

Delaware Public Employees' Retirement System

- a component unit of the State of Delaware

31st Comprehensive Annual Financial Report

*Presented by the Board of Pension Trustees
For the Fiscal Year Ended June 30, 2002*

*STATE EMPLOYEES' PENSION PLAN
SPECIAL PENSION PLAN
NEW STATE POLICE PENSION PLAN
JUDICIARY PENSION PLANS
COUNTY & MUNICIPAL POLICE/FIREFIGHTERS' PLAN
COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN
VOLUNTEER FIREMEN'S PENSION PLAN
DIAMOND STATE PORT CORPORATION PENSION PLAN
COUNTY & MUNICIPAL POLICE/FIREFIGHTERS' COLA FUND
POST-RETIREMENT INCREASE FUND
POST-RETIREMENT HEALTH INSURANCE PREMIUM FUND
DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
CLOSED STATE POLICE PENSION PLAN*

This Comprehensive Annual Financial Report has been
Prepared by the Office of Pensions

Mailing Address:

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

Telephone: (800) 722-7300

E-Mail Address: pensionoffice@state.de.us

WebSite: www.delawarepensions.com

Table of Contents

Introductory Section

Certificate of Achievement for Excellence in Financial Reporting	4
Letter of Transmittal	5
Board of Trustees and List of Consultants	12
Organizational Chart	13
Highlights of Board Activities	14
2002 Legislation Affecting Pensions	16

Financial Section

Auditor's Opinion	18
Management's Discussion and Analysis	20
Basic Financial Statements:	
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	26
Notes to Financial Statements (an integral part of the Basic Financial Statements)	30
Required Supplementary Information:	
Schedule 1 - Funding Progress	40
Schedule 2 - Employer Contributions	42
Schedule 3 - Notes to Trend Data	44
Supporting Schedules:	
Schedule 4 - Administrative Expenses	46
Schedule 5 - Investment Expenses	47

Investment Section

Letter from Investment Committee Chair	51
Investment Activity	53
Investment Results	54
Asset Allocation	55
Investment Managers	57
Chart I - Calculated Returns	58
Chart II - Investment Performance Summary	58
Chart III & IV - Five and Ten Year System Performance	59
Investment Summary	60
Glossary	60
List of Largest Assets Held	61
Appendix A - Schedule of Broker Commissions	62
Appendix B - Broker Commission Summary	63

Actuarial Section

Actuary's Opinion	68
Summary of Actuarial Assumptions & Methods	70
Mortality Tables	71
Summary of Plan Provisions and Changes in Plan Provisions	71
Schedule of Active Member Valuation Data	72
Schedule of Retirees and Beneficiaries Added/Deleted from Rolls	74
Solvency Test	76
Analysis of Financial Experience	78

Statistical Section

Schedule of Additions by Source	80
Schedule of Deductions by Type	84
Schedule of Benefit Deductions by Type	88
Schedule of Retired Members by Type of Benefit	90
Schedule of Average Benefit Payment Amounts	92
Schedule of Participating Employers	98

Introductory Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Delaware Public Employees' Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda Brewer
President

Jeffrey L. Esler
Executive Director



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND

OFFICE OF PENSIONS

McArdle Building, Suite #1
860 Silver Lake Blvd.
Dover, DE 19904-2402

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

Telephone (302) 739-4208
Fax (302) 739-6129
www.delawarepensions.com

September 27, 2002

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

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (System) is proud to present its 31st Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2002.

This report provides comprehensive information on nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] plus four commingled pension funds [County & Municipal Police/Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DELRIP), and State Employees' Post-Retirement Health Insurance Premium]. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the State Board of Pension Trustees (Board). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and present fairly the System's financial position and operational results for the fiscal year ended June 30, 2002.

The 2002 Financial Report is presented in five sections:

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



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 2
September 27, 2002

- Investment Section -- details total System performance, investment policy, and investment activities.
- Actuarial Section -- outlines the actuarial assumptions and describes the funding basis, contributions, and funded ratios of each Plan.
- Statistical Section -- includes tables and graphs about each Plan's membership.

(A detailed Table of Contents may be found on page 2.)

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

When calendar 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of fiscal 2002, pensioners numbered 18,075; monies from nine plans, three post-retirement trusts and one investment pool were commingled in a total System of \$4.9 billion. The State's contribution rate for fiscal year 2002 was 1.35% of payroll. Benefit coverage varies by plan as shown on pages 30 - 34. In the major plans, benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states, especially considering post-retirement health and spousal benefits. The funding status of each plan is detailed on pages 40-41.

Major Accomplishments

Improved Communications and Customer Service Initiatives - During Fiscal 2002, the Pension Office continued to enhance its website, www.delawarepensions.com. Staff photos have been added so that the membership may become more familiar with the staff. An improved feedback link allows members more direct communication with the Pension Office staff. A new feature is the retiree statement page. Retirees may now log-in to the Comprehensive Retirement Information System (CRIS) to view their current personal and benefit check data. Newsletters to both employees and retirees are published at least semi-annually.

Technology Improvements - In June 2002, the eCRIS project was launched. This project will upgrade our system to PeopleSoft Version 8 which will enhance our website and e-communication capabilities. Anticipated completion date is scheduled for April 2003.



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 3
September 27, 2002

Due Diligence - A Request for Proposal for actuarial services was conducted during fiscal year 2002. Milliman USA was awarded the contract for actuarial services for the next three years. In addition, a Request for Information for sub-custodial bank services was conducted and State Street Bank & Trust Co. continues in that role.

Local Government Participation - Membership in the DELRIP, as well as the County & Municipal plans, continues to grow. New members include the Town of Elsmere, the Goodwill Fire Company, the City of Harrington, the Lewes Fire Company, and the Delaware City Fire Company.

Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware Public Employees' Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the sixth consecutive year that DPERS has received a Certificate of Achievement. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Analysis of Plan Net Assets

Employee and employer contributions, together with investment income, are used to fund retirement, survivor, and disability benefits and pay all System expenses. Combined plan net assets decreased by \$422.9 million over the last fiscal year as total revenues declined 16.2% and expenses increased 7.2%.

A decline in investment returns, offset by a decline in investment expenses, was the principal factor in lower revenue. Increased salaries and new member employers increased employer contributions approximately 9.9%. An increased number of active employees, as well as higher salaries, raised employee contributions by 6.1%. The 5-year actuarial funding for eliminating social security integration and maximum years of service from the pension benefit calculation in the State Employees' and Judiciary Plans has been completed. This reduced transfers from the Post-Retirement Increase Fund.



Introductory Section - part 2



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 4
September 27, 2002

Changes in Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 82,469	\$ 75,025	\$ 7,444	9.9%
Transfer of Contributions from PRI Fund	32,322	38,526	(6,204)	(16.1%)
Transfer of Assets from Outside the System	4,685	3,239	1,446	44.6%
Member Contributions	37,731	35,550	2,181	6.1%
Other Income	7	21	(14)	(66.7%)
Net Investment Losses	(313,816)	(287,086)	(26,730)	(9.3%)
Total Additions	<u>\$ (156,602)</u>	<u>\$ (134,725)</u>	<u>\$ (21,877)</u>	(16.2%)
Deductions:				
Transfer of Contributions from PRI Fund	\$ 32,322	\$ 38,526	\$ (6,204)	(16.1%)
Transfer of Assets Outside the System	6,232	2,710	3,522	130.0%
Benefit Payments	216,353	195,971	20,382	10.4%
Refunded Contributions	2,698	2,610	88	3.4%
Group Life Payments	4,080	3,710	370	10.0%
General Administrative Expenses	4,134	3,623	511	14.1%
PRIDE Project Expenses	--	379	(379)	(100.0%)
eCRIS Project Expenses	478	--	478	100.0%
Health Liability Study	--	45	(45)	(100.0%)
Office Relocation Expenses	22	925	(903)	(97.6%)
Total Deductions	<u>\$ 266,319</u>	<u>\$ 248,499</u>	<u>\$ 17,820</u>	7.2%
(Decrease) in Plan Net Assets:	<u>\$ (422,921)</u>	<u>\$ (383,224)</u>	<u>\$ (39,697)</u>	(10.4%)

On the expense side, benefit payments increased 10.4% as legislation raised the pension multiplier in the State Employees' Pension Plan and a post-retirement increase was granted. Total administrative expenses (including general administrative, PRIDE project, eCRIS project, health liability study, and office relocation) decreased 6.8% to approximately \$4.6 million. General administrative expenses rose 14.1% as lease payments for a new location commenced, casual employees were replaced with full-time employees, health care costs increased, and scheduled data processing upgrades were implemented.

The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 5
September 27, 2002

Investments and Economic Climate

For Fiscal 2002, investments had a (6.3%) rate of return. The total System's annualized rate of return over the last five and ten years was 6.4% and 10.6%, respectively. This performance placed the System slightly below the median public fund return for the fiscal year and in the top 10% of public funds for the five and ten year periods.

System investments are managed to control the downside risk to which assets are exposed while maximizing long-term gain potential. This positions the System to limit the impact of adverse market conditions such as those experienced during the fiscal year. In the 12 months ending June 30, 2002, equity markets in general declined; the S&P500 index declined 18.0% while the broad market Russell 3000 return was (17.2%). International equities measured by the EAFE index also declined 9.5%. The importance of a diversified portfolio was again demonstrated as equity declines were partially offset by increased bond and cash holdings as the Lehman Aggregate Bond Index rose 8.2% and 91-day Treasury Bills returned 2.2%. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 49 of this report.

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

The Board has established the investment policy shown on page 53. 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 System as of June 30, 2002, may be found on page 57 of this report. A summary of the total System's asset allocation can be found on page 56.

Events of this past fiscal year -- terrorist attacks, global political events, and revelations of corporate malfeasance -- have caused a continuing decline in the equity markets worldwide. Investment strategy reflects return expectations that continue to be significantly more modest than those achieved during the period of the 1990's.



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 6
September 27, 2002

Funding Status

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. Seven plans included in the System are essentially fully funded based on market valuations. The two remaining 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 44 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 70.

Legislation granting increased pensions for those retiring on or after July 1, 2001, coupled with a second year of negative performance has reduced the funding status of the State Employees' Pension Plan from 112.4% to 109.6%.

Internal Control

System internal accounting controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Control procedures and responsibilities are well documented both in writing and with graphic flowcharts. These are reviewed and updated annually.

The Audit Committee, a committee appointed by the Board, monitors operations and controls throughout the year. The System is audited annually by both the Delaware Auditor of Accounts and the independent auditing firm of Ernst & Young LLP.

Professional Services

Professional consultants are appointed by the Board to perform services essential to the effective and efficient operation of the System. A joint opinion from the certified public accountant, Ernst & Young LLP, and the State Auditor, as well as an opinion from the actuary, Milliman USA, are included in this report. Ashford Capital Management, Inc., serves as the investment advisor.

Acknowledgments

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

The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 7
September 27, 2002

It is with deep regret that we report the death of Edward F. Gliwa, M.D. During his seven years of professional and dedicated service, Dr. Gliwa's advice as a Medical Committee member was invaluable. We will miss Dr. Gliwa and extend our grateful appreciation in his memory.

A. Dale Stratton resigned from the Board on June 25, 2002, after eleven years as a member and chair. We are indebted for her generous commitment of time and effort. Her dedicated leadership is reflected by the outstanding financial health of the System, the significant improvements in pensioner benefits, and enhanced productivity efforts through new and innovative technology underway in the System administration.

The Board would also like to thank Dana Jefferson, Ph.D., Acting State Personnel Director, for her contributions to the Board during Lisa Blunt-Bradley's absence. Lisa was on loan to the country of Jordan where she participated in a program funded by the United States Agency for International Development to develop a national poverty alleviation strategy and implementation plan. She returned to Delaware in August 2002. Welcome back, Lisa!

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

Respectfully submitted,



Ralph J. Adkins, Chairman
Board of Pension Trustees



Board of Pension Trustees, Board Committees, & Professional Consultants

Board of Pension Trustees

Ralph J. Adkins, Chairman
Chairman and Former CEO
Chesapeake Utilities Corporation

Robert W. Allen
President
Allen Petroleum

Keith Dorman
Former Principal
Colonial School District, New Castle County

Jan M. King
Former Vice President and Treasurer
Hercules, Inc.

Nancy J. Shevock
Former Director
Delaware Transit Corporation

Ex-Officio Board Members

David W. Singleton
State Secretary of Finance

Dana Jefferson, Ph.D.
Acting State Personnel Director

**Executive Secretary to the Board
and Pension Administrator**

David C. Craik

Legal Counsel

Calvin L. Scott, Jr.
Deputy Attorney General

Investment Committee

Elva B. Ferrari, Chair
Ralph J. Adkins
Jan M. King
C. Raeford Minix
A. Herbert Nehrling Jr.
A. Dale Stratton

Audit Committee

Joel S. Poorman, Chair
Robert W. Allen
Donald J. Hofmann
William Markell, Ed.D.

Medical Committee

William D. Shellenberger, M.D.
Vincent DelDuca, Jr., M.D.
Robert W. Frelick, M.D.
Albert Gelb, M.D.
John B. Kramer, M.D.
Charles S. Riegel, M.D.
Phyllis M. Smoyer, M.D.
Ignatius J. Tikellis, M.D.
Charles O. Webber, M.D.

Pension Advisory Council

James B. Testerman, Chair
Member, Delaware State Education Assoc.

Consulting Actuary

Milliman USA

Investment Advisor

Ashford Capital Management, Inc.

Auditors

Ernst & Young LLP
State Auditor of Accounts

Custodial Bank

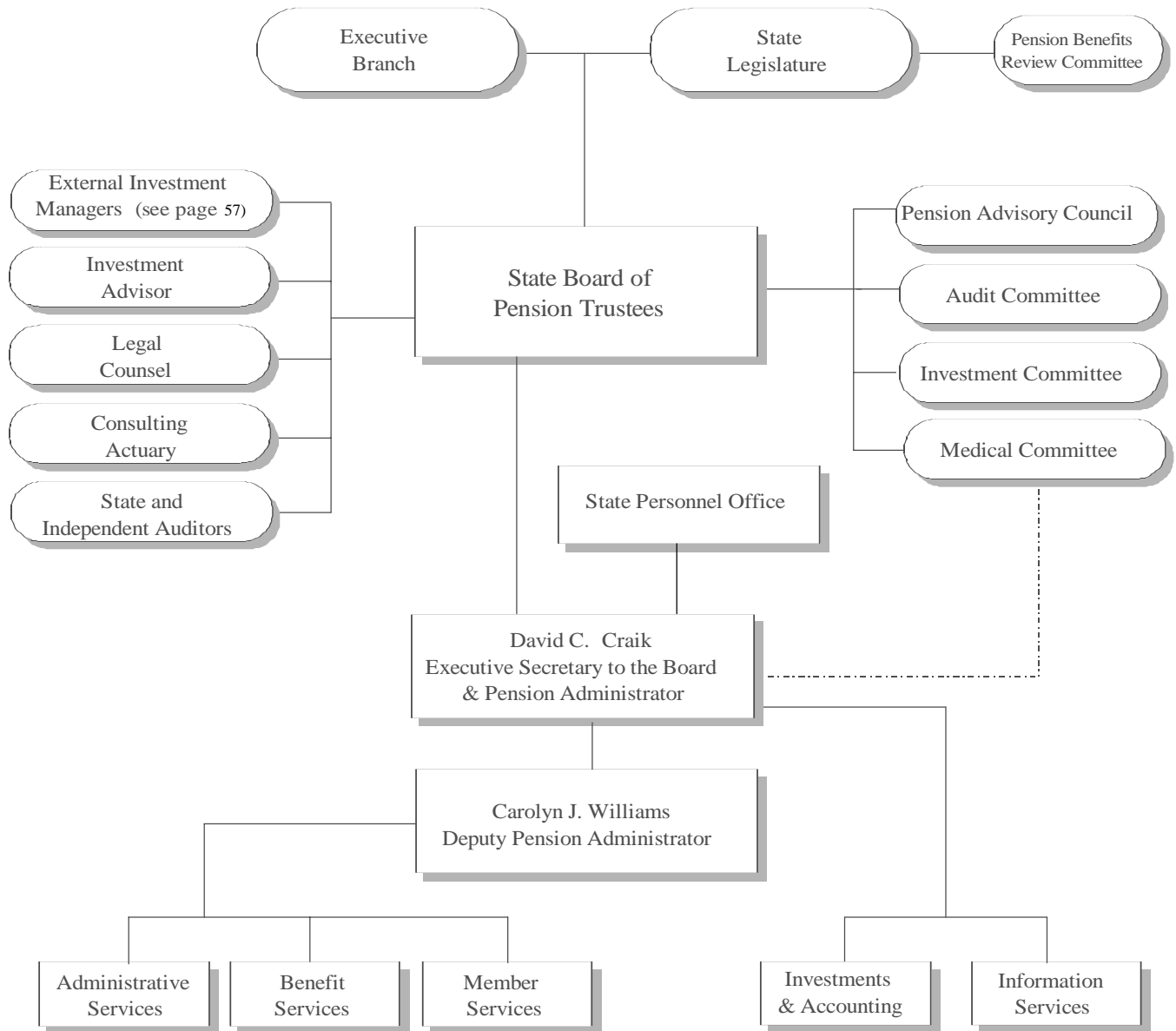
Mercantile-Safe Deposit & Trust Co.

Sub-Custodial Bank

State Street Bank & Trust Co.



Organizational Chart



MANAGEMENT TEAM

Administrative Services
Benefit Services
Member Services
Investments & Accounting
Information Services

Christy L. Ulmer, Office Manager
Linda H. Hinkle, Acting Fiscal Administrative Officer
Kimberly S. Vincent, Human Resource Manager
Alice L. Simon, Pension Financial Manager
John T. McCartney, SPO Information Systems Manager
and W. Ray Johnson, Human Resource Manager



Highlights of Board Activities

The Board of Pension Trustees (Board) -- comprised of five (5) members appointed by the Governor and confirmed by the Senate, and two (2) ex-officio members -- is responsible for the general administration of these pension plans:

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

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

- Maintain and oversee the investment of the Delaware Public Employees' Retirement System.
- Appoint an independent actuary to perform annual actuarial valuations used as the basis for contributions to the Delaware Public Employees' Retirement System.
- Control and manage State pension payments.
- Hear appeals from State Pension Office decisions regarding eligibility for pension benefits.
- Adopt rules and regulations for the general administration of State pension plans.
- Prepare and publish an annual report to the Governor and General Assembly.
- Execute contracts with State agencies and others for assistance in pension plan administration and pension investment.
- Determine interest rates to be credited to members' contributions and rates to be charged on repayment of contributions previously withdrawn.

The day-to-day administration of these pension plans is performed by the State Pension Office, which also determines the eligibility of individual employees for pension benefits. The Pension Administrator reports to the State Personnel Director and also serves as Executive Secretary to the Board.

The Medical Committee of the Board is now comprised of nine (9) medical doctors, all in private practice. It evaluates and makes recommendations concerning the medical condition of applicants for and recipients of disability pensions. The Medical Committee meets each month prior to the regular monthly meeting of the Board.

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

Highlights of Board Activities *(continued)*

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

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

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

- County & Municipal Police/Firefighters' COLA Fund.
- Post-Retirement Increase Fund.
- Delaware Local Government Retirement Investment Pool.
- Post-Retirement Health Insurance Premium Fund.

The Board retains Ashford Capital Management, Inc., as investment advisor for the System. Ashford Capital Management provides a variety of services to the System including investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, investment policy, and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the System as of June 30, 2002, may be found on page 57 of this report.

The major activities of the Board and its committees during the 12-month period July 2001 through June 2002 were:

- Held regular monthly meetings and met with representatives of investment management firms and custodian banks on a regular basis.
- Held hearings for individual plan members who appealed decisions of the Pension Office or questioned the Board's interpretation of State pension laws.
- Held hearings on the eligibility of individual employees for disability pension benefits.
- Participated in meetings with the Governor's staff, members of the General Assembly, officials of State agencies and school districts, the Pension Advisory Council, representatives of employee organizations, and other interested parties.



2002 Legislation Affecting Pensions

H.Substitute 1 for
H. B. 385 with Senate
Amendment 1
(73 Del. Laws, C396)

In the Closed State Police Pension Plan, reinstates survivors' benefits effective July 1, 2002 to those who have remarried.

H. B. 451 with House
Amendment 1
(73 Del. Laws, C373)

Allows police officers who subsequently become members of the New State Police Pension Plan to buy-in other police service at their own expense.

S. B. 403
(73 Del. Laws, C415)

Ensures that all salary that is paid to an employee for all days worked will be used in the calculation of their final average compensation.

S. B. 426
(73 Del. Laws, C419)

Allows tax-deferred rollovers in the State Employees' Pension Plan, the County & Municipal Other Employees' Pension Plan, and the County & Municipal Police/Firefighters' Pension Plan for the purpose of repaying previously forfeited service or the purchase of credited service.

S. B. 434 -- Budget Bill
(73 Del. Laws, C312
Section 58)

Allows the excess funding in the Special Pension Plan to be used to fund benefits in the Closed State Police Plan.

S. B. 439
(73 Del. Laws, C430)

Allows pensioners under the State Employees' Pension Plan to be employed by the State in a temporary, casual, seasonal, or substitute position without any earnings limitations or without affecting their current pension benefits.

Financial Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware



STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS



Report of Independent Auditors

State of Delaware
Board of Pension Trustees

We have audited the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets of the Delaware Public Employees' Retirement System (System) as of June 30, 2002, 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, 2002, and the changes in its financial status for the year then ended, in conformity with accounting principles generally accepted in the United States.

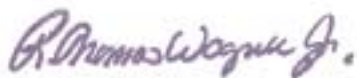
Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Management's Discussion and Analysis and schedules of funding progress, employer contributions, and notes to trend data are presented in accordance with Governmental Accounting 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 to the basic financial statements taken as a whole.



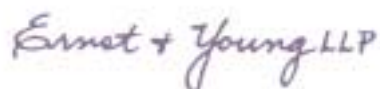
Report of Independent Auditors
Page Two

The supporting schedules of administrative expenses and investment expenses for the year ended June 30, 2002, 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, 2002, 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 16, 2002

Management's Discussion and Analysis

This discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance provides an overview of the System's financial activities for the fiscal year ended June 30, 2002. It is intended to be a narrative supplement to the System's financial statements, which begin on page 24 of this report.

Financial Highlights

The following financial highlights occurred during the fiscal year ended June 30, 2002:

- Plan net assets of all the pension funds administered by the System decreased by \$422.9 million during the 2001-2002 fiscal year.
- The covered payroll requiring both employee and employer pension contributions reported during the year totaled \$1,425.1 million, representing an increase of 15.4%. Employee contributions increased by 6.1% and employer contributions increased by 9.9%.
- Net investment losses (net decrease in fair value, plus investment earnings, less investment administrative expenses) increased by 9.3% compared to last fiscal year. Continued adverse equity market conditions were the primary cause of the decrease compared to the prior year.
- Pension benefits paid to retirees and beneficiaries increased \$20.4 million bringing the total benefit payments to \$216.4 million. Post-retirement increases and changes to benefit multipliers are responsible for the 10.4% increase in pension benefits. Refunds of contributions paid to former members upon termination of employment increased slightly from \$2.6 million to \$2.7 million.
- Administrative expenses and other project specific expenses totaled \$4.6 million, a decrease of 6.8% compared to last fiscal year. (See Schedule 4 on page 46 for more details.)

Using this Financial Report

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

The Schedule of Funding Progress (pages 40–41) 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 42–43) 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 \$422.9 million over the last fiscal year. Looking at additions to and deductions from Plan net assets, this decline is attributable to both economic conditions and legislative changes increasing benefit multipliers.

Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 4,854,368	\$ 5,278,051	\$ (423,683)	(8.0%)
Receivables	4,737	4,423	314	7.1%
Total Assets	4,859,105	5,282,474	(423,369)	(8.0%)
Total Liabilities	1,409	1,857	(448)	(24.1%)
Total Plan Net Assets	\$ 4,857,696	\$ 5,280,617	\$ (422,921)	(8.0%)

Changes in Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 82,469	\$ 75,025	\$ 7,444	9.9%
Transfer of Contributions from PRI Fund	32,322	38,526	(6,204)	(16.1%)
Transfer of Assets from Outside the System	4,685	3,239	1,446	44.6%
Member Contributions	37,731	35,550	2,181	6.1%
Other Income	7	21	(14)	(66.7%)
Net Investment Losses	(313,816)	(287,086)	(26,730)	(9.3%)
Total Additions	\$ (156,602)	\$ (134,725)	\$ (21,877)	(16.2%)
Deductions:				
Transfer of Contributions from PRI Fund	\$ 32,322	\$ 38,526	\$ (6,204)	(16.1%)
Transfer of Assets Outside the System	6,232	2,710	3,522	130.0%
Benefit Payments	216,353	195,971	20,382	10.4%
Refunded Contributions	2,698	2,610	88	3.4%
Group Life Payments	4,080	3,710	370	10.0%
General Administrative Expenses	4,134	3,623	511	14.1%
PRIDE Project Expenses	--	379	(379)	(100.0%)
eCRIS Project Expenses	478	--	478	100.0%
Health Liability Study	--	45	(45)	(100.0%)
Office Relocation Expenses	22	925	(903)	(97.6%)
Total Deductions	\$ 266,319	\$ 248,499	\$ 17,820	7.2%
(Decrease) in Plan Net Assets:	\$ (422,921)	\$ (383,224)	\$ (39,697)	(10.4%)



Employer contributions increased approximately \$7.4 million because of higher required actuarial contribution rates, an increase in salaries, and an increased number of member employers. Member contributions increased by approximately \$2.2 million due to an increase in the number of active employees and an increase in salaries. The 5-year actuarial funding for eliminating social security integration and maximum years of service limitation from the pension benefit calculation in the State Employees' and Judiciary Plans has been completed. This reduced transfers from the Post-Retirement Increase Fund.

Transfers of Assets Outside the System represents transfers from the County & Municipal Police/Firefighters' COLA Fund (COLA Fund) to individual participating entities. During fiscal 2002, there were funds totaling approximately \$2.5 million reverted from the COLA Fund to the General Fund as stipulated by statute. Benefit payments increased by approximately 10.4% as a result of legislation which provided for a post-retirement increase effective July 1, 2001, as well as a modification to the pension multiplier in the State Employees' Pension Plan. Total administrative expenses (including general administrative, PRIDE Project, eCRIS project, health liability study, and office relocation) for fiscal 2002 were approximately \$4.6 million, a decrease of 6.8%. These expenses include both the normal administrative expenses of the Pension Office, as well as special projects. General administrative expenses totaled \$4.1 million, an increase of 14.1% over Fiscal 2001. This increase includes a 100% increase in lease payments for the new location, as well as a 16.9% increase in fringe benefit costs mainly due to increased health care premiums. Enhancements to the phone system increased expenses in the telephone communications area. In the Data Processing maintenance category, upgraded software required increased maintenance contract fees by 35.8%.

Investments

For fiscal 2002, investments had a (6.3%) rate of return. The total System's annualized rate of return over the last five and ten years was 6.4% and 10.6%, respectively. This performance placed the System slightly below the median for public fund return for the fiscal year and in the top 10% of public funds for the five and ten year periods.

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

The investment activity of the 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 a prudent person 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 53 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 System as of June 30, 2002, may be found on page 57 of this report. A summary of the total System's asset allocation can be found on page 56.

Historical Trends

Accounting standards require that the statement of plan net assets states asset values at fair value and includes only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 40—41). 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 44).

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 42 — 43). 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 sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. Seven plans included in the System are essentially fully funded based on market valuations. The two other 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 44 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 70.

Legislation granting increased pensions for those retiring on or after July 1, 2001, together with a second year of negative investment returns, has reduced the funding status of the State Employees' Pension Plan from 112.4% to 109.6%.



Statement of Plan Net Assets

as of June 30, 2002 with Comparative Totals for June 30, 2001

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police and Firefighters' Plan	County & Municipal Other Employees' Plan
Assets:						
Cash	\$ 979	-	2	6	3	2
Receivables:						
Employer Contributions	1,536	-	97	51	226	8
Member Contributions	1,589	-	81	8	114	7
Total Receivables:	\$ 3,125	-	178	59	340	15
Investments at Fair Value:						
Domestic Fixed Income	937,756	357	20,295	5,438	6,245	549
Domestic Equities	1,166,141	444	25,237	6,763	7,767	683
Pooled Equity & Fixed Income	1,658,226	631	35,887	9,616	11,045	971
Pooled Real Estate	-	-	-	-	-	-
Private Investments	460,301	175	9,962	2,669	3,066	269
Short Term Investments	77,638	37	1,915	466	995	55
Foreign Equities	332,445	126	7,195	1,928	2,214	195
Total Investments:	\$ 4,632,507	1,770	100,491	26,880	31,332	2,722
Total Assets:	\$ 4,636,611	1,770	100,671	26,945	31,675	2,739
Liabilities:						
Benefits Payable	707	4	33	-	-	-
Accrued Administrative Expenses	616	1	7	2	6	4
Total Liabilities:	\$ 1,323	5	40	2	6	4
Net Assets Held in Trust for Pension						
Benefits:	\$ 4,635,288	1,765	100,631	26,943	31,669	2,735

(A Schedule of Funding Progress for each plan is presented on pages 40-41.)

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

Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals as of June 30,	
							2002	2001
4	1	-	6	-	-	6	\$ 1,009	\$ 1,434
-	25	-	772	-	209	-	2,924	2,557
-	12	-	-	-	-	2	1,813	1,866
-	37	-	772	-	209	2	\$ 4,737	\$ 4,423
1,763	1,209	1,058	3,246	1,906	1,506	-	981,328	897,340
2,191	1,504	1,315	4,037	2,371	1,873	-	1,220,326	1,407,078
3,117	2,138	1,870	5,740	3,370	2,664	-	1,735,275	1,981,473
-	-	-	-	-	-	-	-	29
865	594	519	1,593	935	740	-	481,688	550,127
135	119	1,891	465	155	770	2,209	86,850	108,745
625	429	375	1,151	675	534	-	347,892	331,825
8,696	5,993	7,028	16,232	9,412	8,087	2,209	\$ 4,853,359	\$ 5,276,617
8,700	6,031	7,028	17,010	9,412	8,296	2,217	\$ 4,859,105	\$ 5,282,474
3	12	-	-	-	-	-	759	718
1	5	-	-	-	-	8	650	1,139
4	17	-	-	-	-	8	\$ 1,409	\$ 1,857
8,696	6,014	7,028	17,010	9,412	8,296	2,209	\$ 4,857,696	\$ 5,280,617

Statement of Changes in Plan Net Assets

for the fiscal year ended June 30, 2002 with Comparative Totals for June 30, 2001

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police and Firefighters' Plan	County & Municipal Other Employees' Plan
Additions:						
<u>Contributions:</u>						
Employer Contributions	\$ 18,148	-	2,476	1,399	2,779	92
Transfer of Contributions from PRI Fund	31,994	-	35	293	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	33,477	-	2,112	251	1,404	57
Other	-	-	7	-	-	-
Total Contributions:	\$ 83,619	-	4,630	1,943	4,183	149
<u>Investments:</u>						
Investment Earnings	141,574	54	3,063	821	944	83
Net (Decrease) in Fair Value	(429,051)	(165)	(9,075)	(2,459)	(2,729)	(246)
	\$ (287,477)	(111)	(6,012)	(1,638)	(1,785)	(163)
Less Investment Manager/Advisor/Custody Fees	(12,804)	(5)	(277)	(75)	(86)	(7)
Less Investment Administrative Expenses	(222)	-	(5)	(1)	(2)	-
Total Net Investment Earnings:	\$ (300,503)	(116)	(6,294)	(1,714)	(1,873)	(170)
Total Additions:	\$ (216,884)	(116)	(1,664)	229	2,310	(21)
<u>Deductions:</u>						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Benefits Payments	194,824	143	367	1,907	163	41
Refunds of Contributions to Members	2,409	-	87	-	122	21
Group Life Payments	4,003	21	-	-	-	-
Administrative Expenses	4,634	-	-	-	-	-
Allocation of Administrative Expenses	(193)	4	56	8	49	15
Total Deductions:	\$ 205,677	168	510	1,915	334	77
Net (Decrease)/Increase:	\$ (422,561)	(284)	(2,174)	(1,686)	1,976	(98)
Net Assets Held in Trust for Pension Benefits Beginning of Year	\$ 5,057,849	2,049	102,805	28,629	29,693	2,833
Net Assets Held in Trust for Pension Benefits End of Year:	\$ 4,635,288	1,765	100,631	26,943	31,669	2,735

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



Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals for Fiscal years ended June 30,	
							2002	2001
586	341	-	30,302	-	8,541	17,805	\$ 82,469	\$ 75,025
-	-	-	-	-	-	-	32,322	38,526
-	-	2,255	-	2,430	-	-	4,685	3,239
209	157	-	-	-	-	64	37,731	35,550
-	-	-	-	-	-	-	7	21
795	498	2,255	30,302	2,430	8,541	17,869	\$ 157,214	\$ 152,361
266	182	160	491	288	227	109	148,262	177,037
(797)	(538)	(661)	(1,456)	(817)	(452)	-	(448,446)	(447,882)
(531)	(356)	(501)	(965)	(529)	(225)	109	\$ (300,184)	\$ (270,845)
(25)	(16)	(15)	(44)	(26)	(20)	-	(13,400)	(16,035)
(1)	-	-	(1)	-	-	-	(232)	(206)
(557)	(372)	(516)	(1,010)	(555)	(245)	109	\$ (313,816)	\$ (287,086)
238	126	1,739	29,292	1,875	8,296	17,978	\$ (156,602)	\$ (134,725)
-	-	-	32,322	-	-	-	32,322	38,526
-	-	6,232	-	-	-	-	6,232	2,710
1,018	185	-	-	-	-	17,705	216,353	195,971
44	15	-	-	-	-	-	2,698	2,610
-	-	-	-	-	-	56	4,080	3,710
-	-	-	-	-	-	-	4,634	4,972
17	27	-	-	-	-	17	-	-
1,079	227	6,232	32,322	-	-	17,778	\$ 266,319	\$ 248,499
(841)	(101)	(4,493)	(3,030)	1,875	8,296	200	\$ (422,921)	\$ (383,224)
9,537	6,115	11,521	20,040	7,537	-	2,009	\$ 5,280,617	\$ 5,663,841
8,696	6,014	7,028	17,010	9,412	8,296	2,209	\$ 4,857,696	\$ 5,280,617

**Statement of Plan Net Assets
for the Delaware Local Government Retirement Investment Pool
as of June 30, 2002 with Comparative Totals for June 30, 2001**

(Expressed in thousands)

	Sussex County Gov't	Town of Elsmere	Totals as of June 30,	
			2002	2001
Assets:				
Cash	\$ -	-	\$ -	\$ -
Receivables:				
Employer Contributions	-	-	-	-
Member Contributions	-	-	-	-
Total Receivables:	\$ -	-	\$ -	\$ -
Investments at Fair Value:				
Domestic Fixed Income	1,629	277	1,906	1,283
Domestic Equities	2,026	345	2,371	2,013
Pooled Equity & Fixed Income	2,880	490	3,370	2,834
Pooled Real Estate	-	-	-	-
Private Investments	799	136	935	787
Short Term Investments	133	22	155	145
Foreign Equities	577	98	675	475
Total Investments:	\$ 8,044	1,368	\$ 9,412	\$ 7,537
Total Assets:	\$ 8,044	1,368	\$ 9,412	\$ 7,537
Liabilities:				
Benefits Payable	-	-	-	-
Accrued Administrative Expenses	-	-	-	-
Total Liabilities:	\$ -	-	\$ -	\$ -
Net Assets Held in Trust for Pension Benefits:	\$ 8,044	1,368	\$ 9,412	\$ 7,537

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

**Statement of Changes in Plan Net Assets
for the Delaware Local Government Retirement Investment Pool
for the fiscal year ended June 30, 2002 with Comparative Totals for June 30, 2001**

(Expressed in thousands)

	Sussex County Gov't	Town of Elsmere	Totals for Fiscal Years ended June 30,	
			2002	2001
Additions:				
<u>Contributions:</u>				
Employer Contributions	\$ -	-	\$ -	\$ -
Transfer of Contributions from PRI Fund	-	-	-	-
Transfer of Assets from Outside the System	1,000	1,430	2,430	1,441
Member Contributions	-	-	-	-
Other	-	-	-	-
Total Contributions:	\$ 1,000	1,430	\$ 2,430	\$ 1,441
<u>Investments:</u>				
Investment Earnings	246	42	288	253
Net (Decrease)/Increase in Fair Value	(717)	(100)	(817)	(652)
	\$ (471)	(58)	\$ (529)	\$ (399)
Less Investment Manager/Advisor/Custody Fees	(22)	(4)	(26)	(23)
Less Investment Administrative Expenses	-	-	-	-
Total Net Investment Losses:	\$ (493)	(62)	\$ (555)	\$ (422)
Total Additions:	\$ 507	1,368	\$ 1,875	\$ 1,019
<u>Deductions:</u>				
Transfer of Contributions from PRI Fund	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-
Benefits Payments	-	-	-	-
Refunds of Contributions to Members	-	-	-	-
Group Life Payments	-	-	-	-
Administrative Expenses	-	-	-	-
Allocation of Administrative Expenses	-	-	-	-
Total Deductions:	\$ -	-	\$ -	\$ -
Net Increase:	\$ 507	1,368	\$ 1,875	\$ 1,019
Net Assets Held in Trust for Pension Benefits Beginning of Year	\$ 7,537	-	\$ 7,537	\$ 6,518
Net Assets Held in Trust for Pension Benefits End of Year:	\$ 8,044	1,368	\$ 9,412	\$ 7,537

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



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/Firefighters' Pension Plan.
- ♦ 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, 2002, employee membership data related to each of the Plans was as follows:

Plan	Retirees & Terminated Employees Beneficiaries Currently Receiving Benefits	Terminated Employees Entitled to Benefits But Not Yet Receiving Them	Active Participants	Total Membership	Total Participating Employers
State Employees'	16,233	930	31,951	49,114	7
Special	36	-	-	36	N/A
New State Police	16	5	553	574	1
Judiciary	37	3	53	93	1
County & Municipal Police/Firefighters'	11	14	505	530	11
County & Municipal Other Employees'	11	1	90	102	11
Volunteer Firemen's	1,169	21	4,856	6,046	61
Diamond State Port Corporation	14	2	280	296	1
Closed State Police	548	-	40	588	1
Total:	18,075	976	38,328	57,379	94

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

Vesting: 5 years of credited service.

