributions, on pages 20-23 and 46-51, are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule of Administrative Expenses, Schedule of Investment Expenses and the Schedule of Plan Net Assets and Changes in Plan Net Assets for the Delaware Local Government Investment Pool are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**KPMG LLP**

November 17, 2010

## Management's Discussion and Analysis

This section presents management's discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance and provides an overview of the System's financial activities for the Fiscal Year ended June 30, 2010. It is intended to be a narrative supplement to the System's financial statements, which begin on page 24 of this report.

### Financial Highlights

The following financial highlights occurred during the Fiscal Year ended June 30, 2010, versus Fiscal Year 2009:

- Plan net assets of all the pension funds administered by the System increased by \$577.7 million
- Fiscal Year 2010 covered payrolls totaled \$1,889.4 million. Employer contributions decreased 7.7% while Member contributions decreased 2.3%. Employer contributions decreased primarily due to a reduction in the required contribution rate for the Post-Retirement Increase Fund. Member contributions were lower due to a decrease in the number of active employees. Also impacting these numbers was a statewide pay reduction, as contributions are calculated as a percentage of payroll, as well as a hiring freeze. Legislation was passed that provided for employee's retiring in Fiscal Year 2010, no affect on future benefit calculations as their final average compensation will be computed as if there was no salary reduction.
- Net investment earnings (net increase/(decrease) in fair value, plus investment earnings, less investment-related expenses) increased by \$1,929.3 million as a result of a 14.1% investment return for Fiscal Year 2010
- Transfer of assets outside the system increased to \$10.5 million from \$7.4 million due to a reversion of unused funds from the County & Municipal Police and Firefighters' COLA Fund to the State General Fund.
- Pension benefits paid to retirees and beneficiaries increased \$33.1 million bringing the total benefit payments to \$433.3 million. The 8.3% increase was due to a net increase of 4.0% in the number of retirees.
- Administrative expenses (including special project expenses) decreased by 12.7%. The decrease is largely attributed to expenses incurred in 2009 for the Human Resources Upgrade project. Compared to Fiscal Year 2009, printing, postage, and travel expenses decreased by 27.3% due to cost reductions. (See Schedule 3 on page 54 for more details.)

## Using this Financial Report

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

The Schedule of Funding Progress (pages 46-48) 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 49-51) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.

## Net Assets

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2010	2009	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 6,331,580	\$ 5,782,458	\$ 549,122	9.5%
Receivables	99,627	405,477	(305,850)	(75.4%)
<b>Total Assets</b>	<b>\$ 6,431,207</b>	<b>\$6,187,935</b>	<b>\$ 243,272</b>	<b>3.9%</b>
<b>Total Liabilities</b>	<b>\$ 58,670</b>	<b>\$ 393,055</b>	<b>\$ (334,385)</b>	<b>(85.1%)</b>
<b>Total Plan Net Assets</b>	<b>\$ 6,372,537</b>	<b>\$5,794,880</b>	<b>\$ 577,657</b>	<b>10.0%</b>

## Changes in Net Assets

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2010	2009	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
<b>Additions:</b>				
Employer Contributions	\$ 167,607	\$ 181,485	\$ (13,878)	(7.7%)
Transfer of Contributions from PRI Fund	26,457	39,334	(12,877)	(32.7%)
Transfer of Assets from Outside the System	2,901	2,968	(67)	(2.3%)
Member Contributions	53,129	54,374	(1,245)	(2.3%)
Other	38	40	(2)	(5.0%)
Net Investment Earnings (Losses)	811,849	(1,117,424)	1,929,273	172.7%
<b>TOTAL ADDITIONS</b>	<b>\$ 1,061,981</b>	<b>\$ (839,223)</b>	<b>\$ 1,901,204</b>	<b>226.5%</b>
<b>Deductions:</b>				
Transfer of Contributions from PRI Fund	\$ 26,457	\$ 39,334	\$ (12,877)	(32.7%)
Transfer of Assets Outside the System	10,450	7,371	3,079	41.8%
Pension Payments	433,277	400,206	33,071	8.3%
Refunds of Contributions to Members	3,486	3,450	36	1.0%
Burial Benefit Payments	4,930	5,085	(155)	(3.1%)
Administration Expenses:				
General Administrative Expenses	4,656	4,889	(233)	(4.8%)
Best Practices Review	61	118	(57)	(48.3%)
Financial Reporting System	45	10	35	350.0%
Human Resource Upgrade Project	962	1,543	(581)	(37.7%)
<b>Total Administrative Expenses</b>	<b>\$ 5,724</b>	<b>\$ 6,560</b>	<b>\$ (836)</b>	<b>(12.7%)</b>
<b>TOTAL DEDUCTIONS</b>	<b>\$ 484,324</b>	<b>\$ 462,006</b>	<b>\$ 22,318</b>	<b>4.8%</b>
<b>INCREASE/(DECREASE) IN PLAN NET ASSETS</b>	<b>\$ 577,657</b>	<b>\$ (1,301,229)</b>	<b>\$ 1,878,886</b>	<b>144.4%</b>

## Analysis of Net Assets

The System was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the System. Combined plan net assets increased by \$577.7 million during Fiscal Year 2010. The year's investment return of 14.1% is the primary reason for this year's increase in total plan net assets.

Employer contributions decreased approximately \$13.9 million and Member contributions decreased by approximately \$1.2 million. Employer contributions decreased primarily due to a reduction in the required contribution rate for the Post-Retirement Increase Fund. Member contributions were lower due to a decrease in the number of active employees. Transfers from the Post-Retirement Increase Fund (PRI) decreased by approximately \$12.9 million reflecting fewer post-retirement increases granted by legislation in previous fiscal years.

Transfers of Assets Outside the System include transfers from the County & Municipal Police and Firefighters' COLA Fund (COLA Fund) to individual participating entities, \$7 million of this fund was transferred to the State General Fund. Pension benefit payments increased by approximately 8.3% as a result of a 4.0% increase in the number of retirees over Fiscal Year 2009.

Total administrative expenses (including special projects) decreased 12.7% primarily due to cost incurred in 2009 to the upgrade in our Human Resources System and general cost reductions in printing, travel and postage.

## Historical Trends

Accounting standards require that the Statement of Plan Net Assets reports asset values at fair value and includes only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the long-term actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 46-48). 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, along with the Current Funded Status of the Plans, within the Notes to the Financial Statements (pages 38-39). 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 49-51). This schedule indicates whether employers are meeting their responsibilities to provide financial resources to the plans.

## Statement of Plan Net Assets

as of June 30, 2010 with Comparative Totals for June 30, 2009

(expressed in thousands)

	State Employees' Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
<b>Assets:</b>						
Cash & Cash Equivalents	\$ 262,597	\$ 17	\$ 9,568	\$ 1,994	\$ 5,371	\$ 699
Receivables:						
Accrued Investment Income	16,744	1	608	127	339	44
Pending Trade Sales	61,071	4	2,225	464	1,249	163
Employer Contributions	8,372	-	510	175	1,122	748
Member Contributions	3,369	-	224	17	311	42
<b>Total Receivables:</b>	<b>\$ 89,556</b>	<b>\$ 5</b>	<b>\$ 3,567</b>	<b>\$ 783</b>	<b>\$ 3,021</b>	<b>\$ 997</b>
Investments at Fair Value:						
Domestic Fixed Income	480,574	31	17,511	3,649	9,830	1,279
Domestic Equities	884,312	57	32,221	6,714	18,088	2,354
Pooled Equity & Fixed Income	1,766,192	114	64,354	13,410	36,126	4,700
Alternative Investments	1,515,732	97	55,228	11,508	31,004	4,033
Foreign Fixed Income	126,779	8	4,619	963	2,593	337
Foreign Equities	838,005	54	30,534	6,363	17,141	2,231
<b>Total Investments:</b>	<b>\$ 5,611,594</b>	<b>\$ 361</b>	<b>\$ 204,467</b>	<b>\$ 42,607</b>	<b>\$ 114,782</b>	<b>\$ 14,934</b>
<b>TOTAL ASSETS:</b>	<b>\$ 5,963,747</b>	<b>\$ 383</b>	<b>\$ 217,602</b>	<b>\$ 45,384</b>	<b>\$ 123,174</b>	<b>\$ 16,630</b>
<b>Liabilities:</b>						
Pending Purchases Payable	49,426	3	1,801	375	1,011	132
Benefits Payable	1,339	-	4	5	-	3
Accrued Investment Expenses	3,535	-	128	27	72	10
Accrued Administrative Expenses	288	-	4	-	5	2
<b>TOTAL LIABILITIES:</b>	<b>\$ 54,588</b>	<b>\$ 3</b>	<b>\$ 1,937</b>	<b>\$ 407</b>	<b>\$ 1,088</b>	<b>\$ 147</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POOL PARTICIPANTS:</b>						
	<b>\$ 5,909,159</b>	<b>\$ 380</b>	<b>\$ 215,665</b>	<b>\$ 44,977</b>	<b>\$ 122,086</b>	<b>\$ 16,483</b>

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

(A schedule of funding progress for each plan is presented on pages 46-48)

Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post- Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Closed State Police Plan	Totals as of June 30,	
						2010	2009
\$ 565	\$ 601	\$ 160	\$ 46	\$ 1,379	\$ 1,397	\$ 284,394	\$ 406,407
15	38	5	7	88	1	18,017	16,476
-	140	38	11	322	-	65,687	373,758
-	50	-	965	-	-	11,942	11,280
-	17	-	-	-	1	3,981	3,963
\$ 15	\$ 245	\$ 43	\$ 983	\$ 410	\$ 2	\$ 99,627	\$ 405,477
4,872	1,101	293	84	2,524	-	521,748	516,793
4,419	2,025	540	154	4,645	-	955,529	855,648
-	4,044	1,078	307	9,276	-	1,899,601	1,630,082
-	3,471	925	264	7,961	-	1,630,223	1,348,579
-	290	77	21	665	-	136,352	120,156
2,427	1,919	511	146	4,402	-	903,733	904,793
\$ 11,718	\$ 12,850	\$ 3,424	\$ 976	\$ 29,473	\$ -	\$ 6,047,186	\$ 5,376,051
\$ 12,298	\$ 13,696	\$ 3,627	\$ 2,005	\$ 31,262	\$ 1,399	\$ 6,431,207	\$ 6,187,935
-	113	30	9	260	-	53,160	387,713
16	37	-	-	-	-	1,404	935
-	8	2	1	19	-	3,802	3,637
-	2	-	-	-	3	304	770
\$ 16	\$ 160	\$ 32	\$ 10	\$ 279	\$ 3	\$ 58,670	\$ 393,055
\$ 12,282	\$ 13,536	\$ 3,595	\$ 1,995	\$ 30,983	\$ 1,396	\$ 6,372,537	\$ 5,794,880

## Statement of Changes in Plan Net Assets

for the fiscal year ended June 30, 2010 with Comparative Totals for June 30, 2009

(expressed in thousands)

	State Employees' Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
<b>Additions:</b>						
<b>Contributions:</b>						
Employer Contributions	\$ 101,457	\$ -	\$ 6,562	\$ 2,473	\$ 7,307	\$ 1,276
Transfer of Contributions from PRI Fund	26,116	-	151	190	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	44,915	-	3,276	304	3,734	509
Other	-	-	38	-	-	-
<b>Total Contributions:</b>	<b>\$ 172,488</b>	<b>\$ -</b>	<b>\$ 10,027</b>	<b>\$ 2,967</b>	<b>\$ 11,041</b>	<b>\$ 1,785</b>
<b>Investments:</b>						
Investment Income	93,228	5	3,299	694	1,794	231
Net Appreciation (Depreciation) in Fair Value	681,066	48	23,358	4,953	12,316	1,559
<b>Total Investment Income/(Loss):</b>	<b>\$ 774,294</b>	<b>\$ 53</b>	<b>\$ 26,657</b>	<b>\$ 5,647</b>	<b>\$ 14,110</b>	<b>\$ 1,790</b>
Less Investment Manager/Advisor Fees	(17,196)	(1)	(615)	(129)	(339)	(45)
Less Investment Administrative Expenses	(534)	-	(7)	(1)	(9)	(4)
<b>Net Investment Earnings/(Loss):</b>	<b>\$ 756,564</b>	<b>\$ 52</b>	<b>\$ 26,035</b>	<b>\$ 5,517</b>	<b>\$ 13,762</b>	<b>\$ 1,741</b>
<b>TOTAL ADDITIONS</b>	<b>\$ 929,052</b>	<b>\$ 52</b>	<b>\$ 36,062</b>	<b>\$ 8,484</b>	<b>\$ 24,803</b>	<b>\$ 3,526</b>
<b>Deductions:</b>						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Pension Payments	399,253	61	5,182	2,726	1,365	236
Refunds of Contributions to Members	3,099	-	60	-	142	30
Burial Benefit Payments	4,825	14	-	-	-	-
Administrative Expenses	5,376	2	74	15	101	43
<b>TOTAL DEDUCTIONS</b>	<b>\$ 412,553</b>	<b>\$ 77</b>	<b>\$ 5,316</b>	<b>\$ 2,741</b>	<b>\$ 1,608</b>	<b>\$ 309</b>
<b>NET INCREASE (DECREASE)</b>	<b>\$ 516,499</b>	<b>\$ (25)</b>	<b>\$ 30,746</b>	<b>\$ 5,743</b>	<b>\$ 23,195</b>	<b>\$ 3,217</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:</b>						
<b>BALANCE BEGINNING OF YEAR</b>	<b>\$ 5,392,660</b>	<b>\$ 405</b>	<b>\$ 184,919</b>	<b>\$ 39,234</b>	<b>\$ 98,891</b>	<b>\$ 13,266</b>
<b>BALANCE END OF YEAR</b>	<b>\$ 5,909,159</b>	<b>\$ 380</b>	<b>\$ 215,665</b>	<b>\$ 44,977</b>	<b>\$ 122,086</b>	<b>\$ 16,483</b>

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

Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Closed State Police Plan	Totals as of June 30,	
						2010	2009
\$ 1,191	\$ 594	\$ -	\$ 23,380	\$ -	\$ 23,367	\$ 167,607	\$ 181,485
-	-	-	-	-	-	26,457	39,334
-	-	2,901	-	-	-	2,901	2,968
181	204	-	-	-	6	53,129	54,374
-	-	-	-	-	-	38	40
\$ 1,372	\$ 798	\$ 2,901	\$ 23,380	\$ -	\$ 23,373	\$ 250,132	\$ 278,201
346	206	74	53	480	7	100,417	93,489
785	1,452	949	537	3,443	-	730,466	(1,194,257)
\$ 1,131	\$ 1,658	\$ 1,023	\$ 590	\$ 3,923	\$ 7	\$ 830,883	\$ (1,100,768)
-	(39)	(11)	(8)	(88)	-	(18,471)	(16,133)
-	(3)	-	-	-	(5)	(563)	(523)
\$ 1,131	\$ 1,616	\$ 1,012	\$ 582	\$ 3,835	\$ 2	\$ 811,849	\$ (1,117,424)
\$ 2,503	\$ 2,414	\$ 3,913	\$ 23,962	\$ 3,835	\$ 23,375	\$ 1,061,981	\$ (839,223)
-	-	-	26,457	-	-	26,457	39,334
-	-	10,331	-	119	-	10,450	7,371
1,520	342	-	-	-	22,592	433,277	400,206
99	56	-	-	-	-	3,486	3,450
-	-	-	-	-	91	4,930	5,085
34	29	-	-	-	50	5,724	6,560
\$ 1,653	\$ 427	\$ 10,331	\$ 26,457	\$ 119	\$ 22,733	\$ 484,324	\$ 462,006
\$ 850	\$ 1,987	\$(6,418)	\$ (2,495)	\$ 3,716	\$ 642	\$ 577,657	\$ (1,301,229)
\$ 11,432	\$ 11,549	\$ 10,013	\$ 4,490	\$ 27,267	\$ 754	\$ 5,794,880	\$ 7,096,109
\$ 12,282	\$ 13,536	\$ 3,595	\$ 1,995	\$ 30,983	\$ 1,396	\$ 6,372,537	\$ 5,794,880

**Notes to Financial Statements**  
**June 30, 2010****1. Plan Descriptions and Contribution Information**

The following State-sponsored plans/funds (the Plans) are established in the Delaware Code:

- State Employees' Pension Plan
- Special Fund
- New State Police Pension Plan
- Judiciary Pension Plans (Closed and Revised)
- County & Municipal Police and Firefighters' Pension Plans
- County & Municipal Other Employees' Pension Plan
- Delaware Volunteer Firemen's Fund
- Diamond State Port Corporation 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; administrative rules and regulations are adopted and maintained by the Board. The Board of Directors for the Diamond State Port Corporation is responsible for setting benefits and contributions and amending their plan provisions.

The management of all the Plans and Funds in the System is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation of the System is the responsibility of the Office of Pensions. Although most of the assets of the Plans and Funds are commingled for investment purposes, each Plan's or Fund's assets may be used only for the payment of benefits to the members of that Plan or Fund in accordance with the terms of that Plan or Fund. Although separate financial statements are presented for the System as a whole, the System is also considered a component unit of the State of Delaware financial reporting entity.

The Board's oversight includes management of investment funds and pools included in the System, the Post-Retirement Increase Fund, the County & Municipal Police & Firefighters' COLA Fund, and the Delaware Local Government Investment Pool. These funds are commingled for investment purposes only. These funds are more fully explained in Note 2 to the financial statements.

As of June 30, 2010, the date of the most recent actuarial valuation, employee membership data related to each of the Plans was as follows:

<b>Plan</b>	<b>Retirees Beneficiaries Currently Receiving Benefits</b>	<b>(1)Terminated Employees Entitled to Benefits But Not Receiving Them Yet</b>	<b>Active Participants</b>	<b>Total Membership</b>	<b>Participating Employers</b>
State Employees'	21,676	2,204	35,217	59,097	1
Special	14	-	-	14	N/A
New State Police	113	8	651	772	1
Judiciary	42	1	55	98	1
County & Municipal Police & Firefighters'	56	19	967	1,042	28
County & Municipal Other Employees'	38	10	459	507	34
Delaware Volunteer Firemen's	1,521	155	4,898	6,574	63
Diamond State Port Corporation	40	6	257	303	1
Closed State Police	547	-	3	550	1
<b>Total Membership:</b>	<b>24,047</b>	<b>2,403</b>	<b>42,507</b>	<b>68,957</b>	<b>130</b>

(1) Includes individuals on long-term disability.

The following are brief descriptions of the individual plans in effect as of June 30, 2010. For a more complete description, please refer to the respective plan documents.

## State Employees' Pension Plan

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

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

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

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

**Disability Benefits:** Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a disability insurance program offered by the State effective January 1, 2006.

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

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 3% of earnings in excess of \$6,000.

**Burial Benefit:** \$7,000 per member.

## Special Fund

**Plan Description and Eligibility:** The Special Fund provides certain benefits granted to individuals identified through legislation passed by the General Assembly.

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

**Vesting:** Defined by special legislation.

**Retirement:** Defined by special legislation.

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

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

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

**Burial Benefit:** \$7,000 per member.

## New State Police Pension Plan

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

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

**Vesting:** 10 years of credited service at age 62.

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

**Disability Benefits:**

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

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

*Non-Duty* - Same as Service Benefits.

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

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 7% of compensation.

**Burial Benefit:** \$7,000 per member.

## Judiciary Pension Plans (Closed and Revised)

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

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

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

**Service Benefits:**

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

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

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

**Vesting:** 12 years of credited service.

**Retirement:**

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

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

**Disability Benefits:** Same as Service Benefits.

**Survivor Benefits:**

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

*Revised* - If employee is receiving a pension, the eligible survivor receives 50% of pension (or 2/3 with 2% reduction of pensioner's benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 2/3 of the benefit the employee would have received at age 62.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

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

*Member - 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.

**Burial Benefit:** Not applicable.

## County & Municipal Police and Firefighters' Pension Plans

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

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

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

**Retirement:** Age 62 with 5 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.

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

*Non-Duty* - Same as Service Benefits.

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

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 7% of compensation.

**Burial Benefit:** Not applicable.

## County & Municipal Other Employees' Pension Plan

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

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

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

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

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

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

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Member* - 3% of earnings in excess of \$6,000.

