



# FINANCIAL SECTION

## DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

- a component unit of the State of Delaware



STATE OF DELAWARE  
OFFICE OF AUDITOR OF ACCOUNTS

**ERNST & YOUNG LLP**

### Report of Independent Auditors

State of Delaware  
Board of Pension Trustees

We have audited the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets of the Delaware Public Employees' Retirement System (DPERS) as of June 30, 2001, and for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System at June 30, 2001, and the changes in its financial status for the year then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Management's Discussion and Analysis and schedules of funding progress, employer contributions, and notes to trend data are presented in accordance with Governmental Accounting Standards Board Statements Nos. 34 and 25, respectively. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation

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to the basic financial statements taken as a whole. The supporting schedules of administrative expenses and investment expenses for the year ended June 30, 2001, on Schedules 4 and 5 are not a required part of the basic financial statements. Such supporting schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2001, and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

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



Auditor of Accounts  
Dover, Delaware



Ernst & Young LLP  
Philadelphia, Pennsylvania

August 21, 2001

## Management's Discussion and Analysis

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

### Financial Highlights

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

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

### Using this Financial Report

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

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

**Analysis of Plan Net Assets**

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

**Plan Net Assets**

*(Dollar values expressed in thousands)*

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

**Changes in Plan Net Assets**

*(Dollar values expressed in thousands)*

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

Employer contributions decreased approximately \$20.7 million because of lower required actuarial contribution rates. Member contributions increased by approximately \$3.0 million due to an increase in the number of active employees, an increase in some employee contribution rates, and an increase in salaries. The increase in Post-Retirement Fund transfers is a result of an increase granted effective July 1, 2000.

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

### **Investments**

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

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

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

The prudent person rule permits the Board to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment managers. Page 57 shows the System's investment policy. Investment constraints are outlined, including the appropriate degree of risk. Investment managers are hired to execute the investment policy. They have full discretion for investment decisions within statutory authority, Board policy, and their respective guidelines. A list of the investment managers under contract with the Fund as of June 30, 2001, may be found on page 65 of this report. A summary of the total Fund's asset allocation can be found on page 64.

## Historical Trends

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

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

## Funding Status

A pension plan is well funded when it has enough money in reserve to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of accumulated assets to actuarial accrued liability. The six largest plans included in the System have been essentially fully funded based on market valuations for the past nine years. The three smaller plans are not totally funded, but annual contributions are being made at the actuarially determined rate to reach full funding. The Notes to Trend Data Schedule presented on page 48 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability (in all plans except the County & Municipal Police/Firemen's and Other Employees') was changed in 1996 from Projected Unit Credit to Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 76.

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

## Statements of Plan Net Assets

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

(Expressed in thousands)

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

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

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

County & Municipal Other Employees' Plan	Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firemen's COLA Fund	Post Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Closed State Police Plan	Totals as of June 30,	
							2001	2000
33	4	1	-	7	-	6	\$ 1,434	\$ 922
32	-	33	-	1,319	-	-	2,557	2,582
7	-	13	-	-	-	3	1,866	1,712
39	-	46	-	1,319	-	3	\$ 4,423	\$ 4,294
470	1,624	1,034	1,767	3,152	1,283	-	897,340	730,121
737	2,546	1,621	2,771	4,941	2,013	-	1,407,078	1,512,943
1,038	3,586	2,283	3,903	6,958	2,834	-	1,981,473	2,217,731
-	-	-	-	-	-	-	29	215
288	995	633	1,084	1,932	787	-	550,127	705,521
57	192	123	1,342	566	145	2,014	108,745	135,450
174	600	382	654	1,165	475	-	331,825	359,697
2,764	9,543	6,076	11,521	18,714	7,537	2,014	\$ 5,276,617	\$ 5,661,678
2,836	9,547	6,123	11,521	20,040	7,537	2,023	\$ 5,282,474	\$ 5,666,894
-	9	1	-	-	-	-	718	2,502
3	1	7	-	-	-	14	1,139	551
3	10	8	-	-	-	14	\$ 1,857	\$ 3,053
2,833	9,537	6,115	11,521	20,040	7,537	2,009	\$ 5,280,617	\$ 5,663,841

## Statements of Changes in Plan Net Assets

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

(Expressed in thousands)

