



Delaware Public Employees' Retirement System

State Employees' Pension Plan

Schedule of Employer Allocations and Schedule of
Pension Amounts by Employer June 30, 2019



KATHLEEN
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DELAWARE
STATE AUDITOR

*Delaware Public Employees' Retirement System
State Employees' Pension Plan*

What Was Performed? An audit of the Schedule of Employer Allocation and Schedule of Pension Amounts by Employer for the Delaware Public Employees' Retirement System State Employees' Pension Plan as of June 30, 2019 was performed.

Why This Engagement? This engagement was performed in accordance with 29 Del. C. §2906.

What Was Found? It is a pleasure to report this audit contained an unmodified opinion. [1]

An audit of the Schedule of Employer Allocation and Schedule of Pension Amounts by Employer for the Delaware Public Employees' Retirement System State Employees' Pension Plan can be found on our website: [click here](#).

Please do not reply to this email. For any questions regarding the attached report, please contact Kathleen K. McGuinness, State Auditor, at 302-739-5055 or Kathleen.Mcguinness@delaware.gov

[1] An unmodified opinion is sometimes referred to as a "clean" opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The complete report can be found on our website: auditor.delaware.gov

For more information, contact: Kathleen McGuinness, State Auditor – kathleen.mcguinness@delaware.gov – (302) 739-4241

**Delaware Public Employees' Retirement System
State Employees' Pension Plan**

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Independent Auditor's Report

The Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the State Employees' Pension Plan as of and for the year ended June 30, 2019, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the State Employees' Pension Plan as of and for the year ended June 30, 2019, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included



in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the State Employees' Pension Plan as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Delaware Public Employees' Retirement System, which include the State Employees' Pension Plan, as of and for the year ended June 30, 2019, and our report thereon, dated November 15, 2019, expressed an unmodified opinion on those financial statements.

Supplementary Information

The schedule of allocation of PRI and supplement pay contribution has not been subjected to the auditing procedures applied in the audit of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of Delaware Public Employees' Retirement System management, the Board of Pension Trustees, State Employees' Pension Plan employers, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2020 on our consideration of the State Employees' Pension Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State Employees' Pension Plan's internal control over financial reporting and compliance.

BDO USA, LLP

May 22, 2020

Delaware Public Employees' Retirement System
State Employees' Pension Plan Schedule of Employer Allocations
As of and for the year ended June 30, 2019

Reporting Unit	Employer contributions	Employer's proportionate share
State of Delaware Entities:		
Academia Antonia Alonso Charter	\$ 350,968	0.1429 %
Academy of Dover Charter	138,460	0.0564
Campus Community Charter	229,165	0.0933
DE Academy Public Safety Charter	49,340	0.0201
DE Aglands	10,742	0.0044
DE Military Academy Charter	376,713	0.1534
Delaware Design Lab (Design Thinking)	243,957	0.0994
Delaware Department of Transportation	8,745,416	3.5615
Delaware Solid Waste Authority	731,139	0.2978
Delaware State Education Association	7,311	0.0030
Delaware State Housing Authority	42,151	0.0172
Delaware State University	5,918,085	2.4101
Early College High School Charter	173,310	0.0706
East Side Charter	439,574	0.1790
Family Foundations Charter	520,179	0.2118
First State Military Academy	265,145	0.1080
First State Montessori Academy Charter	390,908	0.1592
Freire Charter School	265,550	0.1081
Gateway Lab Charter	216,305	0.0881
General Gov't (State of DE)	211,378,629	86.0829
Great Oaks Charter School	278,474	0.1134
Kumba Charter	509,520	0.2075
Las America Aspira Charter	685,466	0.2792
Lottery	304,759	0.1241
MOT Charter	794,600	0.3236
Newark Charter	1,844,146	0.7510
Odyssey Charter	1,229,659	0.5008
Positive Outcomes Charter	191,817	0.0781
Providence Creek Charter	356,356	0.1451
Sussex Academy Charter	490,565	0.1998
The Charter School of Wilmington	634,883	0.2586
Thomas Edison Charter	467,629	0.1904
	238,280,921	97.0388
University of Delaware	7,271,562	2.9612
Total	\$ 245,552,483	100 %
Supplement Contribution (Note 4)	\$ 10,815,000	
PRI Transfer (Note 4)	\$ 10,944,600	