**Burial Benefit:** Not applicable.

## Delaware Volunteer Firemen's Fund

**Plan Description and Eligibility:** The Delaware Volunteer Firemen's Fund is a cost-sharing length of service award plan that covers all actively participating volunteers of fire departments, ladies auxiliaries, or ambulance organizations within the State of Delaware.

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

**Vesting:** 10 years of credited service.

**Retirement:** Age 60 with 10 years credited service.

**Disability Benefits:** Not applicable.

**Survivor Benefits:** Not applicable.

**Contributions:**

*Employer* - determined by Board of Pension Trustees.

*Volunteer Member* - \$60 per member per calendar year.

**Burial Benefit:** Not applicable.

## Diamond State Port Corporation Plan

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

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

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

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

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

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

**Contributions:**

*Employer* - determined by the Board of Pension Trustees.

*Member* - 2% of compensation.

**Burial Benefit:** Not applicable.

## Closed State Police Pension Plan

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

**Service Benefits:** 50% of monthly salary.

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

**Disability Benefits:**

*Duty* - 75% of monthly salary.

*Non-Duty* - Same as Service Benefits.

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

**Contributions:**

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

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

**Burial Benefit:** \$7,000 per member.

## 2. Fund Descriptions and Contributions

### County & Municipal Police and Firefighters' COLA Fund

During 1990, the State of Delaware passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police and Firefighters' Pension Plans. This mechanism allows the State to appropriate funds to a separate COLA Fund managed by the Board of Pension Trustees (Board). The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are allocated to the State and local governments on a per member basis and held by the Fund until COLAs are granted. In 1994, the New State Police Plan began receiving funding for post-retirement increases from the Post-Retirement Increase Fund. Since that time, funds calculated for the State Police membership were re-directed into the COLA Fund. In accordance with 18 Del. C. §708(c), when a participating employer grants a post-retirement increase for a plan outside of the DPERS County & Municipal Plans, funds are transferred from the COLA Fund to the employer. These increases are not the responsibility of DPERS. The participating employer must provide funds to match the State's contribution. Allocated funds that are unused will be reverted to the State General Fund.

### Post-Retirement Increase Fund

The State of Delaware passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in Fiscal Year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate Post-Retirement Increase Fund (PRI) managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from the potential benefit increases. The schedule of Plan Actuarial Methods on page 39 displays the actuarial assumptions of the Plans as of the June 30, 2010 valuation date. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI Fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the Fiscal Year ended June 30, 2010, \$26.5 million was transferred to the appropriate plans in the System.

No post-retirement increase was granted by the General Assembly in Fiscal Years 2008, 2009 and 2010. As of June 30, 2010, previously granted post-retirement increases have outstanding liabilities totaling \$13.8 million, which will be funded by the State and transferred to the appropriate plans over the remaining fiscal year as follows:

Fiscal Year 2011	\$ 13,825,000
------------------	---------------

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for Fiscal Year 2010 was 1.4% of covered payroll. Funding for Fiscal Year 2011 will be .81%.

### Local Government Retirement Investment Pool

In June 1996, the State of Delaware established the Delaware Local Government Retirement Investment Pool (DEL RIP) in the custody of the Board to allow local governments within the State of Delaware the option to pool their pension assets with the System for investment purposes. The DEL RIP is an external investment pool that allows local governments to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds.

Participation in the pool is voluntary. There were three participating entities in DELRIP as of June 30, 2010, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

DELRIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any legally binding guarantees during the year to support the value of shares. The fair value of the shares in the pool is determined in the same manner as the value of the Master Trust shares (see page 36 and 37). Since this pool is a portion of the total System, the same accounting and investment policies described in the following financial footnotes apply.

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

The accompanying financial statements of the Delaware Public Employees' Retirement System (DPERS or the System) have been prepared in conformity with Accounting Principles Generally Accepted in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Reporting Entity**

The accompanying financial statements present the System's legal entity as a whole, which includes its blended component unit, the First State Independence Fund I, LLC (the Fund), a hedge fund-of-funds. Component units are entities for which the System is considered to be financially accountable. Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Board of Pension Trustees of the System manages the Fund. The System is the sole member of the Fund. The operations of the Fund are governed by the Board, including the determination of authorized investments for the Fund. Daily operation of the Fund is the responsibility of the State of Delaware Office of Pensions.

The Fund was formed on June 25, 2008 and commenced operations on July 1, 2008. The Fund was formed for the object and purpose of increasing the investment return on assets of the pension plans of DPERS. The net assets of the Fund are included in Alternative Investments on the Statement of Plan Net Assets. The income, realized gains and losses, and expenses of the Fund are included in the respective sections of the Statement of Changes in Plan Net Assets. The System directly bears all administrative expenses of the Fund (accounting, legal, organizational) from its resources. The System's investment in the Fund at June 30, 2010 had an original cost basis of \$198.1 million and a fair value of \$187.2 million.

The Fund was audited separately for its fiscal year ended December 31, 2009. Audited statements are available upon request from the State of Delaware Office of Pensions.

#### **Basis of Accounting**

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

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

### Method Used to Estimate Values

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

Readily priced investments are reported at fair value by the custodian bank under the direction of the Board. The custodian utilizes multiple valuation services to reach its fair value determination. Investments for which market quotations are not readily available (“alternative investments”) are valued in good faith at fair value of the underlying investments by the investment managers after giving consideration to operating performance, comparable sales, fund raising values, or other pertinent information. These net asset values are reviewed by Pension Office staff and its investment advisor; both management and the custodian receive periodic and audited annual financial reports from the alternative fund managers.

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

### New Accounting Pronouncements

The System adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51) and GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), for the year ended June 30, 2010. Retroactive application of both standards is required, if practical, for all prior periods presented, with certain exceptions as discussed below.

#### Intangible Assets

GASB 51 establishes a framework for the recognition and measurement of intangible assets, including computer software for which an exception for retroactive application has been granted. In the current year, the System made expenditures for internal use software related to the upgrade of its Human Resources software. These expenditures did not meet capitalization thresholds established by the State of Delaware and as such all costs were expensed as incurred. Should the System obtain or develop future internal use software which does meet capitalization thresholds, it will account for them in accordance with the provisions of GASB 51. There was no impact of the implementation of GASB 51 on the financial statements as of and for the year ended June 30, 2010.

#### Derivative Instruments

GASB 53 establishes a framework for accounting and financial reporting related to derivative instruments, requiring the fair value of derivatives to be recognized in the financial statements. Application of the statement is not required for immaterial items. The System’s derivative instruments have historically been, and continue to be, recognized in the financial statements at fair value. The fair value of the derivative instruments held by the System are immaterial, and as such the disclosure provisions of the statement were not applied. There was no impact of the implementation of GASB 53 on the financial statements as of and for the year ended June 30, 2010.

## Investments

All of the investment assets of the Plans and Funds, with the exception of the Closed State Police Pension Plan (which is a pay-as-you-go plan) and the Delaware Volunteer Firemen's Fund (which is a length of service award plan), are pooled and invested in a common Master Trust. Each of the Plans or Funds described herein shares in the Master Trust based on funds contributed and earnings/(losses) allocated.

Investments are presented at fair value. Fair values for fixed income and equity securities are determined by quoted market prices based on national exchanges when available. Pooled investments are funds wherein the System owns units or shares of commingled equity, bond, and cash funds. Alternative investments include nontraditional investments, some of which may be illiquid, such as limited partnerships, venture capital funds, or private LLCs.

Management generally uses net asset value as reported by investment managers as a practical expedient to fair value for its investments in pooled and alternative investment funds. Net asset values provided by pooled and alternative investment managers are based on quoted prices for the funds' underlying securities (some of which are marketable), as well as estimates, appraisals, assumptions, and methods that are established by valuation committees and reviewed by management. Net asset value may differ from fair value, and under some circumstances, management may determine, based on other information available, that an underlying investment's reported valuation does not represent fair value.

Pooled investments are redeemable with the underlying funds at net asset values under the original terms of the partnership agreements and/or subscription agreements. As of June 30, 2010, the fair value of these investments totaled \$1,899,601 thousand. The asset allocation (in thousands) was \$978,158 domestic fixed income, \$677,697 domestic equity, and \$243,746 international equity.

As of June, 30, 2010, alternative investment values of \$1,630,223 thousand represent 25.6% of the System's net assets. Most of these investments are reported on a one-quarter lag adjusted for cash flows as of June 30, 2010.

At the close of the fiscal year, a separate account was maintained in a short-term investment fund to meet the cash-flow and investment needs of the Closed State Police Plan. The Delaware Volunteer Firemen's Fund was separately invested in a short-term investment fund, and in domestic equity, domestic fixed income, and international stock index funds.

## Administrative Expenses

General expenses for the administration of the System are budgeted and approved as part of the annual State budget process and are paid from the assets of the System. Expenses for some professional services, including outside legal counsel, auditor, investment manager, investment advisor, and actuarial services are paid directly from the System. In addition, the Board reviews and approves proposals for one-time, special projects as they arise.

#### 4. Current Funded Status of the Plans

The funded status of each pension plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

(dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)	
State Employees'	30-Jun-2010	\$ 6,808,957	\$ 7,096,326	\$ 287,369	96.0%	\$ 1,740,622	16.5%	
Special	30-Jun-2010	457	333	(124)	137.2%	N/A	N/A	
New State Police	30-Jun-2010	245,303	260,258	14,955	94.3%	49,896	30.0%	
Judiciary	30-Jun-2010	51,550	60,104	8,554	85.8%	9,798	87.3%	
County & Municipal Police and Firefighters'	30-Jun-2010	135,684	141,430	5,746	95.9%	56,917	10.1%	
County & Municipal Other Employees'	30-Jun-2010	17,596	19,827	2,231	88.7%	20,591	10.8%	
Diamond State Port Corporation	30-Jun-2010	15,418	18,354	2,936	84.0%	11,224	26.2%	
Closed State Police+	30-Jun-2010	1,440	298,493	297,053	0.5%	339	87,626.3%	
							<b>Active Members**</b>	<b>UAAL Per Active Member**</b>
Delaware Volunteer Firemen's	30-Jun-2010	\$ 13,663	\$ 27,382	\$ 13,719	49.9%	4,898	\$ 2,801	

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

++Not expressed in thousands.

The Schedules of Funding Progress, presented on pages 46-48 as required supplementary information (RSI) following the Notes to the Financial Statements, present multi-year trend information and demonstrate whether the actuarial values of plan assets are increasing or decreasing relative to the actuarial accrued liability (AAL) for benefits over the previous ten-year period.

## 5. Plan Actuarial Methods

The chart shown below summarizes the actuarial assumptions and methods used to determine the funded status of the plans and is presented as of the last actuarial valuation date, June 30, 2010.

<b>Plan</b>	<b>State Employees'</b>	<b>Special</b>	<b>New State Police</b>	<b>Judiciary</b>	<b>Closed State Police</b>
Valuation Date	30-Jun-2010	30-Jun-2010	30-Jun-2010	30-Jun-2010	30-Jun-2010
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	20.0 <sup>(1)</sup> years	N/A	20.0 <sup>(1)</sup> years	12.07 <sup>(1)</sup> years	27 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
<b>Actuarial Assumptions:</b>					
Investment rate of return	8.0%	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	4.3% to 10.1%	N/A	4.8% to 16.7%	4.3% to 13.1%	4.8% to 5.3%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

<b>Plan</b>	<b>County &amp; Municipal Police and Firefighters'</b>	<b>County &amp; Municipal Other Employees'</b>	<b>Delaware Volunteer Firemen's</b>	<b>Diamond State Port Corporation</b>
Valuation Date	30-Jun-2010	30-Jun-2010	30-Jun-2010	30-Jun-2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	18 years	15 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
<b>Actuarial Assumptions:</b>				
Investment rate of return	8.0%	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	4.3% to 15.7%	4.3% to 10.1%	N/A	4.8%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc

*(1) Excludes liability and amortization payments due to cost-of-living adjustments. This liability is funded from the Post-Retirement Increase Fund. Each Post-Retirement Increase is funded over 5 years.*

## 6. Deposits and Investments

### Investment Policy

There are no State statutes limiting allowable investments for the System. The investment decisions are dictated by the prudent person rule and the internal investment guidelines established by the Board as outlined below:

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one-market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks
- Control exposure in illiquid asset classes
- Review, re-examine, and reconfirm the operation of results of the investment process regularly
- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital market expectations.

For the Fiscal Year ended June 30, 2010, management of the System believes it has operated in all material respects in accordance with these policies.

### Securities Lending

The System entered into a contract with its custodian to allow participation in its securities lending program. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. The System elected not to participate in the program during fiscal years 2010 and 2009, but may elect to participate at some time in the future.

### Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2010. It is the System's policy to classify corporate convertible bonds as equity securities on the Statement of Net Assets on pages 24-25 because these securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$578.8 million have been included in the chart below as they have maturity dates and are exposed to interest rate risk.

## Investment Maturities (in Years)

(expressed in thousands)

Investment Type	Fair Value	Less than 1	1 - 6	6 - 10	10 +
Asset Backed Securities	\$ 1,281	\$ -	\$ -	\$ 55	\$ 1,226
Cash Equivalents	190,892	190,892	-	-	-
Commercial Mortgage-Backed	1,712	-	-	-	1,712
Corporate Bonds	571,058	8,698	220,996	180,516	160,848
Corporate Convertible Bonds	578,789	12,288	407,338	61,138	98,025
Government Agencies	22,691	-	4,098	18,593	-
Government Bonds	47,039	-	27,016	8,593	11,430
Municipal/Provincial Bonds	14,319	8,663	-	1,431	4,225
Pooled Investments	978,158	-	-	972,976	5,182
<b>Total:</b>	<b>\$ 2,405,939</b>	<b>\$ 220,541</b>	<b>\$ 659,448</b>	<b>\$ 1,243,302</b>	<b>\$ 282,648</b>

### Interest Rate Risk

The State has delegated investment policy for the System to the Board and its Committees. The Investment Committee sets its own guidelines in conjunction with the Board to manage and review the System's exposure to fluctuating interest rates. Interest rate risk is a consideration when establishing and reviewing investment manager guidelines and asset allocation. Both topics are included in the statement of Investment Policies and Objectives which are published on the System's web site.

### Custodial Credit Risk

#### Deposits

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2010, the \$284.4 million carrying amount of the System's cash and cash equivalents was comprised of \$280.5 million of short-term investments and \$3.9 million in deposits. The \$3.9 million bank balance of deposits was subject to custodial credit risk because it was uninsured and uncollateralized. This amount includes pooled deposits of \$645 thousand which were held by the State Treasurer's Office.

#### Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the value of the investment or collateral securities that are in the possession of an outside party may not be recovered. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the government's name. The System's investments are not exposed to custodial credit risk as they are held by the System's custodian in the name of the System or its nominee.

### Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2010, the System's fixed income investments and cash equivalents had the following credit risk characteristics:

<u>Moody's Ratings or Comparable</u>	<u>Percent of Total Fund</u>	<u>Market Value (expressed in thousands)</u>
AAA to A	21.0%	\$1,336,605
BBB to B	9.4%	596,068
CCC to C	1.9%	121,384
Agency of the Federal Government	0.0%	2,993
Not Rated	5.5%	348,889
<b>Total:</b>	<b>37.8%</b>	<b>\$2,405,939</b>

### Investment Concentration Risk

As of June 30, 2010, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

### Management Fees

In addition to the \$18.5 million paid in Manager/Advisor fees shown in the Statement of Changes in Plan Net Assets, the System paid \$23.8 million and \$25.0 million in management fees to the alternative investment funds and partnerships for the Fiscal Years ended June 30, 2010 and 2009, respectively. These fees are netted against investment income. Management fees charged at the underlying fund level for the investments held by the First State Independence Fund I, LLC ranged from 1% to 2% of net assets, plus a performance fee of 20% on positive investment earnings, which were netted against earnings.

### Investment Commitments

The System has commitments to invest up to an additional \$669.3 million in venture capital limited partnerships in varying amounts as of June 30, 2010, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

## Foreign Investments

Foreign investments include equity securities, bonds, and cash and cash equivalents. The following is a listing of foreign assets included in the Statement of Plan Net Assets as of June 30, 2010. The listing includes \$6.5 million of investments of domestic issuers which have been classified as domestic on the Statement of Plan Net Assets, but are denominated in a foreign currency.

## Currency Risk

(expressed in thousands)

Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian dollar	\$ 39,086	\$ 29,251	\$ 9,694	\$ 141
Brazilian real	22,321	13,781	8,540	-
British pound sterling	64,105	62,451	1,545	109
Canadian dollar	67,624	23,390	43,986	248
Danish krone	10,092	10,092	-	-
Euro	156,297	152,110	1,827	2,360
Hong Kong dollar	39,916	39,647	-	269
Indonesian rupiah	10,830	3,341	7,466	23
Japanese yen	49,893	49,829	-	64
Mexican peso	10,339	1,687	8,652	-
New Zealand dollar	13,706	-	13,706	-
Norwegian krone	13,780	8,222	5,558	-
Singapore dollar	16,771	13,042	3,729	-
South African Rand	1,647	1,647	-	-
South Korean won	6,998	6,998	-	-
Swedish krona	17,948	17,948	-	-
Swiss franc	30,989	30,940	-	49
United Arab Emirates dirham	932	932	-	-
<b>Total Foreign Currencies</b>	<b>\$ 573,274</b>	<b>\$ 465,308</b>	<b>\$ 104,703</b>	<b>\$ 3,263</b>
Foreign issued investments denominated in U.S. Dollars	476,593	438,425	38,168	-
Pooled international investments denominated in U.S. Dollars	243,746	243,746	-	-
<b>Total:</b>	<b>\$ 1,293,613</b>	<b>\$ 1,147,479</b>	<b>\$ 142,871</b>	<b>\$ 3,263</b>

## Derivatives

Derivatives are instruments (securities or contracts) whose value is dependent on such things as stock or bond prices, interest rate levels, or currency exchange rates. In June 1994, the Board adopted a formal written policy on the use of derivatives which is reviewed periodically. This policy, as amended, was incorporated in the formalized investment policy adopted by the Board during Fiscal Year 2007 and reviewed during Fiscal Year 2008. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

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

<b>Category</b>	<b>Purpose</b>
Foreign exchange forward contracts	Hedge currency risk of investments denominated in foreign currencies; enhance return
Exchange traded futures contracts	Reduce transaction costs; hedge equity market risk; control fixed income; counterbalance portfolio duration; enhance return
Exchange traded options contracts	Enhance return; reduce transaction costs
Total return equity swaps	Hedge equity market risk exposure

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

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. Foreign exchange contracts are valued at the price at which the transaction could be settled by offset in the forward markets.

The Investment Committee monitors the System's derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2010 were not material to the System.

## Risk and Uncertainty

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

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

## 7. Tax Status

The System currently operates seven of its plans as tax qualified governmental retirement plans under the Internal Revenue Code (“IRC”). The seven plans include the State Employees’, New State Police, Judiciary, County & Municipal Police and Firefighters’, County & Municipal Other Employees’, Diamond State Port Corporation, and Closed State Police (“Qualified Retirement Plans”). The System has completed an in depth review of its Qualified Retirement Plans, as established in the Delaware Code, for compliance with the IRC and its rules, regulations and interpretive opinions. The System believes that the Qualified Retirement Plans are designed and are currently being operated in compliance with the applicable requirements of the IRC.

The Internal Revenue Service (“IRS”) established a program whereby governmental plans, like other tax-qualified section 401(a) plans, may request a determination letter as to whether the form of the plan document satisfies the applicable tax qualification requirements. On September 19, 2008 the System submitted its seven Qualified Retirement Plans to the IRS for review during Cycle C, and requested the IRS provide Determination Letters that its plans are appropriately designed and operating in accordance with applicable sections of the IRC as tax qualified government retirement plans. The IRS is currently reviewing the plans. Management will amend plan language or any operational procedures, as necessary, to be in compliance with the IRC.

The Delaware Volunteer Firemen’s Fund (“Firemen’s Fund”) operates as a length of service award plan under IRC section 457(e)(11). The Firemen’s Fund received a favorable private letter ruling from the Internal Revenue Service (“IRS”).