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

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

County & Municipal Other Employees Plan	Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firemen's COLA Fund	Post Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Closed State Police Plan	Totals for fiscal years ended June 30,	
							2001	2000
165	618	386	-	29,663	-	17,174	\$ 75,025	\$ 95,675
-	-	-	-	-	-	-	38,526	33,773
-	-	-	1,798	-	1,441	-	3,239	3,864
53	205	154	-	-	-	69	35,550	32,594
-	-	-	-	-	-	2	21	22
<b>218</b>	<b>823</b>	<b>540</b>	<b>1,798</b>	<b>29,663</b>	<b>1,441</b>	<b>17,245</b>	<b>\$ 152,361</b>	<b>\$ 165,928</b>
93	320	204	348	621	253	234	177,037	170,018
(233)	(783)	(504)	(971)	(1,545)	(652)	-	(447,882)	668,905
(140)	(463)	(300)	(623)	(924)	(399)	234	\$ (270,845)	\$ 838,923
(8)	(29)	(19)	(32)	(56)	(23)	-	(16,035)	(14,324)
-	-	-	-	(1)	-	-	(206)	(191)
(148)	(492)	(319)	(655)	(981)	(422)	234	\$ (287,086)	\$ 824,408
<b>70</b>	<b>331</b>	<b>221</b>	<b>1,143</b>	<b>28,682</b>	<b>1,019</b>	<b>17,479</b>	<b>\$ (134,725)</b>	<b>\$ 990,336</b>
-	-	-	-	38,526	-	-	38,526	33,773
-	-	-	2,710	-	-	-	2,710	2,134
26	971	98	-	-	-	17,040	195,971	178,226
9	55	8	-	-	-	-	2,610	2,526
-	-	-	-	-	-	54	3,710	3,615
-	-	-	-	-	-	-	4,972	4,336
21	22	53	-	-	-	63	-	-
<b>56</b>	<b>1,048</b>	<b>159</b>	<b>2,710</b>	<b>38,526</b>	<b>-</b>	<b>17,157</b>	<b>\$ 248,499</b>	<b>\$ 224,610</b>
<b>14</b>	<b>(717)</b>	<b>62</b>	<b>(1,567)</b>	<b>(9,844)</b>	<b>1,019</b>	<b>322</b>	<b>\$ (383,224)</b>	<b>\$ 765,726</b>
<b>2,819</b>	<b>10,254</b>	<b>6,053</b>	<b>13,088</b>	<b>29,884</b>	<b>6,518</b>	<b>1,687</b>	<b>\$ 5,663,841</b>	<b>\$ 4,898,115</b>
<b>2,833</b>	<b>9,537</b>	<b>6,115</b>	<b>11,521</b>	<b>20,040</b>	<b>7,537</b>	<b>2,009</b>	<b>\$ 5,280,617</b>	<b>\$ 5,663,841</b>

## 1. Plan Descriptions and Contribution Information

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

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

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

As of June 30, 2001, employee membership data related to each of the Plans was as follows:

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

### State Employees' Pension Plan

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

**Service Benefits:** Final average monthly compensation multiplied by 1.8% and multiplied by years of credited service, subject to minimum limitations.

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

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

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

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

### Contributions:

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

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

### Special Pension Plan

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

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

**Vesting:** Not applicable.

**Retirement:** Not applicable.

**Disability Benefits:** Not applicable.

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

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

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

**New State Police Pension Plan**

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

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

Vesting: 10 years of credited service.

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

Disability Benefits:

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

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

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - 7% of compensation.

Death Benefit: \$6,000 per member.

**Judiciary Pension Plans (Closed and Revised)**

Plan Description and Eligibility:

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

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

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

Service Benefits:

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

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

Vesting: 12 years of credited service.

Retirement:

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

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee -

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

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

Death Benefit: Not applicable.

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

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

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

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

Vesting: 10 years of credited service.

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

Disability Benefits:

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

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

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - FICA covered - 5% of compensation.

Non-FICA covered - 7% of compensation.

Death Benefit: Not applicable.

### County & Municipal Other Employees' Pension Plan

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

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

Death Benefit: Not applicable.

### Volunteer Firemen's Pension Plan

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

Employer - determined by Board of Pension Trustees.

Volunteer Member - \$60 per member per year.

Death Benefit: Not applicable.

### Diamond State Port Corporation Pension Plan

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - 2% of compensation.

Death Benefit: Not applicable.

### Closed State Police Pension Plan

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

Service Benefits: 50% of monthly salary.

Vesting / Retirement:

20 years of credited service or age 55.