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

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: \$7,000 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: \$7,000 per member.

New State Police Pension Plan

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

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

Vesting: 10 years of credited service.

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 final average compensation plus 10% for each dependent not to exceed 25% for all dependents.
Partial Disability - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Ordinary - Same as 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: \$7,000 per member.



Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

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

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

Service Benefits:

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

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

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

Vesting: 12 years of credited service.

Retirement:

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

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

Revised - If employee is receiving a pension, then eligible survivor receives 1/2 of pension (2/3 with 3% reduction); if employee is active, eligible survivor receives 2/3 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/Firefighters' Pension Plan

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

Service Benefits: 1/40th of final average monthly compensation multiplied by years of credited service, subject to limitations. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 10 years of credited service.

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, subject to minimum 50% of final average compensation.

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

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or 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). For this plan, final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the last ten years of employment.

Vesting: 5 years of credited service.

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

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

Survivor Benefits: If employee is receiving a pension 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 65.

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: \$7,000 per member.

2. Fund Descriptions and Contributions

County & Municipal Police & Firefighters' COLA Fund

During 1990, the State of Delaware passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police/Firefighters' Pension Plans. This mechanism allows the State to appropriate funds to a separate COLA Fund managed by the Board of Pension Trustees (Board). The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are transferred to the State and local governments on a per member 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 (DELRIP) in the custody of the Board to allow local governments the option to pool their pension assets with the System. The DELRIP 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 were two participating entities in the DELRIP as of June 30, 2002 which comprise the pool in its entirety.

The DELRIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any 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.

Post-Retirement Health Insurance Premium Fund

In June 2000, the State of Delaware passed legislation which established a mechanism for funding the State's retiree health care costs for covered employees in the State Employees' Pension Plan. The mechanism allows the State to appropriate employer contributions to a separate fund managed by the Board. Upon legislative action, these funds will be used to pay the State's cost for health care premiums. Funding began in July 2001 in the amount of 0.65% of payroll.



3. Summary of Significant Accounting Policies

Reporting Entity

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

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

Basis of Accounting

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

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 a common 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 appraised values which approximates fair value.

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, 2002, 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 \$1,009,000 as of June 30, 2002. 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, 2002, 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, 2002.

Summary of Investment Risk

<i>(Expressed in thousands)</i>	Category	Category	Category	Securities not Subject to Classification of Credit Risk	Fair Value as of June 30, 2002
	1	2	3		
Domestic Fixed Income	\$ 981,328	—	—	\$ —	\$ 981,328
Domestic Equities	1,220,326	—	—	—	1,220,326
Pooled Equity & Fixed Income	—	—	—	1,735,275	1,735,275
Private Investments	—	—	—	481,688	481,688
Short-Term Investments*	86,850	—	—	—	86,850
Foreign Equities	347,892	—	—	—	347,892
	\$ 2,636,396	—	—	\$ 2,216,963	\$ 4,853,359

*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, 2002:

	Fair Value <i>(Expressed in thousands)</i>
Mellon Capital Asset Allocation Fund	\$ 1,071,657
Mellon Capital Global Asset Allocation Fund	663,618
Lincoln Capital - Fixed	345,010
T. Rowe Price High Yield Bonds	252,342

Management Fees

The System has paid \$12.3 million and \$12.1 million in management fees to the venture capital limited partnerships for the year ended June 30, 2002 and 2001, respectively. These fees are netted against investment income.

Investment Commitments

The System has made commitments to invest up to an additional \$196.4 million in venture capital limited partnerships in varying amounts as of June 30, 2002, 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 \$331,000. 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, 2002, the System had sixteen (16) open forward exchange contracts in various foreign currencies at various rates and dates through July 18, 2002. At June 30, 2002, the aggregate unrealized loss on such open contracts was \$16.9 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 stated in the manager’s contract and are monitored on an ongoing basis; so-called “exotic” derivatives and leverage are never used as appropriate investment vehicles. 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 following lists principal categories of derivatives and their uses during the year:

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 uneconomical.

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. 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 System could have a material adverse effect on its financial condition.

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) UAAL as a % of Covered Payroll (3)/(5)
State Employees'	6/30/2002	\$ 4,956,156	\$ 4,521,732	\$ (434,424)	109.6%	\$ 1,351,112	(32.2%)
	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%)
Special	6/30/2002	\$ 1,832	\$ 742	\$ (1,090)	246.9%	N/A	N/A
	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
New State Police	6/30/2002	\$ 109,615	\$ 91,928	\$ (17,687)	119.2%	\$ 30,281	(58.4%)
	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%)
Judiciary	6/30/2002	\$ 29,049	\$ 30,122	\$ 1,073	96.4%	\$ 7,329	14.6%
	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%
County & Municipal Police/Firefighters'	6/30/2002	\$ 35,053	\$ 30,344	\$ (4,709)	115.5%	\$ 21,342	(22.1%)
	6/30/2001	29,389	29,465	76	99.5%	19,605	1.1%
	6/30/2000	23,496	23,582	86	99.3%	18,011	1.4%
	6/30/1999	17,272	17,697	425	96.0%	15,230	8.6%
	6/30/1998	12,842	12,868	26	99.7%	11,712	0.6%
	6/30/1997	9,358	9,387	29	99.6%	9,215	0.7%

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 1 -- Schedule of Funding Progress

(Dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)	
County & Municipal Other Employees'	6/30/2002	\$ 3,033	\$ 2,816	\$ (217)	107.7%	\$ 2,545		(8.5%)
	6/30/2001	2,794	2,962	168	94.3%	2,292		7.3%
	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%
Diamond State Port Authority	6/30/2002	\$ 6,675	\$ 6,617	\$ (58)	100.9%	\$ 9,354		(0.6%)
	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%
Closed State Police+	6/30/2002	\$ 2,036	\$ 318,687	\$ 316,651	0.6%	\$ 3,105		10,198.1%
	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%
							Active	++Cost per
							Members	Active Member
Volunteer Firemen's	6/30/2002	\$ 9,333	\$ 14,940	\$ 5,607	62.5%	4,856		\$ 1,155
	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

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

++ Not expressed in thousands.



REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 2 -- Schedule of Employer Contributions

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees*	6/30/2002	\$ 18,148	100.0%
	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%
Special	6/30/2002	\$ -	-
	6/30/2001	-	-
	6/30/2000	-	-
	6/30/1999	-	-
	6/30/1998	-	-
	6/30/1997	-	-
New State Police*	6/30/2002	\$ 2,476	100.0%
	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%
Judiciary*	6/30/2002	\$ 1,399	100.0%
	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%
County & Municipal Police/Firefighters'	6/30/2002	\$ 2,779	100.0%
	6/30/2001	2,664	100.0%
	6/30/2000	2,771	100.0%
	6/30/1999	2,025	100.0%
	6/30/1998	1,651	100.0%
	6/30/1997	1,388	100.0%



REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 2 -- Schedule of Employer Contributions

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
County & Municipal Other Employees'	6/30/2002	\$ 92	100.0%
	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%
Volunteer Firemen's	6/30/2002	\$ 586	100.0%
	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%
Diamond State Port Corporation	6/30/2002	\$ 341	100.0%
	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%
Closed State Police	6/30/2002	\$ 27,831	64.0%
	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%

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

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 3 -- Notes to Trend Data

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

Plan	State Employees'	Special	New State Police	Judiciary	Closed State Police
Valuation Date	6/30/2002	6/30/2002	6/30/2002	6/30/2002	6/30/2002
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 Percent Closed
Remaining Amortization Period	13.95 years	N/A	18 years	19 years	34 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	8.5%	8.5%	8.5%	8.5%	8.5%
Projected Salary Increases*	6.00% - 9.89%	N/A	7.0%	5.5%	7.0%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

Plan	County & Municipal Police/Firefighters	County & Municipal Other Employees'	Volunteer Firemen's	Diamond State Port Corporation
Valuation Date	6/30/2002	6/30/2002	6/30/2002	6/30/2002
Actuarial Cost Method	Entry Age Normal **	Entry Age Normal **	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	25 years	20 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:				
Investment rate of return	8.5%	8.5%	8.5%	8.5%
Projected Salary Increases*	7.0%	7.0%	N/A	5.0%
Cost-of-living adjustments	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 71.

** Actuarial Cost Method changed to Entry Age Normal from Frozen Initial Liability effective June 30, 2002.



Supporting Schedules

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Schedule 4 -- Schedule of Administrative Expenses

(Dollar values expressed in thousands)

	Fiscal 2002	Fiscal 2001	Change	
			Dollars	Percent
Personal Services				
Staff Salaries	\$ 2,004	\$ 1,917	\$ 87	4.5%
Fringe Benefits	621	531	90	16.9%
Total Personal Services:	\$ 2,625	\$ 2,448	\$ 177	7.2%
Professional Services				
Actuarial	\$ 136	\$ 118	\$ 18	15.3%
Audit	56	58	(2)	(3.5%)
Medical Services	20	11	9	81.8%
State Agency Support Services	24	24	-	0.0%
Other Professional Services	1	1	-	0.0%
Total Professional Services:	\$ 237	\$ 212	\$ 25	11.8%
Communication				
Printing	\$ 73	\$ 40	\$ 33	82.5%
Telephone	44	31	13	41.9%
Postage	113	128	(15)	(11.7%)
Travel	15	34	(19)	(55.9%)
Other Communications	17	25	(8)	(32.0%)
Total Communications:	\$ 262	\$ 258	\$ 4	1.6%
Data Processing				
Contractual Services	\$ 195	\$ 359	\$ (164)	(45.7%)
Training	6	15	(9)	(60.0%)
Maintenance	258	190	68	35.8%
Equipment - Hardware	43	41	2	4.9%
Equipment - Software	6	21	(15)	(71.4%)
Total Data Processing:	\$ 508	\$ 626	\$ (118)	(18.8%)
Rentals				
Equipment Leasing	\$ 7	\$ 3	\$ 4	133.3%
Fleet Services	5	6	(1)	(16.7%)
Office Space	437	24	413	1720.8%
Total Rentals:	\$ 449	\$ 33	\$ 416	1260.6%
Miscellaneous				
Supplies and Equipment	\$ 31	\$ 20	\$ 11	55.0%
Maintenance	3	3	-	0.0%
Continuing Education	2	5	(3)	(60.0%)
Temporary Employment Services	13	15	(2)	(13.3%)
Other Miscellaneous	4	3	1	33.3%
Total Miscellaneous:	\$ 53	\$ 46	\$ 7	15.2%
General Administrative Expenses:	\$ 4,134	\$ 3,623	\$ 511	14.1%
PRIDE Project Administrative Expenses:	\$ -	\$ 379	\$ (379)	(100.0%)
eCRIS Project Administrative Expenses:	\$ 478	\$ -	\$ 478	100.0%
Relocation Project Administrative Expenses:	\$ 22	\$ 925	\$ (903)	(97.6%)
Special Retiree Health Liability Study:	\$ -	\$ 45	\$ (45)	(100.0%)
Total Administrative Expenses:	\$ 4,634	\$ 4,972	\$ (338)	(6.8%)



Schedule 5 -- Schedule of Investment Expenses

(Dollar values expressed in thousands)

	Fiscal 2002	Fiscal 2001	Change	
			Dollars	Percent
Custody Fees	\$ 501	\$ 499	\$ 2	0.4%
Investment Manager/Advisor Fees	12,899	15,536	(2,637)	(17.0%)
Pension Office Support Staff	232	206	26	12.6%
Total Investment Expenses:	\$ 13,632	\$ 16,241	\$ (2,609)	(16.1%)

(This page intentionally left blank.)

Investment Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Five-Year Investment Comparison



(expressed in millions)

	Fiscal Years ending June 30,				
	2002	2001	2000	1999	1998
U.S. Equities	\$ 2,340.5	\$ 2,371.0	\$ 2,197.6	\$ 2,248.2	\$ 2,199.3
Intl. Equities	577.1	607.3	702.3	519.2	520.9
U.S. Bonds	1,234.8	1,483.8	1,761.4	1,572.3	912.7
Intl. Bonds	132.1	147.8	152.9	102.9	71.2
Real Estate	0.0	_*	_*	4.9	13.4
Private Investments	480.9	549.2	708.0	391.8	316.1
Cash & Equivalents	92.3	121.5	141.6	58.8	418.5
Totals	\$ 4,857.7	\$ 5,280.6	\$ 5,663.8	\$ 4,898.1	\$ 4,452.1

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

Note: For these asset classifications, the Pooled Equity and Fixed Income Accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the categories used in the financial section on pages 24-25.



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND

OFFICE OF PENSIONS

McArdle Building, Suite #1
860 Silver Lake Blvd.
Dover, DE 19904-2402

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

Telephone (302) 739-4208
Fax (302) 739-6129
www.delawarepensions.com

August 20, 2002

Dear Board Members, Participants, and Beneficiaries:

The Board of Pension Trustees Investment Committee (Committee) oversees the investment of the retirement funds of the Delaware Public Employees' Retirement System (System). The Committee's investment oversight includes the nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] that the Board of Pension Trustees (Board) administers and the four commingled pension funds [County & Municipal Police/Firefighters' COLA, Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DELRIP), and State Employees' Post-Retirement Health Insurance Premium] that the Board manages.

The Committee consists of six members appointed by the Board. The Committee operates within the following investment objectives established by the Board:

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

Investment decisions are further dictated by the Board's internal investment policy which requires a minimum of 20 - 25% of the total assets of the System to be invested in fixed income investments, such as bonds, cash equivalents, and certain real estate investments. The Committee monitors this policy with the assistance of the Investment Advisor. Also, the Committee reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by

Board Members, Participants, and Beneficiaries

Page 2

August 20, 2002

selecting managers whose demonstrated performance reflects different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives.

The System returned (6.3%) for fiscal year 2002. The total System's annualized rate of return over the last five, ten, and fifteen years was 6.4%, 10.6%, and 10.0%, respectively. As reported by a major performance ranking comparison service, the System's investment performance ranks slightly below the median for this fiscal year and in the top decile of public funds for the five and ten year periods. For the period ending June 30, 2002, the System market value totaled \$4.9 billion representing a decrease in assets of \$422.9 million.

The investment climate during this fiscal year was unusually difficult. The events of September 11 had a negative impact on stock markets around the world. In the following months, the threat of further attacks and the continued impact of a slowing U.S. economy made investors cautious. In recent months, signs of an economic recovery have been overshadowed by evidence of corporate malfeasance by companies, such as Enron and WorldCom. Although the System was affected by the general market impact, estimated losses incurred by directly held assets in these two companies were \$5,755,000, representing approximately 0.1% of total fund assets. Reflecting these conditions, the S&P 500 stock market index declined 18.0% during the fiscal year.

While the System was impacted by all of these events, as evidenced by the disappointing (6.3%) return for the System, the continuing and consistent emphasis on diversification and risk control resulted in a System return that was significantly better than the (18.0%) return of the U.S. stock market.

On behalf of our Trustees, we thank our dedicated professional staff at the Office of Pensions, our investment advisor, and our money managers, who all work diligently to assure the successful operation of the Board of Pension Trustees Investment Committee.

Respectfully submitted,



Elva B. Ferrari, Chair
Board of Pension Trustees Investment Committee

Investment Activity

The bond markets performed well, but the U.S. stock markets continued to be weak during the fiscal year ending June 30, 2002. For the fiscal year, the S&P 500 stock index returned (18.0%) while the Lehman Aggregate bond index returned 8.2%.

For the fiscal year, the Delaware Public Employees' Retirement System (System) had a (6.3%) rate of return. This performance ranks the System slightly below the median of public funds for this fiscal year and in the top decile of public funds for the five and ten year periods.

Return data for the total System was calculated on a time-weighted basis in accordance with the standards of the Association for Investment Management & Research (AIMR). Valuations, where available, are based on published national securities exchanges prices.

Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For over 20 years, the System has been managed to control the extent of downside risk to which assets are exposed while maximizing the potential for long-term gain.

Specific investment objectives are:

- To realize a real return (System return less CPI) of 3% per year over long periods (about 15 years).
- To control portfolio risk so as to limit downside price fluctuation of the total System in any 12-month period.
- To realize as high a rate of total return as possible, consistent with all of the above.

To achieve these objectives, these investment policies are employed:

- Allocate a minimum of 20% - 25% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments.
- Maintain a widely diversified portfolio, so as to minimize the risk of overexposure to any one market sector or investment style.
- Closely monitor the performance of all investment managers against specific absolute objectives and in relation to other managers following the same investment objectives.

Investment Process

While the objectives and policies have been repeatedly reaffirmed, the implementation process undergoes continuous evolution. The increasing volume of investment information and the complexities of the global marketplace necessitate the ongoing development and use of advanced information systems. Computer technology is now used as a tool in every aspect of investment management, from asset allocation decisions to manager selection and performance measurement.

General Management

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

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

Investment Results

In Fiscal 2002, the investment process experienced:

- A time-weighted total return of (6.3%) based on market values.
- Benefit and expense payments exceeded net employer and member contributions by \$109.1 million.
- Net interest and dividend income of \$134.9 million.
- Net decrease in fair value of \$448.4 million.
- Decrease in total Fund assets from \$5.3 billion to \$4.9 billion.
- Overall volatility well below that of an all common stock portfolio.

The System is invested for long-term results and each single year’s returns must be viewed in relation to longer periods.

	Fiscal Years Ending June 30,					Five	Ten	Fifteen
	2002	2001	2000	1999	1998	Years Ending 6/30/02*	Years Ending 6/30/02*	Years Ending 6/30/02*
Total System Return	(6.3%)	(5.1%)	16.8%	11.1%	18.0%	6.4%	10.6%	10.0%
Consumer Price Index (CPI)	1.0%	3.3%	3.7%	2.0%	1.7%	2.3%	2.5%	3.1%
System Real Return	(7.3%)	(8.4%)	13.1%	9.1%	16.3%	4.1%	8.1%	6.9%

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

Chart I on page 58 summarizes the cash flows and total System returns for each of the last five fiscal years and the cumulative results for 5-year and 10-year periods ending June 30, 2002.

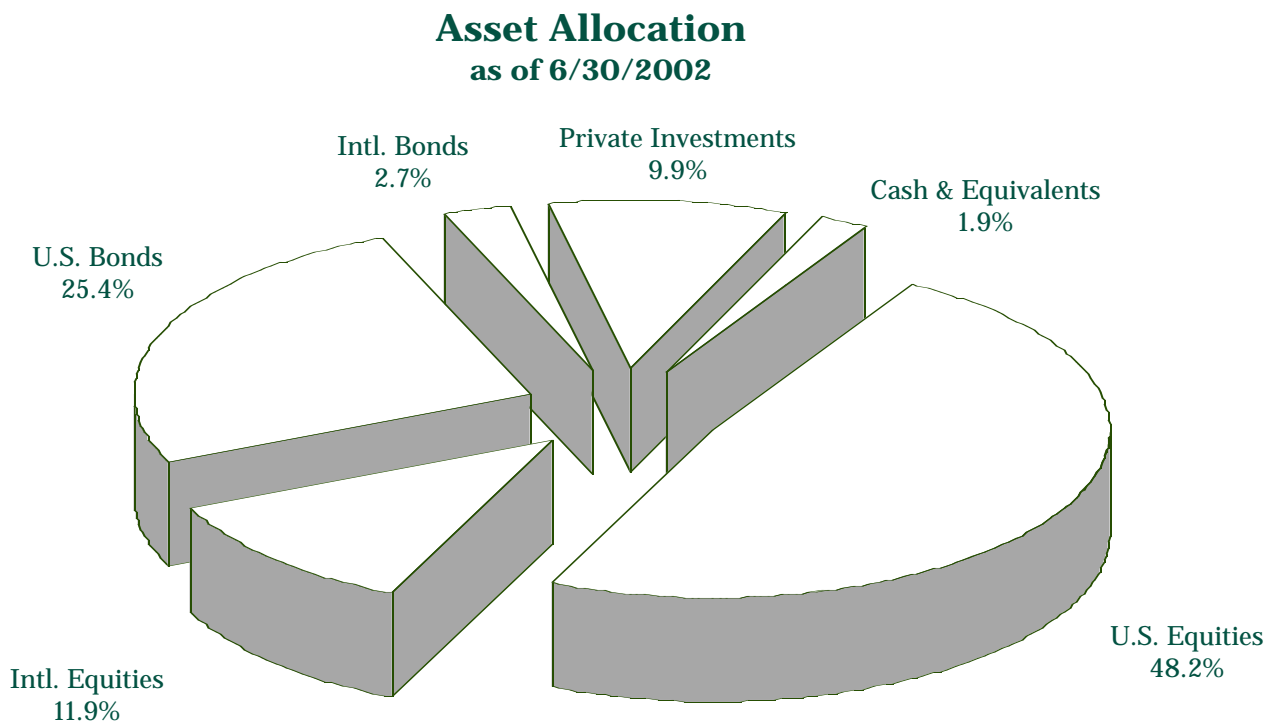
Chart II on page 58 summarizes the total System and asset class segment returns for each of the last five fiscal years and the annualized returns for the 3-year and 5-year periods ending June 30, 2002.



Charts III and IV on page 59 show the quarterly cumulative total System performance for the 5-year and 10-year periods ending June 30, 2002 compared to indices representative of some of the asset classes in which the System invests.

One investment objective is to achieve an annualized rate of total return over any 15-year period that is at least 3 percentage points greater than inflation. The most recent 15-year result is a real rate of return of 6.9% (10.0% System return less 3.1% CPI) measured on a time-weighted basis. During this period, risk as measured by relative volatility, was approximately 51% of the level that would have been experienced by a fund invested 100% in the S&P 500. The real rate of return from such a 100% stock portfolio would have been 7.8% (10.9% S&P 500 less 3.1% CPI). These are not typical real rates of return and should not be expected going forward. The last 15 years encompassed periods of exceptional returns in both the bond and stock markets which are unlikely to be repeated.

	Periods Ending June 30, 2002		
	<i>(All Returns Greater Than One Year Are Annualized)</i>		
	Five Years	Ten Years	Fifteen Years
Total System Return	6.4%	10.6%	10.0%
S&P Index % Return	3.7%	11.4%	10.9%
Relative Return vs. S&P 500 Index	172.6%	92.9%	92.3%
Relative Risk vs. S&P 500 Index	53.6%	55.1%	50.8%



Asset Allocation

To achieve investment objectives, monies are deployed in diverse asset classes offering the risk and return characteristics desired. The following chart illustrates the diversification of assets at the end of the fiscal year. The accompanying table shows the five-year history and trends in asset allocation. For these asset classifications, the Pooled Equity and Fixed Income Accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the asset classes used in the financial section on pages 24-25.

	Fiscal Years Ending June 30,				
	2002	2001	2000	1999	1998
U.S. Equities	48.2%	44.9%	38.8%	45.3%	49.4%
Intl. Equities	11.9%	11.5%	12.4%	10.5%	11.7%
U.S. Bonds	25.4%	28.1%	31.1%	31.6%	20.5%
Intl. Bonds	2.7%	2.8%	2.7%	2.1%	1.6%
Real Estate	-	-*	-*	0.1%	0.3%
Private Investments	9.9%	10.4%	12.5%	9.2%	7.1%
Cash & Equivalents	1.9%	2.3%	2.5%	1.2%	9.4%

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

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

All investment managers are expected to meet and maintain a number of organizational criteria in order to continue as managers. One manager was terminated during the fiscal year, four managers were hired, two venture capital funds reached their scheduled termination dates and distributed assets, the responsibilities of two managers were reduced, and an existing manager was given additional responsibilities in the area of private investments. At the end of the fiscal year, the money managers of the System and their responsibilities were:

Investment Manager	Responsibility	Calendar Year Retained
<u>U.S. Equities</u>		
Alliance Capital Management	Equities	2001
Armstrong Shaw	Equities	2002
Barclays Global Investors	Equities	1977
Fidelity Management Trust Co.	Real Estate Investment Trusts	1995
Froley, Revy Investment Co.	Convertible Securities	1984
Granahan Investment Management	Equities	2002
Lincoln Capital Management	Equities	1978
Mellon Capital Management	Equities	1984
Oaktree Capital Management	Convertible Securities	1995
T. Rowe Price Associates	Equities	1971
Trinity Investment Management	Equities	1982
<u>International Equities</u>		
Jarislowsky Fraser	International Equities	2002
Mellon Capital Management	International Equities	1996
Oaktree Capital Management	International Convertible Securities	1995
<u>U.S. Bonds</u>		
Lincoln Capital Management	Fixed Income	1995
Mellon Capital Management	Fixed Income	1984
T. Rowe Price Associates	Fixed Income	1996
Loomis Sayles & Company LP	Fixed Income	1998
<u>Private Investments</u>		
Accel Partners	Venture Capital	1984
Advanced Technology Ventures	Venture Capital	1990
Brentwood Associates	Venture Capital	1983
The Carlyle Group	Private Equity	1996
Cherry Tree Ventures	Venture Capital	1984
Coller Isnard Ltd.	Venture Capital	1994
MeriTech Capital Partners	Venture Capital	1999
Oaktree Capital Management	Distressed Debt	1997
Oaktree Capital Management	Emerging Markets	2000
One Liberty Ventures	Venture Capital	1982
ONSET Enterprise Associates	Venture Capital	1989
Pecks Partners	Private Equity	1986
Spectra Enterprise Associates	Venture Capital	1986
Summit Ventures	Venture Capital	1988
T. Rowe Price Recovery Fund	Distressed Debt	1988
T. Rowe Price Threshold Funds	Venture Capital	1984
Trident Management	Venture Capital	1999
TCW Asset Management	Distressed Debt	1990
Weston Presidio Capital	Venture Capital	1995
<u>Cash & Equivalents</u>		
T. Rowe Price Associates	Cash & Equivalents	1983



**Chart I
Calculated Returns**

*(Dollar values expressed in thousands)
(All Returns for Periods Greater Than One Year Are Annualized)*

	Fiscal Years Ending June 30,					Five Years	Ten Years
						Ending	Ending
	2002	2001	2000	1999	1998	6/30/02	6/30/02
Beginning Market Value	\$ 5,280.6	5,663.8	4,898.1	4,452.1	3,793.3	\$ 3,793.3	\$ 2,011.4
Net (Withdrawals)/Contributions	(109.1)	(96.1)	(58.7)	(43.6)	(30.4)	(337.9)	(471.5)
Net Investment Income	134.9	160.8	155.5	126.9	130.2	708.3	1,238.4
Net (Decrease)/Increase in fair value	(448.4)	(447.9)	668.9	362.7	559.0	694.3	2,079.7
Ending Market Value	\$ 4,858.0	5,280.6	5,663.8	4,898.1	4,452.1	\$ 4,858.0	\$ 4,858.0
Time-Weighted Total Return on Market Value	(6.3%)	(5.1%)	16.8%	11.1%	18.0%	6.4%	10.6%
Consumer Price Index	1.0%	3.3%	3.7%	2.0%	1.7%	4.1%	8.1%

**Chart II
Investment Performance Summary**

(All Returns for Periods Greater Than One Year Are Annualized)

	Fiscal Years Ending June 30,					Three	Five
						Years	Years
	2002	2001	2000	1999	1998	Ending	Ending
(1) Total System	(6.3%)	(5.1%)	16.8%	11.1%	18.0%	1.3%	6.4%
(2) Equity and Private Equity Segment**	(9.7%)	(8.7%)	33.6%	11.2%	16.0%	3.3%	7.3%
(3) Fixed Income and Cash Segment***	6.0%	8.5%	5.2%	6.1%	7.8%	6.6%	6.7%
(4) Tactical Asset Allocation Segment****	(7.3%)	(6.2%)	7.0%	13.4%	27.0%	(2.4%)	6.0%
Consumer Price Index*	1.0%	3.3%	3.7%	2.0%	1.7%	2.7%	2.3%
S&P 500 Index	(18.0%)	(14.8%)	7.4%	22.7%	30.2%	(9.1%)	3.7%
Russell 3000 Index	(17.2%)	(13.9%)	9.6%	20.1%	28.8%	(7.9%)	3.8%
MSCI EAFE Index	(9.5%)	(23.6%)	17.2%	7.6%	6.1%	(6.8%)	(1.6%)
Lehman Gov't Corp	8.2%	11.1%	4.3%	2.7%	11.3%	7.9%	7.5%
90-Day Treasury Bill	2.2%	5.0%	5.5%	4.5%	5.1%	4.2%	4.4%
60/40 S&P/Lehman Gov't Corp Mix	(7.4%)	(4.8%)	6.5%	15.2%	22.5%	(2.1%)	5.8%
60/40 MSCI World/Salomon WGBI	(4.0%)	(13.5%)	8.7%	11.5%	12.1%	(3.4%)	2.4%

* A benchmark for establishing the Total System return.

** Includes convertible securities and private equity; excludes equity portion of tactical asset allocation portfolios.

*** Excludes fixed income and cash segments of tactical asset allocation portfolios.

**** Comprises investment accounts which tactically rebalance among stocks, bonds and cash (including foreign stocks, bonds and cash) to optimize the risk/return characteristics of the mix. The underlying assets in these accounts are generally passively invested in index vehicles.

Chart III

Total Return Performance Comparison - 5 Years

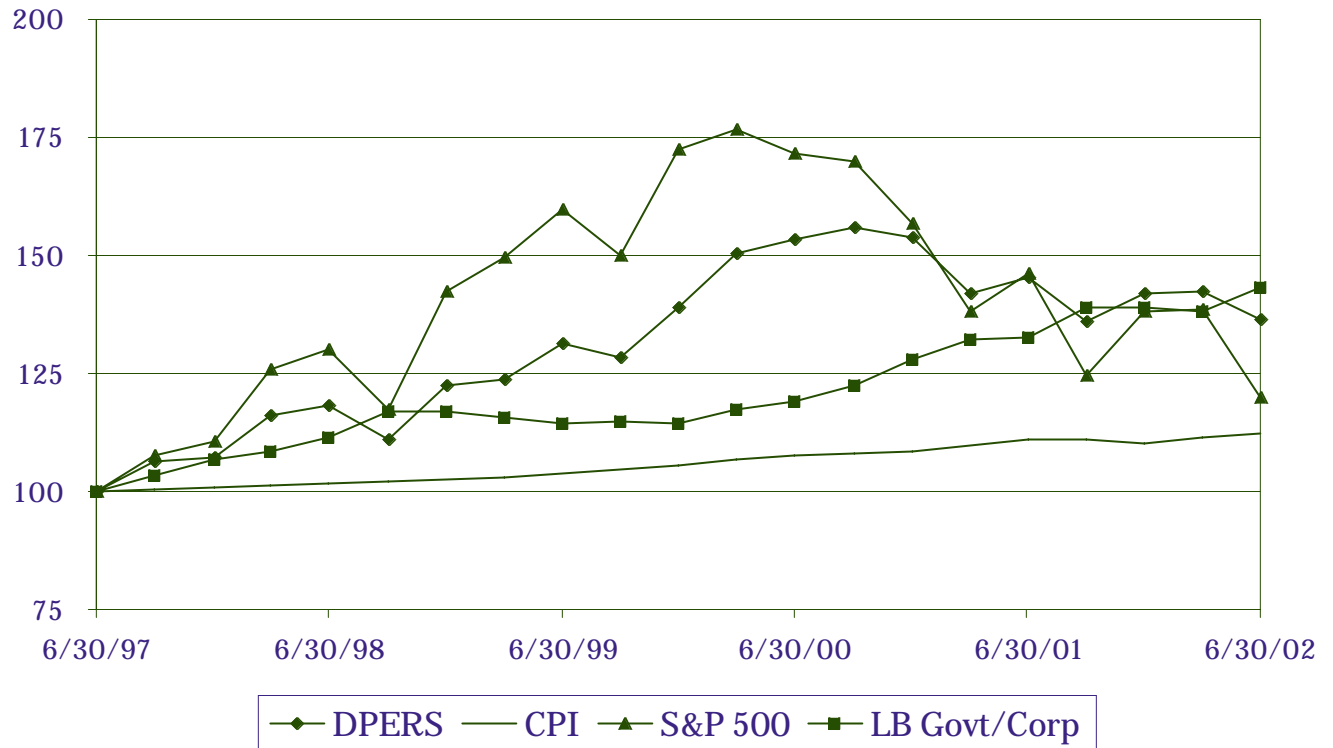
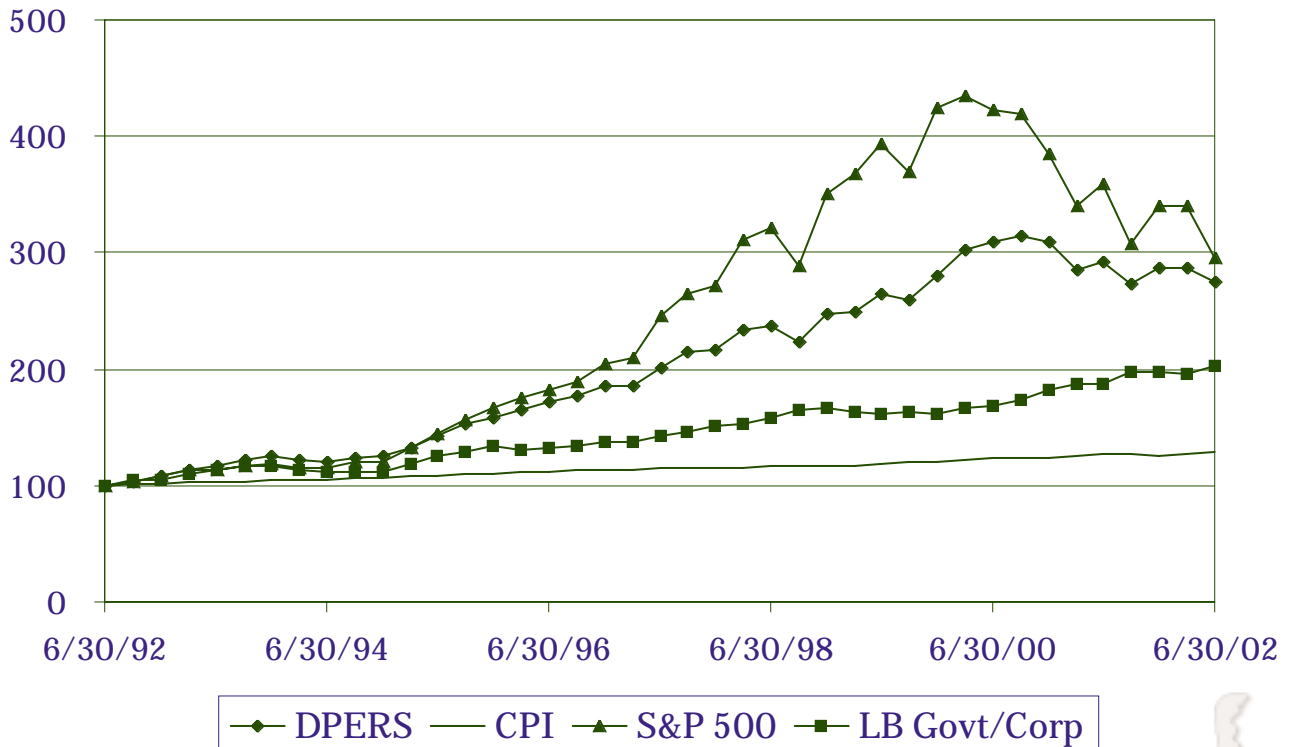


Chart IV

Total Return Performance Comparison - 10 Years



Investment Summary

(Dollar values expressed in thousands)

	Market Value as of June 30, 2002	Percent of Total Investment Assets	Total FY 2002 Investment Fees	Basis Points
<u>Equities</u>				
U.S. Equities	\$ 2,340,438	48.2%		
Intl. Equities	577,094	11.9%		
Sub-Total	\$ 2,917,532	60.1%	\$ 8,367	
<u>Fixed Income</u>				
U.S. Bonds	\$ 1,234,827	25.4%		
Intl. Bonds	132,129	2.7%		
Sub-Total	\$ 1,366,956	28.1%	\$ 2,458	
<u>Other Asset Allocations</u>				
Private Investments	\$ 480,912	9.9%		
Cash & Equivalents	92,296	1.9%		
Sub-Total	\$ 573,208	11.8%	\$ 1,024	
<u>Other Investment Services</u>				
Custodian/Investment Advisor Fees	\$ -	-	\$ 1,550	
Pension Office Support Staff Expenses	-	-	232	
Grand Totals	\$ 4,857,696	100.0%	\$ 13,631	27 bp*

* Other fees include Private Investment fees detailed on page 38. These fees have been excluded from the basis point calculation since they have already been netted from income. Basis point calculation is the weighted average based on the quarterly fund valuation.