Finally, the System is in the process of submitting a private letter ruling request to the IRS requesting a ruling that a Delaware statutory change to the State of Delaware County and Municipal Police/Firefighter Pension Plan allowing a retiree's compensation to be calculated so that it does not result in a loss of pension benefits due to a mandatory leave without pay will not affect the qualified status of the Plan. The IRS is currently reviewing the private letter ruling request. Additionally, the separate Special Fund with 14 beneficiaries whose benefits are funded from the Delaware General Assembly will be submitted for review by the IRS. Management will amend plan language or operational procedures, as necessary, to comply with any issues identified by the IRS.

## Required Supplementary Information

## Schedule 1 - Schedule of Funding Progress

*(dollar values expressed in thousands)**(unaudited)*

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
State Employees'	30-Jun-2010	\$ 6,808,957	\$ 7,096,326	\$ 287,369	96.0%	\$ 1,740,622	16.5%
	30-Jun-2009	6,744,050	6,827,006	82,956	98.8%	1,753,129	4.7%
	30-Jun-2008	6,751,949	6,549,856	(202,093)	103.1%	1,711,473	(11.8%)
	30-Jun-2007	6,437,916	6,208,025	(229,891)	103.7%	1,654,609	(13.9%)
	30-Jun-2006	5,998,746	5,901,072	(97,674)	101.7%	1,589,185	(6.1%)
	30-Jun-2005	5,660,057	5,572,719	(87,338)	101.6%	1,471,931	(5.9%)
	30-Jun-2004	5,387,560	5,229,927	(157,633)	103.0%	1,399,279	(11.3%)
	30-Jun-2003	5,125,442	4,794,944	(330,498)	106.9%	1,355,800	(24.4%)
	30-Jun-2002	4,956,156	4,521,732	(434,424)	109.6%	1,351,112	(32.2%)
	30-Jun-2001	4,759,031	4,232,244	(526,787)	112.4%	1,270,632	(41.5%)
Special	30-Jun-2010	\$ 457	\$ 333	\$ (124)	137.2%	\$ N/A	N/A
	30-Jun-2009	516	399	(117)	129.3%	N/A	N/A
	30-Jun-2008	614	492	(122)	124.8%	N/A	N/A
	30-Jun-2007	673	530	(143)	127.0%	N/A	N/A
	30-Jun-2006	758	704	(54)	107.7%	N/A	N/A
	30-Jun-2005	855	791	(64)	108.1%	N/A	N/A
	30-Jun-2004	933	785	(148)	118.9%	N/A	N/A
	30-Jun-2003	1,009	768	(241)	131.4%	N/A	N/A
	30-Jun-2002	1,832	742	(1,090)	246.9%	N/A	N/A
30-Jun-2001	1,866	993	(873)	187.9%	N/A	N/A	
New State Police	30-Jun-2010	\$ 245,303	\$ 260,258	\$ 14,955	94.3%	\$ 49,896	30.0%
	30-Jun-2009	229,457	241,251	11,794	95.1%	50,425	23.4%
	30-Jun-2008	216,368	214,921	(1,447)	100.7%	47,971	(3.0%)
	30-Jun-2007	194,560	195,811	1,251	99.4%	46,924	2.7%
	30-Jun-2006	169,824	170,877	1,053	99.4%	43,579	2.4%
	30-Jun-2005	150,209	149,657	(552)	100.4%	39,645	(1.4%)
	30-Jun-2004	134,507	128,932	(5,575)	104.3%	36,718	(15.2%)
	30-Jun-2003	120,457	106,272	(14,185)	113.3%	31,778	(44.6%)
	30-Jun-2002	109,615	91,928	(17,687)	119.2%	30,281	(58.4%)
	30-Jun-2001	99,138	80,040	(19,098)	123.9%	27,624	(69.1%)

## Required Supplementary Information (continued)

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

(dollar values expressed in thousands)  
(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Judiciary	30-Jun-2010	\$ 51,550	\$ 60,104	\$ 8,554	85.8%	\$ 9,798	87.3%
	30-Jun-2009	49,036	57,799	8,763	84.8%	9,814	89.3%
	30-Jun-2008	47,209	55,856	8,647	84.5%	9,689	89.2%
	30-Jun-2007	43,050	53,686	10,636	80.2%	9,825	108.3%
	30-Jun-2006	38,407	50,177	11,770	76.5%	9,397	125.3%
	30-Jun-2005	35,112	44,079	8,967	79.7%	8,475	105.8%
	30-Jun-2004	32,841	38,864	6,023	84.5%	7,672	78.5%
	30-Jun-2003	30,961	32,319	1,358	95.8%	7,173	18.9%
	30-Jun-2002	29,049	30,122	1,073	96.4%	7,329	14.6%
	30-Jun-2001	27,231	29,635	2,404	91.9%	6,371	37.7%
County & Municipal Police and Firefighters'	30-Jun-2010	\$ 135,684	\$ 141,430	\$ 5,746	95.9%	\$ 56,917	10.1%
	30-Jun-2009	119,712	122,573	2,861	97.7%	55,478	5.2%
	30-Jun-2008	102,423	103,911	1,488	98.6%	49,328	3.0%
	30-Jun-2007	87,395	89,022	1,627	98.2%	45,059	3.6%
	30-Jun-2006	72,120	72,832	712	99.0%	38,342	1.9%
	30-Jun-2005	59,711	61,335	1,624	97.4%	33,389	4.9%
	30-Jun-2004	48,893	45,204	(3,689)	108.2%	27,930	(13.2%)
	30-Jun-2003	41,228	36,698	(4,530)	112.3%	24,128	(18.8%)
	30-Jun-2002	35,053	30,344	(4,709)	115.5%	21,342	(22.1%)
	30-Jun-2001	29,389	29,465	76	99.7%	19,605	0.4%
County & Municipal Other Employees'	30-Jun-2010	\$ 17,596	\$ 19,827	\$ 2,231	88.7%	\$ 20,591	10.8%
	30-Jun-2009	15,074	16,787	1,713	89.8%	19,046	9.0%
	30-Jun-2008	12,980	14,308	1,328	90.7%	18,632	7.1%
	30-Jun-2007	10,405	11,578	1,173	89.9%	16,183	7.2%
	30-Jun-2006	8,529	9,222	693	92.5%	13,027	(5.3%)
	30-Jun-2005	7,048	6,722	(326)	104.8%	9,737	(3.3%)
	30-Jun-2004	4,275	3,340	(935)	128.0%	7,474	(12.5%)
	30-Jun-2003	3,602	3,332	(270)	108.1%	6,209	(4.3%)
	30-Jun-2002	3,033	2,816	(217)	107.7%	2,545	(8.5%)
	30-Jun-2001	2,794	2,962	168	94.3%	2,292	7.3%

## Required Supplementary Information (continued)

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

(dollar values expressed in thousands)  
(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Diamond State Port Corporation	30-Jun-2010	\$ 15,418	\$ 18,354	\$ 2,936	84.0%	\$ 11,224	26.2%
	30-Jun-2009	14,353	16,284	1,931	88.1%	11,071	17.4%
	30-Jun-2008	13,391	14,139	748	94.7%	10,270	7.3%
	30-Jun-2007	11,911	13,604	1,693	87.6%	11,213	15.1%
	30-Jun-2006	10,361	12,738	2,377	81.3%	11,130	21.4%
	30-Jun-2005	8,948	9,732	784	91.9%	9,248	8.5%
	30-Jun-2004	8,140	9,049	909	90.0%	8,950	10.2%
	30-Jun-2003	7,328	7,056	(272)	103.9%	8,636	(0.1%)
	30-Jun-2002	6,675	6,617	(58)	100.9%	9,354	(0.6%)
30-Jun-2001	6,044	5,618	(426)	107.6%	8,788	(4.8%)	
Closed State Police <sup>+</sup>	30-Jun-2010	\$ 1,440	\$ 298,493	\$ 297,053	0.5%	\$ 339	87,626.3%
	30-Jun-2009	727	306,904	306,177	0.2%	619	49,463.2%
	30-Jun-2008	618	299,912	299,294	0.2%	1,152	25,980.4%
	30-Jun-2007	514	297,183	296,669	0.2%	1,695	17,502.6%
	30-Jun-2006	1,663	294,149	292,486	0.6%	1,912	15,297.4%
	30-Jun-2005	749	283,902	283,153	0.3%	2,579	10,979.2%
	30-Jun-2004	2,979	285,044	282,065	1.0%	2,608	10,815.4%
	30-Jun-2003	2,322	318,250	315,928	0.7%	2,869	11,011.8%
	30-Jun-2002	2,036	318,687	316,651	0.6%	3,105	10,198.1%
30-Jun-2001	1,749	306,194	304,445	0.6%	3,247	9,376.2%	
						<b>**Active Members</b>	<b>**UAAL Per Active Member</b>
Delaware	30-Jun-2010	\$ 13,663	\$ 27,382	\$ 13,719	49.9%	4,898	\$ 2,801
Volunteer	30-Jun-2009	13,241	26,562	13,321	49.8%	5,074	2,625
Firemen's	30-Jun-2008	12,972	25,719	12,747	50.4%	5,066	2,516
	30-Jun-2007	12,225	24,809	12,584	49.3%	5,170	2,434
	30-Jun-2006	11,340	23,925	12,585	47.4%	5,160	2,439
	30-Jun-2005	10,665	22,913	12,248	46.5%	5,106	2,399
	30-Jun-2004	10,121	21,950	11,829	46.1%	5,055	2,340
	30-Jun-2003	9,644	15,619	5,975	61.7%	4,933	1,211
	30-Jun-2002	9,333	14,940	5,607	62.5%	4,856	1,155
	30-Jun-2001	9,022	13,837	4,815	65.2%	4,769	1,010

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

++ Not expressed in thousands

## Required Supplementary Information (continued)

## Schedule 2 - Schedule of Employer Contributions

(dollar values expressed in thousands)  
(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees**	30-Jun-2010	\$ 101,457	100.0%
	30-Jun-2009	96,576	100.0%
	30-Jun-2008	101,660	100.0%
	30-Jun-2007	97,000	100.0%
	30-Jun-2006	91,013	100.0%
	30-Jun-2005	70,638	100.0%
	30-Jun-2004	57,459	100.0%
	30-Jun-2003	40,175	100.0%
	30-Jun-2002	18,148	100.0%
	30-Jun-2001	20,542	100.0%
Special	30-Jun-2010	\$ -	N/A
	30-Jun-2009	-	N/A
	30-Jun-2008	-	N/A
	30-Jun-2007	-	N/A
	30-Jun-2006	-	N/A
	30-Jun-2005	-	N/A
	30-Jun-2004	-	N/A
	30-Jun-2003	-	N/A
	30-Jun-2002	-	N/A
	30-Jun-2001	-	N/A
New State Police*	30-Jun-2010	\$ 6,562	100.0%
	30-Jun-2009	6,791	100.0%
	30-Jun-2008	6,643	100.0%
	30-Jun-2007	6,334	100.0%
	30-Jun-2006	5,276	100.0%
	30-Jun-2005	3,785	100.0%
	30-Jun-2004	3,125	100.0%
	30-Jun-2003	2,786	100.0%
	30-Jun-2002	2,476	100.0%
	30-Jun-2001	2,480	100.0%

\* Annual Required Contributions do not include Post-Retirement Increase funding  
(see Note 2 to the Basic Financial Statements).

## Required Supplementary Information (continued)

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

(dollar values expressed in thousands)  
(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Judiciary*	30-Jun-2010	\$ 2,473	100.0%
	30-Jun-2009	2,549	100.0%
	30-Jun-2008	2,644	100.0%
	30-Jun-2007	2,495	100.0%
	30-Jun-2006	2,002	100.0%
	30-Jun-2005	1,391	100.0%
	30-Jun-2004	1,235	100.0%
	30-Jun-2003	1,342	100.0%
	30-Jun-2002	1,399	100.0%
	30-Jun-2001	1,333	100.0%
County & Municipal Police and Firefighters'	30-Jun-2010	\$ 7,307	100.0%
	30-Jun-2009	12,007	100.0%
	30-Jun-2008	6,246	100.0%
	30-Jun-2007	5,780	100.0%
	30-Jun-2006	5,488	100.0%
	30-Jun-2005	5,627	100.0%
	30-Jun-2004	3,179	100.0%
	30-Jun-2003	2,931	100.0%
	30-Jun-2002	2,779	100.0%
	30-Jun-2001	2,664	100.0%
County & Municipal Other Employees'	30-Jun-2010	\$ 1,276	100.0%
	30-Jun-2009	2,293	100.0%
	30-Jun-2008	1,492	100.0%
	30-Jun-2007	820	100.0%
	30-Jun-2006	734	100.0%
	30-Jun-2005	2,271	100.0%
	30-Jun-2004	321	100.0%
	30-Jun-2003	248	100.0%
	30-Jun-2002	92	100.0%
	30-Jun-2001	165	100.0%

\* Annual Required Contributions do not include Post-Retirement Increase funding  
(see Note 2 to the Basic Financial Statements).

## Required Supplementary Information (continued)

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

(dollar values expressed in thousands)  
(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Delaware Volunteer Firemen's	30-Jun-2010	\$ 1,703	69.9%
	30-Jun-2009	1,604	69.1%
	30-Jun-2008	1,553	67.3%
	30-Jun-2007	1,528	64.0%
	30-Jun-2006	1,464	61.4%
	30-Jun-2005	1,403	57.7%
	30-Jun-2004	694	100.0%
	30-Jun-2003	667	100.0%
	30-Jun-2002	586	100.0%
	30-Jun-2001	618	100.0%
Diamond State Port Corporation	30-Jun-2010	\$ 594	100.0%
	30-Jun-2009	694	100.0%
	30-Jun-2008	715	100.0%
	30-Jun-2007	626	100.0%
	30-Jun-2006	703	100.0%
	30-Jun-2005	352	100.0%
	30-Jun-2004	346	100.0%
	30-Jun-2003	333	100.0%
	30-Jun-2002	341	100.0%
	30-Jun-2001	386	100.0%
Closed State Police	30-Jun-2010	\$ 27,214	85.9%
	30-Jun-2009	26,423	82.4%
	30-Jun-2008	25,337	83.9%
	30-Jun-2007	24,912	76.9%
	30-Jun-2006	24,623	83.9%
	30-Jun-2005	24,358	69.9%
	30-Jun-2004	27,747	70.2%
	30-Jun-2003	27,654	68.0%
	30-Jun-2002	27,831	64.0%
	30-Jun-2001	27,709	62.0%

\* Annual Required Contributions do not include Post-Retirement Increase funding (see Note 2 to the Basic Financial Statements).

This page intentionally left blank.

# Delaware Public Employees' Retirement System



— a component unit of the State of Delaware

Supporting Schedules

## Schedule 3 – Schedule of Administration Expenses

*(dollar values expressed in thousands)*

		Fiscal 2010	Fiscal 2009	Change	
				Dollars	Percent
<b>Personnel Services:</b>	Salaries	\$ 2,057	\$ 2,073	\$ (16)	(0.8%)
	Fringe Benefits	940	942	(2)	(0.2%)
	<b>Total Personnel Services:</b>	\$ 2,997	\$ 3,015	\$ (18)	(0.6%)
<b>Professional Services:</b>	Actuarial	145	165	(20)	(12.1%)
	Audit	173	192	(19)	(9.9%)
	Legal	-	96	(96)	(100.0%)
	Medical Services	11	12	(1)	(8.3%)
	State Agency Support Services	32	25	7	28.0%
	Other Professional Services	5	13	(8)	61.5%
	<b>Total Professional Services:</b>	\$ 366	\$ 503	\$ (137)	(27.2%)
<b>Communication:</b>	Printing	69	118	(49)	(41.5%)
	Telephone	21	16	5	31.3%
	Postage	136	152	(16)	(10.5%)
	Travel	13	30	(17)	(56.7%)
	Other Communications	11	34	(23)	(67.6%)
	<b>Total Communications:</b>	\$ 250	\$ 350	\$ (100)	(28.6%)
<b>Data Processing:</b>	Contracting Services	65	97	(32)	(33.0%)
	Training	29	-	29	100.0%
	Maintenance	295	294	1	0.3%
	Equipment - Hardware	85	13	72	553.8%
	Equipment - Software	7	40	(33)	(82.5%)
	<b>Total Data Processing:</b>	\$ 481	\$ 444	\$ 37	8.3%
<b>Rental:</b>	Equipment Leasing	5	5	-	0.0%
	Fleet Services	4	7	(3)	(42.9%)
	Office Space	538	527	11	2.1%
<b>Total Rentals:</b>	\$ 547	\$ 539	\$ 8	1.5%	
<b>Miscellaneous:</b>	Supplies and Equipment	10	20	(10)	(50.0%)
	Maintenance	3	3	-	0.0%
	Continuing Education	-	1	(1)	(100.0%)
	Other Miscellaneous	2	12	(10)	(83.3%)
	<b>Total Miscellaneous:</b>	\$ 15	\$ 36	\$ (21)	(58.3%)
<b>General Administration Expenses:</b>	\$ 4,656	\$ 4,887	\$ (231)	(4.7%)	
<b>Special Projects:</b>	Best Practices Review	61	118	(57)	(48.3%)
	Imaging System Installation	-	2	(2)	(100.0%)
	Financial Reporting System	45	10	35	350.0%
	Human Resources Upgrade Project	962	1,543	(581)	(37.7%)
	<b>Total Special Projects:</b>	\$ 1,068	\$ 1,673	\$ (605)	(36.2%)
<b>Grand Total Administration Expenses:</b>	\$ 5,724	\$ 6,560	\$ (836)	(12.7%)	

*See accompanying independent auditors report.*

## Schedule 4 – Schedule of Investment Expenses

(dollar values expressed in thousands)

	Fiscal 2010	Fiscal 2009	Change	
			Dollars	Percent
Custody Fees	\$ 175	\$ 175	\$ -	0.0%
Investment Manager/Advisor Fees	18,223	15,958	2,265	14.2%
Legal	73	-	73	100.0%
Pension Office Support Staff	541	523	18	3.4%
Other Investment Expenses	22	-	22	100.0%
<b>Total Investment Expenses:</b>	<b>\$ 19,034</b>	<b>\$ 16,656</b>	<b>\$ 2,378</b>	<b>14.3%</b>

See accompanying independent auditors report.

Schedule of Plan Net Assets  
of the Delaware Local Government Retirement Investment Pool  
as of June 30, 2010 with Comparative Totals for June 30, 2009

(expressed in thousands)

	Sussex County Government	Town of Elsmere	Town of Newport	Totals as of June 30	
				2010	2009
<b>Assets:</b>					
Cash & Cash Equivalents	\$ 1,211	\$ 100	\$ 68	\$ 1,379	\$ 1,913
Receivables:					
Accrued Investment Income	77	7	4	88	76
Pending Trade Sales	283	23	16	322	1,768
<b>Total Receivables:</b>	<b>\$ 360</b>	<b>\$ 30</b>	<b>\$ 20</b>	<b>\$ 410</b>	<b>\$ 1,844</b>
Investments at Fair Value:					
Domestic Fixed Income	2,215	184	125	2,524	2,419
Domestic Equities	4,077	338	230	4,645	4,028
Pooled Equity & Fixed Income	8,142	675	459	9,276	7,705
Alternative Investments	6,988	579	394	7,961	6,374
Foreign Fixed Income	584	48	33	665	567
Foreign Equities	3,863	320	219	4,402	4,267
Total Investments:	\$ 25,869	\$ 2,144	\$ 1,460	\$ 29,473	\$ 25,360
<b>Total Assets:</b>	<b>\$ 27,440</b>	<b>\$ 2,274</b>	<b>\$ 1,548</b>	<b>\$ 31,262</b>	<b>\$ 29,117</b>
<b>Liabilities:</b>					
Pending Purchases Payable	228	19	13	260	1,832
Accrued Investment Expenses	17	1	1	19	18
<b>Total Liabilities:</b>	<b>\$ 245</b>	<b>\$ 20</b>	<b>\$ 14</b>	<b>\$ 279</b>	<b>\$ 1,850</b>
<b>Net Assets Held in Trust for Pool Participants</b>	<b>\$ 27,195</b>	<b>\$ 2,254</b>	<b>\$ 1,534</b>	<b>\$ 30,983</b>	<b>\$ 27,267</b>

See accompanying independent auditors' report.