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

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

Contributions:

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

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

Death Benefit: \$6,000 per member.

## 2. Fund Descriptions and Contributions

### County & Municipal Police and Firemen's COLA Fund

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

### Post-Retirement Increase Fund

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

### Investment Trust Fund

In June 1996, the State of Delaware passed legislation which established the Delaware Local Government Retirement Investment Pool (DELRIIP) in the custody of the Board of Pension Trustees to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System. The DELRIIP is an external investment pool that allows local governments to maximize their rate of return and reduce administrative expenses related to the investment of funds. There was one participating entity in the DELRIIP as of June 30, 2001 which comprises the pool in its entirety.

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

## 3. Summary of Significant Accounting Policies

### Reporting Entity

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

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

## FINANCIAL SECTION

### **Basis of Accounting**

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

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

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

### **Investments**

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

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

### **Administrative Expenses**

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

## **4. Deposits and Investments**

### **Investment Policy**

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

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

For the year ended June 30, 2001, the System has operated in all material respects in accordance with these policies.

**Deposits**

The bank balance and carrying amount of the System’s deposits totaled \$1,434,000 as of June 30, 2001. The System’s cash represents pooled deposits held by the State Treasurer’s Office, which are uninsured and uncollateralized.

**Investments**

The following table presents the System’s investments as of June 30, 2001, categorized to give an indication of the level of risk assumed by the System. The categories of investment risk are:

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

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

No significant changes occurred in the various categories of credit risk of the System’s investments during the year ended June 30, 2001.

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

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

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

The following managers have investments at fair value in excess of 5% of the System’s net assets held in trust for pension benefits as of June 30, 2001:

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



## FINANCIAL SECTION

### Management Fees

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

### Investment Commitments

The System has made commitments to invest up to an additional \$251.3 million in venture capital limited partnerships in varying amounts as of June 30, 2001, to be drawn down as called over a period of years.

### Risk Management

Risks of loss to which the System is exposed, other than routine investment losses, are covered by the System. Fixed assets used by the System are considered to be the property of the State of Delaware and total approximately \$893,000. Risk of loss relative to worker's compensation, self-insurance, theft, torts, etc., is assumed by the State of Delaware.

### Foreign Investments/Forward Exchange Contracts

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

In conjunction with certain of these investments, the System has entered into forward exchange contracts to sell or purchase certain foreign currencies at specified rates at stated dates. At June 30, 2001, the System had twelve (12) open forward exchange contracts in various foreign currencies at various rates and dates through July 18, 2001. At June 30, 2001, the aggregate unrealized gain on such open contracts was \$6.4 million.

### Derivatives

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

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

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

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

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

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

## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule 1 - Schedule of Funding Progress

(Dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) Assets in Excess of AAL as a % of Covered Payroll (3)/(5)
State Employees'	6/30/2001	\$ 4,759,031	\$ 4,232,244	\$ (526,787)	112.4%	\$ 1,270,632	(41.5%)
	6/30/2000	4,409,079	3,769,596	(639,483)	117.0%	1,198,626	(53.4%)
	6/30/1999	3,888,852	3,350,127	(538,725)	116.1%	1,125,857	(47.9%)
	6/30/1998	3,440,272	3,135,665	(304,607)	109.7%	1,070,052	(28.5%)
	6/30/1997	3,011,521	2,815,795	(195,726)	107.0%	1,024,976	(19.1%)
	6/30/1996	2,653,779	2,670,701	16,922	99.4%	981,800	1.7%
Special	6/30/2001	\$ 1,866	\$ 993	\$ (873)	187.9%	N/A	N/A
	6/30/2000	1,834	834	(1,000)	219.9%	N/A	N/A
	6/30/1999	1,720	826	(894)	208.2%	N/A	N/A
	6/30/1998	1,652	899	(753)	183.8%	N/A	N/A
	6/30/1997	1,557	797	(760)	195.4%	N/A	N/A
	6/30/1996	1,498	824	(674)	181.8%	N/A	N/A
New State Police	6/30/2001	\$ 99,138	\$ 80,040	\$ (19,098)	123.9%	\$ 27,624	(69.1%)
	6/30/2000	86,810	68,367	(18,443)	127.0%	25,558	(72.2%)
	6/30/1999	72,425	54,713	(17,712)	132.4%	23,518	(75.3%)
	6/30/1998	60,191	47,078	(13,113)	127.9%	21,462	(61.1%)
	6/30/1997	49,238	40,625	(8,613)	121.2%	19,227	(44.8%)
	6/30/1996	40,506	34,589	(5,917)	117.1%	17,252	(34.3%)
Judiciary	6/30/2001	\$ 27,231	\$ 29,635	\$ 2,404	91.9%	\$ 6,371	37.7%
	6/30/2000	24,884	28,108	3,224	88.5%	5,794	55.6%
	6/30/1999	21,256	25,402	4,146	83.7%	5,673	73.1%
	6/30/1998	18,429	24,175	5,746	76.2%	5,118	112.3%
	6/30/1997	15,785	21,671	5,886	72.8%	4,948	119.0%
	6/30/1996	13,622	20,846	7,224	65.3%	4,685	154.2%
County & Municipal Police/Firemen's (FICA)*	6/30/2001	\$ 14,899	\$ 14,975	\$ 76	99.5%	\$ 6,624	1.1%
	6/30/2000	12,853	12,939	86	99.3%	6,070	1.4%
	6/30/1999	10,235	10,660	425	96.0%	4,945	8.6%
	6/30/1998	8,367	8,393	26	99.7%	4,150	0.6%
	6/30/1997	6,688	6,717	29	99.6%	3,939	0.7%
	6/30/1996	5,196	5,268	72	98.6%	3,514	2.0%