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System
State Employees' Pension Plan Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2019

Reporting Unit	Deferred outflows of resources					Deferred inflows of resources			Pension expense excluding that attributable to employer-paid member contributions				
	Net Pension Liability	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocated plan pension expense	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer paid member contributions
State of Delaware entities:													
Academia Antonia Alonso Charter	\$ 2,225,943	187,222	231,071	25,265	779,591	1,223,149	16,338	-	-	16,338	647,873	238,625	886,498
Academy of Dover Charter	878,153	73,861	91,160	9,967	19,036	194,024	6,446	-	78,858	85,304	255,591	(13,250)	242,341
Campus Community Charter	1,453,428	122,247	150,878	16,496	42,894	332,515	10,668	-	138,707	149,375	423,028	(59,523)	363,505
DE Academy Public Safety Charter	312,929	26,320	32,485	3,552	33,461	95,818	2,297	-	622,351	624,648	91,080	(50,296)	40,784
DE Aglands	68,132	5,731	7,073	773	4,141	17,718	500	-	8,793	9,293	19,830	353	20,183
DE Military Academy Charter	2,389,224	200,956	248,021	27,118	64,573	540,668	17,537	-	3,952	21,489	695,397	24,035	719,432
Delaware Design Lab (Design Thinking)	1,547,244	130,137	160,617	17,561	551,870	860,185	11,357	-	-	11,357	450,334	159,926	610,260
Delaware Department of Transportation	55,465,933	4,665,200	5,757,819	629,546	327,199	11,379,764	407,121	-	730,228	1,137,349	16,143,658	(370,511)	15,773,147
Delaware Solid Waste Authority	4,637,095	390,023	481,368	52,632	143,523	1,067,546	34,037	-	98,117	132,154	1,349,652	(53,699)	1,295,953
Delaware State Education Association	46,369	3,900	4,813	526	1,533	10,772	340	-	14,820	15,160	13,496	(3,339)	10,157
Delaware State Housing Authority	267,335	22,485	27,752	3,034	-	53,271	1,963	-	159,565	161,528	77,809	(55,600)	22,209
Delaware State University	37,534,190	3,156,974	3,896,358	426,018	-	7,479,350	275,502	-	829,608	1,105,110	10,924,528	(107,772)	10,816,756
Early College High School Charter	1,099,182	92,451	114,104	12,476	256,331	475,362	8,068	-	29,661	37,729	319,923	108,486	428,409
East Side Charter	2,787,906	234,489	289,407	31,643	173,644	729,183	20,463	-	25,876	46,339	811,435	64,643	876,078
Family Foundations Charter	3,299,122	277,487	342,476	37,446	153,760	811,169	24,216	-	11,260	35,476	960,227	96,970	1,057,197
First State Military Academy	1,681,625	141,440	174,566	19,087	551,270	886,363	12,343	-	-	12,343	489,446	171,820	661,266
First State Montessori Academy Charter	2,479,248	208,528	257,366	28,140	638,328	1,132,362	18,198	-	-	18,198	721,599	254,348	975,947
Freire Charter School	1,684,197	141,657	174,833	19,116	578,350	913,956	12,362	-	-	12,362	490,194	173,270	663,464
Gateway Lab Charter	1,371,866	115,386	142,411	15,571	26,858	300,226	10,070	-	59,756	69,826	399,289	30,120	429,409
General Government (State of DE)**	1,340,623,730	112,758,903	139,167,755	15,216,251	1,058,428	268,201,337	9,840,213	-	5,314,981	15,155,194	390,195,747	(2,037,997)	388,157,750
Great Oaks Charter School	1,766,164	148,551	183,342	20,046	627,728	979,667	12,964	-	-	12,964	514,052	182,691	696,743
Kumba Charter	3,231,520	271,801	335,459	36,678	541,293	1,185,231	23,719	-	-	23,719	940,551	219,468	1,160,019
Las America Aspira Charter	4,347,423	365,659	451,298	49,344	912,001	1,778,302	31,910	-	-	31,910	1,265,341	333,973	1,599,314
Lottery	1,932,872	162,572	200,648	21,938	11,959	397,117	14,187	-	73,442	87,629	562,573	(27,612)	534,961
MOT Charter	5,039,579	423,875	523,150	57,200	685,152	1,689,377	36,991	-	-	36,991	1,466,796	258,230	1,725,026
Newark Charter	11,696,101	983,751	1,214,151	132,752	1,020,480	3,351,134	85,850	-	-	85,850	3,404,213	579,343	3,983,556
Odyssey Charter	7,798,847	655,956	809,584	88,518	1,719,171	3,273,229	57,244	-	-	57,244	2,269,896	622,072	2,891,968
Positive Outcomes Charter	1,216,559	102,324	126,289	13,808	41,766	284,187	8,930	-	6,144	15,074	354,086	15,073	369,159
Providence Creek Charter	2,260,114	190,097	234,618	25,653	73,047	523,415	16,589	-	55,105	71,694	657,818	19,885	677,703
Sussex Academy Charter	3,111,304	261,689	322,979	35,314	449,338	1,069,320	22,837	-	-	22,837	905,562	181,870	1,087,432
The Charter School of Wilmington	4,026,607	338,675	417,995	45,702	7,584	809,956	29,555	-	148,517	178,072	1,171,966	(22,620)	1,149,346
Thomas Edison Charter	2,965,834	249,454	307,878	33,662	33,165	624,159	21,769	-	72,714	94,483	863,222	1,808	865,030
Previously Closed Entities *	-	-	-	-	161,833	161,833	-	-	1,517,429	1,517,429	-	(605,870)	(605,870)
	1,511,245,775	127,109,801	156,879,724	17,152,833	11,689,307	312,831,665	11,092,584	-	9,999,884	21,092,468	439,856,212	328,920	440,185,132
University of Delaware	46,118,321	3,878,979	4,787,460	523,449	1,387,680	10,577,568	338,510	-	3,077,103	3,415,613	13,422,985	(328,920)	13,094,065
Total	\$ 1,557,364,096	130,988,780	161,667,184	17,676,282	13,076,987	323,409,233	11,431,094	-	13,076,987	24,508,081	453,279,197	-	453,279,197