Schedule of Changes in Plan Net Assets  
of the Delaware Local Government Retirement Investment Pool  
for the Fiscal Year Ended June 30, 2010  
with Comparative Totals for June 30, 2009

(expressed in thousands)

	Sussex County Government	Town of Elsmere	Town of Newport	Totals as of June 30	
				2010	2009
<b>Additions:</b>					
<b>Contributions:</b>					
Transfer of Assets from Outside the System	\$ -	\$ -	\$ -	\$ -	\$ 5
<b>Total Contributions:</b>	\$ -	\$ -	\$ -	\$ -	\$ 5
<b>Investments:</b>					
Investment Income	420	36	24	480	432
Net appreciation (depreciation) in fair value	3,011	263	169	3,443	(5,504)
<b>Total Investment Income/(Loss):</b>	\$ 3,431	\$ 299	\$ 193	\$ 3,923	\$ (5,072)
Less Investment Manager/Advisor Fees	(78)	(6)	(4)	(88)	(75)
Less Investment Administrative Expenses	-	-	-	-	(2)
<b>Net Investment Income:</b>	\$ 3,353	\$ 293	\$ 189	\$ 3,835	\$ (5,149)
<b>Total Additions</b>	\$ 3,353	\$ 293	\$ 189	\$ 3,835	\$ (5,144)
<b>Deductions:</b>					
Transfer of Assets Outside the System	\$ -	\$ 119	\$ -	\$ 119	\$ 4,326
<b>Total Deductions</b>	\$ -	\$ 119	\$ -	\$ 119	\$ 4,326
<b>Net Increase /(Decrease)</b>	\$ 3,353	\$ 174	\$ 189	\$ 3,716	\$ (9,470)
<b>Net Assets Held in Trust for Pool Participants:</b>					
<b>Balance Beginning of Year</b>	\$ 23,842	\$ 2,080	\$ 1,345	\$ 27,267	\$ 36,737
<b>Balance End of Year</b>	\$ 27,195	\$ 2,254	\$ 1,534	\$ 30,983	\$ 27,267

See accompanying independent auditors report.



**KPMG LLP**  
 Suite 200  
 30 North Third Street  
 PO Box 1190  
 Harrisburg, PA 17108-1190

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

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

We have audited the financial statements of the Delaware Public Employees' Retirement System (the System) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

KPMG LLP, is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.



### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the System in a separate letter dated November 17, 2010.

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

**KPMG LLP**

November 17, 2010

This page intentionally left blank.

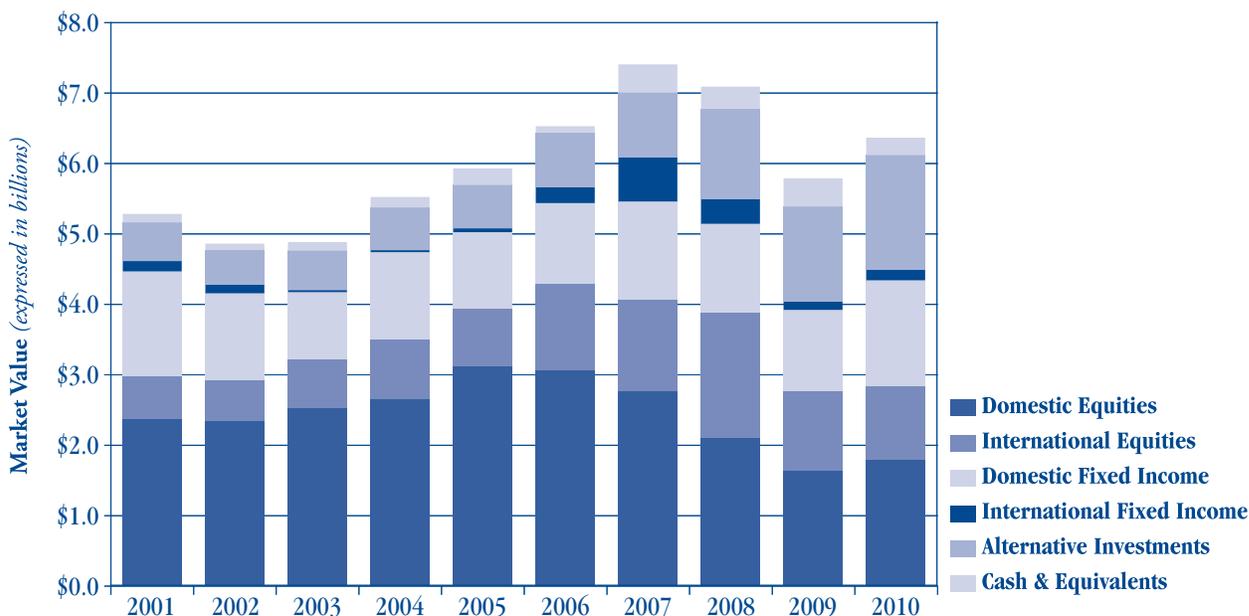
Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Investment Section

## Ten-Year Investment Comparison



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Domestic Equities	\$ 2,371.0	\$ 2,340.5	\$ 2,520.7	\$ 2,655.7	\$ 3,119.6	\$ 3,053.9	\$ 2,758.4	\$ 2,095.1	\$ 1,632.9	\$ 1,779.2
International Equities	607.3	577.1	697.2	839.2	817.0	1,242.4	1,312.3	1,778.8	1,134.9	1,056.8
Domestic Fixed Income	1,483.8	1,234.8	950.8	1,242.3	1,084.2	1,137.7	1,386.4	1,266.6	1,148.4	1,509.1
International Fixed Income	147.8	132.1	28.8	27.6	54.4	227.4	627.2	353.1	121.5	138.0
Alternative Investments	549.2	480.9	559.9	607.3	615.1	775.2	919.9	1,281.3	1,348.6	1,630.2
Cash & Short Term	121.5	92.3	123.3	149.1	237.7	90.4	402.0	314.3	398.7	248.8
	\$ 5,280.6	\$ 4,857.7	\$ 4,880.7	\$ 5,521.2	\$ 5,928.0	\$ 6,527.0	\$ 7,406.2	\$ 7,089.2	\$ 5,785.0	\$ 6,362.1

Note: For this section, Pooled Investments 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 24-25. In addition, the market value of investments represented in this section includes accrued interest, investment sales pending, and investment purchases pending, as indicated in the Financial Section on pages 24-25.

## Reconciliation to Plan Net Assets

(expressed in millions)

<b>Total Investment Portfolio Value</b>	\$ 6,362.1
<b>Receivables</b>	
Employer Contributions	11.9
Member Contributions	4.0
<b>Liabilities</b>	
Benefits Payable	(1.4)
Accrued Investment Expenses	(3.8)
Accrued Administration Expenses	(0.3)
<b>Net Assets Held in Trust</b>	\$ 6,372.5



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

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

Telephone (302) 739-4208  
Fax (302) 739-6129  
[www.delawarepensions.com](http://www.delawarepensions.com)

August 17, 2010

Dear Board Members, Participants, and Beneficiaries:

The Board of Pension Trustees' Investment Committee (Committee) oversees the investment of the retirement funds of the Delaware Public Employees' Retirement System (System). The Committee's investment oversight includes the nine plans/funds [State Employees', Special, New State Police, Judiciary, County & Municipal Police and Firefighters', County & Municipal Other Employees', Delaware Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police]. In addition, the Committee also oversees the three commingled pension investment funds [County & Municipal Police/Firefighters' COLA, Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DEL RIP)]. The Committee consists of seven members appointed by the Board. The Committee seeks to achieve the following investment objectives established by the Board:

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

While not governed by mandated target asset allocations, investment decisions are shaped by the Board's internal investment guidelines which provide for a minimum of 20% of the total assets of the System to be invested in fixed income investments, such as bonds and cash equivalents. This guideline is monitored with the assistance of the Investment Advisor. The Committee continuously reviews expected rates of return and risk levels for all marketable asset classes and seeks to construct portfolios consistent with the System's return objectives and risk management guidelines. The Committee strives for appropriate investment diversification by allocating funds across a variety of asset classes and by selecting managers whose demonstrated performance reflects different management styles and asset class expertise. The performance of all investment managers is closely monitored, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same or similar investment objectives.

It now appears that the severe global economic recession, which began in early 2008, drew to a close in June 2009, just before the start of the latest fiscal year. Despite ongoing concerns about consumer

Board Members, Participants and Beneficiaries

Page 2

August 17, 2010

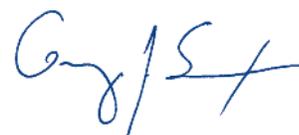
and government finances, investment markets have responded positively in the past year leading to much better results for the System's assets than in the prior fiscal year.

The Investment Committee met 17 times over the course of the fiscal year. Following the many allocation moves taken in the prior fiscal year to react to dramatic changes in economic and market conditions, this past fiscal year saw relatively subdued activity. Having begun the year with the Fund re-engaged in the markets, moves taken amounted to the replacement of two active equity managers, new commitments to four limited partnership investments, the trimming of risk positions midyear and some additional minor allocation adjustments.

The System's investment portfolio had a 14.1% return in fiscal year 2010. This compares with a return of 13.3% for the median fund in the Trust Universe Comparison Service (TUCS) universe of public funds with assets greater than \$5.0 billion. The System's results place it among the top 25% of funds in this universe for the fiscal year. The total System's annualized returns for the last 5, 10 and 15 years are 4.3%, 3.9% and 8.0%, respectively. The System's long term performance ranks in the 25% quartile of the TUCS universe for the 3, 5 and 10 year periods ending June 30, 2010. The System's longer term results have been achieved with lower observed return volatility than the median for the universe reflecting the System's longstanding focus on risk management. For the period ending June 30, 2010, the System's net assets increased by \$577.7 million, with investment related gains comprising \$811.9 million of the change in value.

We thank our dedicated professional staff at the Office of Pensions, our Investment Advisor, our custodian bank, and our money managers, who all work diligently to ensure the successful operation of the Board of Pension Trustees' Investment Committee.

Respectfully submitted,



George J. Saxon, Chair  
Board of Pension Trustees'  
Investment Committee

## Investment Activity and Economic Climate

Buoyed by improving profits and underlying economic recovery, investment markets had a strong upward move, although gains were tempered by a significant correction in the last quarter of the fiscal year. The Russell 3000, a broad measure of the domestic stock market, was up 30.5% by the end of March, but the correction in the final quarter led to a full year return of 15.7%. International equity markets, as measured by the MSCI All-Country ex-USA index, followed a similar pattern, although their full year return was lower at 10.4%, weighed down somewhat by the weakness of the euro currency.

Fixed income securities were higher, with the broad Barclays Universal bond index rising 10.6%. Reflecting the narrowing of credit bond yield spreads over Treasury bond yields, credit-oriented bonds had stronger returns than Government bonds during the year. The Barclays Credit index gained 14.7% for the year, while the Barclays Government index rose 6.5%.

While the System's fiscal year return of 14.1% compares favorably with other similar pension funds, this return does not make up for the loss in the prior fiscal year. As we enter the new fiscal year, the economic and financial market landscape presents an uncertain outlook. Manufacturing growth appears on track and corporate profitability and balance sheets appear to be sound. Job growth, however, is below trend for a recovery, housing is still very weak and consumer and government finances remain challenged. In the face of these uncertainties we will continue to rely on the investment principles and risk management guidelines that have served us well in the past and do our best to execute a sound investment strategy for the benefit of all the System's stakeholders.

Return data for the total System was calculated gross of fees, on a time-weighted basis in accordance with accepted practices. Valuations, where available, are based on published pricing from national securities exchanges.

## Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For more than 30 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:

- Achieve a real return objective (DPERS return less CPI) of 3% over long periods (approximately 15 years)
- Manage portfolio risk by controlling downside price fluctuations of the Fund in any 12-month period
- Maximize total investment returns, consistent with Board objectives.

To achieve these objectives, these investment guidelines are employed:

- Allocate a minimum of 20% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments
- Maintain a widely diversified portfolio, to minimize the risk of overexposure in any one-market segment or investment style
- Monitor the performance of all investment managers using specific benchmarks
- Control exposure in illiquid asset classes
- Review, re-examine, and reconfirm the operation of the investment process regularly
- Identify new long-term opportunities for risk reduction and improved investment returns
- Review actuarial assumptions to ensure consistency with capital market expectations.

### **Investment Process**

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

### **General Management**

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

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

### **Investment Results**

In Fiscal Year 2010, the investment process experienced:

- A time-weighted total return of 14.1% based on market values
- Benefit and expense payments exceeded net employer and member contributions by \$226.7 million
- Net investment gains of \$811.9 million (investment gains less investment expenses)
- Increase in fair market value of investment portfolio from \$5.8 billion to \$6.4 billion
- Overall volatility well below that of an all common stock portfolio.

## Fifteen Year Total Investment Rates of Return

<b>Total Investment Portfolio</b>				
	<b>Fair Value</b> <i>(in millions)</i>	<b>Fair Value</b> <b>Annual Rate of Return</b>	<b>Annual Consumer</b> <b>Price Index</b>	<b>Real Rate of Return</b>
2001	\$5,280.6	(5.1%)	3.3%	(8.4%)
2002	\$4,857.7	(6.3%)	1.0%	(7.3%)
2003	\$4,880.7	3.4%	2.2%	1.2%
2004	\$5,521.2	16.3%	3.2%	13.1%
2005	\$5,928.0	10.0%	2.5%	7.5%
2006	\$6,527.0	12.4%	4.3%	8.1%
2007	\$7,406.2	15.9%	2.9%	13.0%
2008	\$7,089.2	(1.3%)	4.5%	(5.8%)
2009	\$5,785.0	(15.8%)	(1.4%)	(14.4%)
2010	\$6,362.1	14.1%	1.1%	13.0%
Five Year		4.3%	2.2%	2.1%
Ten Year		3.9%	2.3%	1.6%
Fifteen Year		8.0%	2.4%	5.6%

### Periods Ending June 30, 2010

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

	<b>Five Years</b>	<b>Ten Years</b>	<b>Fifteen Years</b>
Total System Return	4.3%	3.9%	8.0%
S&P 500 Index % Return	(0.8%)	(1.6%)	6.2%
Excess Return vs. S&P 500 Index	5.1%	5.5%	1.8%
Relative Return Volatility vs. S&P 500 Index	61.5%	59.6%	57.9%

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

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 5.6% (8.0% System return less 2.4% CPI) measured on a time-weighted basis. During this period, risk, as measured by relative volatility, was approximately 57.9% 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 3.8% (6.2% S&P 500 less 2.4% CPI). While 15 year investment returns have been bracketed by bubble years followed by years of underperformance, the portfolio has been successful at meeting the 8.0% assumed rate of return over the 15 year period.

## Comparative Investment Results

(a time-weighted rate of return based on the market rate of return)

	1 Year	3 Year	5 Year	10 Year
<b>Domestic Equities <sup>(1)</sup></b>	<b>15.5%</b>	<b>(6.9%)</b>	<b>1.9%</b>	<b>3.4%</b>
S&P 500	14.4%	(9.8%)	(0.8%)	(1.6%)
Russell 3000 Index	15.7%	(9.5%)	(0.5%)	(0.9%)
ML All Convertibles	22.6%	(2.3%)	3.3%	1.4%
<b>Global Equities <sup>(2)</sup></b>	<b>13.4%</b>	<b>(4.8%)</b>	<b>0.4%</b>	<b>0.3%</b>
MSCI All Country World Index	11.8%	(10.5%)	1.2%	(0.3%)
<b>International Equities <sup>(3)</sup></b>	<b>11.6%</b>	<b>(2.7%)</b>	<b>6.8%</b>	<b>7.4%</b>
MSCI EAFE Index	5.9%	(13.4%)	0.9%	0.2%
Jefferies Global Convertibles ex US	6.8%	(0.9%)	5.2%	4.9%
<b>Fixed Income &amp; Cash <sup>(4)</sup></b>	<b>15.8%</b>	<b>6.6%</b>	<b>5.7%</b>	<b>7.3%</b>
Barclays Government/CCredit Bond Index	9.7%	7.4%	5.3%	6.5%
<b>Alternative Strategies <sup>(5)</sup></b>	<b>15.4%</b>	<b>4.6%</b>	<b>8.5%</b>	<b>5.0%</b>
38% Russell 3000/20% MSCI AC World Index ex-US/ 38.5% Barclays Universal/1.5% Barclays TIPS/ 2% 90-day Treasury Bills	12.7%	(2.5%)	2.8%	2.8%
<b>Total System</b>	<b>14.1%</b>	<b>(1.8%)</b>	<b>4.3%</b>	<b>3.9%</b>
38% Russell 3000/20% MSCI AC World Index ex-US/ 38.5% Barclays Universal/1.5% Barclays TIPS/ 2% 90-day Treasury Bills	12.7%	(2.5%)	2.8%	2.8%
60% S&P 500 Index/35% Barclays Government/ Credit Bond Index/5% 90-day Treasury Bills	12.4%	(3.0%)	1.8%	1.7%
<b>Delaware Volunteer Firemen's Fund <sup>(6)</sup></b>	<b>10.0%</b>			
38% Russell 3000/20% MSCI AC World Index ex-USA/40% Barclays Aggregate/ 2% 90-day Treasury Bills	12.3%	(2.4%)	3.2%	3.1%
<b>Consumer Price Index <sup>(7)</sup></b>	<b>1.1%</b>	<b>1.4%</b>	<b>2.2%</b>	<b>2.3%</b>

(1) Includes domestic convertible securities and real estate investment; includes pooled domestic allocation portfolios.

(2) Includes pooled global allocation portfolios.

(3) Includes international convertible securities.

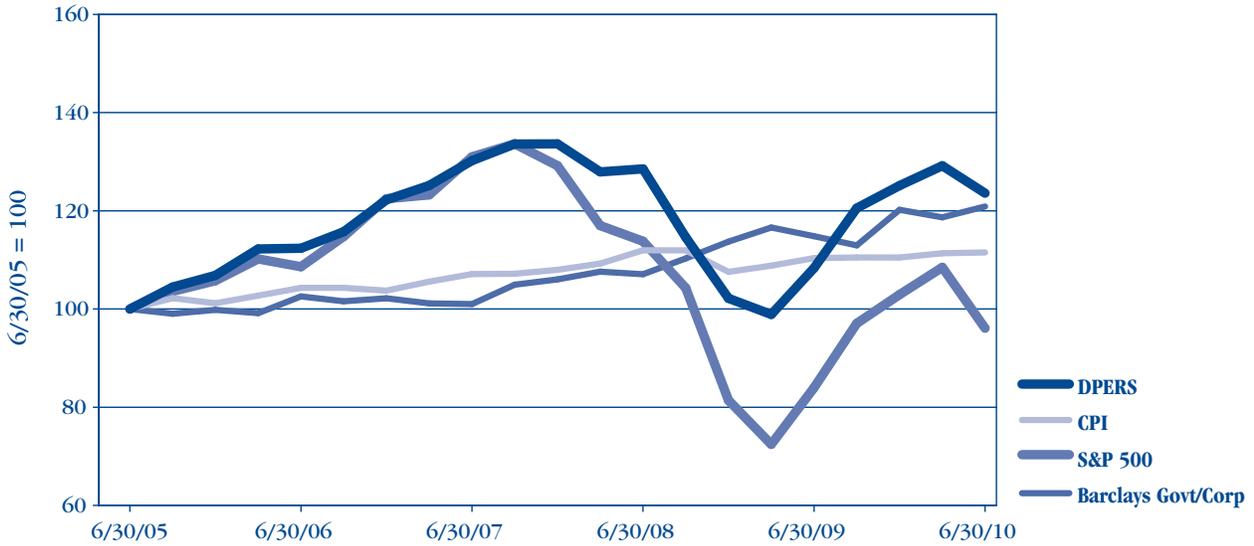
(4) Includes managed futures.

(5) Includes private equity and other non-marketable investments. All returns are on a lagged basis.