Glossary of Terms Used

Fair Value (Market Value):

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

Time-Weighted Total Return:

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

Private Investments

Private Investments include investments in Venture Capital, Private Equity, and certain Convertible Securities.

List of Largest Assets Directly Held*
as of June 30, 2002 (excludes investments in pooled vehicles)

Equities (Includes Convertibles)	Market Value	% of Total Fund	Shares/Par (\$)
APARTMENT INV & MGMT CO CL A	\$ 16,895,280	0.35%	343,400 shares
SUN COMMUNITIES INC	12,692,000	0.26%	304,000 shares
GENERAL GROWTH PROPERTIES INC	12,428,700	0.26%	243,700 shares
VORNADO REALTY TRUST	11,854,920	0.24%	256,600 shares
EQUITY OFFICE PROPERTIES TRUST	10,395,155	0.21%	345,354 shares
CITIGROUP INC	10,330,750	0.21%	266,600 shares
AMB PROPERTY CORP	9,938,600	0.21%	320,600 shares
CENTERPOINT PROPERTIES TRUST	9,809,491	0.20%	169,100 shares
AVALONBAY COMMUNITIES INC	8,807,620	0.18%	188,600 shares
GENERAL ELECTRIC CO	8,497,125	0.18%	292,500 shares
Total	\$ 111,649,641	2.30%	

Fixed Income	Market Value	% of Total Fund	Par (\$)
UNITED STATES TREAS NTS 5.875% 11/15/04	\$ 21,256,200	0.44%	\$ 20,000,000
FEDERAL HOME LN MTG CORP NT 7.00% 7/15/2005	16,425,000	0.34%	\$ 15,000,000
FEDERAL HOME LN BANK BND 5.375% 1/05/2004	10,936,900	0.21%	\$ 10,000,000
UNITED STATES TREAS NT/BND 5.875% 9/30/2002	10,106,300	0.21%	\$ 10,000,000
FEDERAL NATIONAL MTG ASSN NT 5.750% 4/15/2003	9,767,235	0.20%	\$ 9,500,000
UNITED STATES TREAS NTS 5/25% 5/15/2004	9,146,463	0.19%	\$ 8,750,000
UNITED STATES TREAS NTS 6.5% 5/15/2005	8,212,791	0.17%	\$ 7,565,000
UNITED STATES TREAS NTS 5.75 8/15/2003	7,800,000	0.16%	\$ 7,500,000
UNITED STATES TREAS NTS 7.0% 7/15/2006	6,991,669	0.14%	\$ 6,260,000
LOEWS CORP SUB NT CONV 3.125% 9/15/2007	6,893,870	0.14%	\$ 7,850,000
Total	\$ 107,536,428	2.20%	

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



Schedule of Broker Commissions

The System has no commission recapture, directed payment, or “soft dollar” arrangements; however, such arrangements may exist between brokers and investment managers. Increased broker commissions during this fiscal year are due to transactional costs associated with major manager changes during the period. During fiscal year 2002, the System received \$20,000 in unsolicited commission recapture. Broker selection is the responsibility of individual investment managers.

Appendix A (on page 62) is a schedule of commissions paid during fiscal 2002 which totaled over \$20,000. Appendix B (pages 63-65) is a complete schedule of all commissions paid during fiscal 2002.

**Appendix - A
Schedule of Broker Commissions Over \$20,000**

The following is a list of brokers who received \$20,000 or more in commissions during Fiscal Year 2002.

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
LEHMAN BROTHERS INC	5,976,519	\$0.05	\$162,504,961.89	\$269,248.90
CS FIRST BOSTON CORPORATION	5,194,492	\$0.05	\$140,134,644.40	\$244,483.74
DEUTSCHE BANC ALEX BROWN INC	10,893,282	\$0.02	\$222,464,883.71	\$240,599.61
INVESTMENT TECHNOLOGY GROUP	10,032,811	\$0.02	\$256,075,034.02	\$200,493.34
SALOMON SMITH BARNEY INC	3,778,740	\$0.05	\$103,363,997.77	\$175,851.60
B-TRADE SECURITIES LLC	8,165,142	\$0.02	\$126,324,746.53	\$162,002.94
BEAR STEARNS & CO INC	2,957,959	\$0.05	\$70,390,012.29	\$136,380.42
FIRST UNION CAPITAL MARKETS	2,034,200	\$0.06	\$64,974,981.23	\$114,118.00
MERRILL LYNCH PIER FEN SMITH	1,942,324	\$0.05	\$62,162,238.92	\$96,880.20
LEGG MASON WOOD WALKER	1,706,316	\$0.05	\$42,146,783.43	\$85,315.80
GOLDMAN SACHS & CO	1,434,062	\$0.05	\$34,853,207.90	\$73,400.60
CIBC OPPENHEIMER CORP	1,363,633	\$0.05	\$30,086,996.06	\$61,686.32
AUTRANET INC	1,540,800	\$0.04	\$35,866,388.71	\$61,211.00
MORGAN STANLEY & CO	1,249,947	\$0.05	\$21,437,252.90	\$58,976.55
SPEAR, LEEDS & KELLOGG	1,940,668	\$0.03	\$60,970,893.77	\$50,364.80
PRUDENTIAL SECURITIES	786,100	\$0.05	\$21,671,453.17	\$39,471.00
J. P. MORGAN SECURITIES INC	768,540	\$0.05	\$18,971,851.43	\$38,566.00
BANC/AMERICA SECURITIES LLC	779,313	\$0.04	\$14,212,334.78	\$34,690.65
JEFFERIES & CO INC	821,300	\$0.04	\$16,716,911.00	\$33,667.00
CANTOR FITZGERALD & CO	647,679	\$0.05	\$15,504,947.38	\$32,765.95
COWEN & COMPANY	623,310	\$0.05	\$11,757,018.30	\$31,163.50
CHARLES SCHWAB & CO	874,330	\$0.03	\$14,850,175.71	\$27,805.90
WARBURG DILLON READ INC	435,350	\$0.05	\$12,708,681.97	\$22,566.50
THOMAS WEISEL PARTNERS, LLC	436,000	\$0.05	\$7,092,197.15	\$21,800.00
RAYMOND JAMES & ASSOC	430,900	\$0.05	\$9,414,708.72	\$21,422.60

**Appendix - B
Broker Commission Summary for Fiscal Year 2002**

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
ABEL NOSER CORPORATION	325,400	\$0.01	\$6,430,114.25	\$4,822.70
ABN AMRO SECURITIES LLC	167,000	\$0.05	\$3,792,300.01	\$8,350.00
ADAMS HARKNESS & HILL	144,100	\$0.05	\$2,451,462.32	\$7,205.00
ADVEST INC	16,200	\$0.05	\$272,255.58	\$810.00
ARCHIPELAGO	18,000	\$0.01	\$276,249.71	\$180.00
ARNHOLD & S. BLEICHROEDER INC	1,100	\$0.05	\$42,691.87	\$55.00
AUTRANET INC	1,540,800	\$0.04	\$35,866,388.71	\$61,211.00
AVALON RESEARCH GROUP INC	900	\$0.05	\$41,303.75	\$45.00
B-TRADE SECURITIES LLC	8,165,142	\$0.02	\$126,324,746.53	\$162,002.94
BAIRD, ROBERT W	290,200	\$0.05	\$7,958,508.45	\$14,510.00
BANC/AMERICA SECURITIES, LLC	779,313	\$0.04	\$14,212,334.78	\$34,690.65
BARING SECURITIES INC	48,400	\$0.05	\$1,190,827.10	\$2,420.00
BARRINGTON RESEARCH ASSOC	100	\$0.05	\$1,866.44	\$5.00
BEAR STEARNS & CO INC	2,957,959	\$0.05	\$70,390,012.29	\$136,380.42
BERNSTEIN SANFORD & CO INC	351,300	\$0.05	\$9,790,326.10	\$17,565.00
BLACK AND COMPANY	200	\$0.05	\$2,996.18	\$10.00
BLAIR, WILLIAM & CO	133,400	\$0.05	\$3,876,373.96	\$6,670.00
BMO NESBITT BURNS INC	4,900	\$0.03	\$77,905.10	\$156.80
BNY CLEARING SERVICES LLC	28,200	\$0.05	\$351,445.32	\$1,410.00
BRIDGE TRADING CO	190,975	\$0.05	\$4,622,929.33	\$9,148.50
BROADCORT CAPITAL CORP	2,800	\$0.02	\$19,591.70	\$64.00
BTN RESEARCH/EQUITY	14,600	\$0.05	\$993,047.44	\$730.00
BUCKINGHAM RESEARCH GROUP	8,000	\$0.05	\$903,840.00	\$400.00
BUNTING WARBURG INCORPORATED	7,300	\$0.03	\$54,832.49	\$233.60
CANTOR FITZGERALD & CO	647,679	\$0.05	\$15,504,947.38	\$32,765.95
CIBC OPPENHEIMER CORP	1,363,633	\$0.05	\$30,086,996.06	\$61,686.32
CIBC WOOD GUNDY/CIBC	26,500	\$0.05	\$200,278.74	\$848.00
CITATION GROUP, THE	107,500	\$0.05	\$2,421,939.82	\$5,375.00
CJS SECURITIES	9,500	\$0.05	\$442,947.90	\$475.00
CLEARY, GULL, REILAND & MCDEVITT	8,300	\$0.05	\$232,697.07	\$415.00
CORRESPONDENT SERVICES CORP	15,100	\$0.04	\$519,779.93	\$655.00
COWEN & COMPANY	623,310	\$0.05	\$11,757,018.30	\$31,165.50
CREDIT SUISSE FIRST BOSTON CORP	5,194,492	\$0.05	\$140,134,644.40	\$244,483.74
CRUTTENDEN & COMPANY	6,200	\$0.05	\$176,111.00	\$310.00
DAIN RAUSCHER INCORPORATED	179,300	\$0.05	\$4,089,401.18	\$8,965.00
DAVIDSON, D.A. & COMPANY INC	11,800	\$0.05	\$246,940.11	\$590.00
DEUTSCHE BANC ALEX BROWN INC	10,893,282	\$0.02	\$222,464,883.71	\$240,599.61
DONALDSON LUFKIN & JENRETTE	102,700	\$0.05	\$2,844,649.41	\$5,135.00
DRESDNER SECURITIES (USA) INC	4,600	\$0.05	\$199,662.20	\$230.00
EDWARDS, A. G. & SONS INC	19,900	\$0.05	\$630,616.47	\$995.00
ERNST & CO	6,500	\$0.05	\$259,977.86	\$325.00
ESI SECURITIES COMPANY	159,901	\$0.05	\$5,476,666.37	\$7,995.07
FACTSET DATA SYSTEMS/BCC CLR	5,200	\$0.05	\$210,173.54	\$260.00

(continued on next page)

Broker Commission Summary (continued)

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
FAHNESTOCK & CO	56,100	\$0.05	\$1,481,811.02	\$2,805.00
FIDELITY CAPITAL MARKETS	183,000	\$0.05	\$3,415,719.86	\$9,150.00
FIRST ALBANY CORP	154,170	\$0.05	\$3,871,304.34	\$7,708.50
FIRST ANALYSIS SECURITIES CORP	200	\$0.05	\$2,997.03	\$10.00
FIRST TENNESSEE SEC CORP	61,800	\$0.05	\$1,961,428.26	\$3,090.00
FIRST UNION CAPITAL MARKETS	2,034,200	\$0.06	\$64,974,981.23	\$114,118.00
FOX-PITT, KELTON, INC	37,000	\$0.05	\$2,018,727.34	\$1,850.00
FRIEDMAN BILLINGS & RAMSEY	72,300	\$0.05	\$2,371,885.25	\$3,615.00
GERARD KLAUER MATTISON & CO	114,500	\$0.05	\$5,058,425.71	\$5,725.00
GERSON LEHRMAN GROUP	1,200	\$0.05	\$45,704.28	\$60.00
GLAZER, C. L. & COMPANY, INC	11,400	\$0.05	\$443,394.60	\$570.00
GOLDMAN SACHS & CO	1,434,062	\$0.05	\$34,853,207.90	\$73,400.60
GRIFFITH MCBURNEY & PARTNERS	4,800	\$0.03	\$74,655.84	\$153.60
GRUNTAL & COMPANY INC	140,960	\$0.05	\$2,546,817.73	\$7,048.00
HAMBRECHT, W. R. & COMPANY LLC	59,000	\$0.05	\$1,439,897.84	\$2,950.00
HENDERSON BROTHERS INC	4,300	\$0.05	\$71,017.51	\$215.00
HIBERNIA SOUTHCOAST CAPITAL	94,100	\$0.05	\$1,851,008.14	\$4,705.00
HOWARD, WEIL, LABOUISSIE, FRIEDRICH	40,400	\$0.05	\$837,636.58	\$1,641.87
HSBC SECURITIES, INC	24,400	\$0.03	\$181,285.07	\$780.80
INSTINET	376,380	\$0.03	\$7,751,590.84	\$10,048.10
INVESTEC ERNST & CO	98,880	\$0.04	\$1,630,346.08	\$3,908.00
INVESTMENT TECHNOLOGY GROUP	10,032,811	\$0.02	\$256,075,034.02	\$200,493.34
ISI GROUP, INC. C/T BEAR STEARS	600	\$0.05	\$18,153.11	\$30.00
JANNEY MONTGOVERY SCOTT INC	188,995	\$0.05	\$3,927,816.52	\$9,449.75
JEFFERIES & CO INC	821,300	\$0.04	\$16,716,911.00	\$33,667.00
JONES ASSOCIATED 4TH	226,600	\$0.03	\$3,769,516.41	\$7,348.00
KAUFMAN BROTHERS	100	\$0.05	\$5,117.69	\$5.00
KEEFE BRUYETTE & WOODS INC	102,300	\$0.05	\$3,275,325.59	\$5,115.00
KING, C. L. & ASSOCIATES	2,100	\$0.05	\$42,946.92	\$105.00
KNIGHT SEC BROADCORT CAP	600	\$0.02	\$268.19	\$12.00
LA BRANCHE FINANCIAL SERVICES	296,000	\$0.04	\$6,468,552.40	\$13,172.00
LAZARD FRERES & COMPANY	94,200	\$0.05	\$1,974,562.09	\$4,710.00
LEERINK SWANN & COMPANY	270,300	\$0.05	\$7,675,625.58	\$13,515.00
LEGG MASON WOOD WALKER	1,706,316	\$0.05	\$42,146,783.43	\$85,315.80
LEHMAN BROTHERS INC	5,976,519	\$0.05	\$162,504,961.89	\$269,248.90
LIQUIDNET INC	77,500	\$0.02	\$1,670,013.05	\$1,550.00
LYNCH JONES & RYAN INC/JEFERIES	500	\$0.05	\$19,581.75	\$25.00
MCDONALD & COMPANY	199,800	\$0.05	\$4,080,383.32	\$9,990.00
MERRILL LYNCH PIERCE FENNER SMITH	1,942,324	\$0.05	\$62,162,238.92	\$96,880.20
MONNESS, CRESPI, HARDT & CO INC	2,300	\$0.05	\$10,299.86	\$115.00
MORGAN, J. P. SECURITIES INC	768,540	\$0.05	\$18,971,851.43	\$38,566.00
MORGAN KEEGAN & CO INC	91,300	\$0.05	\$4,158,644.65	\$4,565.00
MORGAN STANLEY & COMPANY	1,249,947	\$0.05	\$21,437,252.90	\$58,976.55
NATIONAL INVESTOR SERV CORP	60,000	\$0.03	\$592,906.11	\$1,920.00
NEEDHAM & COMPANY	220,200	\$0.05	\$4,086,110.74	\$11,010.00

(continued on next page)



Broker Commission Summary (continued)

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
NESBITT BURNS	56,707	\$0.04	\$610,638.36	\$1,996.74
NEUBERGER & BERMAN	26,100	\$0.05	\$1,074,157.75	\$1,305.00
O'NEIL, WILLIAM & CO INC	200	\$0.05	\$6,046.88	\$10.00
PFORZHEIMER, CARL H. & COMPANY	900	\$0.05	\$28,821.62	\$45.00
PRECURSOR GROUP INC	6,300	\$0.05	\$332,890.01	\$315.00
PRUDENTIAL SECURITIES, INC	786,100	\$0.05	\$21,671,453.17	\$39,471.00
PULSE TRADING LLC	528,000	\$0.04	\$9,258,860.83	\$19,348.00
PUTNAM LOVELL DE GUARDIOLA	74,350	\$0.05	\$2,449,800.32	\$3,717.50
QUARKER SECURITIES INC	2,800	\$0.03	\$65,119.04	\$84.00
RAYMOND JAMES & ASSOCIATES	430,900	\$0.05	\$9,414,708.72	\$21,422.60
RBC DOMINION SECURITIES CORP	16,200	\$0.03	\$301,632.66	\$518.40
REYNDERS, GRAY & COMPANY	11,200	\$0.05	\$487,060.00	\$560.00
ROBB, PECK, MCCOOEY CORP	71,800	\$0.03	\$1,662,873.92	\$2,282.00
ROBERTSON, STEPHENS & CO	291,350	\$0.05	\$6,799,063.59	\$14,567.50
ROBINSON HUMPHREY CO INC	223,000	\$0.05	\$5,575,193.00	\$11,150.00
SALOMON SMITH BARNEY INC	3,778,740	\$0.05	\$103,363,997.77	\$175,851.60
SANDERS MORRIS MUNDY	98,200	\$0.05	\$2,734,674.41	\$4,910.00
SANDLER O'NEILL & PARTNERS LP	327,300	\$0.05	\$11,207,182.37	\$16,365.00
SCHWAB, CHARLES & COMPANY	874,330	\$0.03	\$14,850,175.71	\$27,805.90
SCOTIA CAPITAL MARKETS (USA) INC	25,000	\$0.04	\$247,247.50	\$1,000.00
SESLIA SECURITIES	6,600	\$0.05	\$273,235.88	\$330.00
SIMMONS & CO INTERNATIONAL	500	\$0.05	\$19,021.14	\$25.00
SOUNDVIEW TECHNOLOGY GROUP	364,200	\$0.05	\$6,266,082.53	\$18,210.00
SOUTHCOAST CAPITAL LLC	61,700	\$0.05	\$1,296,966.36	\$3,085.00
SOUTHWEST SECURITIES INC	103,600	\$0.05	\$2,025,262.67	\$5,180.00
SPEAR, LEEDS & KELLOGG	1,940,668	\$0.03	\$60,970,893.77	\$50,364.80
SPELMAN & COMPANY	57,000	\$0.05	\$2,045,225.90	\$2,850.00
STANDARD & POOR'S SECURITIES INC	137,000	\$0.05	\$3,205,283.18	\$6,850.00
STATE STREET BROKERAGE SERVICES INC	4,000	\$0.05	\$85,200.00	\$200.00
STEPHENS INC	10,100	\$0.05	\$206,418.66	\$505.00
STUART FRANKEL & COMPANY	2,300	\$0.05	\$96,389.22	\$115.00
TD SECURITIES INC	100	\$0.02	\$6,732.00	\$2.00
TROSTER SINGER CORP	366,200	\$0.05	\$8,201,480.28	\$18,310.00
U.S. BANCORP PIPER JAFFRAY INC	165,300	\$0.05	\$3,608,491.45	\$8,265.00
U.S. CLEARING INST TRADING	20,700	\$0.04	\$877,441.64	\$831.00
UBS WARBURG	197,800	\$0.04	\$5,793,468.47	\$8,190.13
UNTERBERG HARRIS	100	\$0.05	\$1,464.95	\$5.00
VAN DER MOOLEN SPEC USA LLC RETAIL	2,500	\$0.05	\$125,125.00	\$125.00
VAN KASPER & CO	92,200	\$0.05	\$1,716,001.15	\$4,610.00
WARBURG DILLON READ INC	450,350	\$0.05	\$12,708,681.97	\$22,566.50
WATLEY, A. B. INC	125,100	\$0.03	\$3,252,229.47	\$3,753.00
WEDBUSH MORGAN SECURITIES INC.	100	\$0.05	\$1,058.12	\$5.00
WEEDEN & COMPANY	276,300	\$0.05	\$10,946,763.08	\$13,181.00
WEISEL, THOMAS PARTNERS, LLC	436,000	\$0.05	\$7,092,197.15	\$21,800.00
WEISS PECK & GREER	24,900	\$0.03	\$564,990.91	\$845.00
TOTALS	76,390,785		\$1,809,637,083.46	\$2,764,615.48
Average Cents per Share		\$0.0362		

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

Actuarial Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

A MILLIMAN GLOBAL FIRM



Milliman USA

Consultants and Actuaries

8000 Towers Crescent Drive, Suite 1000
Vienna, VA 22182-3700
Tel + 1 703 917.0143
Fax + 1 703 927.9266
www.milliman.com

September 3, 2002

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

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2002. The results of these valuations are contained in this report. Any distribution of this report must be in its entirety, including this cover letter, unless prior written consent is obtained.

Funding Objective

The funding objective of the System is to establish contribution rates which, over time, will remain level as a percent of payroll. In order to achieve this, a contribution rate has been determined which will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus level percent of payroll amortizations of each layer of the unfunded liability over the periods disclosed on page 44 of the CAFR. This funding objective is currently being realized.

Furthermore, each of the plans is subject to statutory funding requirements which, in our judgement, are in conformity with generally accepted actuarial principles and practices. To our knowledge, the State has consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

Assumptions

The actuarial assumptions and methods used in these valuations have been recommended by the actuary and adopted by the Board of Trustees. The assumptions are annually screened for their continued applicability to this plan. We believe that the assumptions and methods are reasonable, and in the aggregate represent our best estimate of anticipated experience under the plans. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*.



Board of Pension Trustees
 September 3, 2002
 Page 2

Reliance on Others

In preparing our report, we relied, without audit, on employee census data provided by the Delaware State Pension Office. Census data provided by the Office has been reviewed for reasonableness, and for consistency with the data used in prior years. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

Supporting Schedules

The figures disclosed in Schedule 1 of the Supporting Schedules to the Financial Section were provided by Milliman USA, as were the Notes to Trend Data. In addition, we were responsible for the following schedules to be found in the Actuarial Section: Actuarial Assumptions and Methods, Schedule of Active Member Valuation Data, Solvency Test.

Certification

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

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

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

Sincerely,

Milliman USA

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

Actuarial Assumptions and Methods

Asset Valuation Method

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

In order to produce a stable pattern of contribution rates, market values are adjusted so that some of the volatility is removed. The actuarial value of assets has been calculated by taking 1/5th of the market value plus 4/5th of the expected value, where the expected value is last year's actuarial value and subsequent cash flows into and out of the System accumulated with interest at the valuation rate (8.5%).

Funding Method

All plans currently use the Aggregate Entry Age Normal Method with projection to determine costs. In prior years, the municipal plans used a modification of this method known as the Frozen Initial Liability Method. Under the Entry Age method, a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded liability rate (UAL). In addition, the overall contribution rate includes a provision for the plan's expenses.

For each State plan, an Individual Entry Age Normal cost rate is determined for the typical new entrant of each respective plan. This rate is determined by taking the value, as of entry into the plan, of the member's projected future benefits less the member's projected future employee contributions, and dividing it by the value, also as of the member's entry age, of his expected future salary.

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

A portion of the unfunded liability will be paid through future, scheduled transfers from the Post-Retirement Increase Fund (PRI). These transfers will cover the liability increases due to the cost-of-living increases granted on July 1, 1997, July 1, 1998, July 1, 1999, July 1, 2000, and July 1, 2001. The remaining unfunded actuarial liability will be amortized over the next 15 years (for the State Employees' Plan, 19 years for the Judiciary Plan, 18 years for the New State Police Plan, 25 years for the Volunteer Firemen's Plan, and 20 years for the Diamond State Corporation Plan) through the unfunded liability amortization component of the total contribution.



Actuarial Assumptions

The assumptions used for the actuarial valuation were recommended by the actuary and adopted by the Board of Pension Trustees based upon an ongoing analysis of the plans' experience. Differences between assumed and actual experience (actuarial gains and losses) are part of the unfunded actuarial liabilities. The following significant assumptions were used in the actuarial valuations as of July 1, 2002:

1. a rate of return on investments of 8.5% compounded annually (adopted 1990);
2. projected salary increases of 5% compounded annually, attributable to inflation (adopted 1983);
3. additional projected salary increases ranging from ½% to 5% per year attributable to seniority, productivity, and merit (adopted 1985);
4. rates of mortality are based on the 1983 Group Annuity Mortality Table in all cases except for the Diamond State Port Corporation Plan which uses the UP-84 Mortality Table with ages set forward two years for males and set back three years for females (adopted 1984). Sample rates from all of these tables follow:

<u>Age</u>	<u>1983 GAM</u>		<u>UP84 (+2, -3)</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
35	0.09%	0.05%	0.16%	0.12%
40	0.12%	0.07%	0.26%	0.16%
45	0.22%	0.10%	0.42%	0.26%
50	0.39%	0.16%	0.69%	0.42%
55	0.61%	0.25%	1.08%	0.69%
60	0.92%	0.42%	1.70%	1.08%

5. rates of termination of service, disablement, and retirement are based on continuous monitoring of actual experience (adopted 1999); and
6. the aggregate active member payroll is assumed to increase by 4% annually (adopted 1976).

Summary of Plan Provisions and Changes in Plan Provisions

The plans valued are those described on pages 30-34 of the Financial Section. As of July 1, 2002, there were no significant plan changes in any of the plans, which are not reflected in the aforementioned plan descriptions.

Schedule of Active Member Valuation Data

Plan:	Fiscal Year Ended	Number of Members	Annualized Covered Payroll <i>(Expressed in thousands)</i>		Annual Average Pay	% Increase in Average Pay
State Employees'	6/30/2002	31,951	\$	1,351,112	\$ 42,287	6.5%
	6/30/2001	31,989		1,270,632	39,721	5.2%
	6/30/2000	31,740		1,198,626	37,764	6.1%
	6/30/1999	31,634		1,125,857	35,590	(0.1%)
	6/30/1998	30,031		1,070,052	35,632	4.9%
	6/30/1997	30,163		1,024,976	33,981	1.9%
Special	The Special Plan has no Active Members					
New State Police	6/30/2002	553	\$	281	\$ 54,758	6.8%
	6/30/2001	539		27,624	51,250	5.7%
	6/30/2000	527		25,558	48,497	6.4%
	6/30/1999	516		23,518	45,578	5.3%
	6/30/1998	496		21,462	43,270	4.6%
	6/30/1997	465		19,227	41,348	4.5%
Judiciary	6/30/2002	53	\$	7,329	\$ 138,283	8.5%
	6/30/2001	50		6,371	127,420	7.8%
	6/30/2000	49		5,794	118,245	0.1%
	6/30/1999	48		5,673	118,118	8.5%
	6/30/1998	47		5,118	108,894	(1.0%)
	6/30/1997	45		4,948	109,959	3.3%
County & Municipal Police/Firefighters'	6/30/2002	505	\$	21,342	\$ 42,261	4.1%
	6/30/2001	483		19,605	40,590	3.4%
	6/30/2000	459		18,011	39,240	4.9%
	6/30/1999	407		15,230	37,420	13.1%
	6/30/1998	354		11,712	33,085	5.9%
	6/30/1997	295		9,215	31,237	4.7%



Schedule of Active Member Valuation Data (continued)

Plan:	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (Expressed in thousands)	Annual Average Pay	% Increase in Average Pay
County & Municipal	6/30/2002	90	\$ 2,545	\$ 28,278	4.9%
Other Employees'	6/30/2001	85	2,292	26,965	(0.4%)
	6/30/2000	74	2,004	27,081	9.5%
	6/30/1999	69	1,706	24,725	8.9%
	6/30/1998	61	1,385	22,705	(7.7%)
	6/30/1997	52	1,279	24,595	16.7%
Volunteer Firemen's	6/30/2002	4,856	\$ -	\$ -	-
	6/30/2001	4,769	-	-	-
	6/30/2000	4,579	-	-	-
	6/30/1999	4,706	-	-	-
	6/30/1998	4,651	-	-	-
	6/30/1997	4,621	-	-	-
Diamond State Port	6/30/2002	280	\$ 9,354	\$ 33,407	3.4%
Corporation	6/30/2001	272	8,788	32,309	(4.9%)
	6/30/2000	227	7,715	33,987	(7.9%)
	6/30/1999	207	7,637	36,894	0.3%
	6/30/1998	183	6,731	36,781	(1.7%)
	6/30/1997	110	4,116	37,422	9.1%
Closed State Police	6/30/2002	40	\$ 3,105	\$ 77,625	7.6%
	6/30/2001	45	3,247	72,156	5.8%
	6/30/2000	57	3,888	68,211	3.8%
	6/30/1999	75	4,930	65,733	4.6%
	6/30/1998	87	5,466	62,828	6.6%
	6/30/1997	97	5,716	58,929	6.7%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Plan:	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances <i>(Expressed in thousands)</i>	% Increase in Annual Allowances	Average Annual Allowances
State Employees'	6/30/2002	1241	659	16,233	\$ 197,940	12.9%	\$ 12,194
	6/30/2001	1,174	722	15,651	175,312	10.2%	11,201
	6/30/2000	1,135	611	15,199	159,122	9.4%	10,469
	6/30/1999	1,076	536	14,675	145,391	9.3%	9,907
	6/30/1998	892	566	14,135	133,018	7.7%	9,410
	6/30/1997	892	594	13,809	123,478	8.6%	8,942
Special	6/30/2002	1	4	36	\$ 125	(7.4%)	\$ 3,472
	6/30/2001	2	5	39	135	1.5%	3,462
	6/30/2000	-	1	42	133	0.8%	3,167
	6/30/1999	2	4	43	132	5.6%	3,070
	6/30/1998	2	-	45	125	(3.0%)	2,895
	6/30/1997	2	4	43	129	(2.7%)	2,985
New State Police	6/30/2002	6	1	16	\$ 460	59.2%	\$ 28,750
	6/30/2001	6	-	11	289	74.1%	26,273
	6/30/2000	-	-	5	166	46.9%	33,200
	6/30/1999	-	-	5	113	(7.4%)	22,600
	6/30/1998	-	-	5	122	41.1%	24,372
	6/30/1997	1	-	5	87	0.9%	17,272
Judiciary	6/30/2002	2	3	37	\$ 1,889	(3.1%)	\$ 51,054
	6/30/2001	4	3	38	1,949	18.7%	51,289
	6/30/2000	5	1	37	1,642	9.6%	44,378
	6/30/1999	3	-	33	1,498	10.5%	45,394
	6/30/1998	5	3	30	1,356	6.8%	45,203
	6/30/1997	-	2	28	1,268	7.2%	45,333
County & Municipal Police/Firefighters'	6/30/2002	1	1	11	\$ 178	17.9%	\$ 16,182
	6/30/2001	6	-	11	151	118.8%	13,727
	6/30/2000	-	-	5	69	6.2%	13,800
	6/30/1999	2	-	5	65	85.7%	13,000
	6/30/1998	-	-	3	35	10.5%	11,795
	6/30/1997	-	-	3	32	1.7%	10,672



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

Plan:	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances <i>(Expressed in thousands)</i>	% Increase in Annual Allowances	Average Annual Allowances
County & Municipal	6/30/2002	1	-	11	\$ 41	57.7%	\$ 3,727
Other Employees'	6/30/2001	1	-	10	26	23.8%	2,600
	6/30/2000	1	-	9	21	50.0%	2,333
	6/30/1999	1	-	8	14	(6.7%)	1,750
	6/30/1998	-	-	7	15	0.0%	2,161
	6/30/1997	-	-	7	15	1.9%	2,161
Volunteer Firemen	6/30/2002	86	48	1,169	\$ 1,016	4.6%	\$ 869
	6/30/2001	60	32	1,131	971	5.5%	859
	6/30/2000	66	42	1,103	920	3.4%	834
	6/30/1999	73	33	1,079	890	6.5%	825
	6/30/1998	68	38	1,039	836	3.1%	805
	6/30/1997	68	50	1,009	811	2.7%	804
Diamond State Port Corporation	6/30/2002	4	-	14	\$ 153	56.1%	\$ 10,929
	6/30/2001	3	-	10	98	30.7%	9,800
	6/30/2000	1	1	7	75	(14.8%)	10,714
	6/30/1999	2	1	7	88	66.0%	12,571
	6/30/1998	1	-	6	53	64.8%	8,894
	6/30/1997	4	-	5	33	1,292.0%	6,476
Closed State Police	6/30/2002	10	10	548	\$ 18,167	6.6%	\$ 33,151
	6/30/2001	13	6	548	17,040	6.0%	31,095
	6/30/2000	22	4	541	16,078	3.9%	29,719
	6/30/1999	21	14	523	15,481	3.1%	29,600
	6/30/1998	16	11	516	15,018	3.8%	29,105
	6/30/1997	15	12	511	14,465	4.1%	28,308

Solvency Test

(Dollar values expressed in thousands)

Plan:	Valuation Date	Aggregate Accrued Liabilities for						Portion of			
		Active Member		Active Member		Active Member		Accrued Liabilities			
		Contributions	Retirants & Beneficiaries	Contributions	Employer Financed	Contributions	Market Value of	by Reported Assets			
	(1)	(2)	(3)	Reported Assets	(1)	(2)	(3)				
State Employees'	6/30/2002	\$ 361,334	\$ 1,768,363	\$ 2,392,035	\$ 4,635,565	100%	100%	105%			
	6/30/2001	343,466	1,597,526	2,291,252	5,057,849	100%	100%	136%			
	6/30/2000	325,684	1,453,396	1,990,516	5,428,898	100%	100%	183%			
	6/30/1999	307,831	1,333,509	1,708,787	4,700,554	100%	100%	179%			
	6/30/1998	291,421	1,231,545	1,612,699	4,277,736	100%	100%	171%			
	6/30/1997	269,295	1,154,814	1,391,686	3,651,457	100%	100%	160%			
Special	6/30/2002	\$ -	\$ 742	\$ -	\$ 1,765	-	238%	-			
	6/30/2001	-	993	-	2,049	-	206%	-			
	6/30/2000	-	834	-	2,325	-	279%	-			
	6/30/1999	-	826	-	2,131	-	258%	-			
	6/30/1998	-	899	-	2,090	-	232%	-			
	6/30/1997	-	797	-	1,906	-	239%	-			
New State Police	6/30/2002	\$ 16,838	\$ 5,057	\$ 70,033	\$ 100,637	100%	100%	112%			
	6/30/2001	14,571	2,909	62,560	102,804	100%	100%	136%			
	6/30/2000	12,600	1,495	54,272	104,462	100%	100%	167%			
	6/30/1999	10,680	1,319	42,714	85,827	100%	100%	173%			
	6/30/1998	9,258	1,337	36,483	73,521	100%	100%	172%			
	6/30/1997	8,064	1,188	31,373	58,929	100%	100%	158%			
Judiciary	6/30/2002	\$ 2,300	\$ 15,705	\$ 12,117	\$ 26,945	100%	100%	74%			
	6/30/2001	1,932	16,622	11,081	28,629	100%	100%	91%			
	6/30/2000	1,803	14,727	11,578	30,293	100%	100%	119%			
	6/30/1999	1,064	12,131	12,207	25,494	100%	100%	101%			
	6/30/1998	1,437	11,463	11,275	22,698	100%	100%	87%			
	6/30/1997	1,331	9,704	10,637	18,958	100%	100%	74%			
County & Municipal Police/Firefighters'	6/30/2002	\$ 6,114	\$ 1,838	\$ 22,392	\$ 31,671	100%	100%	106%			
	6/30/2001	4,748	1,950	22,767	29,694	100%	100%	101%			
	6/30/2000	3,287	643	19,652	27,560	100%	100%	120%			
	6/30/1999	2,096	643	14,958	20,212	100%	100%	117%			
	6/30/1998	1,803	303	10,762	15,145	100%	100%	121%			
	6/30/1997	1,330	304	7,752	10,959	100%	100%	120%			