* DE College Prep Charter, Delaware STEM Academy, Moyer Academy Charter, Pencader Charter, Prestige Charter, Reach Charter, The Delaware Met Charter

**The General Government now includes the Delaware Economic Development Office, previously presented as a separate entity, as its operations were absorbed by the Division of Small Business, Department of State.

See accompanying notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

Delaware Public Employees' Retirement System
State Employees' Pension Plan
Notes to Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer

1. Plan Description

The State Employees' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. The daily operation is the responsibility of the Office of Pensions. Although Plan assets are comingled with assets of other Plans and Funds for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2019. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Separately issued financial statements for DPERS are available from the Office of Pensions at:

McArdle Building, Suite 1
860 Silver Lake Blvd.
Dover, DE 19904

(a) 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.

There are two tiers within this plan: 1) Employees hired prior to January 1, 2012 (Pre-2012)
2) Employees hired on or after January 1, 2012 (Post-2011).

(b) Service Benefits

Final average monthly compensation (employee hired Post-2011 may not include overtime pay in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

(c) Vesting

Pre-2012 date of hire: 5 years of credited service. Post-2011 date of hire: 10 years of credited service.

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(d) Retirement

Pre-2012 date of hire: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire: age 65 with at least 10 years of credited service; Age 60 with 20 years of credited service; and 30 years of credited service at any age.