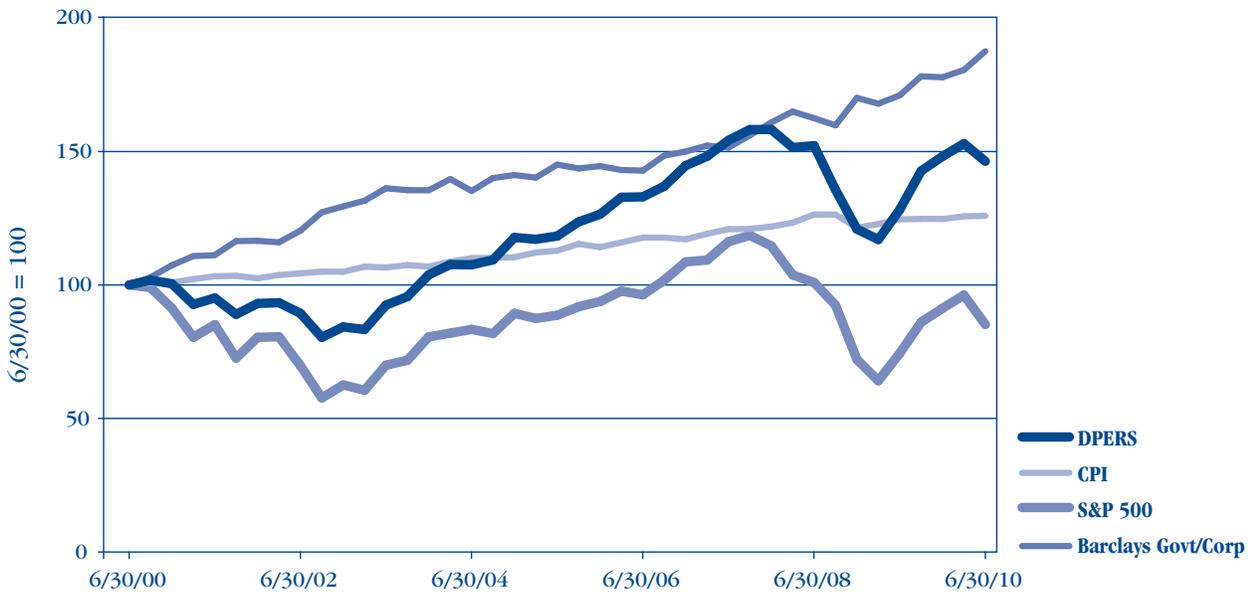
(6) Delaware Volunteer Firemen's Fund investments are invested separately from the other plans of DPERS.

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

### Total Return Performance Comparison - 5 Years



### Total Return Performance Comparison - 10 Years



## List of Largest Assets Directly Held as of June 30, 2010

*(excludes investments in pooled vehicles)*

<b>Equities (Includes Convertibles)</b>	<b>Market Value</b>	<b>% of Total Fund</b>	<b>Shares</b>
Amazon.com Incorporated	\$ 16,976,054	0.27%	155,373 shares
Apple Incorporated	15,770,931	0.25%	62,700 shares
Google Incorporated	15,444,215	0.24%	34,710 shares
Schlumberger Limited	15,195,209	0.24%	273,636 shares
Cameron International Corporation	14,529,936	0.23%	446,800 shares
Baidu Incorporated ADR	13,597,618	0.21%	199,730 shares
Peabody Energy Corporation	12,255,516	0.19%	313,200 shares
Petroleo Brasileiro Sa Petrobras ADR	11,809,512	0.19%	344,100 shares
Gazprom ADR	11,746,847	0.18%	606,675 shares
MetroPCS Communications Incorporated	11,450,439	0.18%	1,398,100 shares
	<u>\$ 138,776,277</u>	<u>2.18%</u>	
<b>Bonds</b>	<b>Market Value</b>	<b>% of Total Fund</b>	<b>Par (\$)</b>
Government of Canada 1.000% 9/1/11	\$ 12,902,759	0.20%	\$ 13,675,000
Inter-American Development Bank 6.000% 12/15/17	12,621,064	0.20%	\$ 17,750,000
Government of Canada 1.250% 12/1/11	11,996,641	0.19%	\$ 12,720,000
Georgia Pacific Corporation 7.375% 12/1/25	7,088,132	0.11%	\$ 7,010,000
Owens-Brockway 3.000% 6/1/15	6,665,861	0.10%	\$ 7,220,000
Government of Canada 2.000% 9/1/12	6,375,290	0.10%	\$ 6,665,000
Federal Republic of Brazil 10.250% 10/1/28	6,351,222	0.10%	\$ 10,750,000
CIT Group Incorporated 7.000% 5/1/17	5,718,295	0.09%	\$ 6,324,965
International Paper Company 8.700% 6/15/38	5,507,708	0.09%	\$ 4,305,000
Kingdom of Norway 4.250% 5/19/17	5,337,735	0.08%	\$ 31,875,000
<b>Total</b>	<u>\$ 80,564,707</u>	<u>1.26%</u>	

## Asset Allocation

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

	2010	2009	2008	2007	2006
Domestic Equities	28.0%	28.2%	29.5%	37.3%	46.8%
International Equities	16.6%	19.6%	25.1%	17.7%	19.0%
Domestic Fixed Income	23.7%	19.9%	17.9%	18.7%	17.4%
International Fixed Income	2.2%	2.1%	5.0%	8.5%	3.5%
Alternative Investment	25.6%	23.3%	18.1%	12.4%	11.9%
Cash and Equivalents	3.9%	6.9%	4.4%	5.4%	1.4%

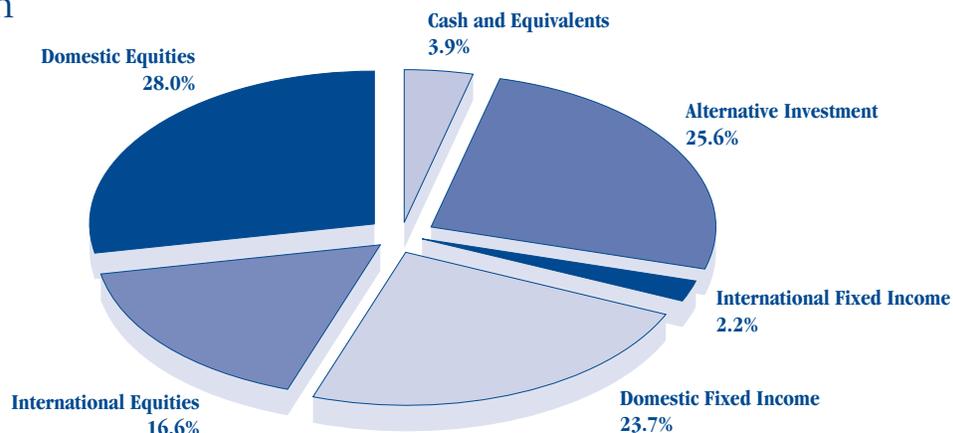
Individual investment managers are selected for each asset class based on a rigorous set of performance and organizational criteria. In addition to a proven track record of managing a given class of assets, they must have a clearly stated and consistently applied investment policy and decision-making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

All investment managers are expected to maintain those organizational criteria in order to continue as managers. During the fiscal year, a global manager, an international manager, and a small cap manager were hired. Two domestic equity managers and two domestic fixed income managers were given additional funds. An international manager, two domestic equity managers, a fixed income manager and a fixed income holding account were terminated. The services of a transition manager were utilized in the termination of the international equity manager and the two domestic equity managers. Both domestic and international convertible managers, and two domestic equity managers had their assets under management reduced.

In the area of pooled assets, a portion of the System's global enhanced collateral fund was reduced. In the area of alternative investments, the System entered into four new partnerships with existing managers.

## Asset Allocation

*as of June 30, 2010*



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

<b>Investment Manager</b>	<b>Mandate</b>	<b>Fiscal Year Retained</b>
<b>Domestic Equities</b>		
Daruma Asset Management	Small Cap Equities	2010
Mellon Capital Management	Indexed Equities/Tactical Asset Allocation	1984
Oaktree Capital Management	Convertible Securities	1995
Rutabaga Capital Management	Small Cap Value Equities	2007
T. Rowe Price Associates	Natural Resources Equities	1971
Vanguard Total Market Stock Index Fund	Equities	2009
<b>International Equities</b>		
Axiom International Investors LLC	Global Equities	2007
Baillie Gifford	Global Equities	2008
Dodge and Cox Funds	International Equities	2007
Mellon Capital Management	Global Equities	1997
Oaktree Capital Management	International Convertible Securities	1995
T. Rowe Price Associates	Global Equities	2010
Vanguard International Total Stock Index Fund	International Equities	2009
Sanderson Asset Management, Inc.	International Equities	2010
<b>Domestic Fixed Income</b>		
Loomis Sayles & Company LP	Long Term Corporate Bonds	1999
Mellon Capital Management	Inflation Protection/Broad Market Bonds	1984
T. Rowe Price Associates	High Yield Bonds	1996
Vanguard Total Bond Market Index Fund	Broad Market Bonds	2009
<b>Alternative Investments</b>		
Accel Partners	Venture Capital	1984
Accel-KKR Company	Venture Capital	2002
Allegis Capital	Venture Capital	2005
Advanced Technology Ventures	Venture Capital	1990
Angelo, Gordon & Co	Hedge Fund/Distressed Debt	2007
Barlow Partners	Hedge Fund	2009
The Carlyle Group	Private Equity	1996
Carlyle/Riverstone	Venture Capital	2006
Centerbridge Credit Partners L.P.	Distressed Debt	2009
Cherry Tree Ventures	Venture Capital	1984
Farallon Capital	Hedge Fund	2008
Flagship/One Liberty Ventures	Venture Capital	1982
IDG-Accel	Venture Capital	2006
Liquid Realty	Real Estate	2008
MeriTech Capital Partners	Venture Capital	1997
Oaktree Capital Management	Distressed Debt; Emerging Markets	1998
ONSET Enterprise Associates	Venture Capital	1990
Pecks Management Partners	Private Equity	1986
Spectra Enterprise Associates	Venture Capital	1987
Summit Ventures	Venture Capital	1989
T. Rowe Price Associates	Distressed Debt	1989
Trident Capital	Venture Capital	2000
Weston Presidio Capital	Venture Capital	1996
<b>Cash &amp; Short-Term</b>		
Northern Trust	Cash & Equivalents	2007

## Investment Summary and Schedule of Investment Fees

(dollar values expressed in millions)

	Market Value as of June 30, 2010	Percent of Total Investment Assets	Total Fiscal Year 2010 Investment Fees	Basis Points
<b>Equities</b>				
Domestic Equities	\$ 1,779.2	28.0%	\$ 6.3	
International Equities	1,056.8	16.6%	5.0	
Sub-Total	\$ 2,836.0	44.6%	\$ 11.3	
<b>Fixed Income</b>				
Domestic Fixed Income	\$ 1,509.1	23.7%	\$ 1.6	
International Fixed Income	138.0	2.2%	1.3	
Sub-Total	\$ 1,647.1	25.9%	\$ 2.9	
<b>Other Asset Allocations</b>				
Alternative Investment	\$ 1,630.2	25.6%	\$ 1.8	
Cash and Short Term	248.8	3.9%	0.0	
Sub-Total	\$ 1,879.0	29.5%	\$ 1.8	
<b>Other Investment Services</b>				
Custodian/Investment Advisor Fees	-	-	2.5	
Pension Office Support Staff Expenses	-	-	0.5	
Sub-Total			3.0	
	<u>\$ 6,362.1</u>	<u>100.0%</u>	<u>\$ 19.0</u>	<u>29 bp</u>

\* Other fees include Alternative Investment fees detailed on page 42. These fees have been excluded from the table above and the basis points calculation since they have already been netted from income. Basis point calculation is the weighted average based on the quarterly fund valuations.

### Glossary of Terms Used

#### *Fair Value (Market Value):*

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

#### *Time-Weighted Total Return:*

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

#### *Alternative Investments:*

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

## Schedule of Broker Commissions

The System has no commission recapture, directed payment, or “soft dollar” arrangements; however, such arrangements may exist between brokers and investment managers. Broker selection is the responsibility of individual investment managers.

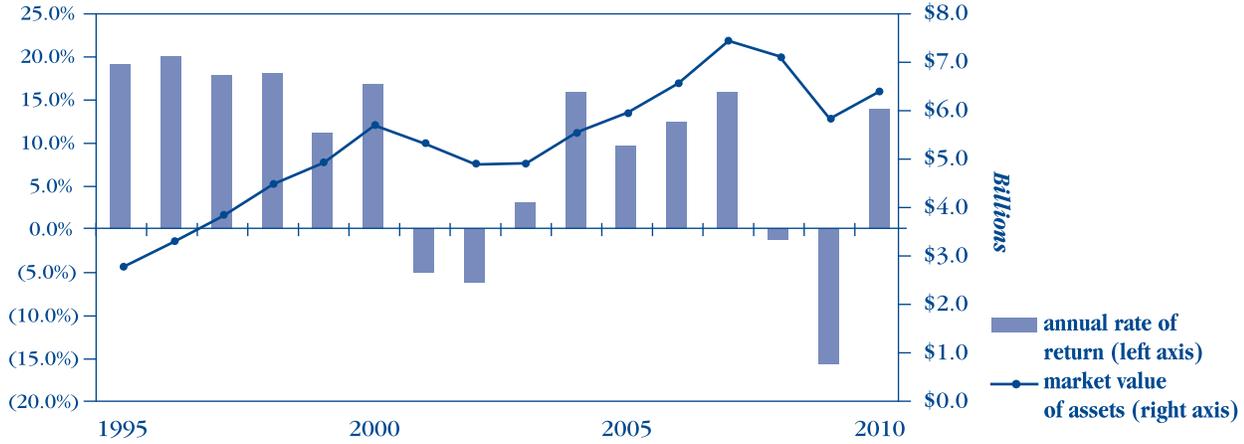
The following is a list of brokers who received \$10,000 or more in commissions during Fiscal Year 2010.

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
Merrill Lynch	17,461,130	\$0.01	\$ 346,069,037	\$ 209,230
Credit Suisse First Boston	24,121,563	\$0.01	219,658,427	124,402
Deutsche Bank	15,279,160	\$0.01	70,546,202	100,278
National Financial Services	8,598,544	\$0.01	203,861,867	97,042
Weeden & Company	4,764,164	\$0.02	60,553,455	96,767
Citigroup	16,547,466	\$0.01	114,835,836	96,310
Instinet	5,869,975	\$0.02	118,088,170	94,470
UBS	10,200,110	\$0.01	91,149,994	89,520
Morgan Stanley	9,059,117	\$0.01	118,114,475	87,149
Bear Stearns	14,656,865	\$0.01	98,084,813	79,788
Investment Technology	3,481,988	\$0.02	37,177,621	75,552
JP Morgan	5,966,165	\$0.01	58,344,814	67,045
Goldman Sachs	3,820,808	\$0.01	59,188,228	57,016
Barclays Capital	2,242,341	\$0.02	66,982,499	53,429
Union Bank Of Switzerland	2,597,784	\$0.02	75,938,997	43,719
Sanford C Bernstein	2,365,477	\$0.02	73,483,730	37,439
Friedman Billings & Ramsey	888,679	\$0.04	11,100,626	35,111
Stifel Nicolaus	1,034,640	\$0.03	19,484,339	34,203
Liquidnet Inc	1,644,927	\$0.02	27,713,163	31,121
Macquarie Securities	4,231,475	\$0.01	22,878,507	30,044
Thomas Weisel Partners	917,280	\$0.03	5,693,451	27,341
Robert W Baird	574,206	\$0.04	20,654,278	22,912
Credit Lyonnais Securities	9,477,091	\$0.00	11,008,631	22,670
Jefferies & Company	724,297	\$0.03	20,366,812	22,140
Thinkequity Partners LLC	441,700	\$0.05	8,535,484	22,085
Banco Santander	711,216	\$0.03	8,749,170	19,064
Pershing	569,813	\$0.03	14,430,987	18,987
Needham & Company	401,900	\$0.05	7,637,813	18,567
Societe Generale	359,893	\$0.05	11,746,406	17,177
Bny Esi Securities Co.	458,900	\$0.04	7,347,440	16,546
Piper Jaffrey	315,800	\$0.05	10,520,952	15,096
Cheuvreux De Virieu Paris	996,242	\$0.01	10,346,018	14,694
HSBC Securities	4,717,174	\$0.00	9,418,486	14,432
RBC	495,112	\$0.03	15,536,761	14,405
Scott & Stringfellow Investment	297,400	\$0.05	6,436,906	13,835
Sidoti & Company LLC	353,035	\$0.04	8,434,612	13,076
Nomura	3,222,299	\$0.00	21,510,702	12,904
CLSA Singapore	732,802	\$0.02	9,933,835	12,325
Knight Securities	2,590,631	\$0.00	8,374,917	11,242
Raymond James	269,263	\$0.04	6,784,676	10,193
All Others (120 Brokers Not Listed)	27,357,689	\$0.01	193,630,705	292,064
Totals	210,816,121		\$ 2,310,353,842	\$ 2,171,390
Average Commission, Per Share		\$0.01		

## Delaware Public Employees' Retirement System

### Annual Market Value of Fund and Rate of Return

For the 15-Year Period 1995-2010



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

This page intentionally left blank.

Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Actuarial Section



September 17, 2010

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

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2010. The results of these valuations are contained in the enclosed exhibits. Any distribution of the exhibits must be in their entirety, including this cover letter, unless prior written consent is obtained.

### **Funding Objective**

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

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

### **Assumptions and Methods**

The actuarial assumptions and methods used in these valuations are based on the prior actuary's experience study completed during the fiscal year ended June 30, 2004. The Board set the investment return assumption based on advice from its investment consultant.

We believe that all costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations) and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ. The calculations in the enclosed exhibits have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statement



Board of Pension Trustees  
September 17, 2010  
Page 2



No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

### **Reliance on Others**

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

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

### **Supporting Schedules**

Cheiron is responsible for providing all figures from 2006 forward in the following schedules of the Financial Section: Membership Data, Current Funded Status of the Plans, Plan Actuarial Methods, Schedule of Funding Progress and Schedule of Employer Contributions. In addition, we were responsible for the 2006 and later information provided in the following schedules found in the Actuarial Section: Actuarial Assumptions and Methods, Schedule of Active Member Valuation Data, Solvency Test, and Analysis of Financial Experience for the State Employees' Pension Plan.

### **Certification**

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

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

Sincerely,  
Cheiron

A handwritten signature in black ink that reads "Fiona E. Liston".

Fiona E. Liston, FSA, EA  
Consulting Actuary

## Actuarial Assumptions and Methods

### Asset Valuation Method

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

In order to produce a stable pattern of contribution rates, market values are adjusted to remove some of the volatility. The actuarial value of assets is equal to 1/5th of the market value plus 4/5th of the expected value, where the expected value is equal to last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest at the valuation rate of 8.0% per annum.

### Funding Method

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

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

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

A portion of the unfunded liability will be paid through future, scheduled transfers from the Post-Retirement Increase Fund. These transfers will cover the liability increases due to the cost of living increases granted on July 1, 2006. The remaining unfunded actuarial liability will be amortized in layers for the Judiciary Plan, over an open 20 year period for the State Employees' Plan and State Police Plan and over a closed period of 17 years for the Volunteer Firemen's Plan and over an open 15 years for the Diamond State Port Corporation plan through the unfunded liability amortization component of the total contribution.

## Actuarial Assumptions

The actuarial assumptions for the actuarial valuations are based on the experience study completed by the prior actuary in 2004. Differences between assumed and actual experience (actuarial gains and losses) are part of the unfunded actuarial liabilities. The following significant assumptions were used in the actuarial valuations as of July 1, 2010:

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

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

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

5. Rates of termination of service, disablement, and retirement:  
Based on the results of the Experience Study completed in 2004 (adopted 2004).
6. Aggregate active member payroll: 3.75% annually (adopted 2004).

## Summary of Plan Provisions and Changes in Plan Provisions

The plans valued are those described on pages 30-33 of the Financial Section.

There were no changes in plan provisions this year.

