



FINANCIAL SECTION

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

component unit of the State of Delaware



STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS



Report of Independent Auditors

State of Delaware
Board of Pension Trustees

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

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

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

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

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

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



Auditor of Accounts
Dover, Delaware



Ernst & Young LLP
Philadelphia, Pennsylvania

August 25, 2000

Statements of Plan Net Assets

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

(Expressed in thousands)

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

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

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

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

Statements of Changes in Plan Net Assets

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

(Expressed in thousands)

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

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

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

1. Plan Descriptions and Contribution Information

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

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

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

As of June 30, 2000, employee membership data related to each of the Plans was as follows:

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

State Employees' Pension Plan

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

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

Death Benefit: \$6,000 per member.

Special Pension Plan

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

Service Benefits: Defined by special legislation.

Vesting: Not applicable.

Retirement: Not applicable.

Disability Benefits: Not applicable.

Survivor Benefits: Same as State Employees' Plan.

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

Death Benefit: \$6,000 per member.

New State Police Pension Plan

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

Service Benefits: 1/40th of final average monthly compensation multiplied by years of credited service (not to exceed 25 years).

Vesting: 10 years of credited service.

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

Disability Benefits:

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

Partial Disability - calculated the same as Service Benefits.

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - 5% of compensation.

Death Benefit: \$6,000 per member.

Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

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

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

Service Benefits:

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

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

Vesting: 12 years of credited service.

Retirement:

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

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee -

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

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

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

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

Service Benefits: 1/40th of final average monthly compensation multiplied by years of credited service, subject to limitations.

Vesting: 10 years of credited service.

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

Disability Benefits:

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

Partial Disability - calculated the same as Service Benefits.

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - FICA covered - 5% of compensation.

Non-FICA covered - 7% of compensation.

County & Municipal Other Employees' Pension Plan

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

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

Volunteer Firemen's Pension Plan

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

Employer - determined by Board of Pension Trustees.

Volunteer Member - \$60 per member per year.

Diamond State Port Corporation Pension Plan

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - 2% of compensation.

Closed State Police Pension Plan

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

Service Benefits: 50% of monthly salary.

Vesting / Retirement:

20 years of credited service or age 55.

Disability Benefits: Duty - 75% of monthly salary.

Ordinary - 50% of monthly salary.

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

Contributions:

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

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

Death Benefit: \$6,000 per member.

2. Fund Descriptions and Contributions

County & Municipal Police and Firemen's COLA Fund

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

Post-Retirement Increase Fund

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

Investment Trust Fund

In June 1996, the State of Delaware passed legislation which established the Delaware Local Government Retirement Investment Pool (DEL RIP) in the custody of the Board of Pension Trustees to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System. The DEL RIP is an external investment pool that allows local governments to maximize their rate of return and reduce administrative expenses related to the investment of funds. There was one participating entity in the DEL RIP as of June 30, 2000 which comprises the pool in its entirety.

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

3. Summary of Significant Accounting Policies

Reporting Entity

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

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

Basis of Accounting

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

Investments

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

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

Administrative Expenses

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

4. Deposits and Investments

Investment Policy

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

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

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

Deposits

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

Investments

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

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

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

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

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

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

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

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

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

Management Fees

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

Investment Commitments

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

Risk Management

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

Foreign Investments/Forward Exchange Contracts

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

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

Derivatives

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

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

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

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

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

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

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

Schedule 1 - Schedule of Funding Progress

(Dollar values expressed in thousands)

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

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

(Dollar values expressed in thousands)

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

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

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

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

++ Not expressed in thousands

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

Schedule 2 - Schedule of Employer Contributions

(Dollar values expressed in thousands)

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

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

(Dollar values expressed in thousands)

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

* Totals do not include Post-Retirement Increase Fund Contributions

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

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

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

Schedule 3 - Notes to Trend Data

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

Plan	State Employees'	Special	New State Police	Judiciary	Closed State Police
Valuation Date	6/30/2000	6/30/2000	6/30/2000	6/30/2000	6/30/2000
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	N/A	Level Percent Closed	Level Percent Closed	Level Dollar Closed
Remaining Amortization Period	13.47 years	N/A	20 years	21 years	36 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.50%	8.50%	8.50%	8.50%	8.50%
Projected Salary Increases*	6.00% - 9.89%	N/A	7.00%	5.50%	7.00%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

Plan	County & Municipal Police/Firemen's		County & Municipal Other Employees'	Volunteer Firemen's	Diamond State Port Corporation
	(FICA)	(Non-FICA)			
Valuation Date	6/30/2000	6/30/2000	6/30/2000	6/30/2000	6/30/2000
Actuarial Cost Method	Frozen Initial Liability	Frozen Initial Liability	Frozen Initial Liability	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	10 years	27 years	22 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.50%	8.50%	8.50%	8.50%	8.50%
Projected Salary Increases*	7.00%	7.00%	7.00%	N/A	5.00%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc

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