(e) Disability Benefit

Pre-2012 date of hire: Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire; in the Disability Insurance Program.

(f) Survivor Benefits

If employee is receiving a pension, the eligible survivor receives 50% of pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of pension the employee would have received at age 62.

(g) Burial Benefit

\$7,000 per member

2. Basis of Presentation

The Schedules of Employer Allocations and Pension Amounts by Employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of DPERS or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of DPERS or the participating employers. The accompanying schedules have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

3. Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The allocation percentages presented in the Schedule of Employer Allocations and applied to the amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the Plan's total employer contributions during the measurement period July 1, 2018 through June 30, 2019, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. The Board of Pension Trustees determines employer contributions. Employer contributions were 11.83% of earnings for the Fiscal Year 2019, excluding the supplement contribution.

Delaware Public Employees' Retirement System
State Employees' Pension Plan
Notes to Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer

4. PRI and Supplement Contributions

The Plan's Reporting units make contributions to a PRI fund which accumulates resources to fund ad hoc post-retirement increases granted by the General assembly. The increases are funded over a 5-year period from the PRI fund. The allocation of the contributions from the PRI Fund to the Pension Trust is a reduction to the Net Pension Liability of each participating employer.

During the year ended June 30, 2019, a one-time supplement benefit was paid to retirees in accordance with Section 10 of Senate Bill 236. The amount was funded with a contribution from the State of Delaware general funds, separate from the Plan's actuarially determined contributions.

5. Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the participating employers at June 30, 2019 were as follows (in thousands):

Employers' total pension liability	\$	10,673,881
Plan net position		(9,116,517)
Employers' net pension liability	\$	1,557,364

Actuarial Assumptions

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Actuarial assumptions:

Investment rate of return / discount rate (1)	7.0%
Projected salary increases (1)	2.5% + Merit
Cost of living adjustments	0.0%

(1) Inflation is included at 2.5%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making

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this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan's current and expected asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	29.5%
International equity	5.7	13.5
Fixed income	2.0	27.1
Alternative investments	7.8	22.4
Cash and equivalents	-	7.5

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability, calculated using the discount rate of 7.0%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
Collective net pension liability	\$ 2,813,184	1,557,364	502,860

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6. Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2019:

	Measurement period ending June 30	Amortization Period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred Outflows of Resources:						
Difference between	2019	6 years	\$ -	\$ 93,204,688	\$ (15,534,115)	\$ 77,670,573
expected and actual	2018	6 years	53,955,242	-	(10,791,048)	43,164,194
experience	2017	6 years	13,538,685	-	(3,384,672)	10,154,013
Subtotal			67,493,927	93,204,688	(29,709,835)	130,988,780
Changes of assumptions	2017	6 years	141,131,994	-	(35,282,998)	105,848,996
	2016	6 years	83,727,281	-	(27,909,093)	55,818,188
Subtotal			224,859,275	-	(63,192,091)	161,667,184
Net difference between	2019	5 years	-	201,418,605	(40,283,721)	161,134,884
projected and actual	2018	5 years	(226,961,544)	-	56,740,386	(170,221,158)
earnings on pension	2017	5 years	(179,481,028)	-	59,827,010	(119,654,018)
plan investments	2016	5 years	292,833,146	-	(146,416,572)	146,416,574
	2015	5 years	58,864,886	-	(58,864,886)	-
Subtotal			(54,744,540)	201,418,605	(128,997,783)	17,676,282
Total			\$ 237,608,662	\$ 294,623,293	\$ (221,899,709)	\$ 310,332,246
Deferred Inflows of Resources:						
Difference between	2016	6 years	\$ (12,669,773)	\$ -	\$ 4,223,258	\$ (8,446,515)
expected and actual	2015	6 years	(5,969,157)	-	2,984,578	(2,984,579)
experience						
Subtotal			(18,638,930)	-	7,207,836	(11,431,094)
Total			\$ (18,638,930)	\$ -	\$ 7,207,836	\$ (11,431,094)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows (in thousands):

Year ending June 30

2020	\$ 155,827
2021	12,395
2022	48,536
2023	66,609
2024	15,534
Total	\$ 298,901

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Schedule of Pension Amounts by Employer

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 6 years for the 2019 amounts.