## 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'	30-Jun-2010	35,217	\$ 1,740,622	\$ 49,426	(0.1%)
	30-Jun-2009	35,430	1,753,129	49,481	0.5%
	30-Jun-2008	34,764	1,711,473	49,231	2.3%
	30-Jun-2007	35,062	1,654,609	48,135	1.9%
	30-Jun-2006	34,313	1,589,185	46,314	5.0%
	30-Jun-2005	33,379	1,471,931	44,098	2.4%
	30-Jun-2004	32,498	1,399,279	43,057	1.2%
	30-Jun-2003	31,877	1,355,800	42,532	0.6%
	30-Jun-2002	31,951	1,351,112	42,287	6.5%
	30-Jun-2001	31,989	1,270,632	39,721	5.2%
Special	The Special Fund has no Active Members				
New State Police	30-Jun-2010	651	\$ 49,896	\$ 76,645	(0.9%)
	30-Jun-2009	652	50,425	77,339	5.0%
	30-Jun-2008	651	47,971	73,688	1.1%
	30-Jun-2007	644	46,924	72,863	5.8%
	30-Jun-2006	633	43,579	68,845	5.9%
	30-Jun-2005	610	39,645	64,992	4.6%
	30-Jun-2004	591	36,718	62,129	13.2%
	30-Jun-2003	579	31,778	54,884	0.2%
	30-Jun-2002	553	30,281	54,758	6.8%
	30-Jun-2001	539	27,624	51,250	5.7%
Judiciary	30-Jun-2010	55	\$ 9,798	\$ 178,145	(0.2%)
	30-Jun-2009	55	9,814	178,436	(0.6%)
	30-Jun-2008	54	9,689	179,426	0.4%
	30-Jun-2007	55	9,825	178,636	4.6%
	30-Jun-2006	55	9,397	170,854	6.8%
	30-Jun-2005	53	8,475	159,906	8.4%
	30-Jun-2004	52	7,672	147,539	4.9%
	30-Jun-2003	51	7,173	140,647	1.7%
	30-Jun-2002	50	7,329	138,283	8.5%
	30-Jun-2001	49	6,371	127,420	7.8%
County & Municipal	30-Jun-2010	967	\$ 56,917	\$ 58,859	1.2%
Police and Firefighters'	30-Jun-2009	954	55,478	58,153	2.1%
	30-Jun-2008	866	49,328	56,961	3.8%
	30-Jun-2007	821	45,059	54,883	4.9%
	30-Jun-2006	733	38,342	52,308	5.7%
	30-Jun-2005	675	33,389	49,465	(0.3%)
	30-Jun-2004	563	27,930	49,609	15.6%
	30-Jun-2003	562	24,128	42,932	1.6%
	30-Jun-2002	505	21,342	42,261	4.1%
	30-Jun-2001	483	19,605	40,590	3.4%

## Schedule of Active Member Valuation Data (continued)

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (expressed in thousands)	Annual Average Pay	% Increase in Average Pay
County & Municipal	30-Jun-2010	459	\$ 20,591	\$ 44,861	1.0%
Other Employees'	30-Jun-2009	429	19,046	44,396	1.7%
	30-Jun-2008	427	18,632	43,635	8.4%
	30-Jun-2007	402	16,183	40,256	7.8%
	30-Jun-2006	349	13,027	37,327	20.8%
	30-Jun-2005	315	9,737	30,911	(8.6%)
	30-Jun-2004	221	7,474	33,819	10.6%
	30-Jun-2003	203	6,209	30,586	8.2%
	30-Jun-2002	90	2,545	28,278	4.9%
	30-Jun-2001	85	2,292	26,965	(0.4%)
Closed State Police	30-Jun-2010	3	\$ 339	\$ 113,000	(8.7%)
	30-Jun-2009	5	619	123,800	7.5%
	30-Jun-2008	10	1,152	115,200	1.9%
	30-Jun-2007	15	1,695	113,000	6.4%
	30-Jun-2006	18	1,912	106,222	3.0%
	30-Jun-2005	25	2,579	103,160	6.8%
	30-Jun-2004	27	2,608	96,593	7.7%
	30-Jun-2003	32	2,869	89,656	15.5%
	30-Jun-2002	40	3,105	77,625	7.6%
	30-Jun-2001	45	3,247	72,156	5.8%
Diamond State Port Corporation	30-Jun-2010	257	\$ 11,224	\$ 43,673	10.1%
	30-Jun-2009	279	11,071	39,681	8.6%
	30-Jun-2008	281	10,270	36,548	(3.5%)
	30-Jun-2007	296	11,213	37,882	(3.7%)
	30-Jun-2006	283	11,130	39,329	13.5%
	30-Jun-2005	267	9,248	34,637	0.2%
	30-Jun-2004	259	8,950	34,556	4.4%
	30-Jun-2003	261	8,636	33,088	(1.0%)
	30-Jun-2002	280	9,354	33,407	3.4%
	30-Jun-2001	272	8,788	32,309	(4.9%)
Delaware Volunteer Firemen's	30-Jun-2010	4,898	\$ -	\$ -	-
	30-Jun-2009	5,074	-	-	-
	30-Jun-2008	5,066	-	-	-
	30-Jun-2007	5,170	-	-	-
	30-Jun-2006	5,160	-	-	-
	30-Jun-2005	5,106	-	-	-
	30-Jun-2004	5,055	-	-	-
	30-Jun-2003	4,933	-	-	-
	30-Jun-2002	4,856	-	-	-
	30-Jun-2001	4,769	-	-	-

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

Plan	Fiscal Year Ended	Added to Rolls		Removed from Rolls	
		Additions	Annual Allowance (expressed in thousands)	Deletions	Annual Allowances (expressed in thousands)
State Employees'	30-Jun-2010	1,673	\$ 38,613	843	\$ 10,472
	30-Jun-2009	1,330	31,401	750	8,613
	30-Jun-2008	1,363	29,455	680	7,497
	30-Jun-2007	1,182	27,078	707	6,110
	30-Jun-2006	1,465	-	731	-
Special	30-Jun-2010	-	\$ -	4	\$ 12
	30-Jun-2009	1	4	6	22
	30-Jun-2008	-	-	2	4
	30-Jun-2007	-	1	3	29
	30-Jun-2006	-	-	2	-
New State Police	30-Jun-2010	27	\$ 1,535	2	\$ -
	30-Jun-2009	18	1,006	1	40
	30-Jun-2008	12	613	1	39
	30-Jun-2007	12	634	-	-
	30-Jun-2006	9	-	1	-
Judiciary	30-Jun-2010	3	\$ 308	1	\$ 75
	30-Jun-2009	4	378	2	158
	30-Jun-2008	2	153	3	148
	30-Jun-2007	1	30	1	45
	30-Jun-2006	1	-	-	-
County & Municipal Police and Firefighters'	30-Jun-2010	12	\$ 450	-	\$ -
	30-Jun-2009	8	252	-	-
	30-Jun-2008	5	132	1	7
	30-Jun-2007	6	192	1	21
	30-Jun-2006	3	-	1	-
County & Municipal Other Employees'	30-Jun-2010	9	\$ 99	1	\$ 41
	30-Jun-2009	6	75	-	-
	30-Jun-2008	3	17	-	-
	30-Jun-2007	6	40	2	10
	30-Jun-2006	-	-	-	-
Delaware Volunteer Firemen's	30-Jun-2010	110	\$ 118	66	\$ 46
	30-Jun-2009	104	114	61	51
	30-Jun-2008	123	132	48	41
	30-Jun-2007	111	131	56	46
	30-Jun-2006	96	-	57	-

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

Plan	Fiscal Year Ended	Added to Rolls		Removed from Rolls	
		Additions	Annual Allowance (expressed in thousands)	Deletions	Annual Allowances (expressed in thousands)
Diamond State	30-Jun-2010	6	\$ 48	1	\$ 10
Port Corporation	30-Jun-2009	2	12	-	-
	30-Jun-2008	1	3	1	14
	30-Jun-2007	8	52	2	38
	30-Jun-2006	4	-	1	-
Closed State Police	30-Jun-2010	12	\$ 415	14	\$ 585
	30-Jun-2009	12	1,403	10	385
	30-Jun-2008	13	1,115	13	437
	30-Jun-2007	6	840	10	235
	30-Jun-2006	20	-	19	-

One year of information will be added to this schedule in each year until the recommended six-year history is presented.

Plan	Fiscal Year Ended	On Roll at Year End			
		Year End Total	Annual Allowance (expressed in thousands)	Average Annual Allowance	% Change in Annual Allowance
State Employees'	30-Jun-2010	21,676	\$ 403,091	\$ 18,686	7.51%
	30-Jun-2009	20,846	374,950	18,071	6.5%
	30-Jun-2008	20,266	352,161	17,450	6.6%
	30-Jun-2007	19,583	330,203	16,862	6.8%
	30-Jun-2006	19,108	309,235	16,231	-
Special	30-Jun-2010	14	\$ 58	\$ 4,163	(17.58%)
	30-Jun-2009	18	70	3,929	(20.5%)
	30-Jun-2008	23	89	3,866	(4.3%)
	30-Jun-2007	25	93	3,735	(23.1%)
	30-Jun-2006	28	121	3,907	-
New State Police	30-Jun-2010	113	\$ 5,604	\$ 49,593	37.72%
	30-Jun-2009	88	4,069	47,317	31.2%
	30-Jun-2008	71	3,102	43,701	22.7%
	30-Jun-2007	60	2,529	42,150	33.5%
	30-Jun-2006	48	1,895	39,473	-
Judiciary	30-Jun-2010	42	\$ 2,853	\$ 67,917	8.92%
	30-Jun-2009	40	2,618	65,471	9.2%
	30-Jun-2008	38	2,399	63,122	0.2%
	30-Jun-2007	39	2,394	61,382	(0.6%)
	30-Jun-2006	39	2,409	61,770	-

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

Plan	Fiscal Year Ended	On Roll at Year End		% Change in Annual Allowance	
		Year End Total	Annual Allowance (expressed in thousands)		
County & Municipal	30-Jun-2010	56	\$ 1,602	\$ 28,599	39.05%
Police and Firefighters'	30-Jun-2009	44	1,151	26,176	28.1%
	30-Jun-2008	36	899	24,979	16.1%
	30-Jun-2007	32	774	24,201	28.1%
	30-Jun-2006	27	604	22,388	-
County & Municipal	30-Jun-2010	38	\$ 275	\$ 7,224	26.79%
Other Employees'	30-Jun-2009	30	216	7,218	53.7%
	30-Jun-2008	24	141	5,871	14.6%
	30-Jun-2007	21	123	5,877	32.3%
	30-Jun-2006	17	93	5,487	-
Delaware Volunteer	30-Jun-2010	1,521	\$ 1,532	\$ 1,007	4.95%
Firemen's	30-Jun-2009	1,477	1,459	994	4.5%
	30-Jun-2008	1,434	1,397	977	7.0%
	30-Jun-2007	1,359	1,305	961	6.9%
	30-Jun-2006	1,304	1,221	937	-
Diamond State	30-Jun-2010	40	\$ 312	\$ 7,795	13.96%
Port Corporation	30-Jun-2009	35	273	7,817	5.0%
	30-Jun-2008	33	261	7,897	(3.7%)
	30-Jun-2007	33	271	8,215	5.4%
	30-Jun-2006	27	257	9,524	-
Closed State Police	30-Jun-2010	547	\$ 22,432	\$ 41,161	(0.75%)
	30-Jun-2009	549	22,602	41,170	4.7%
	30-Jun-2008	547	21,584	39,459	3.2%
	30-Jun-2007	547	20,906	38,219	3.0%
	30-Jun-2006	551	20,301	36,979	-

*One year of information will be added to this schedule in each year until the recommended six-year history is presented.*

## Solvency Test

(dollar values expressed in thousands)

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
State Employees'	30-Jun-2010	\$ 527,578	\$ 3,873,286	\$ 2,695,462	\$ 6,808,957	100%	100%	89%
	30-Jun-2009	508,790	3,608,850	2,709,366	6,744,050	100%	100%	97%
	30-Jun-2008	470,813	3,390,993	2,688,050	6,751,949	100%	100%	108%
	30-Jun-2007	444,376	3,182,382	2,581,267	6,437,916	100%	100%	109%
	30-Jun-2006	434,605	2,982,471	2,484,996	5,998,746	100%	100%	104%
	30-Jun-2005	414,001	2,702,359	2,456,359	5,660,057	100%	100%	104%
	30-Jun-2004	396,614	2,437,522	2,395,791	5,387,560	100%	100%	107%
	30-Jun-2003	375,385	2,025,080	2,394,479	5,125,442	100%	100%	114%
	30-Jun-2002	361,334	1,768,363	2,392,035	4,956,156	100%	100%	118%
	30-Jun-2001	343,466	1,597,526	2,291,252	4,759,031	100%	100%	123%
Special	30-Jun-2010	\$ -	\$ 333	\$ -	\$ 457	-	137%	-
	30-Jun-2009	-	399	-	516	-	129%	-
	30-Jun-2008	-	492	-	614	-	125%	-
	30-Jun-2007	-	530	-	673	-	127%	-
	30-Jun-2006	-	704	-	758	-	108%	-
	30-Jun-2005	-	791	-	855	-	108%	-
	30-Jun-2004	-	785	-	933	-	119%	-
	30-Jun-2003	-	768	-	1,009	-	131%	-
	30-Jun-2002	-	742	-	1,832	-	247%	-
	30-Jun-2001	-	993	-	1,866	-	188%	-
New State Police	30-Jun-2010	\$ 40,955	\$ 65,550	\$ 153,753	\$ 245,303	100%	100%	90%
	30-Jun-2009	38,619	47,700	154,932	229,457	100%	100%	92%
	30-Jun-2008	35,707	36,474	142,740	216,368	100%	100%	101%
	30-Jun-2007	31,979	29,887	133,945	194,560	100%	100%	99%
	30-Jun-2006	28,551	22,373	119,953	169,824	100%	100%	99%
	30-Jun-2005	25,260	16,667	107,730	150,209	100%	100%	101%
	30-Jun-2004	22,194	13,036	93,702	134,507	100%	100%	106%
	30-Jun-2003	19,405	7,808	79,059	120,457	100%	100%	118%
	30-Jun-2002	16,838	5,057	70,033	109,615	100%	100%	125%
	30-Jun-2001	14,571	2,909	62,560	99,138	100%	100%	131%

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

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
Judiciary	30-Jun-2010	\$ 5,047	\$ 23,928	\$ 31,129	\$ 51,550	100%	100%	73%
	30-Jun-2009	4,816	22,315	30,668	49,036	100%	100%	71%
	30-Jun-2008	4,382	20,398	31,076	47,209	100%	100%	72%
	30-Jun-2007	3,984	19,998	29,704	43,050	100%	100%	64%
	30-Jun-2006	3,473	20,741	25,963	38,407	100%	100%	55%
	30-Jun-2005	3,126	19,624	21,329	35,112	100%	100%	58%
	30-Jun-2004	2,763	18,817	17,284	32,841	100%	100%	65%
	30-Jun-2003	2,498	18,447	11,374	30,961	100%	100%	88%
	30-Jun-2002	2,300	15,705	12,117	29,049	100%	100%	91%
	30-Jun-2001	1,932	16,622	11,081	27,231	100%	100%	78%
County & Municipal Police and Firefighters'	30-Jun-2010	\$ 28,585	\$ 18,613	\$ 94,232	\$ 135,684	100%	100%	94%
	30-Jun-2009	24,808	13,383	84,382	119,712	100%	100%	97%
	30-Jun-2008	20,669	10,380	72,862	102,423	100%	100%	98%
	30-Jun-2007	17,135	9,072	62,815	87,395	100%	100%	97%
	30-Jun-2006	13,965	6,992	51,875	72,120	100%	100%	99%
	30-Jun-2005	11,441	6,519	43,375	59,711	100%	100%	96%
	30-Jun-2004	9,334	5,656	30,214	48,893	100%	100%	112%
	30-Jun-2003	7,682	2,928	26,088	41,228	100%	100%	117%
	30-Jun-2002	6,114	1,838	22,392	35,053	100%	100%	121%
	30-Jun-2001	4,748	1,950	22,767	29,389	100%	100%	100%
County & Municipal Other Employees'	30-Jun-2010	\$ 2,653	\$ 2,637	\$ 14,537	\$ 17,596	100%	100%	85%
	30-Jun-2009	2,172	2,091	12,524	15,074	100%	100%	86%
	30-Jun-2008	1,756	1,302	11,250	12,980	100%	100%	88%
	30-Jun-2007	1,303	1,136	9,139	10,405	100%	100%	87%
	30-Jun-2006	1,005	860	7,357	8,529	100%	100%	91%
	30-Jun-2005	773	876	5,073	7,048	100%	100%	91%
	30-Jun-2004	626	649	2,065	4,275	100%	100%	145%
	30-Jun-2003	502	499	2,331	3,602	100%	100%	112%
	30-Jun-2002	314	355	2,147	3,033	100%	100%	110%
	30-Jun-2001	283	283	1,923	2,794	100%	100%	93%

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

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)	
Delaware	30-Jun-2010	\$ 4,727	\$ 12,692	\$ 9,963	\$ 13,663	100%	70%	-	
Volunteer	30-Jun-2009	4,702	12,050	9,810	13,241	100%	71%	-	
Firemen's	30-Jun-2008	4,531	11,513	9,675	12,972	100%	73%	-	
	30-Jun-2007	4,474	10,709	9,626	12,225	100%	72%	-	
	30-Jun-2006	4,299	9,925	9,701	11,340	100%	71%	-	
	30-Jun-2005	4,105	9,435	9,373	10,665	100%	70%	-	
	30-Jun-2004	3,918	8,842	9,190	10,121	100%	70%	-	
	30-Jun-2003	3,660	7,946	4,013	9,644	100%	75%	-	
	30-Jun-2002	3,419	7,574	3,947	9,333	100%	78%	-	
	30-Jun-2001	2,308	7,186	4,343	9,022	100%	93%	-	
	Diamond State Port Corporation	30-Jun-2010	\$ 2,689	\$ 2,991	\$ 12,674	\$ 15,418	100%	100%	77%
		30-Jun-2009	2,528	2,658	11,098	14,353	100%	100%	83%
30-Jun-2008		2,181	2,576	9,382	13,391	100%	100%	92%	
30-Jun-2007		1,905	2,689	9,010	11,911	100%	100%	81%	
30-Jun-2006		1,718	2,498	8,522	10,361	100%	100%	72%	
30-Jun-2005		1,476	2,126	6,130	8,948	100%	100%	87%	
30-Jun-2004		1,217	2,057	5,775	8,140	100%	100%	84%	
30-Jun-2003		1,105	1,461	4,490	7,328	100%	100%	106%	
30-Jun-2002		997	1,252	4,368	6,675	100%	100%	101%	
30-Jun-2001		670	913	4,035	6,044	100%	100%	111%	
Closed State Police	30-Jun-2010	\$ 326	\$ 296,089	\$ 2,078	\$ 1,440	100%	-	-	
	30-Jun-2009	519	302,526	3,859	727	100%	-	-	
	30-Jun-2008	515	292,027	7,370	618	100%	-	-	
	30-Jun-2007	752	285,795	10,636	514	68%	-	-	
	30-Jun-2006	863	281,515	11,771	1,663	100%	-	-	
	30-Jun-2005	1,168	266,344	16,390	749	64%	-	-	
	30-Jun-2004	1,200	267,614	16,230	2,979	100%	1%	-	
	30-Jun-2003	1,376	290,867	26,007	2,322	100%	-	-	
	30-Jun-2002	1,643	288,736	28,308	2,036	100%	-	-	
	30-Jun-2001	2,757	274,477	28,960	1,749	63%	-	-	

## Analysis of Financial Experience for the State Employees' Pension Plan

### Gains/(Losses) in Accrued Liability During Years Ended June 30, Resulting from Differences Between Assumed Experience and Actuarial Experience

(expressed in thousands)

Type of Activity	Gain/(Loss) for the Fiscal Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Investment Income/(Loss) on Actuarial Assets	\$ (224,949)	\$ (337,848)	\$ (27,225)	\$ 120,673	\$ 33,600	\$ (12,887)	\$ (34,720)
Combined Liability Experience	34,271	31,060	(44,449)	(19,423)	(44,930)	(15,530)	(53,146)
(Loss)/Gain During Year from Financial Experience	(190,678)	(306,788)	(71,674)	101,250	(11,330)	(28,417)	(87,866)
Non-Recurring Items	-	-	-	-	1,923**	244	(137,125)
Composite (Loss)/Gain During Year	\$ (190,678)	\$ (306,788)	\$ (71,674)	\$ 101,250	\$ (9,407)	\$ (28,173)	\$ (224,991)

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

Delaware  
Public  
Employees'  
Retirement  
System



— a component unit of the State of Delaware

Statistical Section

## About the Statistical Section

This section provides the reader with detailed information about the economic and demographic trends experienced over the past ten years in the System:

*Schedule of Principal Participating Employers* lists the entities that make up at least 50% of the System's two multiple-employer plans (County Municipal Police & Firefighter and County & Municipal Other Employees').