Solvency Test (continued)

(Dollar values expressed in thousands)

Plan:	Valuation Date	Aggregate Accrued Liabilities for						Portion of			
		Active Member		Retirants & Beneficiaries		Active Member Employer Financed		Accrued Liabilities			
		Contributions	(1)	Beneficiaries	(2)	Contributions	(3)	Market Value of Reported Assets	(1)	(2)	(3)
County & Municipal	6/30/2002	\$ 314	\$ 355	\$ 2,147	\$ 2,735	100%	100%	96%			
Other Employees'	6/30/2001	283	283	2,396	2,832	100%	100%	95%			
	6/30/2000	227	185	2,192	2,819	100%	100%	110%			
	6/30/1999	130	144	1,918	2,092	100%	100%	91%			
	6/30/1998	170	120	1,262	1,704	100%	100%	112%			
	6/30/1997	132	123	1,019	1,357	100%	100%	108%			
Volunteer Firemen's	6/30/2002	\$ 3,419	\$ 7,574	\$ 3,947	\$ 8,697	100%	70%	-			
	6/30/2001	2,308	7,186	4,343	9,536	100%	100%	1%			
	6/30/2000	2,784	6,887	3,757	10,254	100%	100%	8%			
	6/30/1999	2,744	6,655	3,678	8,897	100%	92%	-			
	6/30/1998	2,521	6,351	3,619	8,162	100%	89%	-			
	6/30/1997	2,311	6,053	3,648	6,901	100%	76%	-			
Diamond State Port Corporation	6/30/2002	\$ 997	\$ 1,252	\$ 4,368	\$ 6,015	100%	100%	86%			
	6/30/2001	670	913	4,035	6,115	100%	100%	112%			
	6/30/2000	626	584	4,012	6,053	100%	100%	121%			
	6/30/1999	542	624	3,785	4,777	100%	100%	95%			
	6/30/1998	632	467	3,369	3,833	100%	100%	84%			
	6/30/1997	337	431	3,094	2,891	100%	100%	69%			
Closed State Police	6/30/2002	\$ 1,643	\$ 288,736	\$ 28,308	\$ 2,209	100%	-	-			
	6/30/2001	2,757	274,477	28,960	2,009	73%	-	-			
	6/30/2000	3,248	264,722	34,825	1,687	52%	-	-			
	6/30/1999	4,021	256,445	43,970	1,345	33%	-	-			
	6/30/1998	4,285	255,383	48,896	1,029	24%	-	-			
	6/30/1997	4,374	250,364	50,021	731	17%	-	-			

Analysis of Financial Experience for the State Employees' Pension Plan

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

Type of Activity	Gain/(Loss) for the Fiscal Years Ending June 30,					
	2002	2001	2000	1999	1998	1997
Investment Income on Actuarial Assets	\$ (80,148)	74,705	254,955	202,925	209,366	159,984
Combined Liability Experience	(2,626)	(182,632)*	4,349	39,854	3,073	60,984
Gain/(Loss) During Year from						
Financial Experience	\$ (82,774)	(107,927)	259,304	242,779	212,439	220,968
Non-Recurring Items	-	(12,431)**	(202,468)	(41,170)	(134,164)	(23,322)
Composite Gain/(Loss) During Year	\$ (82,774)	(131,358)	56,836	201,609	78,275	197,646

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

** PRI increase of 1.5% funded from PRI Fund



Statistical Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Schedule of Additions by Source

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions
State Employees'	2002	\$ 18,148	31,994	-	33,477
	2001	20,542	38,191	-	31,888
	2000	43,433	33,498	-	29,659
	1999	52,338	30,933	-	26,932
	1998	57,049	27,074	-	23,093
	1997	58,525	20,786	-	24,194
Special	2002	\$ -	-	-	-
	2001	-	-	-	-
	2000	-	-	-	-
	1999	-	-	-	-
	1998	-	-	-	4
	1997	-	-	-	-
New State Police	2002	\$ 2,476	35	-	2,112
	2001	2,480	29	-	1,710
	2000	2,585	24	-	1,294
	1999	2,624	21	-	1,168
	1998	2,546	18	-	1,040
	1997	1,913	13	-	946
Judiciary	2002	\$ 1,399	293	-	251
	2001	1,333	306	-	206
	2000	1,666	251	-	183
	1999	1,327	221	-	165
	1998	1,273	189	-	133
	1997	1,199	134	-	144
County & Municipal Police/Firefighters'	2002	\$ 2,779	-	-	1,404
	2001	2,664	-	-	1,265
	2000	2,771	-	-	973
	1999	2,025	-	-	604
	1998	1,651	-	-	477
	1997	1,388	-	-	359

Other	Net Increase/(Decrease)			Employer Contributions	
	Net Investment Income	in Fair Value of Investments	Total Additions	As a Percent of	Covered Payroll
-	128,548	(429,051)	\$ (216,884)		1.4%
-	153,955	(429,538)	(184,962)		1.7%
-	148,995	641,970	897,555		3.9%
2	121,749	345,930	577,884		5.2%
2	125,113	537,329	769,660		5.8%
3	119,143	422,815	645,466		6.2%
-	49	(165)	\$ (116)		-
-	63	(175)	(112)		-
-	64	280	344		-
-	56	153	209		-
-	62	264	330		-
-	64	213	277		-
7	2,781	(9,075)	\$ (1,664)		8.2%
19	3,118	(8,643)	(1,287)		8.9%
20	2,857	12,117	18,897		10.0%
32	2,211	6,481	12,537		11.3%
11	2,142	9,172	14,929		12.3%
8	1,881	7,001	11,762		10.0%
-	745	(2,459)	\$ 229		19.3%
-	869	(2,421)	293		20.5%
-	821	3,528	6,449		23.1%
-	659	1,944	4,316		24.2%
-	663	2,858	5,116		24.9%
-	613	2,217	4,307		24.2%
-	856	(2,729)	\$ 2,310		13.4%
-	886	(2,417)	2,398		14.3%
-	739	3,022	7,505		14.3%
-	496	2,075	5,200		14.9%
-	436	1,726	4,290		15.2%
-	327	1,317	3,391		15.3%

(Continued on next page)



Schedule of Additions by Source (continued)

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions
County & Municipal	2002	\$ 92	-	-	57
Other Employees'	2001	165	-	-	53
	2000	352	-	-	46
	1999	158	-	-	30
	1998	82	-	-	33
	1997	116	-	-	30
Volunteer Firemen's	2002	\$ 586	-	-	209
	2001	618	-	-	205
	2000	645	-	-	203
	1999	660	-	-	203
	1998	689	-	-	205
	1997	721	-	-	201
Diamond State Port Corporation	2002	\$ 341	-	-	157
	2001	386	-	-	154
	2000	389	-	-	143
	1999	407	-	-	125
	1998	384	-	247	110
	1997	189	-	-	77
Closed State Police	2002	\$ 17,805	-	-	64
	2001	17,174	-	-	69
	2000	16,208	-	-	93
	1999	15,664	-	-	152
	1998	15,071	-	-	193
	1997	14,520	-	-	207



Other	Net Investment Income	Net Increase/(Decrease)		Employer Contributions	
		in Fair Value of Investments	Total Additions	As a Percent of	Covered Payroll
-	76	(246)	\$ (21)		3.6%
-	85	(233)	70		3.7%
-	77	292	767		4.6%
-	53	176	417		5.7%
-	50	204	369		5.7%
-	41	172	359		7.3%
-	240	(797)	\$ 238		-
-	291	(783)	331		-
-	282	1,198	2,328		-
-	232	615	1,710		-
-	243	1,028	2,165		-
-	216	741	1,879		-
-	166	(538)	\$ 126		4.2%
-	185	(504)	221		4.9%
-	164	684	1,380		5.3%
-	121	412	1,065		6.4%
-	113	411	1,265		6.9%
-	83	551	900		5.0%
-	109	-	\$ 17,978		-
2	234	-	17,479		-
2	198	-	16,501		-
5	109	-	15,930		-
2	157	-	15,423		-
1	128	-	14,856		-

Schedule of Deductions by Type

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended		Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments
State Employees'	2002	\$	-	-	194,824
	2001		-	-	175,312
	2000		-	-	159,122
	1999		-	-	145,391
	1998		-	-	133,018
	1997		-	-	123,478
Special	2002	\$	-	-	143
	2001		-	-	135
	2000		-	-	133
	1999		-	-	132
	1998		-	-	125
	1997		-	-	129
New State Police	2002	\$	-	-	367
	2001		-	-	289
	2000		-	-	166
	1999		-	-	113
	1998		-	-	122
	1997		-	-	87
Judiciary	2002	\$	-	-	1,907
	2001		-	-	1,949
	2000		-	-	1,642
	1999		-	-	1,498
	1998		-	-	1,356
	1997		-	-	1,268
County & Municipal Police/Firefighters'	2002	\$	-	-	163
	2001		-	-	151
	2000		-	-	69
	1999		-	-	65
	1998		-	-	35
	1997		-	-	32

Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
2,409	4,003	4,441	\$ 205,677
2,485	3,632	4,658	186,087
2,376	3,573	4,140	169,211
2,488	2,344	4,843	155,066
2,220	2,600	4,484	142,322
1,808	2,450	2,451	130,187
-	21	4	\$ 168
-	24	5	164
-	12	4	149
-	30	6	168
-	15	6	146
-	20	-	149
87	-	56	\$ 510
33	-	48	370
56	-	40	262
73	-	45	231
159	-	39	320
19	-	25	131
-	-	8	\$ 1,915
-	-	8	1,957
-	-	8	1,650
-	-	23	1,521
-	-	13	1,369
-	-	5	1,273
122	-	49	\$ 334
20	-	94	265
50	-	38	157
26	-	42	133
38	-	28	101
16	-	24	72

(Continued on next page)

Schedule of Deductions by Type (continued)

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended		Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments
County & Municipal	2002	\$	-	-	41
Other Employees'	2001		-	-	26
	2000		-	-	21
	1999		-	-	17
	1998		-	-	15
	1997		-	-	15
Volunteer Firemen's	2002	\$	-	-	1,018
	2001		-	-	971
	2000		-	-	920
	1999		-	-	890
	1998		-	-	836
	1997		-	-	811
Diamond State Port Corporation	2002	\$	-	-	185
	2001		-	-	98
	2000		-	-	75
	1999		-	-	88
	1998		-	-	53
	1997		-	-	33
Closed State Police	2002	\$	-	-	17,705
	2001		-	-	17,040
	2000		-	-	16,078
	1999		-	-	15,481
	1998		-	-	15,018
	1997		-	-	14,465

Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
21	-	15	\$ 77
9	-	21	56
3	-	16	40
4	-	8	29
1	-	4	20
1	-	4	20
44	-	17	\$ 1,079
55	-	22	1,048
29	-	22	971
51	-	34	975
42	-	24	902
29	-	15	855
15	-	27	\$ 227
8	-	53	159
12	-	17	104
12	-	21	121
7	-	21	81
9	-	17	59
-	56	17	\$ 17,778
-	54	63	17,157
-	30	51	16,159
-	70	63	15,614
-	45	62	15,125
-	55	37	14,557

Schedule of Benefit Deductions by Type

(Dollar values expressed in thousands)

Plan	Fiscal Years		Service	Survivor	Disability	Total
	Ended June 30,					
State Employees'	2002	\$	162,843	16,130	15,851	\$ 194,824
	2001		146,079	14,858	14,375	175,312
	2000		132,568	13,587	12,967	159,122
	1999		121,017	12,528	11,846	145,391
	1998		110,988	11,365	10,665	133,018
	1997		103,834	10,021	9,623	123,478
Special	2002	\$	82	56	5	\$ 143
	2001		70	57	8	135
	2000		73	52	8	133
	1999		78	46	8	132
	1998		78	40	7	125
	1997		83	39	7	129
New State Police	2002	\$	172	42	153	\$ 367
	2001		44	26	219	289
	2000		-	19	147	166
	1999		-	18	95	113
	1998		-	18	104	122
	1997		-	18	69	87
Judiciary	2002	\$	1,341	452	114	\$ 1,907
	2001		1,497	351	101	1,949
	2000		1,236	298	108	1,642
	1999		1,137	256	105	1,498
	1998		1,022	231	103	1,356
	1997		985	182	101	1,268
County & Municipal Police/Firefighters'	2002	\$	71	26	66	\$ 163
	2001		72	32	47	151
	2000		-	32	37	69
	1999		-	34	31	65
	1998		-	15	20	35
	1997		-	11	21	32

Schedule of Benefit Deductions by Type *(continued)*

(Dollar values expressed in thousands)

Plan	Fiscal Years				Total
	Ended June 30,	Service	Survivor	Disability	
County & Municipal	2002	\$ 28	-	13	\$ 41
Other Employees'	2001	21	-	5	26
	2000	19	-	2	21
	1999	15	-	2	17
	1998	13	-	2	15
	1997	13	-	2	15
Volunteer Firemen's	2002	\$ 1,018	-	-	\$ 1,018
	2001	971	-	-	971
	2000	920	-	-	920
	1999	890	-	-	890
	1998	836	-	-	836
	1997	811	-	-	811
Diamond State Port Corporation	2002	\$ 96	11	78	\$ 185
	2001	59	11	28	98
	2000	51	11	13	75
	1999	54	28	6	88
	1998	53	-	-	53
	1997	33	-	-	33
Closed State Police	2002	\$ 12,635	2,111	2,959	\$ 17,705
	2001	12,002	2,131	2,907	17,040
	2000	11,352	1,928	2,798	16,078
	1999	10,782	1,870	2,829	15,481
	1998	10,620	1,669	2,729	15,018
	1997	10,343	1,467	2,655	14,465



**Schedule of Retired Members by Type of Benefit by Plan
as of June 30, 2002**

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	930	930	-	-
	\$1 - 499	5,680	2,931	1,753	996
	500-999	4,245	3,044	656	545
	1000-1499	2,584	2,142	212	230
	1500-1999	1,549	1,374	71	104
	2000 - 2499	1,008	937	22	49
	2500 - 2999	611	585	6	20
	over \$3000	556	537	5	14
Special	Deferred	-	-	-	-
	\$1 - 499	33	14	19	-
	500-999	3	1	1	1
	over \$1000	-	-	-	-
New State Police	Deferred	5	5	-	-
	\$ - 1499	2	-	2	-
	1500 - 1999	2	1	1	-
	2000 - 2499	7	3	-	4
	over \$2500	5	3	-	2
Judiciary	Deferred	3	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	2	-	2	-
	1500-1999	3	-	3	-
	2000 - 2499	2	-	2	-
	2500 - 2999	4	2	2	-
	over \$3000	26	19	5	2
County & Municipal	Deferred	14	14	-	-
Police/Firefighters'	\$1 - 499	-	-	-	-
	500-999	3	1	2	-
	1000-1499	2	1	-	1
	1500-1999	6	1	2	3
	over \$2000	-	-	-	-



Schedule of Retired Members by Type of Benefit by Plan (continued)
as of June 30, 2002

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
County & Municipal	Deferred	1	1	-	-
Other Employees'	\$1 - 499	9	8	-	1
	500-999	2	1	-	1
	1000-1499	-	-	-	-
	1500-1999	-	-	-	-
	over \$2000	-	-	-	-
	Volunteer Firemen's	Deferred	21	21	-
	\$1 - 74	628	628	-	-
	75 - 99	401	401	-	-
	over \$100	140	140	-	-
	Diamond State Port Corporation	Deferred	2	2	-
	\$1 - 499	2	2	-	-
	500-999	6	4	1	1
	1000-1499	6	3	-	3
	1500-1999	-	-	-	-
	over \$2000	-	-	-	-
Closed State Police	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	4	-	4	-
	1500-1999	30	-	22	8
	2000 - 2499	120	64	47	9
	2500 - 2999	295	251	8	36
	over \$3000	99	65	3	31

Schedule of Average Benefit Payments by Plan

The following schedules are presented only for those plans with retirees and/or beneficiaries as of June 30, 2002, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2002 State Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>			
Average Monthly Benefit	\$ 631	\$ 117	\$ -
Average Final Average Salary	\$ 17,104	\$ -	\$ -
Number of Active Retirees	11	6	-
<i>5 - 9.99 years</i>			
Average Monthly Benefit	\$ 273	\$ 148	\$ 227
Average Final Average Salary	\$ 22,977	\$ -	\$ 18,393
Number of Active Retirees	563	350	410
<i>10 - 14.99 years</i>			
Average Monthly Benefit	\$ 377	\$ 266	\$ 404
Average Final Average Salary	\$ 20,900	\$ -	\$ 21,507
Number of Active Retirees	1,148	474	477
<i>15 - 19.99 years</i>			
Average Monthly Benefit	\$ 569	\$ 344	\$ 625
Average Final Average Salary	\$ 23,067	\$ -	\$ 24,069
Number of Active Retirees	1,807	586	421
<i>20 - 24.99 years</i>			
Average Monthly Benefit	\$ 840	\$ 515	\$ 915
Average Final Average Salary	\$ 24,999	\$ -	\$ 28,039
Number of Active Retirees	2,027	465	342
<i>25 - 29.99 years</i>			
Average Monthly Benefit	\$ 1,310	\$ 689	\$ 1,347
Average Final Average Salary	\$ 32,295	\$ -	\$ 34,009
Number of Active Retirees	2,244	308	187
<i>30 - 34.99 years</i>			
Average Monthly Benefit	\$ 1,846	\$ 883	\$ 1,837
Average Final Average Salary	\$ 40,056	\$ -	\$ 39,089
Number of Active Retirees	2,566	345	91
<i>35 - 39.99 years</i>			
Average Monthly Benefit	\$ 2,279	\$ 1,157	\$ 2,174
Average Final Average Salary	\$ 40,789	\$ -	\$ 36,323
Number of Active Retirees	909	141	24
<i>40 years and over</i>			
Average Monthly Benefit	\$ 2,555	\$ 1,341	\$ 2,146
Average Final Average Salary	\$ 39,002	\$ -	\$ 31,225
Number of Active Retirees	275	50	6



Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 New State Police Pension Plan			2002 Judiciary Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ 891	\$ 2,082	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 28,297	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ -	\$ 1,617	\$ 2,793	\$ -	\$ -	\$ 5,025
Average Final Average Salary	\$ -	\$ -	\$ 33,234	\$ -	\$ -	\$ 121,230
Number of Active Retirees	-	1	2	-	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 1,853	\$ -	\$ 2,026	\$ 3,861	\$ 1,910	\$ 3,766
Average Final Average Salary	\$ 53,543	\$ -	\$ 30,101	\$ 88,155	\$ -	\$ 79,846
Number of Active Retirees	1	-	1	6	3	1
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 2,387	\$ -	\$ 2,868	\$ 5,221	\$ 1,724	\$ -
Average Final Average Salary	\$ 58,647	\$ -	\$ 52,912	\$ 84,657	\$ -	\$ -
Number of Active Retirees	1	-	2	4	2	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 2,582	\$ -	\$ -	\$ 5,731	\$ 2,192	\$ -
Average Final Average Salary	\$ 60,343	\$ -	\$ -	\$ 84,938	\$ -	\$ -
Number of Active Retirees	5	-	-	7	3	-
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 6,092	\$ 4,383	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 95,398	\$ -	\$ -
Number of Active Retirees	-	-	-	3	4	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 7,669	\$ 4,458	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 118,522	\$ -	\$ -
Number of Active Retirees	-	-	-	1	1	-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>40 years and over</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 4,378	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	1	-



Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 County & Municipal Police/ Firefighters' Pension Plan			2002 County & Municipal Other Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ 553	\$ 1,349	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 27,400	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ 581	\$ 1,839	\$ 1,588	\$ 110	\$ -	\$ 184
Average Final Average Salary	\$ 27,453	\$ -	\$ 37,550	\$ 14,296	\$ -	\$ 24,070
Number of Active Retirees	1	1	1	4	-	1
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ 1,868	\$ 363	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 61,628	\$ 17,761	\$ -	\$ -
Number of Active Retirees	-	-	1	4	-	-
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ 1,827	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 32,606	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	1	-	-	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 1,510	\$ -	\$ -	\$ 491	\$ -	\$ 851
Average Final Average Salary	\$ 41,566	\$ -	\$ -	\$ 17,165	\$ -	\$ 24,741
Number of Active Retirees	2	-	-	1	-	1
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ -	\$ 1,663	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>40 years and over</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-



Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 Volunteer Firemen's Pension Plan			2002 Diamond State Port Corporation Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
<i>Less than 5 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 804	\$ -	\$ 999
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 44,778	\$ -	\$ 30,772
Number of Active Retirees	-	-	-	4	-	2
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$ 58	\$ -	\$ -	\$ 528	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 33,914	\$ -	\$ -
Number of Active Retirees	628	-	-	1	-	-
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$ 83	\$ -	\$ -	\$ 700	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 27,564	\$ -	\$ -
Number of Active Retirees	402	-	-	2	-	-
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$ 106	\$ -	\$ -	\$ 996	\$ -	\$ 1,186
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 30,195	\$ -	\$ 31,674
Number of Active Retirees	129	-	-	1	-	2
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$ 125	\$ -	\$ -	\$ 1,331	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 31,250	\$ -	\$ -
Number of Active Retirees	11	-	-	1	-	-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 883	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	1	-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
<i>40 years and over</i>						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-

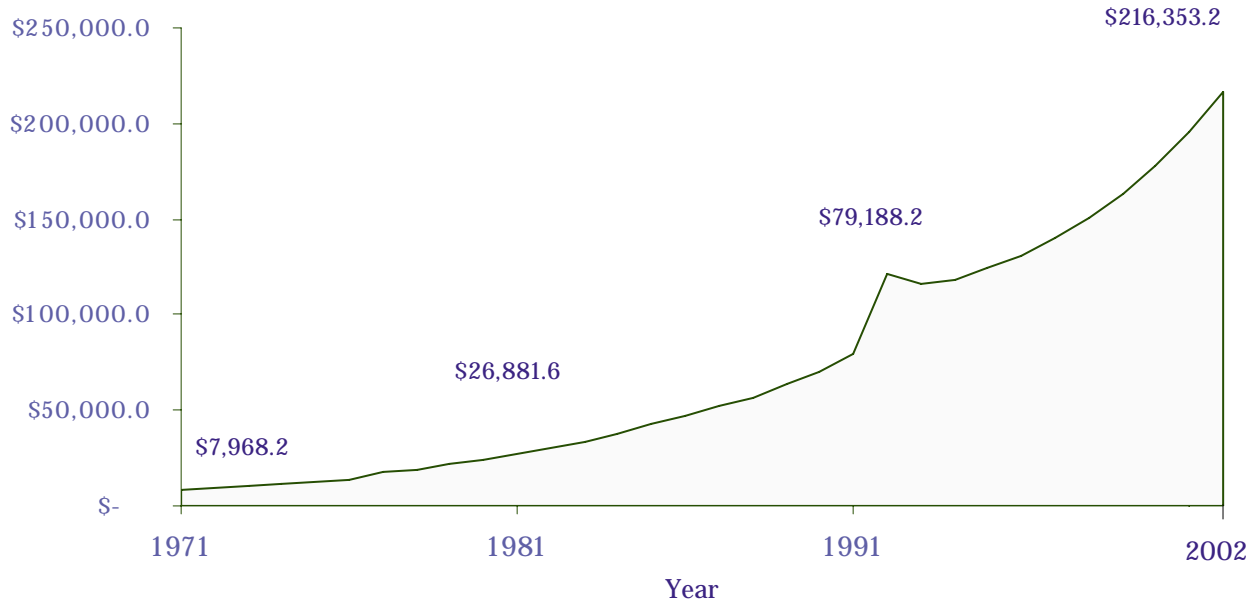


Schedule of Average Benefit Payments by Plan (continued)

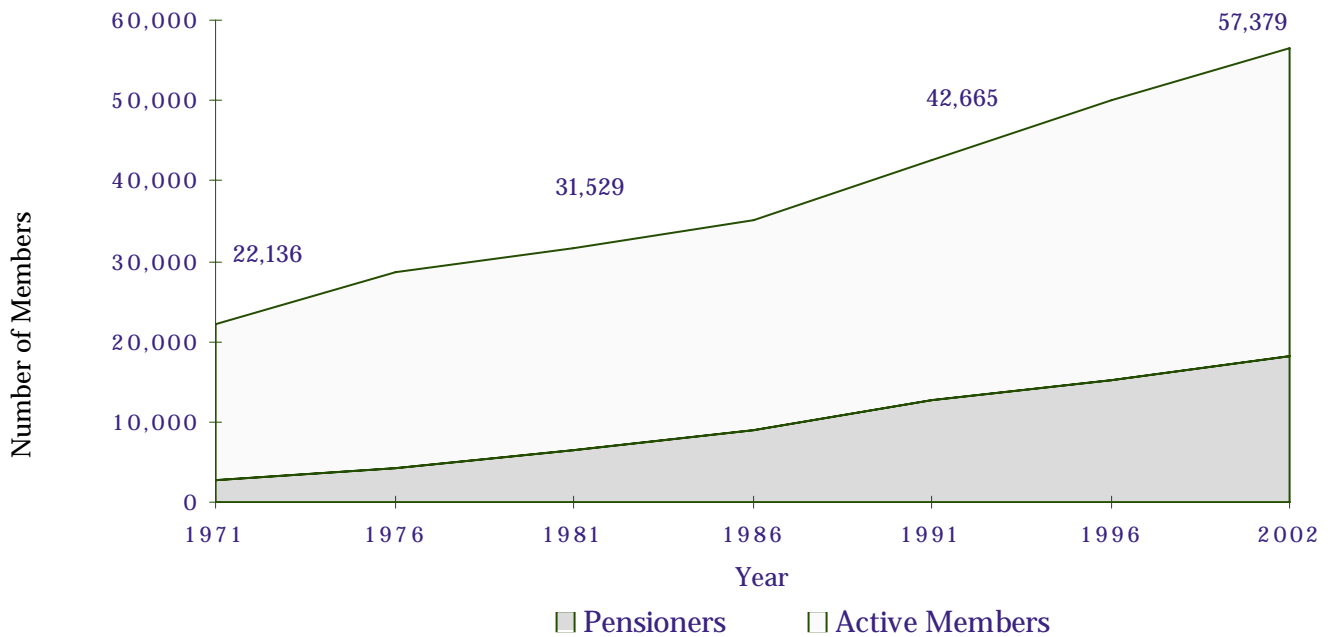
Credited Service	2002 Closed State Police Pension Plan					
	Retirants		Beneficiaries		Disabilities	
<i>Less than 5 years</i>						
Average Monthly Benefit	\$	-	\$	-	\$	2,378
Average Final Average Salary	\$	-	\$	-	\$	22,172
Number of Active Retirees		-		-		3
<i>5 - 9.99 years</i>						
Average Monthly Benefit	\$	-	\$	1,654	\$	2,580
Average Final Average Salary	\$	-	\$	-	\$	25,793
Number of Active Retirees		-		3		21
<i>10 - 14.99 years</i>						
Average Monthly Benefit	\$	-	\$	2,042	\$	2,773
Average Final Average Salary	\$	-	\$	-	\$	28,825
Number of Active Retirees		-		5		30
<i>15 - 19.99 years</i>						
Average Monthly Benefit	\$	-	\$	2,573	\$	3,242
Average Final Average Salary	\$	-	\$	-	\$	47,695
Number of Active Retirees		-		4		21
<i>20 - 24.99 years</i>						
Average Monthly Benefit	\$	2,712	\$	2,145	\$	3,782
Average Final Average Salary	\$	60,569	\$	-	\$	49,097
Number of Active Retirees		344		71		9
<i>25 - 29.99 years</i>						
Average Monthly Benefit	\$	3,142	\$	1,812	\$	-
Average Final Average Salary	\$	70,151	\$	-	\$	-
Number of Active Retirees		32		1		-
<i>30 - 34.99 years</i>						
Average Monthly Benefit	\$	3,522	\$	-	\$	-
Average Final Average Salary	\$	78,294	\$	-	\$	-
Number of Active Retirees		4		-		-
<i>35 - 39.99 years</i>						
Average Monthly Benefit	\$	-	\$	-	\$	-
Average Final Average Salary	\$	-	\$	-	\$	-
Number of Active Retirees		-		-		-
<i>40 years and over</i>						
Average Monthly Benefit	\$	-	\$	-	\$	-
Average Final Average Salary	\$	-	\$	-	\$	-
Number of Active Retirees		-		-		-



Total Benefit Payments
(Expressed in thousands)



Total Membership



Schedule of Participating Employers

State Employees' Pension Plan

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

Closed State Police Plan

Delaware State Police (Appointed before July 1, 1980)

New State Police Plan

Delaware State Police (Appointed after July 1, 1980)

Judiciary Pension Plan

Appointed members of the State Judiciary

Diamond State Port Corporation Pension Plan

Diamond State Port Corporation Employees

County & Municipal Police/Firefighters' Pension Plan

Town of Dagsboro
Town of Delmar
Town of Dewey Beach
City of Dover
Town of Felton
City of Georgetown
City of Harrington
Town of Millsboro
City of New Castle
New Castle County
City of Wilmington

County & Municipal Other Employees' Pension Plan

Delaware City Fire Company
Felton Fire Company
City of Georgetown
Goodwill Fire Company
City of Harrington
Harrington Fire Company
Lewes Fire Company
Town of Millsboro
City of New Castle
Sussex Conservation District
Townsend Fire Company
Volunteer Hose Company of Middletown

Delaware Local Government Investment Pool

Town of Elsmere
Sussex County Government



Schedule of Participating Employers (continued)

Volunteer Firemen's Pension Plan

Aetna Hose, Hook & Ladder Co. & Auxiliary
 Brandywine Hundred Fire Co. & Auxiliary
 Christiana Fire Co. & Auxiliary
 Claymont Fire Co. & Auxiliary
 Cranston Heights Fire Co. & Auxiliary
 Delaware City Fire Co. & Auxiliary
 Elsmere Fire Co. & Auxiliary
 Five Points Fire Co. No. 1 & Auxiliary
 Goodwill Fire Co. & Auxiliary
 Hockessin Fire Co. & Auxiliary
 Holloway Terrace Fire Co. & Auxiliary
 Mill Creek Fire Co. & Auxiliary
 Minquadale Fire Co. & Auxiliary
 Minquas Fire Co. & Auxiliary
 Odessa Fire Co. & Auxiliary
 Talleyville Fire Co. & Auxiliary
 Townsend Fire Co. & Auxiliary
 Volunteer Hose Co. & Auxiliary
 Wilmington Manor Fire Co. & Auxiliary
 Port Penn Volunteer Fire Co. & Auxiliary
 Belvedere Fire Co. & Auxiliary
 Bowers Fire Co. & Auxiliary
 Camden-Wyoming Fire Co. & Auxiliary
 Carlisle Fire Co. & Auxiliary
 Cheswold Fire Co. & Auxiliary
 Citizens Hose Co. No. 1 & Auxiliary
 Clayton Fire Co. & Auxiliary
 Robbins Hose Fire Co.
 Farmington Fire Co. & Auxiliary
 Felton Community Fire Co. & Auxiliary
 Frederica Fire Co. & Auxiliary
 Harrington Fire Co. & Auxiliary
 Hartly Fire Co. & Auxiliary
 Houston Fire Co. & Auxiliary
 Leipsic Fire Co. & Auxiliary
 Little Creek Fire Co. & Auxiliary

Magnolia Fire Co. & Auxiliary
 Marydel Fire Co. & Auxiliary
 South Bowers Fire Co. & Auxiliary
 Smyrna American Legion Ambulance
 Bethany Beach Fire Co. & Auxiliary
 Blades Fire Co. & Auxiliary
 Bridgeville Fire Co. & Auxiliary
 Dagsboro Fire Co. & Auxiliary
 Delmar Fire Co. & Auxiliary
 Ellendale Fire Co. & Auxiliary
 Frankford Fire Co. & Auxiliary
 Georgetown Fire Co. & Auxiliary
 Greenwood Fire Co. & Auxiliary
 Gumboro Fire Co. & Auxiliary
 Indian River Fire Co. & Auxiliary
 Laurel Fire Co. & Auxiliary
 Lewes Fire Co.
 Millsboro Fire Co. & Auxiliary
 Millville Fire Co. & Auxiliary
 Milton Fire Co. & Auxiliary
 Rehoboth Beach Fire Co. & Auxiliary
 Seaford Fire Co. & Auxiliary
 Selbyville Fire Co. & Auxiliary
 Memorial Fire Co. & Auxiliary
 Roxana Fire Co. & Auxiliary

State Personnel Office Mission Statement:

Provide the leadership and services for achieving a quality workforce.

Pension Office Programmatic Goal:

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

Delaware Public Employees' Retirement System

- a component unit of the State of Delaware

31st Comprehensive Annual Financial Report

*Presented by the Board of Pension Trustees
For the Fiscal Year Ended June 30, 2002*

*STATE EMPLOYEES' PENSION PLAN
SPECIAL PENSION PLAN
NEW STATE POLICE PENSION PLAN
JUDICIARY PENSION PLANS
COUNTY & MUNICIPAL POLICE/FIREFIGHTERS' PLAN
COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN
VOLUNTEER FIREMEN'S PENSION PLAN
DIAMOND STATE PORT CORPORATION PENSION PLAN
COUNTY & MUNICIPAL POLICE/FIREFIGHTERS' COLA FUND
POST-RETIREMENT INCREASE FUND
POST-RETIREMENT HEALTH INSURANCE PREMIUM FUND
DELAWARE LOCAL GOVERNMENT RETIREMENT INVESTMENT POOL
CLOSED STATE POLICE PENSION PLAN*

This Comprehensive Annual Financial Report has been
Prepared by the Office of Pensions

Mailing Address:

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

Telephone: (800) 722-7300

E-Mail Address: pensionoffice@state.de.us

WebSite: www.delawarepensions.com

Table of Contents

Introductory Section

Certificate of Achievement for Excellence in Financial Reporting	4
Letter of Transmittal	5
Board of Trustees and List of Consultants	12
Organizational Chart	13
Highlights of Board Activities	14
2002 Legislation Affecting Pensions	16

Financial Section

Auditor's Opinion	18
Management's Discussion and Analysis	20
Basic Financial Statements:	
Statement of Plan Net Assets	24
Statement of Changes in Plan Net Assets	26
Notes to Financial Statements (an integral part of the Basic Financial Statements)	30
Required Supplementary Information:	
Schedule 1 - Funding Progress	40
Schedule 2 - Employer Contributions	42
Schedule 3 - Notes to Trend Data	44
Supporting Schedules:	
Schedule 4 - Administrative Expenses	46
Schedule 5 - Investment Expenses	47

Investment Section

Letter from Investment Committee Chair	51
Investment Activity	53
Investment Results	54
Asset Allocation	55
Investment Managers	57
Chart I - Calculated Returns	58
Chart II - Investment Performance Summary	58
Chart III & IV - Five and Ten Year System Performance	59
Investment Summary	60
Glossary	60
List of Largest Assets Held	61
Appendix A - Schedule of Broker Commissions	62
Appendix B - Broker Commission Summary	63

Actuarial Section

Actuary's Opinion	68
Summary of Actuarial Assumptions & Methods	70
Mortality Tables	71
Summary of Plan Provisions and Changes in Plan Provisions	71
Schedule of Active Member Valuation Data	72
Schedule of Retirees and Beneficiaries Added/Deleted from Rolls	74
Solvency Test	76
Analysis of Financial Experience	78

Statistical Section

Schedule of Additions by Source	80
Schedule of Deductions by Type	84
Schedule of Benefit Deductions by Type	88
Schedule of Retired Members by Type of Benefit	90
Schedule of Average Benefit Payment Amounts	92
Schedule of Participating Employers	98



Introductory Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Delaware Public Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda Brewer
President

Jeffrey L. Esler
Executive Director



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

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

Telephone (302) 739-4208
Fax (302) 739-6129
www.delawarepensions.com

September 27, 2002

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

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (System) is proud to present its 31st Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2002.