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

*(Dollar values expressed in thousands)*

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) Assets in Excess of AAL as a % of Covered Payroll (3)/(5)
County & Municipal	6/30/2001	\$ 14,490	\$ 14,490	\$ -	100.0%	\$ 12,981	0.0%
Police/Firemen's (Non-FICA)*	6/30/2000	10,643	10,643	-	100.0%	11,941	0.0%
	6/30/1999	7,037	7,037	-	100.0%	10,285	0.0%
	6/30/1998	4,475	4,475	-	100.0%	7,562	0.0%
	6/30/1997	2,670	2,670	-	100.0%	5,276	0.0%
	6/30/1996	1,448	1,448	-	100.0%	3,735	0.0%
County & Municipal Other	6/30/2001	\$ 2,794	\$ 2,962	\$ 168	94.3%	\$ 2,292	7.3%
Employees**	6/30/2000	2,410	2,604	194	92.5%	2,004	9.7%
	6/30/1999	1,783	2,272	489	78.5%	1,706	28.7%
	6/30/1998	1,419	1,552	133	91.4%	1,385	9.6%
	6/30/1997	1,152	1,274	122	90.4%	1,279	9.5%
	6/30/1996	893	1,028	135	86.9%	1,096	12.3%
Diamond State Port Corporation	6/30/2001	\$ 6,044	\$ 5,618	\$ (426)	107.6%	\$ 8,788	(4.8%)
	6/30/2000	5,188	5,222	34	99.3%	7,715	0.4%
	6/30/1999	4,171	4,951	780	84.2%	7,637	10.2%
	6/30/1998	3,310	4,368	1,058	75.8%	6,731	15.7%
	6/30/1997	2,533	3,861	1,328	65.6%	4,116	32.3%
	6/30/1996	1,830	4,731	2,901	38.7%	3,464	83.7%
Closed State Police +	6/30/2001	\$ 1,749	\$ 306,194	\$ 304,445	0.6%	\$ 3,247	9,376.2%
	6/30/2000	1,468	302,795	301,327	0.5%	3,888	7,750.2%
	6/30/1999	1,164	304,438	303,274	0.4%	4,930	6,151.6%
	6/30/1998	832	308,564	307,732	0.3%	5,466	5,629.9%
	6/30/1997	587	304,758	304,171	0.2%	5,716	5,321.4%
	6/30/1996	343	296,206	295,863	0.1%	5,745	5,149.9%
Volunteer Firemen's	6/30/2001	\$ 9,022	\$ 13,837	\$ 4,815	65.2%	4,769	\$ 1,010
	6/30/2000	8,412	13,703	5,291	61.4%	4,579	1,155
	6/30/1999	7,447	13,077	5,630	56.9%	4,706	1,196
	6/30/1998	6,637	12,491	5,854	53.1%	4,651	1,259
	6/30/1997	5,775	12,011	6,236	48.1%	4,621	1,349
	6/30/1996	4,999	11,511	6,512	43.4%	4,505	1,446