*Schedules of Additions by Source and Deductions by Type* display for each plan the changes in plan net assets as a result of payments made to and by the System.

*Schedule of Benefit Deductions by Type* identifies the type of payments made to beneficiaries and to former employees.

*Schedule of Retired Members by Type of Benefit by Plan* identifies the range of benefit payments made to retirees sorted by plan and type of retirement for the current fiscal year.

*Schedule of Average Benefit Payments by Plan* presents the average monthly benefit paid as of June 30, 2010, for plans that calculate benefits based on years of service or salary.

*Schedule of Participating Employers* lists all the current participating entities in the plans and funds within the System.

## Principal Participating Employers in Multiple-Employer Plans of the Delaware Public Employees' Retirement System

*Current Year and Nine Years Ago*

<b>County &amp; Municipal Police and Firefighters' Plan</b>	<b>2010</b>		<b>2001</b>	
	<b># of Participants</b>	<b>% of total</b>	<b># of Participants</b>	<b>% of total</b>
City of Wilmington Police/Fire	330	34.1%	175	36.2%
New Castle County Police/Fire	254	26.3%	164	34.0%
City of Dover Police	88	9.1%	84	17.4%
All Others	295	30.5%	60	12.4%
	967	100.0%	483	100.0%

<b>County &amp; Municipal Other Employees' Plan</b>	<b>2010</b>		<b>2001</b>	
	<b># of Participants</b>	<b>% of total</b>	<b># of Participants</b>	<b>% of total</b>
City of Milford	80	17.4%	-	0.0%
Kent Conservation District	64	13.9%	-	0.0%
Sussex Conservation District	26	5.7%	22	25.9%
Town of Georgetown	25	5.4%	22	25.9%
Town of Bethany Beach	22	4.8%	-	0.0%
City of New Castle	21	4.6%	20	23.5%
City of Harrington	21	4.6%	-	0.0%
All Others	200	43.6%	21	24.7%
	459	100.0%	85	100.0%

## Schedule of Additions by Source

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
State Employees'	2010	\$ 101,457	26,116	-	44,915	-	75,498	681,066	\$ 929,052	5.8%
	2009	96,576	38,835	-	45,899	-	71,803	(1,120,066)	(866,953)	5.5%
	2008	101,660	46,856	-	45,761	-	82,719	(193,188)	83,808	6.1%
	2007	97,000	45,110	-	42,856	-	90,768	851,864	1,127,598	5.9%
	2006	91,013	38,306	-	41,139	-	64,309	602,359	837,126	6.1%
	2005	70,638	33,839	-	37,857	-	62,423	437,425	642,182	4.9%
	2004	57,459	27,790	1,500	36,007	-	100,682	631,656	855,094	4.2%
	2003	40,175	25,878	-	35,130	-	102,753	39,077	243,013	2.9%
	2002	18,148	31,994	-	33,477	-	128,548	(429,051)	(216,884)	1.4%
	2001	20,542	38,191	-	31,888	-	153,955	(429,538)	(184,962)	1.7%
Special	2010	\$ -	-	-	-	-	4	48	\$ 52	-
	2009	-	-	-	-	-	7	(103)	(96)	-
	2008	-	-	-	-	-	8	(3)	5	-
	2007	-	-	-	-	-	10	107	117	-
	2006	-	-	-	-	-	8	83	91	-
	2005	-	-	-	-	-	9	69	78	-
	2004	-	-	-	-	-	17	115	132	-
	2003	-	-	-	-	-	19	18	37	-
	2002	-	-	-	-	-	49	(165)	(116)	-
	2001	-	-	-	-	-	63	(175)	(112)	-
New State Police	2010	\$ 6,562	151	-	3,276	38	2,677	23,358	\$ 36,062	13.2%
	2009	6,791	205	-	3,422	40	2,276	(35,658)	(22,924)	13.5%
	2008	6,643	210	-	3,221	37	2,567	(6,308)	6,370	14.3%
	2007	6,334	202	-	3,191	26	2,639	24,960	37,352	13.5%
	2006	5,276	135	-	2,881	22	1,810	16,276	26,400	12.8%
	2005	3,785	81	-	2,636	36	1,650	10,681	19,334	10.0%
	2004	3,125	36	-	2,436	14	2,500	15,065	23,176	9.0%
	2003	2,786	30	-	2,337	10	2,392	1,278	8,833	8.3%
	2002	2,476	35	-	2,112	7	2,781	(9,075)	(1,664)	8.2%
	2001	2,480	29	-	1,710	19	3,118	(8,643)	(1,287)	8.9%

## Schedule of Deductions by Type

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
State Employees'	2010	\$ -	-	399,253	3,099	4,825	5,376	\$ 412,553	\$ 516,499
	2009	-	-	369,243	3,072	4,966	6,148	383,429	(1,250,382)
	2008	-	-	348,070	2,955	4,735	5,613	361,373	(277,565)
	2007	-	-	327,825	3,164	4,142	5,005	340,135	787,463
	2006	-	-	300,321	2,880	4,779	4,511	312,491	524,635
	2005	-	-	271,281	2,408	4,454	4,210	282,353	359,829
	2004	-	1,500	243,238	2,333	4,479	4,372	255,922	599,172
	2003	-	-	217,126	2,653	4,060	4,954	228,793	14,220
	2002	-	-	194,824	2,409	4,003	4,441	205,677	(422,561)
	2001	-	-	175,312	2,485	3,632	4,658	186,087	(371,049)
Special	2010	\$ -	-	61	-	14	2	\$ 77	\$ (25)
	2009	-	-	78	-	35	3	116	(212)
	2008	-	-	91	-	13	4	108	(103)
	2007	-	-	102	-	49	-	151	(34)
	2006	-	-	129	-	28	1	158	(67)
	2005	-	-	122	-	14	3	139	(61)
	2004	-	-	119	-	21	3	143	(11)
	2003	-	750	121	-	35	3	909	(872)
	2002	-	-	143	-	21	4	168	(284)
	2001	-	-	135	-	24	5	164	(276)
New State Police	2010	\$ -	-	5,182	60	-	74	\$ 5,316	\$ 30,746
	2009	-	-	3,662	63	14	71	3,810	(26,734)
	2008	-	-	2,882	14	7	72	2,975	3,395
	2007	-	-	2,245	15	-	64	2,324	35,028
	2006	-	-	1,723	44	-	60	1,827	24,573
	2005	-	-	1,254	99	-	61	1,414	17,920
	2004	-	-	922	75	-	53	1,050	22,126
	2003	-	-	689	102	-	62	853	7,980
	2002	-	-	367	87	-	56	510	(2,174)
	2001	-	-	289	33	-	48	370	(1,657)

### Schedule of Additions by Source (continued from page 94)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
Judiciary	2010	\$ 2,473	190	-	304	-	564	4,953	\$ 8,484	25.2%
	2009	2,549	294	-	304	-	498	(7,723)	(4,078)	26.0%
	2008	2,644	350	-	338	-	593	(1,775)	2,150	28.0%
	2007	2,495	337	-	342	-	591	5,616	9,381	25.4%
	2006	2,002	307	-	320	-	4,179	3,768	6,808	22.1%
	2005	1,391	294	-	275	-	386	2,678	5,024	17.0%
	2004	1,235	253	-	249	-	612	3,817	6,166	16.8%
	2003	1,342	244	-	563	-	620	302	3,071	18.2%
	2002	1,399	293	-	251	-	745	(2,459)	229	19.3%
	2001	1,333	306	-	206	-	869	(2,421)	293	20.5%
County & Municipal Police and Firefighters'	2010	\$ 7,307	-	-	3,734	-	1,446	12,316	\$ 24,803	12.8%
	2009	12,007	-	-	3,852	-	1,057	(16,658)	258	21.6%
	2008	6,246	-	-	3,270	-	1,177	(2,776)	7,917	13.6%
	2007	5,780	-	-	2,877	-	1,141	10,972	20,770	12.8%
	2006	5,488	-	-	2,348	-	759	6,556	15,151	13.8%
	2005	5,627	-	-	2,003	-	649	4,110	12,389	12.4%
	2004	3,179	-	-	1,696	-	900	5,193	10,698	11.9%
	2003	2,931	-	-	1,546	-	805	567	5,849	12.1%
	2002	2,779	-	-	1,404	-	856	(2,729)	2,310	13.4%
	2001	2,664	-	-	1,265	-	886	(2,417)	2,398	14.3%
County & Municipal Other Employees'	2010	\$ 1,276	-	-	509	-	182	1,559	\$ 3,526	6.2%
	2009	2,293	-	-	481	-	135	(2,122)	787	12.0%
	2008	1,492	-	-	451	-	145	(328)	1,760	6.2%
	2007	820	-	-	366	-	134	1,421	2,741	5.1%
	2006	734	-	-	291	-	81	778	1,892	5.6%
	2005	2,271	-	-	215	-	76	362	2,924	4.9%
	2004	321	-	-	168	-	79	461	1,029	3.8%
	2003	248	-	-	259	-	71	48	626	3.2%
	2002	92	-	-	57	-	76	(246)	(21)	3.6%
	2001	165	-	-	53	-	85	(233)	70	3.7%

**Schedule of Deductions by Type (continued from page 95)**

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
Judiciary	2010	\$ -	-	2,726	-	-	15	\$ 2,741	\$ 5,743
	2009	-	-	2,643	15	-	8	2,666	(6,744)
	2008	-	-	2,340	-	-	9	2,349	(199)
	2007	-	-	2,403	-	-	13	2,416	6,964
	2006	-	-	2,346	-	-	10	2,356	4,452
	2005	-	-	2,209	-	-	9	2,218	2,806
	2004	-	-	2,177	60	-	8	2,245	3,921
	2003	-	-	1,971	-	-	10	1,981	1,090
	2002	-	-	1,907	-	-	8	1,915	(1,686)
	2001	-	-	1,949	-	-	8	1,957	(1,664)
County & Municipal	2010	\$ -	-	1,365	142	-	101	\$ 1,608	\$ 23,195
	2009	-	-	1,054	177	-	110	1,341	(1,083)
Police and Firefighters'	2008	-	-	836	267	-	96	1,199	6,718
	2007	-	-	715	128	-	84	927	19,843
	2006	-	-	567	153	-	87	807	14,344
	2005	-	-	524	235	-	76	835	11,554
	2004	-	-	447	48	-	60	555	10,143
	2003	-	-	244	105	-	67	416	5,433
	2002	-	-	163	122	-	49	334	1,976
	2001	-	-	151	20	-	94	265	2,133
County & Municipal	2010	\$ -	-	236	30	-	43	\$ 309	\$ 3,217
	2009	-	-	164	34	-	62	260	527
Other Employees'	2008	-	-	133	22	-	53	208	1,552
	2007	-	-	113	74	-	40	227	2,514
	2006	-	-	94	41	-	43	178	1,714
	2005	-	-	84	13	-	30	127	2,797
	2004	-	-	61	19	-	29	109	920
	2003	-	-	52	41	-	26	119	507
	2002	-	-	41	21	-	15	77	(98)
	2001	-	-	26	9	-	21	56	14

### Schedule of Additions by Source (continued from page 96)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
Delaware	2010	\$ 1,191	-	-	181	-	346	785	\$ 2,503	-
Volunteer	2009	1,108	-	-	185	-	377	(1,714)	(44)	-
Firemen's	2008	1,045	-	-	200	-	142	140	1,527	-
	2007	978	-	-	198	-	167	1,590	2,933	-
	2006	899	-	-	203	-	120	1,100	2,322	-
	2005	810	-	-	213	-	116	772	1,911	-
	2004	694	-	-	208	-	188	1,132	2,222	-
	2003	667	-	-	210	-	193	102	1,172	-
	2002	586	-	-	209	-	240	(797)	238	-
	2001	618	-	-	205	-	291	(783)	331	-
Diamond	2010	\$ 594	-	-	204	-	164	1,452	\$ 2,414	5.3%
State Port	2009	694	-	-	211	-	138	(2,166)	(1,123)	6.3%
	2008	715	-	-	203	-	156	(378)	696	7.0%
	2007	626	-	-	209	-	158	1,465	2,458	5.6%
	2006	703	-	-	226	-	109	967	2,005	6.4%
	2005	352	-	-	173	-	98	662	1,285	4.0%
	2004	346	-	-	164	-	150	898	1,558	4.2%
	2003	333	-	-	170	-	143	73	719	3.9%
	2002	341	-	-	157	-	166	(538)	126	4.2%
	2001	386	-	-	154	-	185	(504)	221	4.9%
Closed	2010	\$ 23,367	-	-	6	-	2	-	\$ 23,375	-
State Police	2009	21,775	-	-	20	-	24	-	21,819	-
	2008	21,267	-	-	24	1	98	-	21,390	-
	2007	19,159	-	-	35	1	227	-	19,422	-
	2006	20,655	-	-	43	1	78	-	20,777	-
	2005	17,020	-	-	49	1	79	-	17,149	-
	2004	19,420	-	6	53	-	51	-	19,530	-
	2003	17,845	-	757	65	-	63	-	18,730	-
	2002	17,805	-	-	64	-	109	-	17,978	-
	2001	17,174	-	-	69	2	234	-	17,479	-

## Schedule of Deductions by Type (continued from page 97)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
Delaware	2010	\$ -	-	1,520	99	-	34	\$ 1,653	\$ 850
Volunteer	2009	-	-	1,487	65	-	45	1,597	(1,641)
Firemen's	2008	-	-	1,393	62	-	38	1,493	34
	2007	-	-	1,294	72	-	26	1,392	1,541
	2006	-	-	1,230	56	-	25	1,311	1,011
	2005	-	-	1,172	43	-	20	1,235	676
	2004	-	-	1,108	31	-	17	1,156	1,066
	2003	-	-	1,057	48	-	18	1,123	49
	2002	-	-	1,018	44	-	17	1,079	(841)
	2001	-	-	971	55	-	22	1,048	(717)
Diamond	2010	\$ -	-	342	56	-	29	\$ 427	\$ 1,987
State Port	2009	-	-	270	24	-	43	337	(1,460)
	2008	-	-	267	16	-	35	318	378
	2007	-	-	269	13	-	32	313	2,145
	2006	-	-	239	24	-	26	289	1,716
	2005	-	-	212	21	-	99	332	953
	2004	-	-	199	23	-	30	252	1,306
	2003	-	-	170	24	-	28	222	497
	2002	-	-	185	15	-	27	227	(101)
	2001	-	-	98	8	-	53	159	62
Closed	2010	\$ -	-	22,592	-	91	50	\$ 22,733	\$ 642
State Police	2009	-	-	21,605	-	70	70	21,745	74
	2008	-	-	21,106	-	84	58	21,248	142
	2007	-	-	20,343	-	40	50	20,433	(1,011)
	2006	-	-	19,676	-	121	54	19,851	926
	2005	-	-	19,234	-	133	46	19,413	(2,264)
	2004	-	-	18,901	3	63	50	19,017	513
	2003	-	-	18,429	-	77	59	18,565	165
	2002	-	-	17,705	-	56	17	17,778	200
	2001	-	-	17,040	-	54	63	17,157	322

## Schedule of Benefit Deductions by Type

*(dollar values expressed in thousands)*

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
State Employees'	2010	\$ 350,695	26,958	21,600	\$ 399,253	\$ 546	\$ 2,553	\$ 3,099
	2009	321,214	25,791	22,238	369,243	426	2,646	3,072
	2008	300,964	24,430	22,676	348,070	441	2,514	2,955
	2007	281,194	23,346	23,284	327,824	591	2,572	3,164
	2006	255,291	21,931	23,099	300,321	367	2,513	2,880
	2005	229,908	20,211	21,162	271,281	349	2,059	2,408
	2004	205,416	18,560	19,262	243,238	278	2,055	2,333
	2003	182,615	16,986	17,525	217,126	549	2,104	2,653
	2002	162,843	16,130	15,851	194,824	332	2,077	2,409
	2001	146,079	14,858	14,375	175,312	373	2,112	2,485
Special	2010	\$ 29	25	7	\$ 61	\$ -	\$ -	\$ -
	2009	38	33	7	78	-	-	-
	2008	45	39	7	91	-	-	-
	2007	48	47	7	102	-	-	-
	2006	61	61	7	129	-	-	-
	2005	62	54	6	122	-	-	-
	2004	63	50	6	119	-	-	-
	2003	61	55	5	121	-	-	-
	2002	82	56	5	143	-	-	-
	2001	70	57	8	135	-	-	-
New State Police	2010	\$ 4,137	198	847	\$ 5,182	\$ 27	\$ 33	\$ 60
	2009	2,655	198	809	3,662	-	63	63
	2008	1,882	196	804	2,882	-	14	14
	2007	1,499	177	569	2,245	-	15	15
	2006	1,076	140	507	1,723	-	44	44
	2005	646	111	497	1,254	-	99	99
	2004	439	74	409	922	-	75	75
	2003	294	69	326	689	-	102	102
	2002	172	42	153	367	-	87	87
	2001	44	26	219	289	-	33	33
Judiciary	2010	\$ 2,068	544	114	\$ 2,726	\$ -	\$ -	\$ -
	2009	2,028	501	114	2,643	-	15	15
	2008	1,731	495	114	2,340	-	-	-
	2007	1,761	528	114	2,403	-	-	-
	2006	1,729	505	112	2,346	-	-	-
	2005	1,605	494	110	2,209	-	-	-
	2004	1,598	472	107	2,177	60	-	60
	2003	1,407	459	105	1,971	-	-	-
	2002	1,341	452	114	1,907	-	-	-
	2001	1,497	351	101	1,949	-	-	-

## Schedule of Benefit Deductions by Type (continued)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
County & Municipal Police and Firefighters'	2010	\$ 1,046	66	253	\$ 1,365	\$ -	\$ 142	\$ 142
	2009	745	60	249	1,054	-	177	177
	2008	617	60	159	836	-	267	267
	2007	499	61	155	715	-	128	128
	2006	365	59	143	567	3	150	153
	2005	323	57	144	524	-	235	235
	2004	227	56	164	447	-	48	48
	2003	85	55	104	244	-	105	105
	2002	71	26	66	163	-	122	122
	2001	72	32	47	151	-	20	20
County & Municipal Other Employees'	2010	\$ 213	6	17	\$ 236	\$ 13	\$ 17	\$ 30
	2009	143	4	17	164	6	28	34
	2008	112	4	17	133	-	22	22
	2007	93	3	17	113	7	67	74
	2006	81	-	13	94	-	41	41
	2005	72	-	12	84	-	13	13
	2004	49	-	12	61	-	19	19
	2003	40	-	12	52	-	41	41
	2002	28	-	13	41	-	21	21
	2001	21	-	5	26	-	9	9
Delaware Volunteer Firemen's	2010	\$ 1,520	-	-	\$ 1,520	\$ 13	\$ 86	\$ 99
	2009	1,483	4	-	1,487	13	52	65
	2008	1,393	-	-	1,393	10	52	62
	2007	1,294	-	-	1,294	-	72	72
	2006	1,230	-	-	1,230	-	56	56
	2005	1,172	-	-	1,172	-	43	43
	2004	1,108	-	-	1,108	-	31	31
	2003	1,057	-	-	1,057	-	48	48
	2002	1,018	-	-	1,018	-	44	44
	2001	971	-	-	971	-	55	55
Diamond State Port Corporation	2010	\$ 244	49	49	\$ 342	\$ 33	\$ 23	\$ 56
	2009	181	43	46	270	-	24	24
	2008	175	43	49	267	-	16	16
	2007	171	37	61	269	3	10	13
	2006	167	14	58	239	1	23	24
	2005	142	7	63	212	2	19	21
	2004	134	11	54	199	5	18	23
	2003	108	11	51	170	3	21	24
	2002	96	11	78	185	4	11	15
	2001	59	11	28	98	1	7	8