This report provides comprehensive information on nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] plus four commingled pension funds [County & Municipal Police/Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DELRIP), and State Employees' Post-Retirement Health Insurance Premium]. Responsibility for both the accuracy of the data and the completeness and fairness of presentation rests with the State Board of Pension Trustees (Board). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and present fairly the System's financial position and operational results for the fiscal year ended June 30, 2002.

The 2002 Financial Report is presented in five sections:

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



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 2
September 27, 2002

- Investment Section -- details total System performance, investment policy, and investment activities.
- Actuarial Section -- outlines the actuarial assumptions and describes the funding basis, contributions, and funded ratios of each Plan.
- Statistical Section -- includes tables and graphs about each Plan's membership.

(A detailed Table of Contents may be found on page 2.)

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

When calendar 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of fiscal 2002, pensioners numbered 18,075; monies from nine plans, three post-retirement trusts and one investment pool were commingled in a total System of \$4.9 billion. The State's contribution rate for fiscal year 2002 was 1.35% of payroll. Benefit coverage varies by plan as shown on pages 30 - 34. In the major plans, benefit coverage has been regularly improved to maintain a very competitive position versus similar plans in other states, especially considering post-retirement health and spousal benefits. The funding status of each plan is detailed on pages 40-41.

Major Accomplishments

Improved Communications and Customer Service Initiatives - During Fiscal 2002, the Pension Office continued to enhance its website, www.delawarepensions.com. Staff photos have been added so that the membership may become more familiar with the staff. An improved feedback link allows members more direct communication with the Pension Office staff. A new feature is the retiree statement page. Retirees may now log-in to the Comprehensive Retirement Information System (CRIS) to view their current personal and benefit check data. Newsletters to both employees and retirees are published at least semi-annually.

Technology Improvements - In June 2002, the eCRIS project was launched. This project will upgrade our system to PeopleSoft Version 8 which will enhance our website and e-communication capabilities. Anticipated completion date is scheduled for April 2003.



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 3
September 27, 2002

Due Diligence - A Request for Proposal for actuarial services was conducted during fiscal year 2002. Milliman USA was awarded the contract for actuarial services for the next three years. In addition, a Request for Information for sub-custodial bank services was conducted and State Street Bank & Trust Co. continues in that role.

Local Government Participation - Membership in the DELRIP, as well as the County & Municipal plans, continues to grow. New members include the Town of Elsmere, the Goodwill Fire Company, the City of Harrington, the Lewes Fire Company, and the Delaware City Fire Company.

Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware Public Employees' Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the sixth consecutive year that DPERS has received a Certificate of Achievement. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Analysis of Plan Net Assets

Employee and employer contributions, together with investment income, are used to fund retirement, survivor, and disability benefits and pay all System expenses. Combined plan net assets decreased by \$422.9 million over the last fiscal year as total revenues declined 16.2% and expenses increased 7.2%.

A decline in investment returns, offset by a decline in investment expenses, was the principal factor in lower revenue. Increased salaries and new member employers increased employer contributions approximately 9.9%. An increased number of active employees, as well as higher salaries, raised employee contributions by 6.1%. The 5-year actuarial funding for eliminating social security integration and maximum years of service from the pension benefit calculation in the State Employees' and Judiciary Plans has been completed. This reduced transfers from the Post-Retirement Increase Fund.



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 4
September 27, 2002

Changes in Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 82,469	\$ 75,025	\$ 7,444	9.9%
Transfer of Contributions from PRI Fund	32,322	38,526	(6,204)	(16.1%)
Transfer of Assets from Outside the System	4,685	3,239	1,446	44.6%
Member Contributions	37,731	35,550	2,181	6.1%
Other Income	7	21	(14)	(66.7%)
Net Investment Losses	(313,816)	(287,086)	(26,730)	(9.3%)
Total Additions	<u>\$ (156,602)</u>	<u>\$ (134,725)</u>	<u>\$ (21,877)</u>	(16.2%)
Deductions:				
Transfer of Contributions from PRI Fund	\$ 32,322	\$ 38,526	\$ (6,204)	(16.1%)
Transfer of Assets Outside the System	6,232	2,710	3,522	130.0%
Benefit Payments	216,353	195,971	20,382	10.4%
Refunded Contributions	2,698	2,610	88	3.4%
Group Life Payments	4,080	3,710	370	10.0%
General Administrative Expenses	4,134	3,623	511	14.1%
PRIDE Project Expenses	--	379	(379)	(100.0%)
eCRIS Project Expenses	478	--	478	100.0%
Health Liability Study	--	45	(45)	(100.0%)
Office Relocation Expenses	22	925	(903)	(97.6%)
Total Deductions	<u>\$ 266,319</u>	<u>\$ 248,499</u>	<u>\$ 17,820</u>	7.2%
(Decrease) in Plan Net Assets:	<u>\$ (422,921)</u>	<u>\$ (383,224)</u>	<u>\$ (39,697)</u>	(10.4%)

On the expense side, benefit payments increased 10.4% as legislation raised the pension multiplier in the State Employees' Pension Plan and a post-retirement increase was granted. Total administrative expenses (including general administrative, PRIDE project, eCRIS project, health liability study, and office relocation) decreased 6.8% to approximately \$4.6 million. General administrative expenses rose 14.1% as lease payments for a new location commenced, casual employees were replaced with full-time employees, health care costs increased, and scheduled data processing upgrades were implemented.

The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 5
September 27, 2002

Investments and Economic Climate

For Fiscal 2002, investments had a (6.3%) rate of return. The total System's annualized rate of return over the last five and ten years was 6.4% and 10.6%, respectively. This performance placed the System slightly below the median public fund return for the fiscal year and in the top 10% of public funds for the five and ten year periods.

System investments are managed to control the downside risk to which assets are exposed while maximizing long-term gain potential. This positions the System to limit the impact of adverse market conditions such as those experienced during the fiscal year. In the 12 months ending June 30, 2002, equity markets in general declined; the S&P500 index declined 18.0% while the broad market Russell 3000 return was (17.2%). International equities measured by the EAFE index also declined 9.5%. The importance of a diversified portfolio was again demonstrated as equity declines were partially offset by increased bond and cash holdings as the Lehman Aggregate Bond Index rose 8.2% and 91-day Treasury Bills returned 2.2%. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 49 of this report.

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

The Board has established the investment policy shown on page 53. 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 System as of June 30, 2002, may be found on page 57 of this report. A summary of the total System's asset allocation can be found on page 56.

Events of this past fiscal year -- terrorist attacks, global political events, and revelations of corporate malfeasance -- have caused a continuing decline in the equity markets worldwide. Investment strategy reflects return expectations that continue to be significantly more modest than those achieved during the period of the 1990's.



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 6
September 27, 2002

Funding Status

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. Seven plans included in the System are essentially fully funded based on market valuations. The two remaining 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 44 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 70.

Legislation granting increased pensions for those retiring on or after July 1, 2001, coupled with a second year of negative performance has reduced the funding status of the State Employees' Pension Plan from 112.4% to 109.6%.

Internal Control

System internal accounting controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Control procedures and responsibilities are well documented both in writing and with graphic flowcharts. These are reviewed and updated annually.

The Audit Committee, a committee appointed by the Board, monitors operations and controls throughout the year. The System is audited annually by both the Delaware Auditor of Accounts and the independent auditing firm of Ernst & Young LLP.

Professional Services

Professional consultants are appointed by the Board to perform services essential to the effective and efficient operation of the System. A joint opinion from the certified public accountant, Ernst & Young LLP, and the State Auditor, as well as an opinion from the actuary, Milliman USA, are included in this report. Ashford Capital Management, Inc., serves as the investment advisor.

Acknowledgments

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



The Honorable Ruth Ann Minner
and
Members of the 141st General Assembly
Page 7
September 27, 2002

It is with deep regret that we report the death of Edward F. Gliwa, M.D. During his seven years of professional and dedicated service, Dr. Gliwa's advice as a Medical Committee member was invaluable. We will miss Dr. Gliwa and extend our grateful appreciation in his memory.

A. Dale Stratton resigned from the Board on June 25, 2002, after eleven years as a member and chair. We are indebted for her generous commitment of time and effort. Her dedicated leadership is reflected by the outstanding financial health of the System, the significant improvements in pensioner benefits, and enhanced productivity efforts through new and innovative technology underway in the System administration.

The Board would also like to thank Dana Jefferson, Ph.D., Acting State Personnel Director, for her contributions to the Board during Lisa Blunt-Bradley's absence. Lisa was on loan to the country of Jordan where she participated in a program funded by the United States Agency for International Development to develop a national poverty alleviation strategy and implementation plan. She returned to Delaware in August 2002. Welcome back, Lisa!

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

Respectfully submitted,



Ralph J. Adkins, Chairman
Board of Pension Trustees



Board of Pension Trustees, Board Committees, & Professional Consultants

Board of Pension Trustees

Ralph J. Adkins, Chairman
Chairman and Former CEO
Chesapeake Utilities Corporation

Robert W. Allen
President
Allen Petroleum

Keith Dorman
Former Principal
Colonial School District, New Castle County

Jan M. King
Former Vice President and Treasurer
Hercules, Inc.

Nancy J. Shevock
Former Director
Delaware Transit Corporation

Ex-Officio Board Members

David W. Singleton
State Secretary of Finance

Dana Jefferson, Ph.D.
Acting State Personnel Director

Executive Secretary to the Board
and Pension Administrator

David C. Craik

Legal Counsel

Calvin L. Scott, Jr.
Deputy Attorney General

Investment Committee

Elva B. Ferrari, Chair
Ralph J. Adkins
Jan M. King
C. Raeford Minix
A. Herbert Nehrling Jr.
A. Dale Stratton

Audit Committee

Joel S. Poorman, Chair
Robert W. Allen
Donald J. Hofmann
William Markell, Ed.D.

Medical Committee

William D. Shellenberger, M.D.
Vincent DelDuca, Jr., M.D.
Robert W. Frelick, M.D.
Albert Gelb, M.D.
John B. Kramer, M.D.
Charles S. Riegel, M.D.
Phyllis M. Smoyer, M.D.
Ignatius J. Tikellis, M.D.
Charles O. Webber, M.D.

Pension Advisory Council

James B. Testerman, Chair
Member, Delaware State Education Assoc.

Consulting Actuary

Milliman USA

Investment Advisor

Ashford Capital Management, Inc.

Auditors

Ernst & Young LLP
State Auditor of Accounts

Custodial Bank

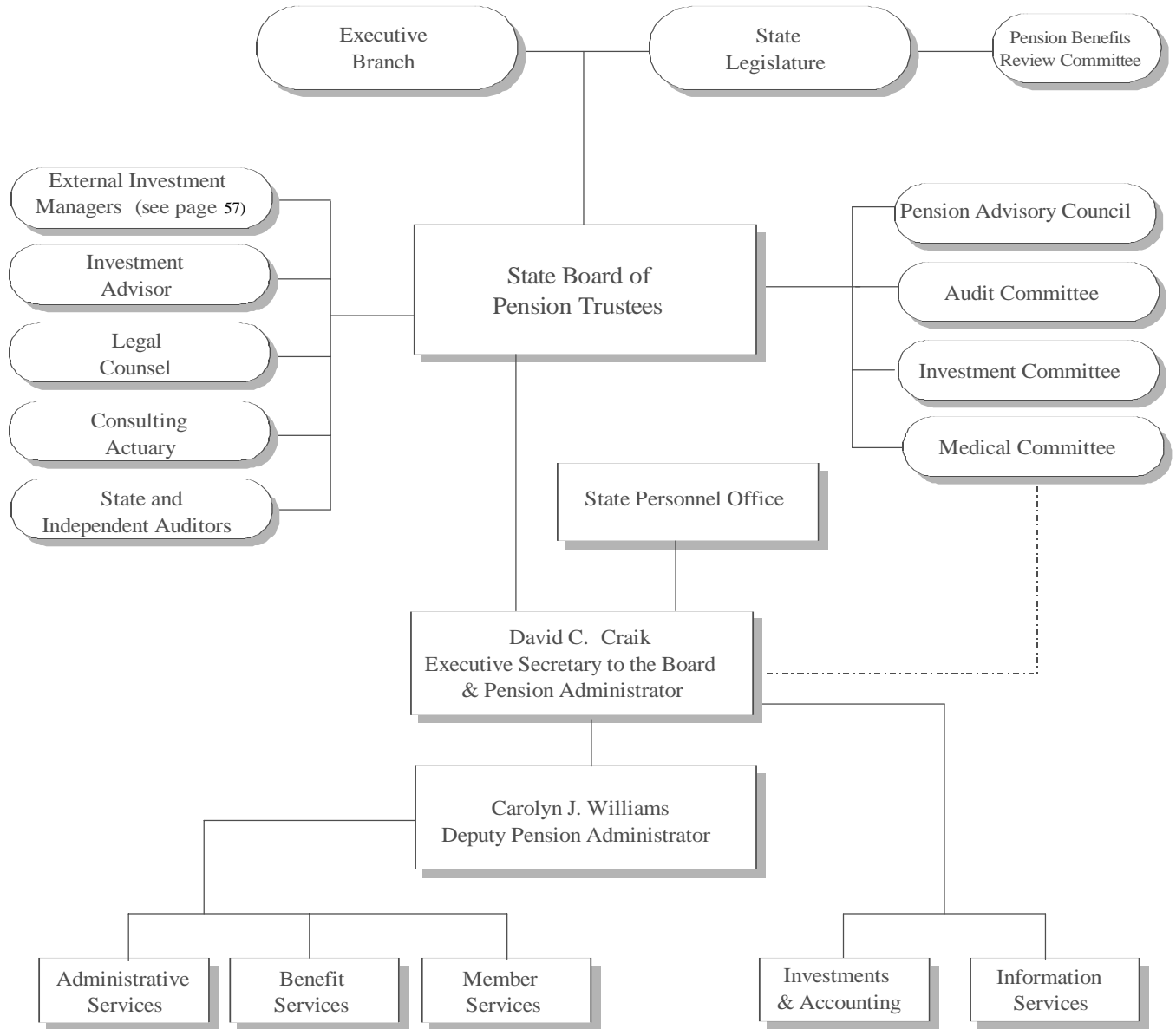
Mercantile-Safe Deposit & Trust Co.

Sub-Custodial Bank

State Street Bank & Trust Co.



Organizational Chart



MANAGEMENT TEAM

Administrative Services
Benefit Services
Member Services
Investments & Accounting
Information Services

Christy L. Ulmer, Office Manager
Linda H. Hinkle, Acting Fiscal Administrative Officer
Kimberly S. Vincent, Human Resource Manager
Alice L. Simon, Pension Financial Manager
John T. McCartney, SPO Information Systems Manager
and W. Ray Johnson, Human Resource Manager



Highlights of Board Activities

The Board of Pension Trustees (Board) -- comprised of five (5) members appointed by the Governor and confirmed by the Senate, and two (2) ex-officio members -- is responsible for the general administration of these pension plans:

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

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

- Maintain and oversee the investment of the Delaware Public Employees' Retirement System.
- Appoint an independent actuary to perform annual actuarial valuations used as the basis for contributions to the Delaware Public Employees' Retirement System.
- Control and manage State pension payments.
- Hear appeals from State Pension Office decisions regarding eligibility for pension benefits.
- Adopt rules and regulations for the general administration of State pension plans.
- Prepare and publish an annual report to the Governor and General Assembly.
- Execute contracts with State agencies and others for assistance in pension plan administration and pension investment.
- Determine interest rates to be credited to members' contributions and rates to be charged on repayment of contributions previously withdrawn.

The day-to-day administration of these pension plans is performed by the State Pension Office, which also determines the eligibility of individual employees for pension benefits. The Pension Administrator reports to the State Personnel Director and also serves as Executive Secretary to the Board.

The Medical Committee of the Board is now comprised of nine (9) medical doctors, all in private practice. It evaluates and makes recommendations concerning the medical condition of applicants for and recipients of disability pensions. The Medical Committee meets each month prior to the regular monthly meeting of the Board.

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



Highlights of Board Activities *(continued)*

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

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

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

- County & Municipal Police/Firefighters' COLA Fund.
- Post-Retirement Increase Fund.
- Delaware Local Government Retirement Investment Pool.
- Post-Retirement Health Insurance Premium Fund.

The Board retains Ashford Capital Management, Inc., as investment advisor for the System. Ashford Capital Management provides a variety of services to the System including investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, investment policy, and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the System as of June 30, 2002, may be found on page 57 of this report.

The major activities of the Board and its committees during the 12-month period July 2001 through June 2002 were:

- Held regular monthly meetings and met with representatives of investment management firms and custodian banks on a regular basis.
- Held hearings for individual plan members who appealed decisions of the Pension Office or questioned the Board's interpretation of State pension laws.
- Held hearings on the eligibility of individual employees for disability pension benefits.
- Participated in meetings with the Governor's staff, members of the General Assembly, officials of State agencies and school districts, the Pension Advisory Council, representatives of employee organizations, and other interested parties.



2002 Legislation Affecting Pensions

H.Substitute 1 for
H. B. 385 with Senate
Amendment 1
(73 Del. Laws, C396)

In the Closed State Police Pension Plan, reinstates survivors' benefits effective July 1, 2002 to those who have remarried.

H. B. 451 with House
Amendment 1
(73 Del. Laws, C373)

Allows police officers who subsequently become members of the New State Police Pension Plan to buy-in other police service at their own expense.

S. B. 403
(73 Del. Laws, C415)

Ensures that all salary that is paid to an employee for all days worked will be used in the calculation of their final average compensation.

S. B. 426
(73 Del. Laws, C419)

Allows tax-deferred rollovers in the State Employees' Pension Plan, the County & Municipal Other Employees' Pension Plan, and the County & Municipal Police/Firefighters' Pension Plan for the purpose of repaying previously forfeited service or the purchase of credited service.

S. B. 434 -- Budget Bill
(73 Del. Laws, C312
Section 58)

Allows the excess funding in the Special Pension Plan to be used to fund benefits in the Closed State Police Plan.

S. B. 439
(73 Del. Laws, C430)

Allows pensioners under the State Employees' Pension Plan to be employed by the State in a temporary, casual, seasonal, or substitute position without any earnings limitations or without affecting their current pension benefits.

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 (System) as of June 30, 2002, 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, 2002, and the changes in its financial status for the year then ended, in conformity with accounting principles generally accepted in the United States.

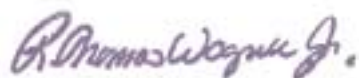
Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Management's Discussion and Analysis and schedules of funding progress, employer contributions, and notes to trend data are presented in accordance with Governmental Accounting 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 to the basic financial statements taken as a whole.



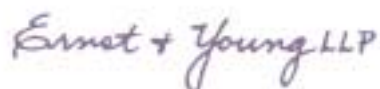
Report of Independent Auditors
Page Two

The supporting schedules of administrative expenses and investment expenses for the year ended June 30, 2002, 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, 2002, 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 16, 2002

Management's Discussion and Analysis

This discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance provides an overview of the System's financial activities for the fiscal year ended June 30, 2002. It is intended to be a narrative supplement to the System's financial statements, which begin on page 24 of this report.

Financial Highlights

The following financial highlights occurred during the fiscal year ended June 30, 2002:

- Plan net assets of all the pension funds administered by the System decreased by \$422.9 million during the 2001-2002 fiscal year.
- The covered payroll requiring both employee and employer pension contributions reported during the year totaled \$1,425.1 million, representing an increase of 15.4%. Employee contributions increased by 6.1% and employer contributions increased by 9.9%.
- Net investment losses (net decrease in fair value, plus investment earnings, less investment administrative expenses) increased by 9.3% compared to last fiscal year. Continued adverse equity market conditions were the primary cause of the decrease compared to the prior year.
- Pension benefits paid to retirees and beneficiaries increased \$20.4 million bringing the total benefit payments to \$216.4 million. Post-retirement increases and changes to benefit multipliers are responsible for the 10.4% increase in pension benefits. Refunds of contributions paid to former members upon termination of employment increased slightly from \$2.6 million to \$2.7 million.
- Administrative expenses and other project specific expenses totaled \$4.6 million, a decrease of 6.8% compared to last fiscal year. (See Schedule 4 on page 46 for more details.)

Using this Financial Report

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

The Schedule of Funding Progress (pages 40–41) 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 42–43) 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 \$422.9 million over the last fiscal year. Looking at additions to and deductions from Plan net assets, this decline is attributable to both economic conditions and legislative changes increasing benefit multipliers.

Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 4,854,368	\$ 5,278,051	\$ (423,683)	(8.0%)
Receivables	4,737	4,423	314	7.1%
Total Assets	4,859,105	5,282,474	(423,369)	(8.0%)
Total Liabilities	1,409	1,857	(448)	(24.1%)
Total Plan Net Assets	<u>\$ 4,857,696</u>	<u>\$ 5,280,617</u>	<u>\$ (422,921)</u>	<u>(8.0%)</u>

Changes in Plan Net Assets

(Dollar values expressed in thousands)

Fiscal Years Ending June 30,	2002	2001	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 82,469	\$ 75,025	\$ 7,444	9.9%
Transfer of Contributions from PRI Fund	32,322	38,526	(6,204)	(16.1%)
Transfer of Assets from Outside the System	4,685	3,239	1,446	44.6%
Member Contributions	37,731	35,550	2,181	6.1%
Other Income	7	21	(14)	(66.7%)
Net Investment Losses	(313,816)	(287,086)	(26,730)	(9.3%)
Total Additions	<u>\$ (156,602)</u>	<u>\$ (134,725)</u>	<u>\$ (21,877)</u>	<u>(16.2%)</u>
Deductions:				
Transfer of Contributions from PRI Fund	\$ 32,322	\$ 38,526	\$ (6,204)	(16.1%)
Transfer of Assets Outside the System	6,232	2,710	3,522	130.0%
Benefit Payments	216,353	195,971	20,382	10.4%
Refunded Contributions	2,698	2,610	88	3.4%
Group Life Payments	4,080	3,710	370	10.0%
General Administrative Expenses	4,134	3,623	511	14.1%
PRIDE Project Expenses	--	379	(379)	(100.0%)
eCRIS Project Expenses	478	--	478	100.0%
Health Liability Study	--	45	(45)	(100.0%)
Office Relocation Expenses	22	925	(903)	(97.6%)
Total Deductions	<u>\$ 266,319</u>	<u>\$ 248,499</u>	<u>\$ 17,820</u>	<u>7.2%</u>
(Decrease) in Plan Net Assets:	<u>\$ (422,921)</u>	<u>\$ (383,224)</u>	<u>\$ (39,697)</u>	<u>(10.4%)</u>



Employer contributions increased approximately \$7.4 million because of higher required actuarial contribution rates, an increase in salaries, and an increased number of member employers. Member contributions increased by approximately \$2.2 million due to an increase in the number of active employees and an increase in salaries. The 5-year actuarial funding for eliminating social security integration and maximum years of service limitation from the pension benefit calculation in the State Employees' and Judiciary Plans has been completed. This reduced transfers from the Post-Retirement Increase Fund.

Transfers of Assets Outside the System represents transfers from the County & Municipal Police/Firefighters' COLA Fund (COLA Fund) to individual participating entities. During fiscal 2002, there were funds totaling approximately \$2.5 million reverted from the COLA Fund to the General Fund as stipulated by statute. Benefit payments increased by approximately 10.4% as a result of legislation which provided for a post-retirement increase effective July 1, 2001, as well as a modification to the pension multiplier in the State Employees' Pension Plan. Total administrative expenses (including general administrative, PRIDE Project, eCRIS project, health liability study, and office relocation) for fiscal 2002 were approximately \$4.6 million, a decrease of 6.8%. These expenses include both the normal administrative expenses of the Pension Office, as well as special projects. General administrative expenses totaled \$4.1 million, an increase of 14.1% over Fiscal 2001. This increase includes a 100% increase in lease payments for the new location, as well as a 16.9% increase in fringe benefit costs mainly due to increased health care premiums. Enhancements to the phone system increased expenses in the telephone communications area. In the Data Processing maintenance category, upgraded software required increased maintenance contract fees by 35.8%.

Investments

For fiscal 2002, investments had a (6.3%) rate of return. The total System's annualized rate of return over the last five and ten years was 6.4% and 10.6%, respectively. This performance placed the System slightly below the median for public fund return for the fiscal year and in the top 10% of public funds for the five and ten year periods.

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

The investment activity of the 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 a prudent person 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 53 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 System as of June 30, 2002, may be found on page 57 of this report. A summary of the total System's asset allocation can be found on page 56.

Historical Trends

Accounting standards require that the statement of plan net assets states asset values at fair value and includes only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 40–41). 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 44).

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 42 – 43). 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 sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. Seven plans included in the System are essentially fully funded based on market valuations. The two other 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 44 provides detailed information on each plan's remaining amortization period. The actuarial method for calculating accrued liability for all plans is Entry Age Normal with the objective of maintaining employer contributions approximately level as a percent of member payroll. A detailed discussion of funding method is provided in the Actuarial Section of this report on page 70.

Legislation granting increased pensions for those retiring on or after July 1, 2001, together with a second year of negative investment returns, has reduced the funding status of the State Employees' Pension Plan from 112.4% to 109.6%.

Statement of Plan Net Assets

as of June 30, 2002 with Comparative Totals for June 30, 2001

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police and Firefighters' Plan	County & Municipal Other Employees' Plan
Assets:						
Cash	\$ 979	-	2	6	3	2
Receivables:						
Employer Contributions	1,536	-	97	51	226	8
Member Contributions	1,589	-	81	8	114	7
Total Receivables:	\$ 3,125	-	178	59	340	15
Investments at Fair Value:						
Domestic Fixed Income	937,756	357	20,295	5,438	6,245	549
Domestic Equities	1,166,141	444	25,237	6,763	7,767	683
Pooled Equity & Fixed Income	1,658,226	631	35,887	9,616	11,045	971
Pooled Real Estate	-	-	-	-	-	-
Private Investments	460,301	175	9,962	2,669	3,066	269
Short Term Investments	77,638	37	1,915	466	995	55
Foreign Equities	332,445	126	7,195	1,928	2,214	195
Total Investments:	\$ 4,632,507	1,770	100,491	26,880	31,332	2,722
Total Assets:	\$ 4,636,611	1,770	100,671	26,945	31,675	2,739
Liabilities:						
Benefits Payable	707	4	33	-	-	-
Accrued Administrative Expenses	616	1	7	2	6	4
Total Liabilities:	\$ 1,323	5	40	2	6	4
Net Assets Held in Trust for Pension						
Benefits:	\$ 4,635,288	1,765	100,631	26,943	31,669	2,735

(A Schedule of Funding Progress for each plan is presented on pages 40-41.)

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



Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals as of June 30,	
							2002	2001
4	1	-	6	-	-	6	\$ 1,009	\$ 1,434
-	25	-	772	-	209	-	2,924	2,557
-	12	-	-	-	-	2	1,813	1,866
-	37	-	772	-	209	2	\$ 4,737	\$ 4,423
1,763	1,209	1,058	3,246	1,906	1,506	-	981,328	897,340
2,191	1,504	1,315	4,037	2,371	1,873	-	1,220,326	1,407,078
3,117	2,138	1,870	5,740	3,370	2,664	-	1,735,275	1,981,473
-	-	-	-	-	-	-	-	29
865	594	519	1,593	935	740	-	481,688	550,127
135	119	1,891	465	155	770	2,209	86,850	108,745
625	429	375	1,151	675	534	-	347,892	331,825
8,696	5,993	7,028	16,232	9,412	8,087	2,209	\$ 4,853,359	\$ 5,276,617
8,700	6,031	7,028	17,010	9,412	8,296	2,217	\$ 4,859,105	\$ 5,282,474
3	12	-	-	-	-	-	759	718
1	5	-	-	-	-	8	650	1,139
4	17	-	-	-	-	8	\$ 1,409	\$ 1,857
8,696	6,014	7,028	17,010	9,412	8,296	2,209	\$ 4,857,696	\$ 5,280,617

Statement of Changes in Plan Net Assets

for the fiscal year ended June 30, 2002 with Comparative Totals for June 30, 2001

(Expressed in thousands)

	State Employees' Plan	Special Plan	New State Police Plan	Judiciary Plans	County & Municipal Police and Firefighters' Plan	County & Municipal Other Employees' Plan
Additions:						
<u>Contributions:</u>						
Employer Contributions	\$ 18,148	-	2,476	1,399	2,779	92
Transfer of Contributions from PRI Fund	31,994	-	35	293	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	33,477	-	2,112	251	1,404	57
Other	-	-	7	-	-	-
Total Contributions:	\$ 83,619	-	4,630	1,943	4,183	149
<u>Investments:</u>						
Investment Earnings	141,574	54	3,063	821	944	83
Net (Decrease) in Fair Value	(429,051)	(165)	(9,075)	(2,459)	(2,729)	(246)
	\$ (287,477)	(111)	(6,012)	(1,638)	(1,785)	(163)
Less Investment Manager/Advisor/Custody Fees	(12,804)	(5)	(277)	(75)	(86)	(7)
Less Investment Administrative Expenses	(222)	-	(5)	(1)	(2)	-
Total Net Investment Earnings:	\$ (300,503)	(116)	(6,294)	(1,714)	(1,873)	(170)
Total Additions:	\$ (216,884)	(116)	(1,664)	229	2,310	(21)
<u>Deductions:</u>						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Benefits Payments	194,824	143	367	1,907	163	41
Refunds of Contributions to Members	2,409	-	87	-	122	21
Group Life Payments	4,003	21	-	-	-	-
Administrative Expenses	4,634	-	-	-	-	-
Allocation of Administrative Expenses	(193)	4	56	8	49	15
Total Deductions:	\$ 205,677	168	510	1,915	334	77
Net (Decrease)/Increase:	\$ (422,561)	(284)	(2,174)	(1,686)	1,976	(98)
Net Assets Held in Trust for Pension						
Benefits Beginning of Year	\$ 5,057,849	2,049	102,805	28,629	29,693	2,833
Net Assets Held in Trust for Pension						
Benefits End of Year:	\$ 4,635,288	1,765	100,631	26,943	31,669	2,735

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



Volunteer Firemen's Plan	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Post-Retirement Health Insurance Premium Fund	Closed State Police Plan	Totals for Fiscal years ended June 30,	
							2002	2001
586	341	-	30,302	-	8,541	17,805	\$ 82,469	\$ 75,025
-	-	-	-	-	-	-	32,322	38,526
-	-	2,255	-	2,430	-	-	4,685	3,239
209	157	-	-	-	-	64	37,731	35,550
-	-	-	-	-	-	-	7	21
795	498	2,255	30,302	2,430	8,541	17,869	\$ 157,214	\$ 152,361
266	182	160	491	288	227	109	148,262	177,037
(797)	(538)	(661)	(1,456)	(817)	(452)	-	(448,446)	(447,882)
(531)	(356)	(501)	(965)	(529)	(225)	109	\$ (300,184)	\$ (270,845)
(25)	(16)	(15)	(44)	(26)	(20)	-	(13,400)	(16,035)
(1)	-	-	(1)	-	-	-	(232)	(206)
(557)	(372)	(516)	(1,010)	(555)	(245)	109	\$ (313,816)	\$ (287,086)
238	126	1,739	29,292	1,875	8,296	17,978	\$ (156,602)	\$ (134,725)
-	-	-	32,322	-	-	-	32,322	38,526
-	-	6,232	-	-	-	-	6,232	2,710
1,018	185	-	-	-	-	17,705	216,353	195,971
44	15	-	-	-	-	-	2,698	2,610
-	-	-	-	-	-	56	4,080	3,710
-	-	-	-	-	-	-	4,634	4,972
17	27	-	-	-	-	17	-	-
1,079	227	6,232	32,322	-	-	17,778	\$ 266,319	\$ 248,499
(841)	(101)	(4,493)	(3,030)	1,875	8,296	200	\$ (422,921)	\$ (383,224)
9,537	6,115	11,521	20,040	7,537	-	2,009	\$ 5,280,617	\$ 5,663,841
8,696	6,014	7,028	17,010	9,412	8,296	2,209	\$ 4,857,696	\$ 5,280,617



**Statement of Plan Net Assets
for the Delaware Local Government Retirement Investment Pool
as of June 30, 2002 with Comparative Totals for June 30, 2001**
(Expressed in thousands)

	Sussex County Gov't	Town of Elsmere	Totals as of June 30,	
			2002	2001
Assets:				
Cash	\$ -	-	\$ -	\$ -
Receivables:				
Employer Contributions	-	-	-	-
Member Contributions	-	-	-	-
Total Receivables:	\$ -	-	\$ -	\$ -
Investments at Fair Value:				
Domestic Fixed Income	1,629	277	1,906	1,283
Domestic Equities	2,026	345	2,371	2,013
Pooled Equity & Fixed Income	2,880	490	3,370	2,834
Pooled Real Estate	-	-	-	-
Private Investments	799	136	935	787
Short Term Investments	133	22	155	145
Foreign Equities	577	98	675	475
Total Investments:	\$ 8,044	1,368	\$ 9,412	\$ 7,537
Total Assets:	\$ 8,044	1,368	\$ 9,412	\$ 7,537
Liabilities:				
Benefits Payable	-	-	-	-
Accrued Administrative Expenses	-	-	-	-
Total Liabilities:	\$ -	-	\$ -	\$ -
Net Assets Held in Trust for Pension Benefits:	\$ 8,044	1,368	\$ 9,412	\$ 7,537

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

**Statement of Changes in Plan Net Assets
for the Delaware Local Government Retirement Investment Pool
for the fiscal year ended June 30, 2002 with Comparative Totals for June 30, 2001**
(Expressed in thousands)

	Sussex County Gov't	Town of Elsmere	Totals for Fiscal Years ended June 30,	
			2002	2001
Additions:				
<u>Contributions:</u>				
Employer Contributions	\$ -	-	\$ -	\$ -
Transfer of Contributions from PRI Fund	-	-	-	-
Transfer of Assets from Outside the System	1,000	1,430	2,430	1,441
Member Contributions	-	-	-	-
Other	-	-	-	-
Total Contributions:	\$ 1,000	1,430	\$ 2,430	\$ 1,441
<u>Investments:</u>				
Investment Earnings	246	42	288	253
Net (Decrease)/Increase in Fair Value	(717)	(100)	(817)	(652)
	\$ (471)	(58)	\$ (529)	\$ (399)
Less Investment Manager/Advisor/Custody Fees	(22)	(4)	(26)	(23)
Less Investment Administrative Expenses	-	-	-	-
Total Net Investment Losses:	\$ (493)	(62)	\$ (555)	\$ (422)
Total Additions:	\$ 507	1,368	\$ 1,875	\$ 1,019
<u>Deductions:</u>				
Transfer of Contributions from PRI Fund	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-
Benefits Payments	-	-	-	-
Refunds of Contributions to Members	-	-	-	-
Group Life Payments	-	-	-	-
Administrative Expenses	-	-	-	-
Allocation of Administrative Expenses	-	-	-	-
Total Deductions:	\$ -	-	\$ -	\$ -
Net Increase:	\$ 507	1,368	\$ 1,875	\$ 1,019
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	\$ 7,537	-	\$ 7,537	\$ 6,518
Net Assets Held in Trust for Pension Benefits				
End of Year:	\$ 8,044	1,368	\$ 9,412	\$ 7,537

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

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/Firefighters' Pension Plan.
- ◆ 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, 2002, employee membership data related to each of the Plans was as follows:

Plan	Retirees & Terminated Employees Beneficiaries Currently Receiving Benefits	Terminated Employees Entitled to Benefits But Not Yet Receiving Them	Active Participants	Total Participating Membership	Total Participating Employers
State Employees'	16,233	930	31,951	49,114	7
Special	36	-	-	36	N/A
New State Police	16	5	553	574	1
Judiciary	37	3	53	93	1
County & Municipal Police/Firefighters'	11	14	505	530	11
County & Municipal Other Employees'	11	1	90	102	11
Volunteer Firemen's	1,169	21	4,856	6,046	61
Diamond State Port Corporation	14	2	280	296	1
Closed State Police	548	-	40	588	1
Total:	18,075	976	38,328	57,379	94



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

Vesting: 5 years of credited service.

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

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: \$7,000 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: \$7,000 per member.

New State Police Pension Plan

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

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

Vesting: 10 years of credited service.