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

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

\*\* Not expressed in thousands

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

**Schedule 2 - Schedule of Employer Contributions**

*(Dollar values expressed in thousands)*

<b>Plan</b>	<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
State Employees*	6/30/2001	\$ 20,542	100.0%
	6/30/2000	43,433	100.0%
	6/30/1999	52,338	100.0%
	6/30/1998	57,049	100.0%
	6/30/1997	58,525	100.0%
	6/30/1996	52,216	100.0%
Special	6/30/2001	\$ -	N/A
	6/30/2000	-	N/A
	6/30/1999	-	N/A
	6/30/1998	-	N/A
	6/30/1997	-	N/A
	6/30/1996	-	N/A
New State Police*	6/30/2001	\$ 2,480	100.0%
	6/30/2000	2,585	100.0%
	6/30/1999	2,624	100.0%
	6/30/1998	2,546	100.0%
	6/30/1997	1,913	100.0%
	6/30/1996	1,851	100.0%
Judiciary*	6/30/2001	\$ 1,333	100.0%
	6/30/2000	1,666	100.0%
	6/30/1999	1,327	100.0%
	6/30/1998	1,273	100.0%
	6/30/1997	1,199	100.0%
	6/30/1996	1,260	100.0%
County & Municipal Police/Firemen's (FICA)	6/30/2001	\$ 672	100.0%
	6/30/2000	964	100.0%
	6/30/1999	622	100.0%
	6/30/1998	587	100.0%
	6/30/1997	648	100.0%
	6/30/1996	708	100.0%

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

*(Dollar values expressed in thousands)*

<b>Plan</b>	<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
County & Municipal Police/Firemen's (Non-FICA)	6/30/2001	\$ 1,992	100.0%
	6/30/2000	1,807	100.0%
	6/30/1999	1,403	100.0%
	6/30/1998	1,064	100.0%
	6/30/1997	740	100.0%
	6/30/1996	542	100.0%
County & Municipal Other Employees'	6/30/2001	\$ 165	100.0%
	6/30/2000	352	100.0%
	6/30/1999	158	100.0%
	6/30/1998	82	100.0%
	6/30/1997	116	100.0%
	6/30/1996	301	100.0%
Volunteer Firemen's	6/30/2001	\$ 618	100.0%
	6/30/2000	645	100.0%
	6/30/1999	660	100.0%
	6/30/1998	689	100.0%
	6/30/1997	721	100.0%
	6/30/1996	584	100.0%
Diamond State Port Corporation	6/30/2001	\$ 386	100.0%
	6/30/2000	389	100.0%
	6/30/1999	407	100.0%
	6/30/1998	384	100.0%
	6/30/1997	189	100.0%
	6/30/1996	146	100.0%
Closed State Police**	6/30/2001	\$ 27,709	62.0%
	6/30/2000	28,208	57.5%
	6/30/1999	28,716	54.5%
	6/30/1998	28,420	53.0%
	6/30/1997	27,638	52.5%
	6/30/1996	13,960	100.0%

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

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

## REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

### Schedule 3 - Notes to Trend Data

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

<b>Plan</b>	<b>State Employees'</b>	<b>Special</b>	<b>New State Police</b>	<b>Judiciary</b>	<b>Closed State Police</b>
Valuation Date	6/30/2001	6/30/2001	6/30/2001	6/30/2001	6/30/2001
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases and Open for Aggregate Gain/Loss	N/A	Level Percent Closed	Level Percent Closed	Level Dollar Closed
Remaining Amortization Period	13.62 years	N/A	19 years	20 years	35 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.50%	8.50%	8.50%	8.50%	8.50%
Projected Salary Increases*	6.00% - 9.89%	N/A	7.00%	5.50%	7.00%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

<b>Plan</b>	<b>County &amp; Municipal Police/Firemen's</b>		<b>County &amp; Municipal Other Employees'</b>	<b>Volunteer Firemen's</b>	<b>Diamond State Port Corporation</b>
	<b>(FICA)</b>	<b>(Non-FICA)</b>			
Valuation Date	6/30/2001	6/30/2001	6/30/2001	6/30/2001	6/30/2001
Actuarial Cost Method	Frozen Initial Liability	Frozen Initial Liability	Frozen Initial Liability	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	10 years	26 years	21 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.50%	8.50%	8.50%	8.50%	8.50%
Projected Salary Increases*	7.00%	7.00%	7.00%	N/A	5.00%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Ad hoc

\* Projected Salary Increases include an inflation component of 5% for all plans. A more detailed discussion of projected salary increases may be found on page 76.