**Schedule of Benefit Deductions by Type (continued)**

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
Closed State	2010	\$ 15,918	3,483	3,191	\$ 22,592	\$ -	\$ -	\$ -
Police	2009	15,249	3,162	3,194	21,605	-	-	-
	2008	14,960	3,025	3,121	21,106	-	-	-
	2007	14,385	2,905	3,053	20,343	-	-	-
	2006	13,881	2,783	3,012	19,676	-	-	-
	2005	13,693	2,537	3,004	19,234	-	-	-
	2004	13,496	2,446	2,959	18,901	-	3	3
	2003	13,090	2,345	2,994	18,429	-	-	-
	2002	12,635	2,111	2,959	17,705	-	-	-
	2001	12,002	2,131	2,907	17,040	-	-	-

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

As of June 30, 2010

	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	2,204	-	-	-
	\$1 - 499	4,798	2,416	1,610	772
	500-999	4,592	3,056	930	606
	1,000 - 1,499	3,474	2,754	400	320
	1,500 - 1,999	2,477	2,185	157	135
	2,000 - 2,499	1,921	1,761	77	83
	2,500 - 2,999	1,436	1,357	35	44
	over \$3,000	2,978	2,895	34	49
Special	Deferred	-	-	-	-
	\$1 - 499	11	5	6	-
	500-999	2	-	1	1
	over \$1,000	1	1	-	-
New State Police	Deferred	8	-	-	-
	\$1 - 499	1	1	-	-
	500-999	1	1	-	-
	1,000 - 1,499	1	-	-	1
	1,500 - 1,999	2	-	1	1
	2,000 - 2,499	7	4	-	3
	2,500 - 2,999	17	11	3	3
	over \$3,000	84	71	2	11

## Schedule of Retired Members by Type of Benefit by Plan (continued)

As of June 30, 2010

	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
Judiciary	Deferred	1	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1,000 - 1,499	1	-	1	-
	1,500 - 1,999	1	-	1	-
	2,000 - 2,499	2	-	2	-
	2,500 - 2,999	5	1	4	-
	over \$3,000	33	24	7	2
	County & Municipal	Deferred	19	-	-
Police and Firefighters'	\$1 - 499	1	1	-	-
	500-999	4	4	-	-
	1,000 - 1,499	7	2	1	4
	1,500 - 1,999	8	3	2	3
	2,000 - 2,499	13	9	1	3
	2,500 - 2,999	13	13	-	-
	over \$3,000	10	8	-	2
	County & Municipal	Deferred	10	-	-
Other Employees'	\$1 - 499	21	17	2	2
	500-999	13	12	-	1
	1,000 - 1,499	3	3	-	-
	1,500 - 1,999	-	-	-	-
	over \$2,000	1	1	-	-
Delaware Volunteer Firemen's	Deferred	155	-	-	-
	\$1 - 74	625	625	-	-
	75 - 99	386	386	-	-
	over \$100	510	510	-	-
Diamond State Port Corporation	Deferred	6	-	-	-
	\$1 - 499	20	13	7	-
	500-999	11	7	2	2
	1,000 - 1,499	8	5	1	2
	1,500 - 1,999	1	1	-	-
	over \$2,000	-	-	-	-
Closed State Police	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1,000 - 1,499	-	-	-	-
	1,500 - 1,999	3	-	3	-
	2,000 - 2,499	48	-	41	7
	2,500 - 2,999	102	44	52	6
	over \$3,000	394	322	15	57

## 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, 2010, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2010 State Employees' Pension Plan			2010 New State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ 576	\$ 716	\$ 495	\$ 5	\$ 3,258	\$ 2,254
Average Final Salary	\$ 18,931	\$ -	\$ 53,206	\$ 14,160	\$ -	\$ 46,507
Number of Active Retirees	31	8	3	1	2	1
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 394	\$ 206	\$ 299	\$ -	\$ 2,626	\$ 2,447
Average Final Salary	\$ 38,648	\$ -	\$ 25,410	\$ -	\$ -	\$ 42,454
Number of Active Retirees	1,024	404	453	-	1	3
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 584	\$ 333	\$ 534	\$ 976	\$ 2,861	\$ 2,359
Average Final Salary	\$ 36,744	\$ -	\$ 30,303	\$ 140,875	\$ -	\$ 51,229
Number of Active Retirees	1,382	517	470	1	1	4
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 446	\$ 491	\$ 828	\$ 2,515	\$ 2,851	\$ 3,866
Average Final Salary	\$ 39,720	\$ -	\$ 34,100	\$ 79,404	\$ -	\$ 59,956
Number of Active Retirees	2,377	593	424	8	1	6
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 1,790	\$ 644	\$ 1,202	\$ 3,880	\$ 1,650	\$ 5,866
Average Final Salary	\$ 41,101	\$ -	\$ 36,734	\$ 87,632	\$ -	\$ 64,158
Number of Active Retirees	2,539	563	326	51	1	5
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ 1,912	\$ 885	\$ 1,718	\$ 5,925	\$ -	\$ -
Average Final Salary	\$ 45,891	\$ -	\$ 37,490	\$ 95,949	\$ -	\$ -
Number of Active Retirees	3,272	435	216	27	-	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 2,593	\$ 1,173	\$ 2,265	\$ -	\$ -	\$ -
Average Final Salary	\$ 51,058	\$ -	\$ 51,778	\$ -	\$ -	\$ -
Number of Active Retirees	3,953	457	86	-	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ 3,373	\$ 1,593	\$ 2,950	\$ -	\$ -	\$ -
Average Final Salary	\$ 60,202	\$ -	\$ 46,545	\$ -	\$ -	\$ -
Number of Active Retirees	1,499	206	26	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ 3,738	\$ 2,033	\$ 2,817	\$ -	\$ -	\$ -
Average Final Salary	\$ 61,124	\$ -	\$ 32,935	\$ -	\$ -	\$ -
Number of Active Retirees	347	60	5	-	-	-

## Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2010 Judiciary Pension Plan			2010 County & Municipal Police and Firefighters' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 56	\$ 1,185	\$ 1,460
Average Final Salary	\$ -	\$ -	\$ -	\$ 42,000	\$ -	\$ 27,400
Number of Active Retirees	-	-	-	1	1	1
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 612	\$ 2,103	\$ 1,584
Average Final Salary	\$ -	\$ -	\$ -	\$ 58,550	\$ -	\$ 39,420
Number of Active Retirees	-	-	-	1	2	4
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 4,883	\$ 2,290	\$ 4,757	\$ 877	\$ -	\$ 2,439
Average Final Salary	\$ 101,257	\$ -	\$ 48,635	\$ 33,095	\$ -	\$ 53,410
Number of Active Retirees	7	4	2	4	-	5
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 5,119	\$ -	\$ -	\$ 2,149	\$ -	\$ 2,019
Average Final Salary	\$ 84,657	\$ -	\$ -	\$ 66,018	\$ -	\$ 45,619
Number of Active Retirees	3	-	-	7	-	2
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 8,137	\$ 3,145	\$ -	\$ 2,734	\$ -	\$ -
Average Final Salary	\$ 106,845	\$ -	\$ -	\$ 64,507	\$ -	\$ -
Number of Active Retirees	9	5	-	24	-	-
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ 7,907	\$ 3,694	\$ -	\$ 5,806	\$ 1,800	\$ -
Average Final Salary	\$ 106,491	\$ -	\$ -	\$ 96,976	\$ -	\$ -
Number of Active Retirees	1	5	-	3	1	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 9,771	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 168,593	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	4	-	-	-	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ 10,709	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 168,844	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	-	-	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ -	\$ 4,739	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-

## Schedule of Average Benefit Payments by Plan (continued)

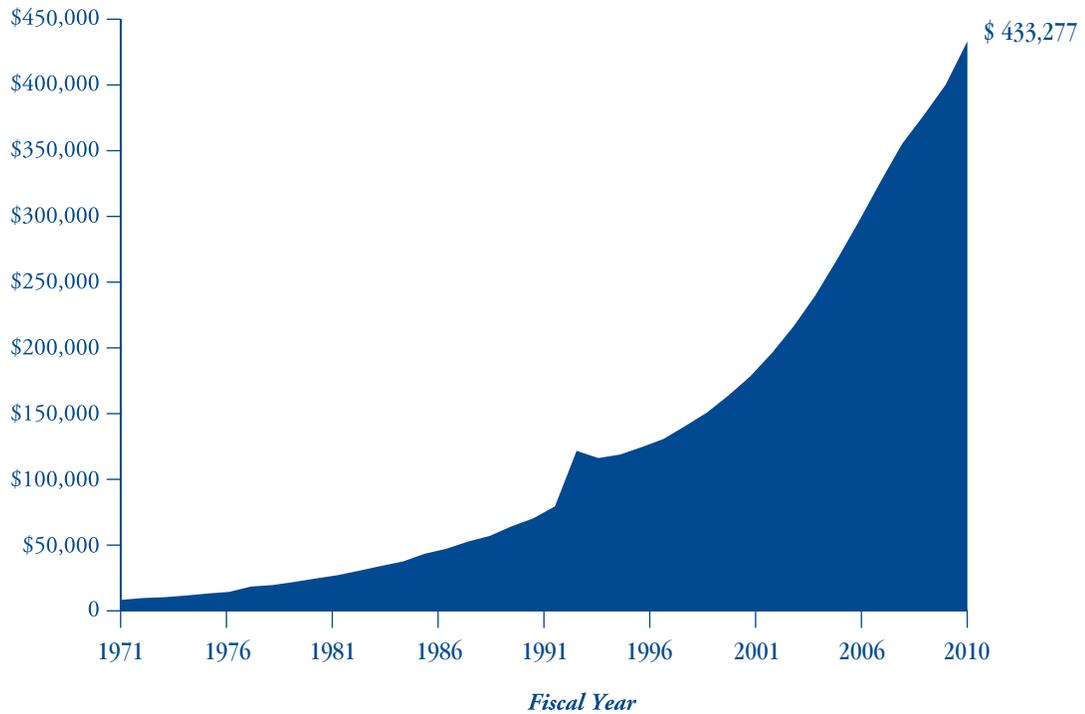
Credited Service	2010 County & Municipal Other Employees' Pension Plan			2010 Delaware Volunteer Firemen's Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ 279	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 23,366	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	-	-	-	-	-
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 237	\$ -	\$ 184	\$ -	\$ -	\$ -
Average Final Salary	\$ 34,414	\$ -	\$ 24,070	\$ -	\$ -	\$ -
Number of Active Retirees	12	-	1	-	-	-
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 586	\$ 270	\$ 375	\$ 57	\$ -	\$ -
Average Final Salary	\$ 39,966	\$ -	\$ 24,099	\$ -	\$ -	\$ -
Number of Active Retirees	8	2	1	626	-	-
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 1,056	\$ -	\$ -	\$ 84	\$ -	\$ -
Average Final Salary	\$ 37,755	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	8	-	-	384	-	-
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 824	\$ -	\$ 851	\$ 109	\$ -	\$ -
Average Final Salary	\$ 35,728	\$ -	\$ 24,241	\$ -	\$ -	\$ -
Number of Active Retirees	3	-	1	262	-	-
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	245	-	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ 1,039	\$ -	\$ -	\$ 125	\$ -	\$ -
Average Final Salary	\$ 24,683	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	-	-	4	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-

## Schedule of Average Benefit Payments by Plan (continued)

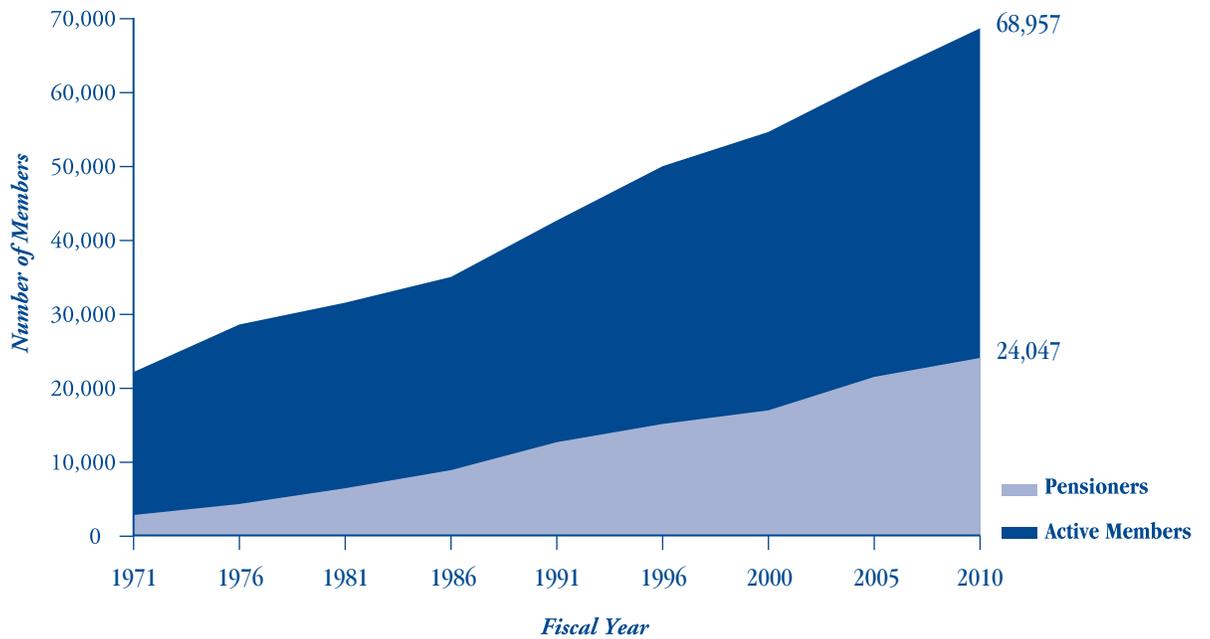
Credited Service	2010 Diamond State Port Corporation Pension Plan			2010 Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<b>Less than 5 years</b>						
Average Monthly Benefit	\$ 254	\$ 201	\$ -	\$ -	\$ 2,657	\$ 2,972
Average Final Salary	\$ 39,000	\$ -	\$ -	\$ -	\$ -	\$ 22,172
Number of Active Retirees	1	2	-	-	2	3
<b>5 - 9.99 years</b>						
Average Monthly Benefit	\$ 374	\$ 275	\$ 1,213	\$ -	\$ 2,495	\$ 3,265
Average Final Salary	\$ 23,196	\$ -	\$ 24,000	\$ -	\$ -	\$ 25,793
Number of Active Retirees	7	3	1	-	3	19
<b>10 - 14.99 years</b>						
Average Monthly Benefit	\$ 706	\$ 321	\$ 990	\$ -	\$ 2,572	\$ 3,469
Average Final Salary	\$ 50,300	\$ -	\$ 25,500	\$ -	\$ -	\$ 28,825
Number of Active Retirees	10	2	2	-	10	23
<b>15 - 19.99 years</b>						
Average Monthly Benefit	\$ 728	\$ 513	\$ -	\$ -	\$ 3,242	\$ 3,988
Average Final Salary	\$ 77,660	\$ -	\$ -	\$ -	\$ -	\$ 47,695
Number of Active Retirees	5	1	-	-	8	15
<b>20 - 24.99 years</b>						
Average Monthly Benefit	\$ 996	\$ 620	\$ -	\$ 3,406	\$ 2,610	\$ 4,960
Average Final Salary	\$ 38,105	\$ -	\$ -	\$ 63,167	\$ -	\$ 51,154
Number of Active Retirees	1	1	-	300	85	10
<b>25 - 29.99 years</b>						
Average Monthly Benefit	\$ 1,611	\$ -	\$ 917	\$ 4,369	\$ 2,497	\$ -
Average Final Salary	\$ 37,626	\$ -	\$ 34,535	\$ 85,305	\$ -	\$ -
Number of Active Retirees	2	-	1	50	3	-
<b>30 - 34.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 5,120	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ 90,615	\$ -	\$ -
Number of Active Retirees	-	-	-	16	-	-
<b>35 - 39.99 years</b>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<b>40 years and over</b>						
Average Monthly Benefit	\$ -	\$ 1,082	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-

## Total Benefit Payments Chart

*expressed in thousands*



## Total Membership Chart



## Schedule of Participating Employers

### State Employees' Pension Plan (established 1970)

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

### Closed State Police Plan (established 1970)

Delaware State Police (Appointed before July 1, 1980)

### New State Police Plan (established 7/1980)

Delaware State Police (Appointed after July 1, 1980)

### Judiciary Pension Plans (established 1970)

Appointed members of the State Judiciary

### Diamond State Port Corporation Plan (established 1996)

Diamond State Port Corporation Employees

### County & Municipal Police and Firefighters' Plans

Town of Bethany Beach (7/2006)  
 Town of Bridgeville (2/2009)  
 Town of Camden (7/2003)  
 Town of Cheswold (9/2002)  
 Town of Clayton (7/2006)  
 Town of Dagsboro (7/1989)  
 Town of Delmar (7/1990)  
 Town of Dewey Beach (5/1991)  
 City of Dover (7/1985)  
 Town of Felton (1/2001)  
 Town of Fenwick Island (8/2007)  
 Town of Georgetown (7/1990)  
 City of Harrington (7/1989)  
 Town of Laurel (1/2006)  
 Town of Lewes (7/2008)  
 Town of Middletown (1/2007)  
 City of Milford (1/2005)  
 Town of Millsboro (7/1999)  
 Town of Milton (10/2003)  
 City of New Castle (7/1995)  
 New Castle County (2/1993)  
 Town of Newport (8/2005)  
 Town of Ocean View (5/2003)  
 Town of Rehoboth Beach (4/2005)  
 Town of Seaford (12/2008)  
 Town of South Bethany (7/2005)  
 City of Wilmington (8/1991)  
 Town of Wyoming (5/2003)

### County & Municipal Other Employees' Plan

Town of Bethany Beach (7/2006)  
 Bowers/Frederica EMS (7/2009)  
 Town of Camden (10/2006)  
 Town of Cheswold (9/2002)  
 Cheswold Fire Company (7/2007)  
 Town of Clayton (7/2004)  
 Delaware City Fire Company (7/2002)  
 Elsmere Fire Company (8/2007)  
 Felton Fire Company (7/2000)  
 Town of Felton (4/2006)  
 Five Points Fire Company (10/2007)  
 Town of Georgetown (7/1990)  
 Good-Will Fire Company (7/2002)  
 City of Harrington (7/2002)  
 Harrington Fire Company (7/1999)  
 Kent Conservation District (11/2002)  
 Lewes Fire Company (7/2002)  
 Town of Laurel (7/2009)  
 City of Milford (1/2005)  
 Mill Creek Fire Company (1/2007)  
 Town of Millsboro (7/1999)  
 Millville Fire Company (11/2003)  
 Town of Milton (10/2003)  
 City of New Castle (7/1995)  
 Town of Newport (7/2004)  
 Town of Ocean View (5/2003)  
 Port Penn Fire Co. (11/2003)  
 Riverfront Development Corp. (7/2006)  
 Town of South Bethany (5/2003)  
 Sussex Conservation District (7/1987)  
 Talleyville Fire Company (7/2009)  
 Townsend Fire Company (7/1999)  
 Volunteer Hose Co. of Middletown (5/1998)  
 Town of Wyoming (5/2003)

**Delaware Local Gov't Retirement Investment Pool**

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

**County & Municipal COLA Fund**

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

**Delaware Volunteer Firemen's Pension Plan (established 1987)**

Aetna Hose, Hook & Ladder Co. & Auxiliary  
 Brandywine Hundred Fire Co. & Auxiliary  
 Christiana Fire Co. & Auxiliary  
 Claymont Fire Co. & Auxiliary  
 Cranston Heights Fire Co. & Auxiliary  
 Delaware City Fire Co. & Auxiliary  
 Elsmere Fire Co. & Auxiliary  
 Five Points Fire Co. No. 1 & Auxiliary  
 Good-Will Fire Co. & Auxiliary  
 Hockessin Fire Co. & Auxiliary  
 Holloway Terrace Fire Co. & Auxiliary  
 Mill Creek Fire Co. & Auxiliary  
 Minquadale Fire Co. & Auxiliary  
 Minquas Fire Co. & Auxiliary  
 Odessa Fire Co. & Auxiliary  
 Talleyville Fire Co. & Auxiliary  
 Townsend Fire Co. & Auxiliary  
 Volunteer Hose Co.  
 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. & Auxiliary  
 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  
 Mid-Sussex Rescue Squad  
 Georgetown Volunteer Ambulance Service

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