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 final average compensation plus 10% for each dependent not to exceed 25% for all dependents.
Partial Disability - calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Ordinary - Same as 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: \$7,000 per member.

Judiciary Pension Plans (Closed and Revised)

Plan Description and Eligibility:

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

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

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

Service Benefits:

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

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

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

Vesting: 12 years of credited service.

Retirement:

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

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

Revised - If employee is receiving a pension, then eligible survivor receives 1/2 of pension (2/3 with 3% reduction); if employee is active, eligible survivor receives 2/3 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/Firefighters' Pension Plan

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

Service Benefits: 1/40th of final average monthly compensation multiplied by years of credited service, subject to limitations. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

Vesting: 10 years of credited service.

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, subject to minimum 50% of final average compensation.

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

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of credited service; age 60 with 15 years of credited service; or 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). For this plan, final average monthly compensation is the monthly average of the highest consecutive five years of compensation within the last ten years of employment.

Vesting: 5 years of credited service.

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

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

Survivor Benefits: If employee is receiving a pension 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 65.

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: \$7,000 per member.



2. Fund Descriptions and Contributions

County & Municipal Police & Firefighters' COLA Fund

During 1990, the State of Delaware passed legislation which established a mechanism for funding post-retirement increases granted by employers who participate in the County & Municipal Police/Firefighters' Pension Plans. This mechanism allows the State to appropriate funds to a separate COLA Fund managed by the Board of Pension Trustees (Board). The funds are generated by a 0.25% tax on the value of insurance premiums written within the State. The proceeds of the tax are transferred to the State and local governments on a per member 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 (DELRIP) in the custody of the Board to allow local governments the option to pool their pension assets with the System. The DELRIP 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 were two participating entities in the DELRIP as of June 30, 2002 which comprise the pool in its entirety.

The DELRIP is subject to the oversight of the System's Investment Committee and not subject to the regulatory oversight of the Securities and Exchange Commission (SEC). The System has not provided or obtained any 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.

Post-Retirement Health Insurance Premium Fund

In June 2000, the State of Delaware passed legislation which established a mechanism for funding the State's retiree health care costs for covered employees in the State Employees' Pension Plan. The mechanism allows the State to appropriate employer contributions to a separate fund managed by the Board. Upon legislative action, these funds will be used to pay the State's cost for health care premiums. Funding began in July 2001 in the amount of 0.65% of payroll.



3. Summary of Significant Accounting Policies

Reporting Entity

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

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

Basis of Accounting

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

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 a common 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 appraised values which approximates fair value.

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, 2002, 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 \$1,009,000 as of June 30, 2002. 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, 2002, 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, 2002.

Summary of Investment Risk

(Expressed in thousands)

	Category	Category	Category	Securities not Subject to Classification of Credit Risk	Fair Value as of June 30, 2002
	1	2	3		
Domestic Fixed Income	\$ 981,328	—	—	\$ —	\$ 981,328
Domestic Equities	1,220,326	—	—	—	1,220,326
Pooled Equity & Fixed Income	—	—	—	1,735,275	1,735,275
Private Investments	—	—	—	481,688	481,688
Short-Term Investments*	86,850	—	—	—	86,850
Foreign Equities	347,892	—	—	—	347,892
	\$ 2,636,396	—	—	\$ 2,216,963	\$ 4,853,359

*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, 2002:

	Fair Value
	<i>(Expressed in thousands)</i>
Mellon Capital Asset Allocation Fund	\$ 1,071,657
Mellon Capital Global Asset Allocation Fund	663,618
Lincoln Capital - Fixed	345,010
T. Rowe Price High Yield Bonds	252,342

Management Fees

The System has paid \$12.3 million and \$12.1 million in management fees to the venture capital limited partnerships for the year ended June 30, 2002 and 2001, respectively. These fees are netted against investment income.

Investment Commitments

The System has made commitments to invest up to an additional \$196.4 million in venture capital limited partnerships in varying amounts as of June 30, 2002, 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 \$331,000. 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, 2002, the System had sixteen (16) open forward exchange contracts in various foreign currencies at various rates and dates through July 18, 2002. At June 30, 2002, the aggregate unrealized loss on such open contracts was \$16.9 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 stated in the manager’s contract and are monitored on an ongoing basis; so-called “exotic” derivatives and leverage are never used as appropriate investment vehicles. 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 following lists principal categories of derivatives and their uses during the year:

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 uneconomical.

Derivative securities are priced and accounted for at their fair value. For exchange traded securities such as futures and options, closing prices from the securities exchanges are used. 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 System could have a material adverse effect on its financial condition.



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)
							UAAL as a % of Covered Payroll (3)/(5)
State Employees'	6/30/2002	\$ 4,956,156	\$ 4,521,732	\$ (434,424)	109.6%	\$ 1,351,112	(32.2%)
	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%)
Special	6/30/2002	\$ 1,832	\$ 742	\$ (1,090)	246.9%	N/A	N/A
	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
New State Police	6/30/2002	\$ 109,615	\$ 91,928	\$ (17,687)	119.2%	\$ 30,281	(58.4%)
	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%)
Judiciary	6/30/2002	\$ 29,049	\$ 30,122	\$ 1,073	96.4%	\$ 7,329	14.6%
	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%
County & Municipal Police/Firefighters'	6/30/2002	\$ 35,053	\$ 30,344	\$ (4,709)	115.5%	\$ 21,342	(22.1%)
	6/30/2001	29,389	29,465	76	99.5%	19,605	1.1%
	6/30/2000	23,496	23,582	86	99.3%	18,011	1.4%
	6/30/1999	17,272	17,697	425	96.0%	15,230	8.6%
	6/30/1998	12,842	12,868	26	99.7%	11,712	0.6%
	6/30/1997	9,358	9,387	29	99.6%	9,215	0.7%



REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 1 -- Schedule of Funding Progress

(Dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)	
County & Municipal Other Employees'	6/30/2002	\$ 3,033	\$ 2,816	\$ (217)	107.7%	\$ 2,545		(8.5%)
	6/30/2001	2,794	2,962	168	94.3%	2,292		7.3%
	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%
Diamond State Port Authority	6/30/2002	\$ 6,675	\$ 6,617	\$ (58)	100.9%	\$ 9,354		(0.6%)
	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%
Closed State Police+	6/30/2002	\$ 2,036	\$ 318,687	\$ 316,651	0.6%	\$ 3,105		10,198.1%
	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%
							Active	++Cost per
							Members	Active Member
Volunteer Firemen's	6/30/2002	\$ 9,333	\$ 14,940	\$ 5,607	62.5%	4,856		\$ 1,155
	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

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

++ Not expressed in thousands.



REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 2 -- Schedule of Employer Contributions

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees*	6/30/2002	\$ 18,148	100.0%
	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%
Special	6/30/2002	\$ -	-
	6/30/2001	-	-
	6/30/2000	-	-
	6/30/1999	-	-
	6/30/1998	-	-
	6/30/1997	-	-
New State Police*	6/30/2002	\$ 2,476	100.0%
	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%
Judiciary*	6/30/2002	\$ 1,399	100.0%
	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%
County & Municipal Police/Firefighters'	6/30/2002	\$ 2,779	100.0%
	6/30/2001	2,664	100.0%
	6/30/2000	2,771	100.0%
	6/30/1999	2,025	100.0%
	6/30/1998	1,651	100.0%
	6/30/1997	1,388	100.0%



REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 2 -- Schedule of Employer Contributions*(Dollar values expressed in thousands)*

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
County & Municipal Other Employees'	6/30/2002	\$ 92	100.0%
	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%
Volunteer Firemen's	6/30/2002	\$ 586	100.0%
	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%
Diamond State Port Corporation	6/30/2002	\$ 341	100.0%
	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%
Closed State Police	6/30/2002	\$ 27,831	64.0%
	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%

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



REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

Schedule 3 -- Notes to Trend Data

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

Plan	State Employees'	Special	New State Police	Judiciary	Closed State Police
Valuation Date	6/30/2002	6/30/2002	6/30/2002	6/30/2002	6/30/2002
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 Percent Closed
Remaining Amortization Period	13.95 years	N/A	18 years	19 years	34 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	8.5%	8.5%	8.5%	8.5%	8.5%
Projected Salary Increases*	6.00% - 9.89%	N/A	7.0%	5.5%	7.0%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

Plan	County & Municipal Police/Firefighters	County & Municipal Other Employees'	Volunteer Firemen's	Diamond State Port Corporation
Valuation Date	6/30/2002	6/30/2002	6/30/2002	6/30/2002
Actuarial Cost Method	Entry Age Normal **	Entry Age Normal **	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open	Level Dollar Closed	Level Percent Closed
Remaining Amortization Period	10 years	10 years	25 years	20 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:				
Investment rate of return	8.5%	8.5%	8.5%	8.5%
Projected Salary Increases*	7.0%	7.0%	N/A	5.0%
Cost-of-living adjustments	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 71.

** Actuarial Cost Method changed to Entry Age Normal from Frozen Initial Liability effective June 30, 2002.



Supporting Schedules

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Schedule 4 -- Schedule of Administrative Expenses

(Dollar values expressed in thousands)

	Fiscal 2002	Fiscal 2001	Change	
			Dollars	Percent
Personal Services				
Staff Salaries	\$ 2,004	\$ 1,917	\$ 87	4.5%
Fringe Benefits	621	531	90	16.9%
Total Personal Services:	\$ 2,625	\$ 2,448	\$ 177	7.2%
Professional Services				
Actuarial	\$ 136	\$ 118	\$ 18	15.3%
Audit	56	58	(2)	(3.5%)
Medical Services	20	11	9	81.8%
State Agency Support Services	24	24	-	0.0%
Other Professional Services	1	1	-	0.0%
Total Professional Services:	\$ 237	\$ 212	\$ 25	11.8%
Communication				
Printing	\$ 73	\$ 40	\$ 33	82.5%
Telephone	44	31	13	41.9%
Postage	113	128	(15)	(11.7%)
Travel	15	34	(19)	(55.9%)
Other Communications	17	25	(8)	(32.0%)
Total Communications:	\$ 262	\$ 258	\$ 4	1.6%
Data Processing				
Contractual Services	\$ 195	\$ 359	\$ (164)	(45.7%)
Training	6	15	(9)	(60.0%)
Maintenance	258	190	68	35.8%
Equipment - Hardware	43	41	2	4.9%
Equipment - Software	6	21	(15)	(71.4%)
Total Data Processing:	\$ 508	\$ 626	\$ (118)	(18.8%)
Rentals				
Equipment Leasing	\$ 7	\$ 3	\$ 4	133.3%
Fleet Services	5	6	(1)	(16.7%)
Office Space	437	24	413	1720.8%
Total Rentals:	\$ 449	\$ 33	\$ 416	1260.6%
Miscellaneous				
Supplies and Equipment	\$ 31	\$ 20	\$ 11	55.0%
Maintenance	3	3	-	0.0%
Continuing Education	2	5	(3)	(60.0%)
Temporary Employment Services	13	15	(2)	(13.3%)
Other Miscellaneous	4	3	1	33.3%
Total Miscellaneous:	\$ 53	\$ 46	\$ 7	15.2%
General Administrative Expenses:	\$ 4,134	\$ 3,623	\$ 511	14.1%
PRIDE Project Administrative Expenses:	\$ -	\$ 379	\$ (379)	(100.0%)
eCRIS Project Administrative Expenses:	\$ 478	\$ -	\$ 478	100.0%
Relocation Project Administrative Expenses:	\$ 22	\$ 925	\$ (903)	(97.6%)
Special Retiree Health Liability Study:	\$ -	\$ 45	\$ (45)	(100.0%)
Total Administrative Expenses:	\$ 4,634	\$ 4,972	\$ (338)	(6.8%)



Schedule 5 -- Schedule of Investment Expenses

(Dollar values expressed in thousands)

	Fiscal 2002	Fiscal 2001	Change	
			Dollars	Percent
Custody Fees	\$ 501	\$ 499	\$ 2	0.4%
Investment Manager/Advisor Fees	12,899	15,536	(2,637)	(17.0%)
Pension Office Support Staff	232	206	26	12.6%
Total Investment Expenses:	\$ 13,632	\$ 16,241	\$ (2,609)	(16.1%)



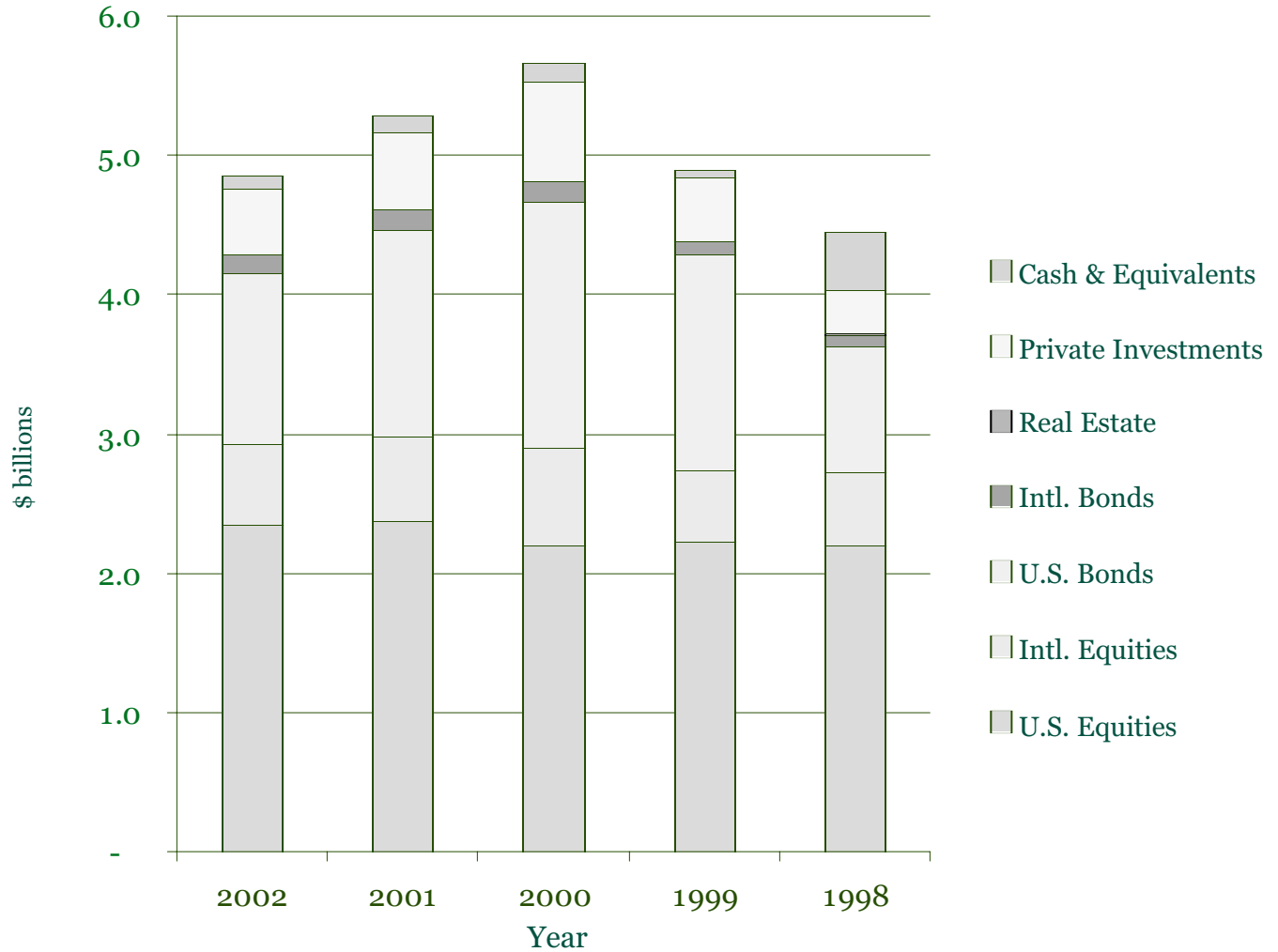
(This page intentionally left blank.)

Investment Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Five-Year Investment Comparison



(expressed in millions)

Fiscal Years ending June 30,

	2002	2001	2000	1999	1998
U.S. Equities	\$ 2,340.5	\$ 2,371.0	\$ 2,197.6	\$ 2,248.2	\$ 2,199.3
Intl. Equities	577.1	607.3	702.3	519.2	520.9
U.S. Bonds	1,234.8	1,483.8	1,761.4	1,572.3	912.7
Intl. Bonds	132.1	147.8	152.9	102.9	71.2
Real Estate	0.0	—*	—*	4.9	13.4
Private Investments	480.9	549.2	708.0	391.8	316.1
Cash & Equivalents	92.3	121.5	141.6	58.8	418.5
Totals	\$ 4,857.7	\$ 5,280.6	\$ 5,663.8	\$ 4,898.1	\$ 4,452.1

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

Note: For these asset classifications, the Pooled Equity and Fixed Income Accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the categories used in the financial section on pages 24-25.



**STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS**

McArdle Building, Suite #1
860 Silver Lake Blvd.
Dover, DE 19904-2402

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

Telephone (302) 739-4208
Fax (302) 739-6129
www.delawarepensions.com

August 20, 2002

Dear Board Members, Participants, and Beneficiaries:

The Board of Pension Trustees Investment Committee (Committee) oversees the investment of the retirement funds of the Delaware Public Employees' Retirement System (System). The Committee's investment oversight includes the nine retirement plans [State Employees', Special, New State Police, Judiciary, County & Municipal Police/Firefighters', County & Municipal Other Employees', Volunteer Firemen's, Diamond State Port Corporation, and Closed State Police] that the Board of Pension Trustees (Board) administers and the four commingled pension funds [County & Municipal Police/Firefighters' COLA, Post-Retirement Increase (PRI), Delaware Local Government Retirement Investment Pool (DELRIP), and State Employees' Post-Retirement Health Insurance Premium] that the Board manages.

The Committee consists of six members appointed by the Board. The Committee operates within the following investment objectives established by the Board:

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

Investment decisions are further dictated by the Board's internal investment policy which requires a minimum of 20 - 25% of the total assets of the System to be invested in fixed income investments, such as bonds, cash equivalents, and certain real estate investments. The Committee monitors this policy with the assistance of the Investment Advisor. Also, the Committee reviews prospective risk levels and rates of return of all classes of assets. Hence, the Committee assures investment diversification by



Board Members, Participants, and Beneficiaries

Page 2

August 20, 2002

selecting managers whose demonstrated performance reflects different management styles and asset class expertise. Most importantly, the Committee closely monitors the performance of all investment managers, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same investment objectives.

The System returned (6.3%) for fiscal year 2002. The total System's annualized rate of return over the last five, ten, and fifteen years was 6.4%, 10.6%, and 10.0%, respectively. As reported by a major performance ranking comparison service, the System's investment performance ranks slightly below the median for this fiscal year and in the top decile of public funds for the five and ten year periods. For the period ending June 30, 2002, the System market value totaled \$4.9 billion representing a decrease in assets of \$422.9 million.

The investment climate during this fiscal year was unusually difficult. The events of September 11 had a negative impact on stock markets around the world. In the following months, the threat of further attacks and the continued impact of a slowing U.S. economy made investors cautious. In recent months, signs of an economic recovery have been overshadowed by evidence of corporate malfeasance by companies, such as Enron and WorldCom. Although the System was affected by the general market impact, estimated losses incurred by directly held assets in these two companies were \$5,755,000, representing approximately 0.1% of total fund assets. Reflecting these conditions, the S&P 500 stock market index declined 18.0% during the fiscal year.

While the System was impacted by all of these events, as evidenced by the disappointing (6.3%) return for the System, the continuing and consistent emphasis on diversification and risk control resulted in a System return that was significantly better than the (18.0%) return of the U.S. stock market.

On behalf of our Trustees, we thank our dedicated professional staff at the Office of Pensions, our investment advisor, and our money managers, who all work diligently to assure the successful operation of the Board of Pension Trustees Investment Committee.

Respectfully submitted,



Elva B. Ferrari, Chair
Board of Pension Trustees Investment Committee

Investment Activity

The bond markets performed well, but the U.S. stock markets continued to be weak during the fiscal year ending June 30, 2002. For the fiscal year, the S&P 500 stock index returned (18.0%) while the Lehman Aggregate bond index returned 8.2%.

For the fiscal year, the Delaware Public Employees' Retirement System (System) had a (6.3%) rate of return. This performance ranks the System slightly below the median of public funds for this fiscal year and in the top decile of public funds for the five and ten year periods.

Return data for the total System was calculated on a time-weighted basis in accordance with the standards of the Association for Investment Management & Research (AIMR). Valuations, where available, are based on published national securities exchanges prices.

Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For over 20 years, the System has been managed to control the extent of downside risk to which assets are exposed while maximizing the potential for long-term gain.

Specific investment objectives are:

- To realize a real return (System return less CPI) of 3% per year over long periods (about 15 years).
- To control portfolio risk so as to limit downside price fluctuation of the total System in any 12-month period.
- To realize as high a rate of total return as possible, consistent with all of the above.

To achieve these objectives, these investment policies are employed:

- Allocate a minimum of 20% - 25% of assets to fixed income investments such as bonds, cash equivalents, and certain real estate investments.
- Maintain a widely diversified portfolio, so as to minimize the risk of overexposure to any one market sector or investment style.
- Closely monitor the performance of all investment managers against specific absolute objectives and in relation to other managers following the same investment objectives.

Investment Process

While the objectives and policies have been repeatedly reaffirmed, the implementation process undergoes continuous evolution. The increasing volume of investment information and the complexities of the global marketplace necessitate the ongoing development and use of advanced information systems. Computer technology is now used as a tool in every aspect of investment management, from asset allocation decisions to manager selection and performance measurement.

General Management

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

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

Investment Results

In Fiscal 2002, the investment process experienced:

- A time-weighted total return of (6.3%) based on market values.
- Benefit and expense payments exceeded net employer and member contributions by \$109.1 million.
- Net interest and dividend income of \$134.9 million.
- Net decrease in fair value of \$448.4 million.
- Decrease in total Fund assets from \$5.3 billion to \$4.9 billion.
- Overall volatility well below that of an all common stock portfolio.

The System is invested for long-term results and each single year’s returns must be viewed in relation to longer periods.

	Fiscal Years Ending June 30,					Five	Ten	Fifteen
	2002	2001	2000	1999	1998	Years Ending 6/30/02*	Years Ending 6/30/02*	Years Ending 6/30/02*
Total System Return	(6.3%)	(5.1%)	16.8%	11.1%	18.0%	6.4%	10.6%	10.0%
Consumer Price Index (CPI)	1.0%	3.3%	3.7%	2.0%	1.7%	2.3%	2.5%	3.1%
System Real Return	(7.3%)	(8.4%)	13.1%	9.1%	16.3%	4.1%	8.1%	6.9%

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

Chart I on page 58 summarizes the cash flows and total System returns for each of the last five fiscal years and the cumulative results for 5-year and 10-year periods ending June 30, 2002.

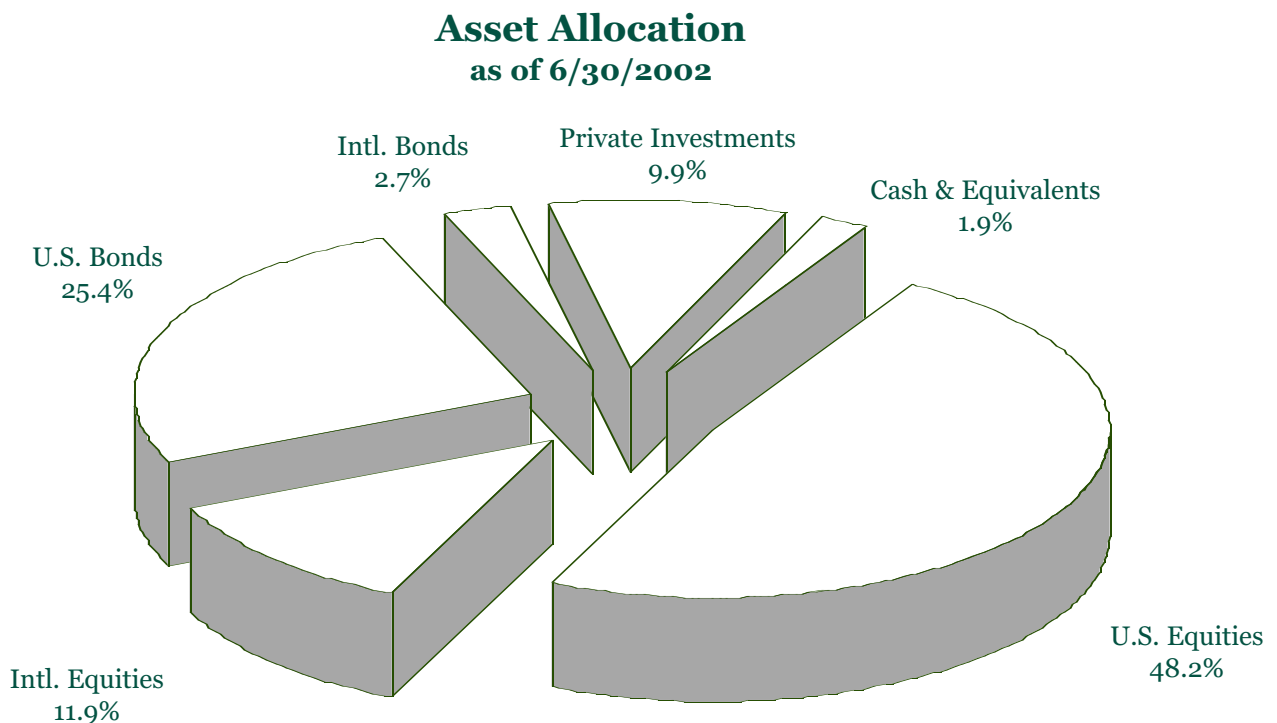
Chart II on page 58 summarizes the total System and asset class segment returns for each of the last five fiscal years and the annualized returns for the 3-year and 5-year periods ending June 30, 2002.



Charts III and IV on page 59 show the quarterly cumulative total System performance for the 5-year and 10-year periods ending June 30, 2002 compared to indices representative of some of the asset classes in which the System invests.

One investment objective is to achieve an annualized rate of total return over any 15-year period that is at least 3 percentage points greater than inflation. The most recent 15-year result is a real rate of return of 6.9% (10.0% System return less 3.1% CPI) measured on a time-weighted basis. During this period, risk as measured by relative volatility, was approximately 51% of the level that would have been experienced by a fund invested 100% in the S&P 500. The real rate of return from such a 100% stock portfolio would have been 7.8% (10.9% S&P 500 less 3.1% CPI). These are not typical real rates of return and should not be expected going forward. The last 15 years encompassed periods of exceptional returns in both the bond and stock markets which are unlikely to be repeated.

	Periods Ending June 30, 2002		
	Five Years	Ten Years	Fifteen Years
Total System Return	6.4%	10.6%	10.0%
S&P Index % Return	3.7%	11.4%	10.9%
Relative Return vs. S&P 500 Index	172.6%	92.9%	92.3%
Relative Risk vs. S&P 500 Index	53.6%	55.1%	50.8%



Asset Allocation

To achieve investment objectives, monies are deployed in diverse asset classes offering the risk and return characteristics desired. The following chart illustrates the diversification of assets at the end of the fiscal year. The accompanying table shows the five-year history and trends in asset allocation. For these asset classifications, the Pooled Equity and Fixed Income Accounts are included in their respective equity and fixed income asset classes; and, therefore, are different from the asset classes used in the financial section on pages 24-25.

	Fiscal Years Ending June 30,				
	2002	2001	2000	1999	1998
U.S. Equities	48.2%	44.9%	38.8%	45.3%	49.4%
Intl. Equities	11.9%	11.5%	12.4%	10.5%	11.7%
U.S. Bonds	25.4%	28.1%	31.1%	31.6%	20.5%
Intl. Bonds	2.7%	2.8%	2.7%	2.1%	1.6%
Real Estate	-	-*	-*	0.1%	0.3%
Private Investments	9.9%	10.4%	12.5%	9.2%	7.1%
Cash & Equivalents	1.9%	2.3%	2.5%	1.2%	9.4%

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

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

All investment managers are expected to meet and maintain a number of organizational criteria in order to continue as managers. One manager was terminated during the fiscal year, four managers were hired, two venture capital funds reached their scheduled termination dates and distributed assets, the responsibilities of two managers were reduced, and an existing manager was given additional responsibilities in the area of private investments. At the end of the fiscal year, the money managers of the System and their responsibilities were:



Investment Manager	Responsibility	Calendar Year Retained
<u>U.S. Equities</u>		
Alliance Capital Management	Equities	2001
Armstrong Shaw	Equities	2002
Barclays Global Investors	Equities	1977
Fidelity Management Trust Co.	Real Estate Investment Trusts	1995
Froley, Revy Investment Co.	Convertible Securities	1984
Granahan Investment Management	Equities	2002
Lincoln Capital Management	Equities	1978
Mellon Capital Management	Equities	1984
Oaktree Capital Management	Convertible Securities	1995
T. Rowe Price Associates	Equities	1971
Trinity Investment Management	Equities	1982
<u>International Equities</u>		
Jarislowky Fraser	International Equities	2002
Mellon Capital Management	International Equities	1996
Oaktree Capital Management	International Convertible Securities	1995
<u>U.S. Bonds</u>		
Lincoln Capital Management	Fixed Income	1995
Mellon Capital Management	Fixed Income	1984
T. Rowe Price Associates	Fixed Income	1996
Loomis Sayles & Company LP	Fixed Income	1998
<u>Private Investments</u>		
Accel Partners	Venture Capital	1984
Advanced Technology Ventures	Venture Capital	1990
Brentwood Associates	Venture Capital	1983
The Carlyle Group	Private Equity	1996
Cherry Tree Ventures	Venture Capital	1984
Coller Isnard Ltd.	Venture Capital	1994
MeriTech Capital Partners	Venture Capital	1999
Oaktree Capital Management	Distressed Debt	1997
Oaktree Capital Management	Emerging Markets	2000
One Liberty Ventures	Venture Capital	1982
ONSET Enterprise Associates	Venture Capital	1989
Pecks Partners	Private Equity	1986
Spectra Enterprise Associates	Venture Capital	1986
Summit Ventures	Venture Capital	1988
T. Rowe Price Recovery Fund	Distressed Debt	1988
T. Rowe Price Threshold Funds	Venture Capital	1984
Trident Management	Venture Capital	1999
TCW Asset Management	Distressed Debt	1990
Weston Presidio Capital	Venture Capital	1995
<u>Cash & Equivalents</u>		
T. Rowe Price Associates	Cash & Equivalents	1983



**Chart I
Calculated Returns**

*(Dollar values expressed in thousands)
(All Returns for Periods Greater Than One Year Are Annualized)*

	Fiscal Years Ending June 30,					Five Years	Ten Years
						Ending	Ending
	2002	2001	2000	1999	1998	6/30/02	6/30/02
Beginning Market Value	\$ 5,280.6	5,663.8	4,898.1	4,452.1	3,793.3	\$ 3,793.3	\$ 2,011.4
Net (Withdrawals)/Contributions	(109.1)	(96.1)	(58.7)	(43.6)	(30.4)	(337.9)	(471.5)
Net Investment Income	134.9	160.8	155.5	126.9	130.2	708.3	1,238.4
Net (Decrease)/Increase in fair value	(448.4)	(447.9)	668.9	362.7	559.0	694.3	2,079.7
Ending Market Value	\$ 4,858.0	5,280.6	5,663.8	4,898.1	4,452.1	\$ 4,858.0	\$ 4,858.0
Time-Weighted Total Return on Market Value	(6.3%)	(5.1%)	16.8%	11.1%	18.0%	6.4%	10.6%
Consumer Price Index	1.0%	3.3%	3.7%	2.0%	1.7%	4.1%	8.1%

**Chart II
Investment Performance Summary**

(All Returns for Periods Greater Than One Year Are Annualized)

	Fiscal Years Ending June 30,					Three	Five
						Years	Years
	2002	2001	2000	1999	1998	Ending	Ending
(1) Total System	(6.3%)	(5.1%)	16.8%	11.1%	18.0%	1.3%	6.4%
(2) Equity and Private Equity Segment**	(9.7%)	(8.7%)	33.6%	11.2%	16.0%	3.3%	7.3%
(3) Fixed Income and Cash Segment***	6.0%	8.5%	5.2%	6.1%	7.8%	6.6%	6.7%
(4) Tactical Asset Allocation Segment****	(7.3%)	(6.2%)	7.0%	13.4%	27.0%	(2.4%)	6.0%
Consumer Price Index*	1.0%	3.3%	3.7%	2.0%	1.7%	2.7%	2.3%
S&P 500 Index	(18.0%)	(14.8%)	7.4%	22.7%	30.2%	(9.1%)	3.7%
Russell 3000 Index	(17.2%)	(13.9%)	9.6%	20.1%	28.8%	(7.9%)	3.8%
MSCI EAFE Index	(9.5%)	(23.6%)	17.2%	7.6%	6.1%	(6.8%)	(1.6%)
Lehman Gov't Corp	8.2%	11.1%	4.3%	2.7%	11.3%	7.9%	7.5%
90-Day Treasury Bill	2.2%	5.0%	5.5%	4.5%	5.1%	4.2%	4.4%
60/40 S&P/Lehman Gov't Corp Mix	(7.4%)	(4.8%)	6.5%	15.2%	22.5%	(2.1%)	5.8%
60/40 MSCI World/Salomon WGBI	(4.0%)	(13.5%)	8.7%	11.5%	12.1%	(3.4%)	2.4%

* A benchmark for establishing the Total System return.

** Includes convertible securities and private equity; excludes equity portion of tactical asset allocation portfolios.

*** Excludes fixed income and cash segments of tactical asset allocation portfolios.

**** Comprises investment accounts which tactically rebalance among stocks, bonds and cash (including foreign stocks, bonds and cash) to optimize the risk/return characteristics of the mix. The underlying assets in these accounts are generally passively invested in index vehicles.