7. Collective Pension Expense

The components of collective pension expense for the year ending June 30, 2019 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service cost	\$ 201,655
Interest on total pension liability	720,314
Member contributions	(69,625)
Administrative expense	5,967
Changes in benefit terms	874
Projected earnings on plan investments	(620,598)
Recognition of deferred outflows and inflows of resources:	
Differences between projected and actual earnings on plan investments	128,998
Differences between expected and actual experiences with regards to factors or other inputs in the measurement of total pension liability	22,502
Changes in assumption with regards to factors or other inputs in the measurement of total pension liability	63,192
Pension expense	\$ 453,279

8. Subsequent Events

The Plan evaluated all subsequent events through May 22, 2020, the date that the financial statements were available to be issued.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. While the Plan’s investment portfolio has a long-term strategy, it experienced increased volatility and significant fluctuations in fair value since June 30, 2019. Such changes in market value and possible changes to the actuarial assumptions used in determining the net pension liability, such as discount rates and rates of retirement and termination as a result of the COVID-19 outbreak may result in significant changes to the total amount of liability, deferred inflows, deferred outflows, and pension expense to be allocated to participating employers in future periods. However, the actual impact, if any, cannot be determined at this time.

Supplementary Information

Delaware Public Employees' Retirement System
State Employees' Pension Plan
Schedule of Allocation of PRI and Supplement Pay Contributions

Reporting unit	Allocation of PRI Contribution	Allocation of Pension Supplement Pay Contribution
State of Delaware Entities:		
Academia Antonia Alonso Charter	\$ 15,643	\$ 15,458
Academy of Dover Charter	6,171	6,098
Campus Community Charter	10,214	10,093
DE Academy Public Safety Charter	2,199	2,173
DE Agricultural Lands Preservation Foundation	479	473
DE Military Academy Charter	16,791	16,592
Delaware Department of Transportation	389,795	385,179
Delaware Solid Waste Authority	32,588	32,202
Delaware State Education Association	326	322
Delaware State Housing Authority	1,879	1,856
Delaware State University	263,777	260,653
Delaware Design Lab (Design Thinking)	10,873	10,745
Early College High School Charter	7,725	7,633
East Side Charter	19,592	19,360
Family Foundations Charter	23,185	22,911
First State Military Academy	11,818	11,678
First State Montessori Academy Charter	17,423	17,217
Freire Charter School	11,836	11,696
Gateway Lab Charter	9,641	9,527
General Government (State of DE)*	9,421,425	9,309,864
Great Oaks Charter School	12,412	12,265
Kuumba Academy Charter	22,710	22,441
Las America Aspira Charter	30,552	30,190
Lottery	13,584	13,423
MOT Charter	35,416	34,997
Newark Charter	82,196	81,223
Odyssey Charter	54,808	54,159
Positive Outcomes Charter	8,550	8,448
Providence Creek Charter	15,883	15,695
Sussex Academy Charter	21,865	21,606
The Charter School of Wilmington	28,298	27,962
Thomas Edison Charter	20,843	20,596
Subtotal	10,620,497	10,494,735
University of Delaware	324,103	320,265
Total	\$ 10,944,600	\$ 10,815,000

See accompanying independent auditor's report.



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

Members of the Board of Pension Trustees
Delaware Public Employees' Retirement System
Dover, DE

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions as of and for the year ended June 30, 2019 (specified column totals), included in the schedule of pension amounts by employer of the Delaware Public Employees' Retirement System - State Employees' Retirement Plan (the Plan) (hereafter collectively referred to as the Schedules) and the related notes and have issued our report thereon dated May 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the Schedules, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Schedules will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

May 22, 2020