Chart III

Total Return Performance Comparison - 5 Years

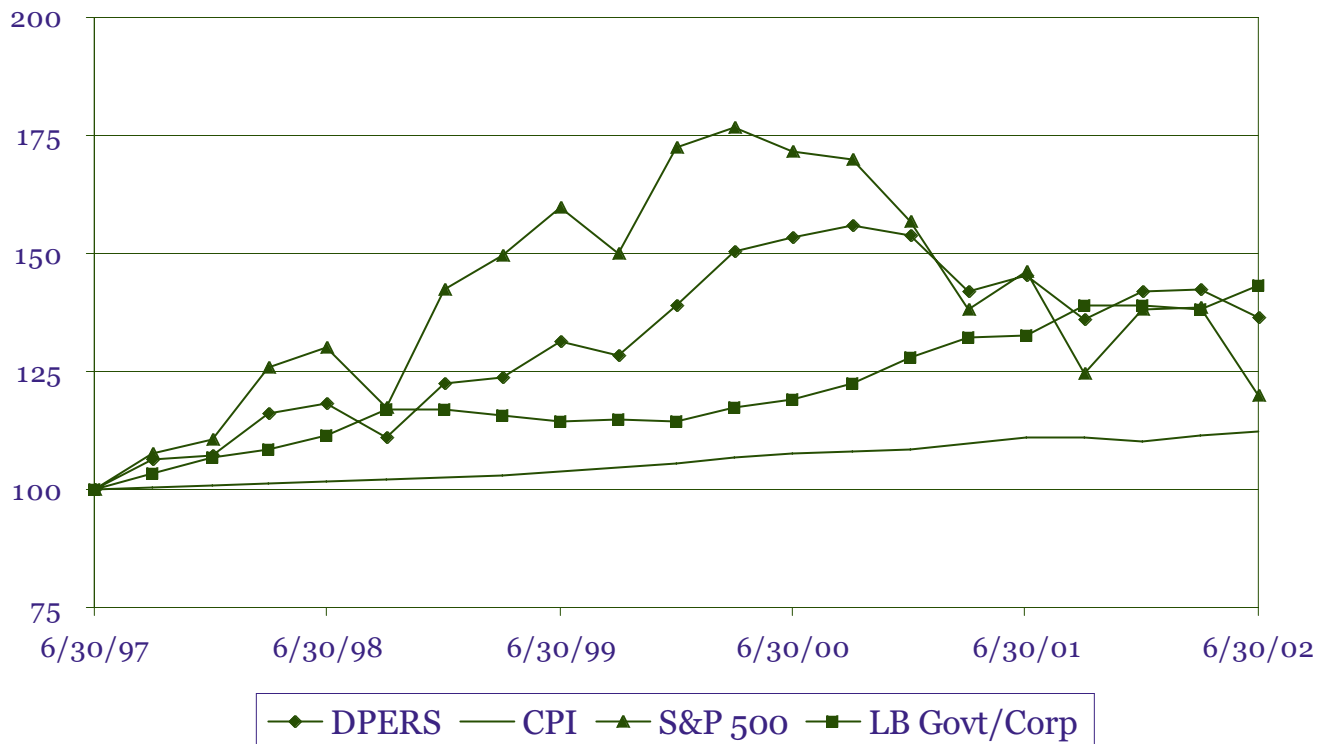
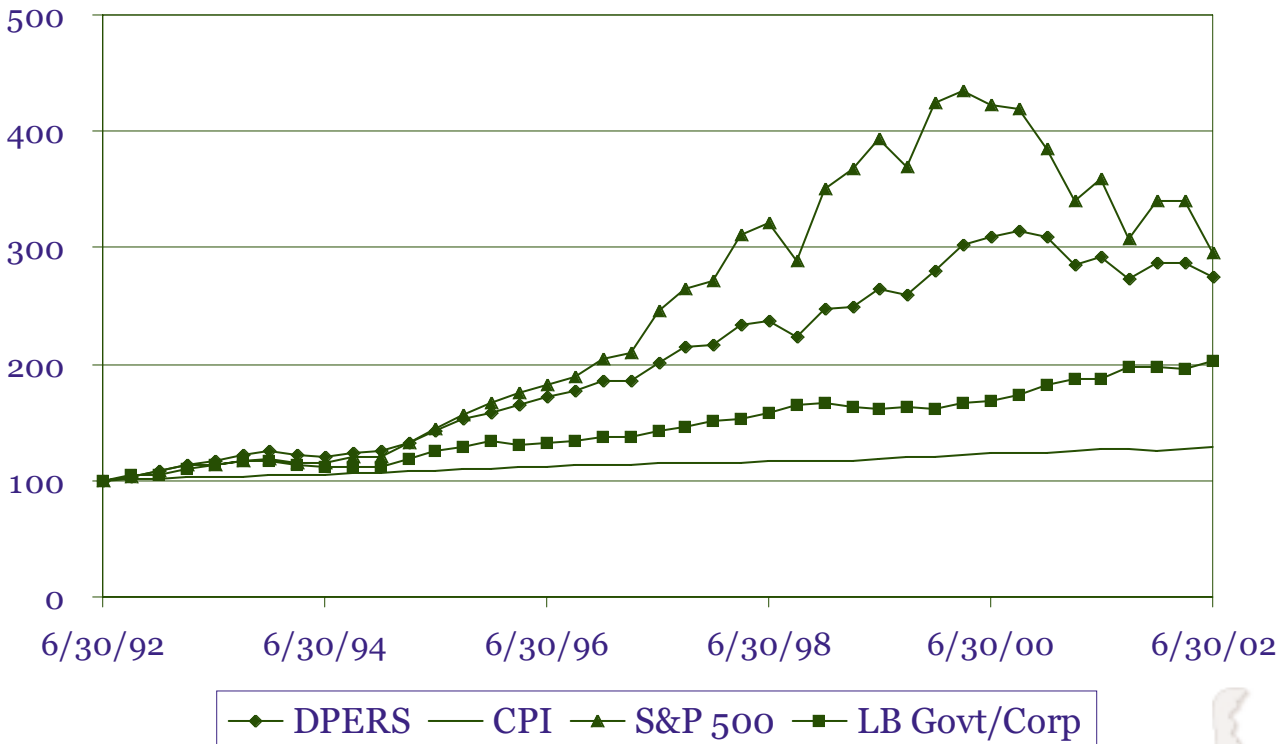


Chart IV

Total Return Performance Comparison - 10 Years



Investment Summary

(Dollar values expressed in thousands)

	Market Value as of June 30, 2002	Percent of Total Investment Assets	Total FY 2002 Investment Fees	Basis Points
<u>Equities</u>				
U.S. Equities	\$ 2,340,438	48.2%		
Intl. Equities	577,094	11.9%		
Sub-Total	\$ 2,917,532	60.1%	\$ 8,367	
<u>Fixed Income</u>				
U.S. Bonds	\$ 1,234,827	25.4%		
Intl. Bonds	132,129	2.7%		
Sub-Total	\$ 1,366,956	28.1%	\$ 2,458	
<u>Other Asset Allocations</u>				
Private Investments	\$ 480,912	9.9%		
Cash & Equivalents	92,296	1.9%		
Sub-Total	\$ 573,208	11.8%	\$ 1,024	
<u>Other Investment Services</u>				
Custodian/Investment Advisor Fees	\$ -	-	\$ 1,550	
Pension Office Support Staff Expenses	-	-	232	
Grand Totals	\$ 4,857,696	100.0%	\$ 13,631	27 bp*

* Other fees include Private Investment fees detailed on page 38. These fees have been excluded from the basis point calculation since they have already been netted from income. Basis point calculation is the weighted average based on the quarterly fund valuation.

Glossary of Terms Used

Fair Value (Market Value):

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

Time-Weighted Total Return:

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

Private Investments

Private Investments include investments in Venture Capital, Private Equity, and certain Convertible Securities.

List of Largest Assets Directly Held*
as of June 30, 2002 (excludes investments in pooled vehicles)

Equities (Includes Convertibles)	Market Value	% of Total Fund	Shares/Par (\$)
APARTMENT INV & MGMT CO CL A	\$ 16,895,280	0.35%	343,400 shares
SUN COMMUNITIES INC	12,692,000	0.26%	304,000 shares
GENERAL GROWTH PROPERTIES INC	12,428,700	0.26%	243,700 shares
VORNADO REALTY TRUST	11,854,920	0.24%	256,600 shares
EQUITY OFFICE PROPERTIES TRUST	10,395,155	0.21%	345,354 shares
CITIGROUP INC	10,330,750	0.21%	266,600 shares
AMB PROPERTY CORP	9,938,600	0.21%	320,600 shares
CENTERPOINT PROPERTIES TRUST	9,809,491	0.20%	169,100 shares
AVALONBAY COMMUNITIES INC	8,807,620	0.18%	188,600 shares
GENERAL ELECTRIC CO	8,497,125	0.18%	292,500 shares
Total	\$ 111,649,641	2.30%	

Fixed Income	Market Value	% of Total Fund	Par (\$)
UNITED STATES TREAS NTS 5.875% 11/15/04	\$ 21,256,200	0.44%	\$ 20,000,000
FEDERAL HOME LN MTG CORP NT 7.00% 7/15/2005	16,425,000	0.34%	\$ 15,000,000
FEDERAL HOME LN BANK BND 5.375% 1/05/2004	10,936,900	0.21%	\$ 10,000,000
UNITED STATES TREAS NT/BND 5.875% 9/30/2002	10,106,300	0.21%	\$ 10,000,000
FEDERAL NATIONAL MTG ASSN NT 5.750% 4/15/2003	9,767,235	0.20%	\$ 9,500,000
UNITED STATES TREAS NTS 5/25% 5/15/2004	9,146,463	0.19%	\$ 8,750,000
UNITED STATES TREAS NTS 6.5% 5/15/2005	8,212,791	0.17%	\$ 7,565,000
UNITED STATES TREAS NTS 5.75 8/15/2003	7,800,000	0.16%	\$ 7,500,000
UNITED STATES TREAS NTS 7.0% 7/15/2006	6,991,669	0.14%	\$ 6,260,000
LOEWS CORP SUB NT CONV 3.125% 9/15/2007	6,893,870	0.14%	\$ 7,850,000
Total	\$ 107,536,428	2.20%	

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



Schedule of Broker Commissions

The System has no commission recapture, directed payment, or “soft dollar” arrangements; however, such arrangements may exist between brokers and investment managers. Increased broker commissions during this fiscal year are due to transactional costs associated with major manager changes during the period. During fiscal year 2002, the System received \$20,000 in unsolicited commission recapture. Broker selection is the responsibility of individual investment managers.

Appendix A (on page 62) is a schedule of commissions paid during fiscal 2002 which totaled over \$20,000. Appendix B (pages 63-65) is a complete schedule of all commissions paid during fiscal 2002.

**Appendix - A
Schedule of Broker Commissions Over \$20,000**

The following is a list of brokers who received \$20,000 or more in commissions during Fiscal Year 2002.

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
LEHMAN BROTHERS INC	5,976,519	\$0.05	\$162,504,961.89	\$269,248.90
CS FIRST BOSTON CORPORATION	5,194,492	\$0.05	\$140,134,644.40	\$244,483.74
DEUTSCHE BANC ALEX BROWN INC	10,893,282	\$0.02	\$222,464,883.71	\$240,599.61
INVESTMENT TECHNOLOGY GROUP	10,032,811	\$0.02	\$256,075,034.02	\$200,493.34
SALOMON SMITH BARNEY INC	3,778,740	\$0.05	\$103,363,997.77	\$175,851.60
B-TRADE SECURITIES LLC	8,165,142	\$0.02	\$126,324,746.53	\$162,002.94
BEAR STEARNS & CO INC	2,957,959	\$0.05	\$70,390,012.29	\$136,380.42
FIRST UNION CAPITAL MARKETS	2,034,200	\$0.06	\$64,974,981.23	\$114,118.00
MERRILL LYNCH PIER FEN SMITH	1,942,324	\$0.05	\$62,162,238.92	\$96,880.20
LEGG MASON WOOD WALKER	1,706,316	\$0.05	\$42,146,783.43	\$85,315.80
GOLDMAN SACHS & CO	1,434,062	\$0.05	\$34,853,207.90	\$73,400.60
CIBC OPPENHEIMER CORP	1,363,633	\$0.05	\$30,086,996.06	\$61,686.32
AUTRANET INC	1,540,800	\$0.04	\$35,866,388.71	\$61,211.00
MORGAN STANLEY & CO	1,249,947	\$0.05	\$21,437,252.90	\$58,976.55
SPEAR, LEEDS & KELLOGG	1,940,668	\$0.03	\$60,970,893.77	\$50,364.80
PRUDENTIAL SECURITIES	786,100	\$0.05	\$21,671,453.17	\$39,471.00
J. P. MORGAN SECURITIES INC	768,540	\$0.05	\$18,971,851.43	\$38,566.00
BANC/AMERICA SECURITIES LLC	779,313	\$0.04	\$14,212,334.78	\$34,690.65
JEFFERIES & CO INC	821,300	\$0.04	\$16,716,911.00	\$33,667.00
CANTOR FITZGERALD & CO	647,679	\$0.05	\$15,504,947.38	\$32,765.95
COWEN & COMPANY	623,310	\$0.05	\$11,757,018.30	\$31,163.50
CHARLES SCHWAB & CO	874,330	\$0.03	\$14,850,175.71	\$27,805.90
WARBURG DILLON READ INC	435,350	\$0.05	\$12,708,681.97	\$22,566.50
THOMAS WEISEL PARTNERS, LLC	436,000	\$0.05	\$7,092,197.15	\$21,800.00
RAYMOND JAMES & ASSOC	430,900	\$0.05	\$9,414,708.72	\$21,422.60



Appendix - B Broker Commission Summary for Fiscal Year 2002

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
ABEL NOSER CORPORATION	325,400	\$0.01	\$6,430,114.25	\$4,822.70
ABN AMRO SECURITIES LLC	167,000	\$0.05	\$3,792,300.01	\$8,350.00
ADAMS HARKNESS & HILL	144,100	\$0.05	\$2,451,462.32	\$7,205.00
ADVEST INC	16,200	\$0.05	\$272,255.58	\$810.00
ARCHIPELAGO	18,000	\$0.01	\$276,249.71	\$180.00
ARNHOLD & S. BLEICHROEDER INC	1,100	\$0.05	\$42,691.87	\$55.00
AUTRANET INC	1,540,800	\$0.04	\$35,866,388.71	\$61,211.00
AVALON RESEARCH GROUP INC	900	\$0.05	\$41,303.75	\$45.00
B-TRADE SECURITIES LLC	8,165,142	\$0.02	\$126,324,746.53	\$162,002.94
BAIRD, ROBERT W	290,200	\$0.05	\$7,958,508.45	\$14,510.00
BANC/AMERICA SECURITIES, LCC	779,313	\$0.04	\$14,212,334.78	\$34,690.65
BARING SECURITIES INC	48,400	\$0.05	\$1,190,827.10	\$2,420.00
BARRINGTON RESEARCH ASSOC	100	\$0.05	\$1,866.44	\$5.00
BEAR STEARNS & CO INC	2,957,959	\$0.05	\$70,390,012.29	\$136,380.42
BERNSTEIN SANFORD & CO INC	351,300	\$0.05	\$9,790,326.10	\$17,565.00
BLACK AND COMPANY	200	\$0.05	\$2,996.18	\$10.00
BLAIR, WILLIAM & CO	133,400	\$0.05	\$3,876,373.96	\$6,670.00
BMO NESBITT BURNS INC	4,900	\$0.03	\$77,905.10	\$156.80
BNY CLEARING SERVICES LLC	28,200	\$0.05	\$351,445.32	\$1,410.00
BRIDGE TRADING CO	190,975	\$0.05	\$4,622,929.33	\$9,148.50
BROADCORT CAPITAL CORP	2,800	\$0.02	\$19,591.70	\$64.00
BTN RESEARCH/EQUITY	14,600	\$0.05	\$993,047.44	\$730.00
BUCKINGHAM RESEARCH GROUP	8,000	\$0.05	\$903,840.00	\$400.00
BUNTING WARBURG INCORPORATED	7,300	\$0.03	\$54,832.49	\$233.60
CANTOR FITZGERALD & CO	647,679	\$0.05	\$15,504,947.38	\$32,765.95
CIBC OPPENHEIMER CORP	1,363,633	\$0.05	\$30,086,996.06	\$61,686.32
CIBC WOOD GUNDY/CIBC	26,500	\$0.05	\$200,278.74	\$848.00
CITATION GROUP, THE	107,500	\$0.05	\$2,421,939.82	\$5,375.00
CJS SECURITIES	9,500	\$0.05	\$442,947.90	\$475.00
CLEARY, GULL, REILAND & MCDEVITT	8,300	\$0.05	\$232,697.07	\$415.00
CORRESPONDENT SERVICES CORP	15,100	\$0.04	\$519,779.93	\$655.00
COWEN & COMPANY	623,310	\$0.05	\$11,757,018.30	\$31,165.50
CREDIT SUISSE FIRST BOSTON CORP	5,194,492	\$0.05	\$140,134,644.40	\$244,483.74
CRUTTENDEN & COMPANY	6,200	\$0.05	\$176,111.00	\$310.00
DAIN RAUSCHER INCORPORATED	179,300	\$0.05	\$4,089,401.18	\$8,965.00
DAVIDSON, D.A. & COMPANY INC	11,800	\$0.05	\$246,940.11	\$590.00
DEUTSCHE BANC ALEX BROWN INC	10,893,282	\$0.02	\$222,464,883.71	\$240,599.61
DONALDSON LUFKIN & JENRETTE	102,700	\$0.05	\$2,844,649.41	\$5,135.00
DRESDNER SECURITIES (USA) INC	4,600	\$0.05	\$199,662.20	\$230.00
EDWARDS, A. G. & SONS INC	19,900	\$0.05	\$630,616.47	\$995.00
ERNST & CO	6,500	\$0.05	\$259,977.86	\$325.00
ESI SECURITIES COMPANY	159,901	\$0.05	\$5,476,666.37	\$7,995.07
FACTSET DATA SYSTEMS/BCC CLR	5,200	\$0.05	\$210,173.54	\$260.00

(continued on next page)

Broker Commission Summary (continued)

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
FAHNESTOCK & CO	56,100	\$0.05	\$1,481,811.02	\$2,805.00
FIDELITY CAPITAL MARKETS	183,000	\$0.05	\$3,415,719.86	\$9,150.00
FIRST ALBANY CORP	154,170	\$0.05	\$3,871,304.34	\$7,708.50
FIRST ANALYSIS SECURITIES CORP	200	\$0.05	\$2,997.03	\$10.00
FIRST TENNESSEE SEC CORP	61,800	\$0.05	\$1,961,428.26	\$3,090.00
FIRST UNION CAPITAL MARKETS	2,034,200	\$0.06	\$64,974,981.23	\$114,118.00
FOX-PITT, KELTON, INC	37,000	\$0.05	\$2,018,727.34	\$1,850.00
FRIEDMAN BILLINGS & RAMSEY	72,300	\$0.05	\$2,371,885.25	\$3,615.00
GERARD KLAUER MATTISON & CO	114,500	\$0.05	\$5,058,425.71	\$5,725.00
GERSON LEHRMAN GROUP	1,200	\$0.05	\$45,704.28	\$60.00
GLAZER, C. L. & COMPANY, INC	11,400	\$0.05	\$443,394.60	\$570.00
GOLDMAN SACHS & CO	1,434,062	\$0.05	\$34,853,207.90	\$73,400.60
GRIFFITH MCBURNEY & PARTNERS	4,800	\$0.03	\$74,655.84	\$153.60
GRUNTAL & COMPANY INC	140,960	\$0.05	\$2,546,817.73	\$7,048.00
HAMBRECHT, W. R. & COMPANY LLC	59,000	\$0.05	\$1,439,897.84	\$2,950.00
HENDERSON BROTHERS INC	4,300	\$0.05	\$71,017.51	\$215.00
HIBERNIA SOUTHCOAST CAPITAL	94,100	\$0.05	\$1,851,008.14	\$4,705.00
HOWARD, WEIL, LABOUISSIE, FRIEDRICH	40,400	\$0.05	\$837,636.58	\$1,641.87
HSBC SECURITIES, INC	24,400	\$0.03	\$181,285.07	\$780.80
INSTINET	376,380	\$0.03	\$7,751,590.84	\$10,048.10
INVESTEC ERNST & CO	98,880	\$0.04	\$1,630,346.08	\$3,908.00
INVESTMENT TECHNOLOGY GROUP	10,032,811	\$0.02	\$256,075,034.02	\$200,493.34
ISI GROUP, INC. C/T BEAR STEARS	600	\$0.05	\$18,153.11	\$30.00
JANNEY MONTGOVERY SCOTT INC	188,995	\$0.05	\$3,927,816.52	\$9,449.75
JEFFERIES & CO INC	821,300	\$0.04	\$16,716,911.00	\$33,667.00
JONES ASSOCIATED 4TH	226,600	\$0.03	\$3,769,516.41	\$7,348.00
KAUFMAN BROTHERS	100	\$0.05	\$5,117.69	\$5.00
KEEFE BRUYETTE & WOODS INC	102,300	\$0.05	\$3,275,325.59	\$5,115.00
KING, C. L. & ASSOCIATES	2,100	\$0.05	\$42,946.92	\$105.00
KNIGHT SEC BROADCORT CAP	600	\$0.02	\$268.19	\$12.00
LA BRANCHE FINANCIAL SERVICES	296,000	\$0.04	\$6,468,552.40	\$13,172.00
LAZARD FRERES & COMPANY	94,200	\$0.05	\$1,974,562.09	\$4,710.00
LEERINK SWANN & COMPANY	270,300	\$0.05	\$7,675,625.58	\$13,515.00
LEGG MASON WOOD WALKER	1,706,316	\$0.05	\$42,146,783.43	\$85,315.80
LEHMAN BROTHERS INC	5,976,519	\$0.05	\$162,504,961.89	\$269,248.90
LIQUIDNET INC	77,500	\$0.02	\$1,670,013.05	\$1,550.00
LYNCH JONES & RYAN INC/JEFERIES	500	\$0.05	\$19,581.75	\$25.00
MCDONALD & COMPANY	199,800	\$0.05	\$4,080,383.32	\$9,990.00
MERRILL LYNCH PIERCE FENNER SMITH	1,942,324	\$0.05	\$62,162,238.92	\$96,880.20
MONNESS, CRESPI, HARDT & CO INC	2,300	\$0.05	\$10,299.86	\$115.00
MORGAN, J. P. SECURITIES INC	768,540	\$0.05	\$18,971,851.43	\$38,566.00
MORGAN KEEGAN & CO INC	91,300	\$0.05	\$4,158,644.65	\$4,565.00
MORGAN STANLEY & COMPANY	1,249,947	\$0.05	\$21,437,252.90	\$58,976.55
NATIONAL INVESTOR SERV CORP	60,000	\$0.03	\$592,906.11	\$1,920.00
NEEDHAM & COMPANY	220,200	\$0.05	\$4,086,110.74	\$11,010.00

(continued on next page)



Broker Commission Summary (continued)

Broker	# of Shares	Commission Per Share	Total Dollar Amount of Trades	Total Commission
NESBITT BURNS	56,707	\$0.04	\$610,638.36	\$1,996.74
NEUBERGER & BERMAN	26,100	\$0.05	\$1,074,157.75	\$1,305.00
O'NEIL, WILLIAM & CO INC	200	\$0.05	\$6,046.88	\$10.00
PFORZHEIMER, CARL H. & COMPANY	900	\$0.05	\$28,821.62	\$45.00
PRECURSOR GROUP INC	6,300	\$0.05	\$332,890.01	\$315.00
PRUDENTIAL SECURITIES, INC	786,100	\$0.05	\$21,671,453.17	\$39,471.00
PULSE TRADING LLC	528,000	\$0.04	\$9,258,860.83	\$19,348.00
PUTNAM LOVELL DE GUARDIOLA	74,350	\$0.05	\$2,449,800.32	\$3,717.50
QUARKER SECURITIES INC	2,800	\$0.03	\$65,119.04	\$84.00
RAYMOND JAMES & ASSOCIATES	430,900	\$0.05	\$9,414,708.72	\$21,422.60
RBC DOMINION SECURITIES CORP	16,200	\$0.03	\$301,632.66	\$518.40
REYNDERS, GRAY & COMPANY	11,200	\$0.05	\$487,060.00	\$560.00
ROBB, PECK, MCCOOEY CORP	71,800	\$0.03	\$1,662,873.92	\$2,282.00
ROBERTSON, STEPHENS & CO	291,350	\$0.05	\$6,799,063.59	\$14,567.50
ROBINSON HUMPHREY CO INC	223,000	\$0.05	\$5,575,193.00	\$11,150.00
SALOMON SMITH BARNEY INC	3,778,740	\$0.05	\$103,363,997.77	\$175,851.60
SANDERS MORRIS MUNDY	98,200	\$0.05	\$2,734,674.41	\$4,910.00
SANDLER O'NEILL & PARTNERS LP	327,300	\$0.05	\$11,207,182.37	\$16,365.00
SCHWAB, CHARLES & COMPANY	874,330	\$0.03	\$14,850,175.71	\$27,805.90
SCOTIA CAPITAL MARKETS (USA) INC	25,000	\$0.04	\$247,247.50	\$1,000.00
SESLIA SECURITIES	6,600	\$0.05	\$273,235.88	\$330.00
SIMMONS & CO INTERNATIONAL	500	\$0.05	\$19,021.14	\$25.00
SOUNDVIEW TECHNOLOGY GROUP	364,200	\$0.05	\$6,266,082.53	\$18,210.00
SOUTHCOAST CAPITAL LLC	61,700	\$0.05	\$1,296,966.36	\$3,085.00
SOUTHWEST SECURITIES INC	103,600	\$0.05	\$2,025,262.67	\$5,180.00
SPEAR, LEEDS & KELLOGG	1,940,668	\$0.03	\$60,970,893.77	\$50,364.80
SPELMAN & COMPANY	57,000	\$0.05	\$2,045,225.90	\$2,850.00
STANDARD & POOR'S SECURITIES INC	137,000	\$0.05	\$3,205,283.18	\$6,850.00
STATE STREET BROKERAGE SERVICES INC	4,000	\$0.05	\$85,200.00	\$200.00
STEPHENS INC	10,100	\$0.05	\$206,418.66	\$505.00
STUART FRANKEL & COMPANY	2,300	\$0.05	\$96,389.22	\$115.00
TD SECURITIES INC	100	\$0.02	\$6,732.00	\$2.00
TROSTER SINGER CORP	366,200	\$0.05	\$8,201,480.28	\$18,310.00
U.S. BANCORP PIPER JAFFRAY INC	165,300	\$0.05	\$3,608,491.45	\$8,265.00
U.S. CLEARING INST TRADING	20,700	\$0.04	\$877,441.64	\$831.00
UBS WARBURG	197,800	\$0.04	\$5,793,468.47	\$8,190.13
UNTERBERG HARRIS	100	\$0.05	\$1,464.95	\$5.00
VAN DER MOOLEN SPEC USA LLC RETAIL	2,500	\$0.05	\$125,125.00	\$125.00
VAN KASPER & CO	92,200	\$0.05	\$1,716,001.15	\$4,610.00
WARBURG DILLON READ INC	450,350	\$0.05	\$12,708,681.97	\$22,566.50
WATLEY, A. B. INC	125,100	\$0.03	\$3,252,229.47	\$3,753.00
WEDBUSH MORGAN SECURITIES INC.	100	\$0.05	\$1,058.12	\$5.00
WEEDEN & COMPANY	276,300	\$0.05	\$10,946,763.08	\$13,181.00
WEISEL, THOMAS PARTNERS, LLC	436,000	\$0.05	\$7,092,197.15	\$21,800.00
WEISS PECK & GREER	24,900	\$0.03	\$564,990.91	\$845.00
TOTALS	76,390,785		\$1,809,637,083.46	\$2,764,615.48
Average Cents per Share		\$0.0362		

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

Actuarial Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

A MILLIMAN GLOBAL FIRM



Milliman USA
Consultants and Actuaries

8000 Towers Crescent Drive, Suite 1000
Vienna, VA 22182-2700
Tel + 1 703 917.0143
Fax + 1 703 827.9266
www.milliman.com

September 3, 2002

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

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2002. The results of these valuations are contained in this report. Any distribution of this report must be in its entirety, including this cover letter, unless prior written consent is obtained.

Funding Objective

The funding objective of the System is to establish contribution rates which, over time, will remain level as a percent of payroll. In order to achieve this, a contribution rate has been determined which will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus level percent of payroll amortizations of each layer of the unfunded liability over the periods disclosed on page 44 of the CAFR. This funding objective is currently being realized.

Furthermore, each of the plans is subject to statutory funding requirements which, in our judgement, are in conformity with generally accepted actuarial principles and practices. To our knowledge, the State has consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

Assumptions

The actuarial assumptions and methods used in these valuations have been recommended by the actuary and adopted by the Board of Trustees. The assumptions are annually screened for their continued applicability to this plan. We believe that the assumptions and methods are reasonable, and in the aggregate represent our best estimate of anticipated experience under the plans. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*.



Board of Pension Trustees
September 3, 2002
Page 2

Reliance on Others

In preparing our report, we relied, without audit, on employee census data provided by the Delaware State Pension Office. Census data provided by the Office has been reviewed for reasonableness, and for consistency with the data used in prior years. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

Supporting Schedules

The figures disclosed in Schedule 1 of the Supporting Schedules to the Financial Section were provided by Milliman USA, as were the Notes to Trend Data. In addition, we were responsible for the following schedules to be found in the Actuarial Section: Actuarial Assumptions and Methods, Schedule of Active Member Valuation Data, Solvency Test.

Certification

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

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

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

Sincerely,

Milliman USA

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



Actuarial Assumptions and Methods

Asset Valuation Method

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

In order to produce a stable pattern of contribution rates, market values are adjusted so that some of the volatility is removed. The actuarial value of assets has been calculated by taking 1/5th of the market value plus 4/5th of the expected value, where the expected value is last year's actuarial value and subsequent cash flows into and out of the System accumulated with interest at the valuation rate (8.5%).

Funding Method

All plans currently use the Aggregate Entry Age Normal Method with projection to determine costs. In prior years, the municipal plans used a modification of this method known as the Frozen Initial Liability Method. Under the Entry Age method, a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded liability rate (UAL). In addition, the overall contribution rate includes a provision for the plan's expenses.

For each State plan, an Individual Entry Age Normal cost rate is determined for the typical new entrant of each respective plan. This rate is determined by taking the value, as of entry into the plan, of the member's projected future benefits less the member's projected future employee contributions, and dividing it by the value, also as of the member's entry age, of his expected future salary.

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

A portion of the unfunded liability will be paid through future, scheduled transfers from the Post-Retirement Increase Fund (PRI). These transfers will cover the liability increases due to the cost-of-living increases granted on July 1, 1997, July 1, 1998, July 1, 1999, July 1, 2000, and July 1, 2001. The remaining unfunded actuarial liability will be amortized over the next 15 years (for the State Employees' Plan, 19 years for the Judiciary Plan, 18 years for the New State Police Plan, 25 years for the Volunteer Firemen's Plan, and 20 years for the Diamond State Corporation Plan) through the unfunded liability amortization component of the total contribution.



Actuarial Assumptions

The assumptions used for the actuarial valuation were recommended by the actuary and adopted by the Board of Pension Trustees based upon an ongoing analysis of the plans' experience. Differences between assumed and actual experience (actuarial gains and losses) are part of the unfunded actuarial liabilities. The following significant assumptions were used in the actuarial valuations as of July 1, 2002:

1. a rate of return on investments of 8.5% compounded annually (adopted 1990);
2. projected salary increases of 5% compounded annually, attributable to inflation (adopted 1983);
3. additional projected salary increases ranging from ½% to 5% per year attributable to seniority, productivity, and merit (adopted 1985);
4. rates of mortality are based on the 1983 Group Annuity Mortality Table in all cases except for the Diamond State Port Corporation Plan which uses the UP-84 Mortality Table with ages set forward two years for males and set back three years for females (adopted 1984). Sample rates from all of these tables follow:

<u>Age</u>	<u>1983 GAM</u>		<u>UP84 (+2, -3)</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
35	0.09%	0.05%	0.16%	0.12%
40	0.12%	0.07%	0.26%	0.16%
45	0.22%	0.10%	0.42%	0.26%
50	0.39%	0.16%	0.69%	0.42%
55	0.61%	0.25%	1.08%	0.69%
60	0.92%	0.42%	1.70%	1.08%

5. rates of termination of service, disablement, and retirement are based on continuous monitoring of actual experience (adopted 1999); and
6. the aggregate active member payroll is assumed to increase by 4% annually (adopted 1976).

Summary of Plan Provisions and Changes in Plan Provisions

The plans valued are those described on pages 30-34 of the Financial Section. As of July 1, 2002, there were no significant plan changes in any of the plans, which are not reflected in the aforementioned plan descriptions.



Schedule of Active Member Valuation Data

Plan:	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (Expressed in thousands)	Annual Average Pay	% Increase in Average Pay
State Employees'	6/30/2002	31,951	\$ 1,351,112	\$ 42,287	6.5%
	6/30/2001	31,989	1,270,632	39,721	5.2%
	6/30/2000	31,740	1,198,626	37,764	6.1%
	6/30/1999	31,634	1,125,857	35,590	(0.1%)
	6/30/1998	30,031	1,070,052	35,632	4.9%
	6/30/1997	30,163	1,024,976	33,981	1.9%
Special	The Special Plan has no Active Members				
New State Police	6/30/2002	553	\$ 281	\$ 54,758	6.8%
	6/30/2001	539	27,624	51,250	5.7%
	6/30/2000	527	25,558	48,497	6.4%
	6/30/1999	516	23,518	45,578	5.3%
	6/30/1998	496	21,462	43,270	4.6%
	6/30/1997	465	19,227	41,348	4.5%
Judiciary	6/30/2002	53	\$ 7,329	\$ 138,283	8.5%
	6/30/2001	50	6,371	127,420	7.8%
	6/30/2000	49	5,794	118,245	0.1%
	6/30/1999	48	5,673	118,118	8.5%
	6/30/1998	47	5,118	108,894	(1.0%)
	6/30/1997	45	4,948	109,959	3.3%
County & Municipal Police/Firefighters'	6/30/2002	505	\$ 21,342	\$ 42,261	4.1%
	6/30/2001	483	19,605	40,590	3.4%
	6/30/2000	459	18,011	39,240	4.9%
	6/30/1999	407	15,230	37,420	13.1%
	6/30/1998	354	11,712	33,085	5.9%
	6/30/1997	295	9,215	31,237	4.7%



Schedule of Active Member Valuation Data (continued)

Plan:	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (Expressed in thousands)	Annual Average Pay	% Increase in Average Pay
County & Municipal	6/30/2002	90	\$ 2,545	\$ 28,278	4.9%
Other Employees'	6/30/2001	85	2,292	26,965	(0.4%)
	6/30/2000	74	2,004	27,081	9.5%
	6/30/1999	69	1,706	24,725	8.9%
	6/30/1998	61	1,385	22,705	(7.7%)
	6/30/1997	52	1,279	24,595	16.7%
Volunteer Firemen's	6/30/2002	4,856	\$ -	\$ -	-
	6/30/2001	4,769	-	-	-
	6/30/2000	4,579	-	-	-
	6/30/1999	4,706	-	-	-
	6/30/1998	4,651	-	-	-
	6/30/1997	4,621	-	-	-
Diamond State Port	6/30/2002	280	\$ 9,354	\$ 33,407	3.4%
Corporation	6/30/2001	272	8,788	32,309	(4.9%)
	6/30/2000	227	7,715	33,987	(7.9%)
	6/30/1999	207	7,637	36,894	0.3%
	6/30/1998	183	6,731	36,781	(1.7%)
	6/30/1997	110	4,116	37,422	9.1%
Closed State Police	6/30/2002	40	\$ 3,105	\$ 77,625	7.6%
	6/30/2001	45	3,247	72,156	5.8%
	6/30/2000	57	3,888	68,211	3.8%
	6/30/1999	75	4,930	65,733	4.6%
	6/30/1998	87	5,466	62,828	6.6%
	6/30/1997	97	5,716	58,929	6.7%

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Plan:	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances <i>(Expressed in thousands)</i>	% Increase in Annual Allowances	Average Annual Allowances
State Employees'	6/30/2002	1241	659	16,233	\$ 197,940	12.9%	\$ 12,194
	6/30/2001	1,174	722	15,651	175,312	10.2%	11,201
	6/30/2000	1,135	611	15,199	159,122	9.4%	10,469
	6/30/1999	1,076	536	14,675	145,391	9.3%	9,907
	6/30/1998	892	566	14,135	133,018	7.7%	9,410
	6/30/1997	892	594	13,809	123,478	8.6%	8,942
Special	6/30/2002	1	4	36	\$ 125	(7.4%)	\$ 3,472
	6/30/2001	2	5	39	135	1.5%	3,462
	6/30/2000	-	1	42	133	0.8%	3,167
	6/30/1999	2	4	43	132	5.6%	3,070
	6/30/1998	2	-	45	125	(3.0%)	2,895
	6/30/1997	2	4	43	129	(2.7%)	2,985
New State Police	6/30/2002	6	1	16	\$ 460	59.2%	\$ 28,750
	6/30/2001	6	-	11	289	74.1%	26,273
	6/30/2000	-	-	5	166	46.9%	33,200
	6/30/1999	-	-	5	113	(7.4%)	22,600
	6/30/1998	-	-	5	122	41.1%	24,372
	6/30/1997	1	-	5	87	0.9%	17,272
Judiciary	6/30/2002	2	3	37	\$ 1,889	(3.1%)	\$ 51,054
	6/30/2001	4	3	38	1,949	18.7%	51,289
	6/30/2000	5	1	37	1,642	9.6%	44,378
	6/30/1999	3	-	33	1,498	10.5%	45,394
	6/30/1998	5	3	30	1,356	6.8%	45,203
	6/30/1997	-	2	28	1,268	7.2%	45,333
County & Municipal Police/Firefighters'	6/30/2002	1	1	11	\$ 178	17.9%	\$ 16,182
	6/30/2001	6	-	11	151	118.8%	13,727
	6/30/2000	-	-	5	69	6.2%	13,800
	6/30/1999	2	-	5	65	85.7%	13,000
	6/30/1998	-	-	3	35	10.5%	11,795
	6/30/1997	-	-	3	32	1.7%	10,672



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

Plan:	Fiscal Year Ended	Additions	Deletions	Year-end Total	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
					<i>(Expressed in thousands)</i>		
County & Municipal Other Employees'	6/30/2002	1	-	11	\$ 41	57.7%	\$ 3,727
	6/30/2001	1	-	10	26	23.8%	2,600
	6/30/2000	1	-	9	21	50.0%	2,333
	6/30/1999	1	-	8	14	(6.7%)	1,750
	6/30/1998	-	-	7	15	0.0%	2,161
	6/30/1997	-	-	7	15	1.9%	2,161
Volunteer Firemen	6/30/2002	86	48	1,169	\$ 1,016	4.6%	\$ 869
	6/30/2001	60	32	1,131	971	5.5%	859
	6/30/2000	66	42	1,103	920	3.4%	834
	6/30/1999	73	33	1,079	890	6.5%	825
	6/30/1998	68	38	1,039	836	3.1%	805
	6/30/1997	68	50	1,009	811	2.7%	804
Diamond State Port Corporation	6/30/2002	4	-	14	\$ 153	56.1%	\$ 10,929
	6/30/2001	3	-	10	98	30.7%	9,800
	6/30/2000	1	1	7	75	(14.8%)	10,714
	6/30/1999	2	1	7	88	66.0%	12,571
	6/30/1998	1	-	6	53	64.8%	8,894
	6/30/1997	4	-	5	33	1,292.0%	6,476
Closed State Police	6/30/2002	10	10	548	\$ 18,167	6.6%	\$ 33,151
	6/30/2001	13	6	548	17,040	6.0%	31,095
	6/30/2000	22	4	541	16,078	3.9%	29,719
	6/30/1999	21	14	523	15,481	3.1%	29,600
	6/30/1998	16	11	516	15,018	3.8%	29,105
	6/30/1997	15	12	511	14,465	4.1%	28,308



Solvency Test

(Dollar values expressed in thousands)

Plan:	Valuation Date	Aggregate Accrued Liabilities for					Portion of				
		Active Member		Active Member		Accrued Liabilities					
		Contributions	Retirants & Beneficiaries	Contributions	Employer Financed	Market Value of	by Reported Assets	(1)	(2)	(3)	
	(1)	(2)	(3)	Reported Assets	(1)	(2)	(3)				
State Employees'	6/30/2002	\$ 361,334	\$ 1,768,363	\$ 2,392,035	\$ 4,635,565	100%	100%	105%			
	6/30/2001	343,466	1,597,526	2,291,252	5,057,849	100%	100%	136%			
	6/30/2000	325,684	1,453,396	1,990,516	5,428,898	100%	100%	183%			
	6/30/1999	307,831	1,333,509	1,708,787	4,700,554	100%	100%	179%			
	6/30/1998	291,421	1,231,545	1,612,699	4,277,736	100%	100%	171%			
	6/30/1997	269,295	1,154,814	1,391,686	3,651,457	100%	100%	160%			
Special	6/30/2002	\$ -	\$ 742	\$ -	\$ 1,765	-	238%	-			
	6/30/2001	-	993	-	2,049	-	206%	-			
	6/30/2000	-	834	-	2,325	-	279%	-			
	6/30/1999	-	826	-	2,131	-	258%	-			
	6/30/1998	-	899	-	2,090	-	232%	-			
	6/30/1997	-	797	-	1,906	-	239%	-			
New State Police	6/30/2002	\$ 16,838	\$ 5,057	\$ 70,033	\$ 100,637	100%	100%	112%			
	6/30/2001	14,571	2,909	62,560	102,804	100%	100%	136%			
	6/30/2000	12,600	1,495	54,272	104,462	100%	100%	167%			
	6/30/1999	10,680	1,319	42,714	85,827	100%	100%	173%			
	6/30/1998	9,258	1,337	36,483	73,521	100%	100%	172%			
	6/30/1997	8,064	1,188	31,373	58,929	100%	100%	158%			
Judiciary	6/30/2002	\$ 2,300	\$ 15,705	\$ 12,117	\$ 26,945	100%	100%	74%			
	6/30/2001	1,932	16,622	11,081	28,629	100%	100%	91%			
	6/30/2000	1,803	14,727	11,578	30,293	100%	100%	119%			
	6/30/1999	1,064	12,131	12,207	25,494	100%	100%	101%			
	6/30/1998	1,437	11,463	11,275	22,698	100%	100%	87%			
	6/30/1997	1,331	9,704	10,637	18,958	100%	100%	74%			
County & Municipal Police/Firefighters'	6/30/2002	\$ 6,114	\$ 1,838	\$ 22,392	\$ 31,671	100%	100%	106%			
	6/30/2001	4,748	1,950	22,767	29,694	100%	100%	101%			
	6/30/2000	3,287	643	19,652	27,560	100%	100%	120%			
	6/30/1999	2,096	643	14,958	20,212	100%	100%	117%			
	6/30/1998	1,803	303	10,762	15,145	100%	100%	121%			
	6/30/1997	1,330	304	7,752	10,959	100%	100%	120%			



Solvency Test (continued)

(Dollar values expressed in thousands)

Plan:	Valuation Date	Aggregate Accrued Liabilities for						Portion of			
		Active Member		Retirants & Beneficiaries		Active Member Employer Financed		Accrued Liabilities			
		Contributions	(1)	Beneficiaries	(2)	Contributions	(3)	Market Value of Reported Assets	(1)	(2)	(3)
County & Municipal	6/30/2002	\$ 314	\$ 355	\$ 2,147	\$ 2,735	100%	100%	96%			
Other Employees'	6/30/2001	283	283	2,396	2,832	100%	100%	95%			
	6/30/2000	227	185	2,192	2,819	100%	100%	110%			
	6/30/1999	130	144	1,918	2,092	100%	100%	91%			
	6/30/1998	170	120	1,262	1,704	100%	100%	112%			
	6/30/1997	132	123	1,019	1,357	100%	100%	108%			
Volunteer Firemen's	6/30/2002	\$ 3,419	\$ 7,574	\$ 3,947	\$ 8,697	100%	70%	-			
	6/30/2001	2,308	7,186	4,343	9,536	100%	100%	1%			
	6/30/2000	2,784	6,887	3,757	10,254	100%	100%	8%			
	6/30/1999	2,744	6,655	3,678	8,897	100%	92%	-			
	6/30/1998	2,521	6,351	3,619	8,162	100%	89%	-			
	6/30/1997	2,311	6,053	3,648	6,901	100%	76%	-			
Diamond State Port Corporation	6/30/2002	\$ 997	\$ 1,252	\$ 4,368	\$ 6,015	100%	100%	86%			
	6/30/2001	670	913	4,035	6,115	100%	100%	112%			
	6/30/2000	626	584	4,012	6,053	100%	100%	121%			
	6/30/1999	542	624	3,785	4,777	100%	100%	95%			
	6/30/1998	632	467	3,369	3,833	100%	100%	84%			
	6/30/1997	337	431	3,094	2,891	100%	100%	69%			
Closed State Police	6/30/2002	\$ 1,643	\$ 288,736	\$ 28,308	\$ 2,209	100%	-	-			
	6/30/2001	2,757	274,477	28,960	2,009	73%	-	-			
	6/30/2000	3,248	264,722	34,825	1,687	52%	-	-			
	6/30/1999	4,021	256,445	43,970	1,345	33%	-	-			
	6/30/1998	4,285	255,383	48,896	1,029	24%	-	-			
	6/30/1997	4,374	250,364	50,021	731	17%	-	-			

Analysis of Financial Experience for the State Employees' Pension Plan

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

Type of Activity	Gain/(Loss) for the Fiscal Years Ending June 30,					
	2002	2001	2000	1999	1998	1997
Investment Income on Actuarial Assets	\$ (80,148)	74,705	254,955	202,925	209,366	159,984
Combined Liability Experience	(2,626)	(182,632)*	4,349	39,854	3,073	60,984
Gain/(Loss) During Year from						
Financial Experience	\$ (82,774)	(107,927)	259,304	242,779	212,439	220,968
Non-Recurring Items	-	(12,431)**	(202,468)	(41,170)	(134,164)	(23,322)
Composite Gain/(Loss) During Year	\$ (82,774)	(131,358)	56,836	201,609	78,275	197,646

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

** PRI increase of 1.5% funded from PRI Fund



Statistical Section

DELAWARE
PUBLIC
EMPLOYEES'
RETIREMENT
SYSTEM

- a component unit of the State of Delaware

Schedule of Additions by Source

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions
State Employees'	2002	\$ 18,148	31,994	-	33,477
	2001	20,542	38,191	-	31,888
	2000	43,433	33,498	-	29,659
	1999	52,338	30,933	-	26,932
	1998	57,049	27,074	-	23,093
	1997	58,525	20,786	-	24,194
Special	2002	\$ -	-	-	-
	2001	-	-	-	-
	2000	-	-	-	-
	1999	-	-	-	-
	1998	-	-	-	4
	1997	-	-	-	-
New State Police	2002	\$ 2,476	35	-	2,112
	2001	2,480	29	-	1,710
	2000	2,585	24	-	1,294
	1999	2,624	21	-	1,168
	1998	2,546	18	-	1,040
	1997	1,913	13	-	946
Judiciary	2002	\$ 1,399	293	-	251
	2001	1,333	306	-	206
	2000	1,666	251	-	183
	1999	1,327	221	-	165
	1998	1,273	189	-	133
	1997	1,199	134	-	144
County & Municipal Police/Firefighters'	2002	\$ 2,779	-	-	1,404
	2001	2,664	-	-	1,265
	2000	2,771	-	-	973
	1999	2,025	-	-	604
	1998	1,651	-	-	477
	1997	1,388	-	-	359



Other	Net Investment Income	Net Increase/(Decrease)		Total Additions	Employer Contributions
		in Fair Value of Investments			As a Percent of Covered Payroll
-	128,548	(429,051)	\$	(216,884)	1.4%
-	153,955	(429,538)		(184,962)	1.7%
-	148,995	641,970		897,555	3.9%
2	121,749	345,930		577,884	5.2%
2	125,113	537,329		769,660	5.8%
3	119,143	422,815		645,466	6.2%
-	49	(165)	\$	(116)	-
-	63	(175)		(112)	-
-	64	280		344	-
-	56	153		209	-
-	62	264		330	-
-	64	213		277	-
7	2,781	(9,075)	\$	(1,664)	8.2%
19	3,118	(8,643)		(1,287)	8.9%
20	2,857	12,117		18,897	10.0%
32	2,211	6,481		12,537	11.3%
11	2,142	9,172		14,929	12.3%
8	1,881	7,001		11,762	10.0%
-	745	(2,459)	\$	229	19.3%
-	869	(2,421)		293	20.5%
-	821	3,528		6,449	23.1%
-	659	1,944		4,316	24.2%
-	663	2,858		5,116	24.9%
-	613	2,217		4,307	24.2%
-	856	(2,729)	\$	2,310	13.4%
-	886	(2,417)		2,398	14.3%
-	739	3,022		7,505	14.3%
-	496	2,075		5,200	14.9%
-	436	1,726		4,290	15.2%
-	327	1,317		3,391	15.3%

(Continued on next page)



Schedule of Additions by Source (continued)

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions
County & Municipal	2002	\$ 92	-	-	57
Other Employees'	2001	165	-	-	53
	2000	352	-	-	46
	1999	158	-	-	30
	1998	82	-	-	33
	1997	116	-	-	30
Volunteer Firemen's	2002	\$ 586	-	-	209
	2001	618	-	-	205
	2000	645	-	-	203
	1999	660	-	-	203
	1998	689	-	-	205
	1997	721	-	-	201
Diamond State Port Corporation	2002	\$ 341	-	-	157
	2001	386	-	-	154
	2000	389	-	-	143
	1999	407	-	-	125
	1998	384	-	247	110
	1997	189	-	-	77
Closed State Police	2002	\$ 17,805	-	-	64
	2001	17,174	-	-	69
	2000	16,208	-	-	93
	1999	15,664	-	-	152
	1998	15,071	-	-	193
	1997	14,520	-	-	207

Other	Net Investment Income	Net Increase/(Decrease)		Employer Contributions	
		in Fair Value of Investments	Total Additions	As a Percent of	Covered Payroll
-	76	(246)	\$ (21)		3.6%
-	85	(233)	70		3.7%
-	77	292	767		4.6%
-	53	176	417		5.7%
-	50	204	369		5.7%
-	41	172	359		7.3%
-	240	(797)	\$ 238		-
-	291	(783)	331		-
-	282	1,198	2,328		-
-	232	615	1,710		-
-	243	1,028	2,165		-
-	216	741	1,879		-
-	166	(538)	\$ 126		4.2%
-	185	(504)	221		4.9%
-	164	684	1,380		5.3%
-	121	412	1,065		6.4%
-	113	411	1,265		6.9%
-	83	551	900		5.0%
-	109	-	\$ 17,978		-
2	234	-	17,479		-
2	198	-	16,501		-
5	109	-	15,930		-
2	157	-	15,423		-
1	128	-	14,856		-

Schedule of Deductions by Type

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments
State Employees'	2002	\$ -	-	194,824
	2001	-	-	175,312
	2000	-	-	159,122
	1999	-	-	145,391
	1998	-	-	133,018
	1997	-	-	123,478
	Special	2002	\$ -	-
2001		-	-	135
2000		-	-	133
1999		-	-	132
1998		-	-	125
1997		-	-	129
New State Police		2002	\$ -	-
	2001	-	-	289
	2000	-	-	166
	1999	-	-	113
	1998	-	-	122
	1997	-	-	87
	Judiciary	2002	\$ -	-
2001		-	-	1,949
2000		-	-	1,642
1999		-	-	1,498
1998		-	-	1,356
1997		-	-	1,268
County & Municipal Police/Firefighters'		2002	\$ -	-
	2001	-	-	151
	2000	-	-	69
	1999	-	-	65
	1998	-	-	35
	1997	-	-	32



Refund of Contributions	Group Life Payments	Administrative Expenses		Total Deductions
2,409	4,003	4,441	\$	205,677
2,485	3,632	4,658		186,087
2,376	3,573	4,140		169,211
2,488	2,344	4,843		155,066
2,220	2,600	4,484		142,322
1,808	2,450	2,451		130,187
-	21	4	\$	168
-	24	5		164
-	12	4		149
-	30	6		168
-	15	6		146
-	20	-		149
87	-	56	\$	510
33	-	48		370
56	-	40		262
73	-	45		231
159	-	39		320
19	-	25		131
-	-	8	\$	1,915
-	-	8		1,957
-	-	8		1,650
-	-	23		1,521
-	-	13		1,369
-	-	5		1,273
122	-	49	\$	334
20	-	94		265
50	-	38		157
26	-	42		133
38	-	28		101
16	-	24		72

(Continued on next page)

Schedule of Deductions by Type (continued)

(Dollar values expressed in thousands)

Plan	Fiscal Year Ended		Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments
County & Municipal	2002	\$	-	-	41
Other Employees'	2001		-	-	26
	2000		-	-	21
	1999		-	-	17
	1998		-	-	15
	1997		-	-	15
Volunteer Firemen's	2002	\$	-	-	1,018
	2001		-	-	971
	2000		-	-	920
	1999		-	-	890
	1998		-	-	836
	1997		-	-	811
Diamond State Port Corporation	2002	\$	-	-	185
	2001		-	-	98
	2000		-	-	75
	1999		-	-	88
	1998		-	-	53
	1997		-	-	33
Closed State Police	2002	\$	-	-	17,705
	2001		-	-	17,040
	2000		-	-	16,078
	1999		-	-	15,481
	1998		-	-	15,018
	1997		-	-	14,465

Refund of Contributions	Group Life Payments	Administrative Expenses	Total Deductions
21	-	15	\$ 77
9	-	21	56
3	-	16	40
4	-	8	29
1	-	4	20
1	-	4	20
44	-	17	\$ 1,079
55	-	22	1,048
29	-	22	971
51	-	34	975
42	-	24	902
29	-	15	855
15	-	27	\$ 227
8	-	53	159
12	-	17	104
12	-	21	121
7	-	21	81
9	-	17	59
-	56	17	\$ 17,778
-	54	63	17,157
-	30	51	16,159
-	70	63	15,614
-	45	62	15,125
-	55	37	14,557

Schedule of Benefit Deductions by Type

(Dollar values expressed in thousands)

Plan	Fiscal Years		Service	Survivor	Disability	Total
	Ended June 30,					
State Employees'	2002	\$	162,843	16,130	15,851	\$ 194,824
	2001		146,079	14,858	14,375	175,312
	2000		132,568	13,587	12,967	159,122
	1999		121,017	12,528	11,846	145,391
	1998		110,988	11,365	10,665	133,018
	1997		103,834	10,021	9,623	123,478
Special	2002	\$	82	56	5	\$ 143
	2001		70	57	8	135
	2000		73	52	8	133
	1999		78	46	8	132
	1998		78	40	7	125
	1997		83	39	7	129
New State Police	2002	\$	172	42	153	\$ 367
	2001		44	26	219	289
	2000		-	19	147	166
	1999		-	18	95	113
	1998		-	18	104	122
	1997		-	18	69	87
Judiciary	2002	\$	1,341	452	114	\$ 1,907
	2001		1,497	351	101	1,949
	2000		1,236	298	108	1,642
	1999		1,137	256	105	1,498
	1998		1,022	231	103	1,356
	1997		985	182	101	1,268
County & Municipal Police/Firefighters'	2002	\$	71	26	66	\$ 163
	2001		72	32	47	151
	2000		-	32	37	69
	1999		-	34	31	65
	1998		-	15	20	35
	1997		-	11	21	32

Schedule of Benefit Deductions by Type (continued)

(Dollar values expressed in thousands)

Plan	Fiscal Years				Total
	Ended June 30,	Service	Survivor	Disability	
County & Municipal	2002	\$ 28	-	13	\$ 41
Other Employees'	2001	21	-	5	26
	2000	19	-	2	21
	1999	15	-	2	17
	1998	13	-	2	15
	1997	13	-	2	15
Volunteer Firemen's	2002	\$ 1,018	-	-	\$ 1,018
	2001	971	-	-	971
	2000	920	-	-	920
	1999	890	-	-	890
	1998	836	-	-	836
	1997	811	-	-	811
Diamond State Port Corporation	2002	\$ 96	11	78	\$ 185
	2001	59	11	28	98
	2000	51	11	13	75
	1999	54	28	6	88
	1998	53	-	-	53
	1997	33	-	-	33
Closed State Police	2002	\$ 12,635	2,111	2,959	\$ 17,705
	2001	12,002	2,131	2,907	17,040
	2000	11,352	1,928	2,798	16,078
	1999	10,782	1,870	2,829	15,481
	1998	10,620	1,669	2,729	15,018
	1997	10,343	1,467	2,655	14,465

**Schedule of Retired Members by Type of Benefit by Plan
as of June 30, 2002**

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	930	930	-	-
	\$1 - 499	5,680	2,931	1,753	996
	500-999	4,245	3,044	656	545
	1000-1499	2,584	2,142	212	230
	1500-1999	1,549	1,374	71	104
	2000 - 2499	1,008	937	22	49
	2500 - 2999	611	585	6	20
	over \$3000	556	537	5	14
Special	Deferred	-	-	-	-
	\$1 - 499	33	14	19	-
	500-999	3	1	1	1
	over \$1000	-	-	-	-
New State Police	Deferred	5	5	-	-
	\$ - 1499	2	-	2	-
	1500 - 1999	2	1	1	-
	2000 - 2499	7	3	-	4
	over \$2500	5	3	-	2
Judiciary	Deferred	3	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	2	-	2	-
	1500-1999	3	-	3	-
	2000 - 2499	2	-	2	-
	2500 - 2999	4	2	2	-
	over \$3000	26	19	5	2
County & Municipal Police/Firefighters'	Deferred	14	14	-	-
	\$1 - 499	-	-	-	-
	500-999	3	1	2	-
	1000-1499	2	1	-	1
	1500-1999	6	1	2	3
	over \$2000	-	-	-	-



Schedule of Retired Members by Type of Benefit by Plan (continued)
as of June 30, 2002

Plan	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
County & Municipal	Deferred	1	1	-	-
Other Employees'	\$1 - 499	9	8	-	1
	500-999	2	1	-	1
	1000-1499	-	-	-	-
	1500-1999	-	-	-	-
	over \$2000	-	-	-	-
	Volunteer Firemen's	Deferred	21	21	-
	\$1 - 74	628	628	-	-
	75 - 99	401	401	-	-
	over \$100	140	140	-	-
	Diamond State Port Corporation	Deferred	2	2	-
	\$1 - 499	2	2	-	-
	500-999	6	4	1	1
	1000-1499	6	3	-	3
	1500-1999	-	-	-	-
	over \$2000	-	-	-	-
Closed State Police	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1000-1499	4	-	4	-
	1500-1999	30	-	22	8
	2000 - 2499	120	64	47	9
	2500 - 2999	295	251	8	36
	over \$3000	99	65	3	31

Schedule of Average Benefit Payments by Plan

The following schedules are presented only for those plans with retirees and/or beneficiaries as of June 30, 2002, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2002 State Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities
Less than 5 years			
Average Monthly Benefit	\$ 631	\$ 117	\$ -
Average Final Average Salary	\$ 17,104	\$ -	\$ -
Number of Active Retirees	11	6	-
5 - 9.99 years			
Average Monthly Benefit	\$ 273	\$ 148	\$ 227
Average Final Average Salary	\$ 22,977	\$ -	\$ 18,393
Number of Active Retirees	563	350	410
10 - 14.99 years			
Average Monthly Benefit	\$ 377	\$ 266	\$ 404
Average Final Average Salary	\$ 20,900	\$ -	\$ 21,507
Number of Active Retirees	1,148	474	477
15 - 19.99 years			
Average Monthly Benefit	\$ 569	\$ 344	\$ 625
Average Final Average Salary	\$ 23,067	\$ -	\$ 24,069
Number of Active Retirees	1,807	586	421
20 - 24.99 years			
Average Monthly Benefit	\$ 840	\$ 515	\$ 915
Average Final Average Salary	\$ 24,999	\$ -	\$ 28,039
Number of Active Retirees	2,027	465	342
25 - 29.99 years			
Average Monthly Benefit	\$ 1,310	\$ 689	\$ 1,347
Average Final Average Salary	\$ 32,295	\$ -	\$ 34,009
Number of Active Retirees	2,244	308	187
30 - 34.99 years			
Average Monthly Benefit	\$ 1,846	\$ 883	\$ 1,837
Average Final Average Salary	\$ 40,056	\$ -	\$ 39,089
Number of Active Retirees	2,566	345	91
35 - 39.99 years			
Average Monthly Benefit	\$ 2,279	\$ 1,157	\$ 2,174
Average Final Average Salary	\$ 40,789	\$ -	\$ 36,323
Number of Active Retirees	909	141	24
40 years and over			
Average Monthly Benefit	\$ 2,555	\$ 1,341	\$ 2,146
Average Final Average Salary	\$ 39,002	\$ -	\$ 31,225
Number of Active Retirees	275	50	6



Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 New State Police Pension Plan			2002 Judiciary Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ -	\$ 891	\$ 2,082	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 28,297	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
5 - 9.99 years						
Average Monthly Benefit	\$ -	\$ 1,617	\$ 2,793	\$ -	\$ -	\$ 5,025
Average Final Average Salary	\$ -	\$ -	\$ 33,234	\$ -	\$ -	\$ 121,230
Number of Active Retirees	-	1	2	-	-	1
10 - 14.99 years						
Average Monthly Benefit	\$ 1,853	\$ -	\$ 2,026	\$ 3,861	\$ 1,910	\$ 3,766
Average Final Average Salary	\$ 53,543	\$ -	\$ 30,101	\$ 88,155	\$ -	\$ 79,846
Number of Active Retirees	1	-	1	6	3	1
15 - 19.99 years						
Average Monthly Benefit	\$ 2,387	\$ -	\$ 2,868	\$ 5,221	\$ 1,724	\$ -
Average Final Average Salary	\$ 58,647	\$ -	\$ 52,912	\$ 84,657	\$ -	\$ -
Number of Active Retirees	1	-	2	4	2	-
20 - 24.99 years						
Average Monthly Benefit	\$ 2,582	\$ -	\$ -	\$ 5,731	\$ 2,192	\$ -
Average Final Average Salary	\$ 60,343	\$ -	\$ -	\$ 84,938	\$ -	\$ -
Number of Active Retirees	5	-	-	7	3	-
25 - 29.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 6,092	\$ 4,383	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 95,398	\$ -	\$ -
Number of Active Retirees	-	-	-	3	4	-
30 - 34.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 7,669	\$ 4,458	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 118,522	\$ -	\$ -
Number of Active Retirees	-	-	-	1	1	-
35 - 39.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
40 years and over						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 4,378	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	1	-



Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 County & Municipal Police/ Firefighters' Pension Plan			2002 County & Municipal Other Employees' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ -	\$ 553	\$ 1,349	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 27,400	\$ -	\$ -	\$ -
Number of Active Retirees	-	2	1	-	-	-
5 - 9.99 years						
Average Monthly Benefit	\$ 581	\$ 1,839	\$ 1,588	\$ 110	\$ -	\$ 184
Average Final Average Salary	\$ 27,453	\$ -	\$ 37,550	\$ 14,296	\$ -	\$ 24,070
Number of Active Retirees	1	1	1	4	-	1
10 - 14.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ 1,868	\$ 363	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 61,628	\$ 17,761	\$ -	\$ -
Number of Active Retirees	-	-	1	4	-	-
15 - 19.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ 1,827	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ 32,606	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	1	-	-	-
20 - 24.99 years						
Average Monthly Benefit	\$ 1,510	\$ -	\$ -	\$ 491	\$ -	\$ 851
Average Final Average Salary	\$ 41,566	\$ -	\$ -	\$ 17,165	\$ -	\$ 24,741
Number of Active Retirees	2	-	-	1	-	1
25 - 29.99 years						
Average Monthly Benefit	\$ -	\$ 1,663	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-
30 - 34.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
35 - 39.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
40 years and over						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-



Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 Volunteer Firemen's Pension Plan			2002 Diamond State Port Corporation Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
5 - 9.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 804	\$ -	\$ 999
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 44,778	\$ -	\$ 30,772
Number of Active Retirees	-	-	-	4	-	2
10 - 14.99 years						
Average Monthly Benefit	\$ 58	\$ -	\$ -	\$ 528	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 33,914	\$ -	\$ -
Number of Active Retirees	628	-	-	1	-	-
15 - 19.99 years						
Average Monthly Benefit	\$ 83	\$ -	\$ -	\$ 700	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 27,564	\$ -	\$ -
Number of Active Retirees	402	-	-	2	-	-
20 - 24.99 years						
Average Monthly Benefit	\$ 106	\$ -	\$ -	\$ 996	\$ -	\$ 1,186
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 30,195	\$ -	\$ 31,674
Number of Active Retirees	129	-	-	1	-	2
25 - 29.99 years						
Average Monthly Benefit	\$ 125	\$ -	\$ -	\$ 1,331	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ 31,250	\$ -	\$ -
Number of Active Retirees	11	-	-	1	-	-
30 - 34.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ 883	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	1	-
35 - 39.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
40 years and over						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-



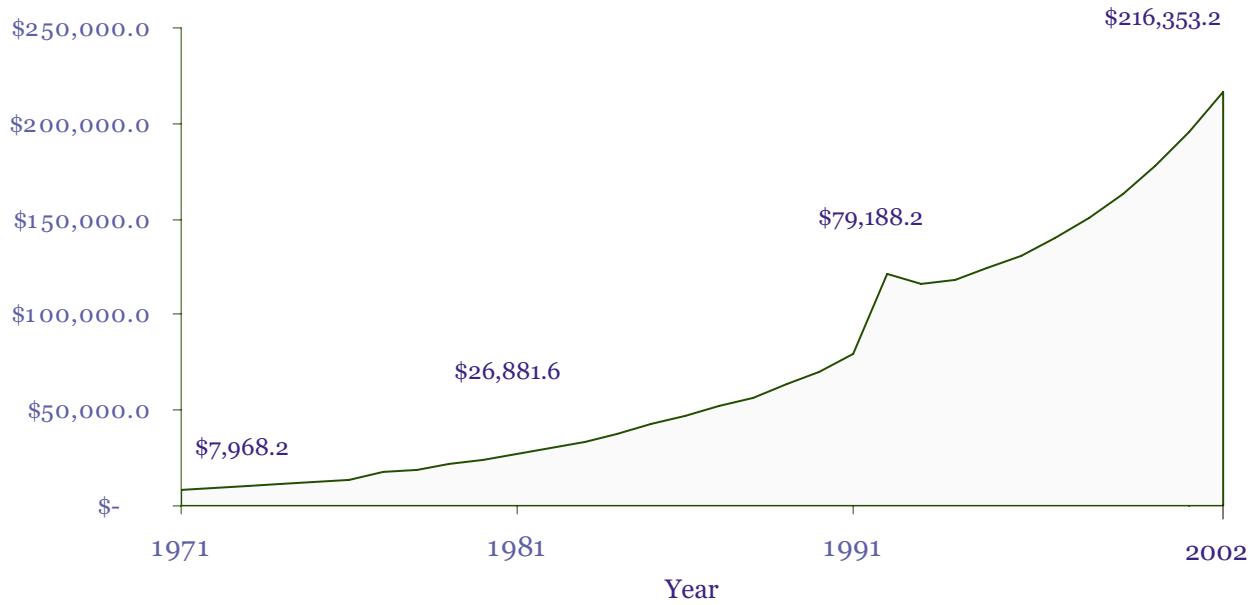
Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2002 Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities
Less than 5 years			
Average Monthly Benefit	\$ -	\$ -	\$ 2,378
Average Final Average Salary	\$ -	\$ -	\$ 22,172
Number of Active Retirees	-	-	3
5 - 9.99 years			
Average Monthly Benefit	\$ -	\$ 1,654	\$ 2,580
Average Final Average Salary	\$ -	\$ -	\$ 25,793
Number of Active Retirees	-	3	21
10 - 14.99 years			
Average Monthly Benefit	\$ -	\$ 2,042	\$ 2,773
Average Final Average Salary	\$ -	\$ -	\$ 28,825
Number of Active Retirees	-	5	30
15 - 19.99 years			
Average Monthly Benefit	\$ -	\$ 2,573	\$ 3,242
Average Final Average Salary	\$ -	\$ -	\$ 47,695
Number of Active Retirees	-	4	21
20 - 24.99 years			
Average Monthly Benefit	\$ 2,712	\$ 2,145	\$ 3,782
Average Final Average Salary	\$ 60,569	\$ -	\$ 49,097
Number of Active Retirees	344	71	9
25 - 29.99 years			
Average Monthly Benefit	\$ 3,142	\$ 1,812	\$ -
Average Final Average Salary	\$ 70,151	\$ -	\$ -
Number of Active Retirees	32	1	-
30 - 34.99 years			
Average Monthly Benefit	\$ 3,522	\$ -	\$ -
Average Final Average Salary	\$ 78,294	\$ -	\$ -
Number of Active Retirees	4	-	-
35 - 39.99 years			
Average Monthly Benefit	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-
40 years and over			
Average Monthly Benefit	\$ -	\$ -	\$ -
Average Final Average Salary	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-

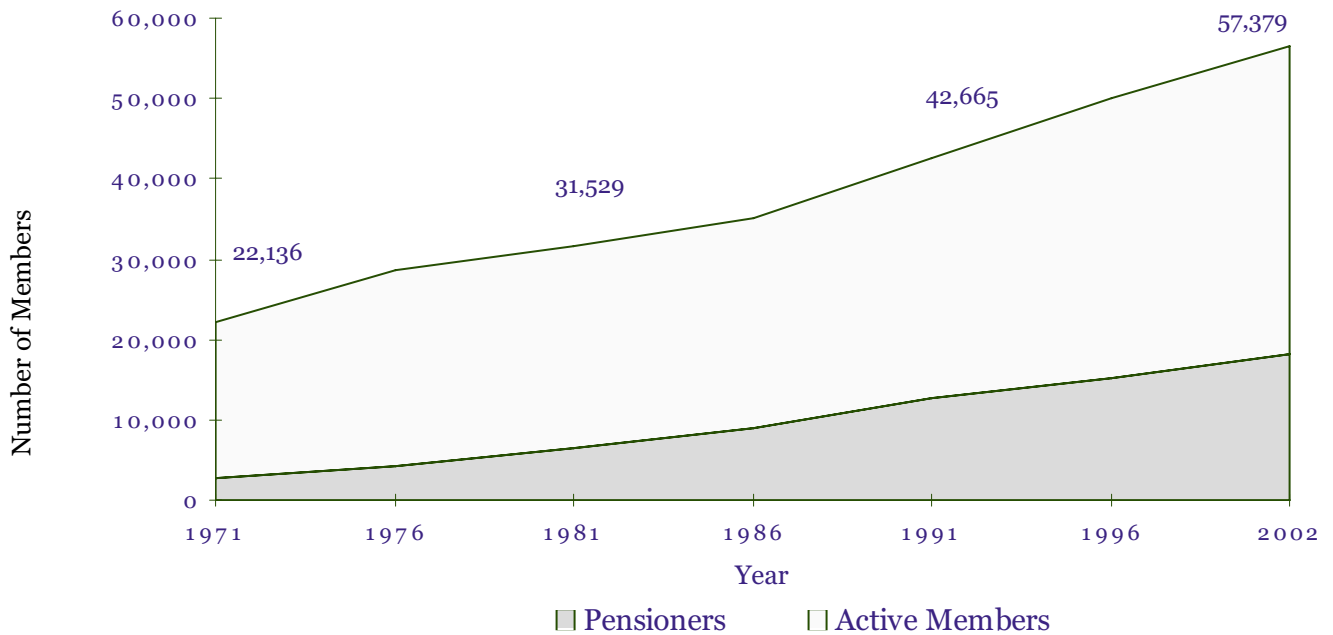


Total Benefit Payments

(Expressed in thousands)



Total Membership



Schedule of Participating Employers

State Employees' Pension Plan

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

Closed State Police Plan

Delaware State Police (Appointed before July 1, 1980)

New State Police Plan

Delaware State Police (Appointed after July 1, 1980)

Judiciary Pension Plan

Appointed members of the State Judiciary

Diamond State Port Corporation Pension Plan

Diamond State Port Corporation Employees

County & Municipal Police/Firefighters' Pension Plan

Town of Dagsboro
Town of Delmar
Town of Dewey Beach
City of Dover
Town of Felton
City of Georgetown
City of Harrington
Town of Millsboro
City of New Castle
New Castle County
City of Wilmington

County & Municipal Other Employees' Pension Plan

Delaware City Fire Company
Felton Fire Company
City of Georgetown
Goodwill Fire Company
City of Harrington
Harrington Fire Company
Lewes Fire Company
Town of Millsboro
City of New Castle
Sussex Conservation District
Townsend Fire Company
Volunteer Hose Company of Middletown

Delaware Local Government Investment Pool

Town of Elsmere
Sussex County Government

Schedule of Participating Employers (continued)

Volunteer Firemen's Pension Plan

Aetna Hose, Hook & Ladder Co. & Auxiliary
 Brandywine Hundred Fire Co. & Auxiliary
 Christiana Fire Co. & Auxiliary
 Claymont Fire Co. & Auxiliary
 Cranston Heights Fire Co. & Auxiliary
 Delaware City Fire Co. & Auxiliary
 Elsmere Fire Co. & Auxiliary
 Five Points Fire Co. No. 1 & Auxiliary
 Goodwill Fire Co. & Auxiliary
 Hockessin Fire Co. & Auxiliary
 Holloway Terrace Fire Co. & Auxiliary
 Mill Creek Fire Co. & Auxiliary
 Minquadale Fire Co. & Auxiliary
 Minquas Fire Co. & Auxiliary
 Odessa Fire Co. & Auxiliary
 Talleyville Fire Co. & Auxiliary
 Townsend Fire Co. & Auxiliary
 Volunteer Hose Co. & Auxiliary
 Wilmington Manor Fire Co. & Auxiliary
 Port Penn Volunteer Fire Co. & Auxiliary
 Belvedere Fire Co. & Auxiliary
 Bowers Fire Co. & Auxiliary
 Camden-Wyoming Fire Co. & Auxiliary
 Carlisle Fire Co. & Auxiliary
 Cheswold Fire Co. & Auxiliary
 Citizens Hose Co. No. 1 & Auxiliary
 Clayton Fire Co. & Auxiliary
 Robbins Hose Fire Co.
 Farmington Fire Co. & Auxiliary
 Felton Community Fire Co. & Auxiliary
 Frederica Fire Co. & Auxiliary
 Harrington Fire Co. & Auxiliary
 Hartly Fire Co. & Auxiliary
 Houston Fire Co. & Auxiliary
 Leipsic Fire Co. & Auxiliary
 Little Creek Fire Co. & Auxiliary

Magnolia Fire Co. & Auxiliary
 Marydel Fire Co. & Auxiliary
 South Bowers Fire Co. & Auxiliary
 Smyrna American Legion Ambulance
 Bethany Beach Fire Co. & Auxiliary
 Blades Fire Co. & Auxiliary
 Bridgeville Fire Co. & Auxiliary
 Dagsboro Fire Co. & Auxiliary
 Delmar Fire Co. & Auxiliary
 Ellendale Fire Co. & Auxiliary
 Frankford Fire Co. & Auxiliary
 Georgetown Fire Co. & Auxiliary
 Greenwood Fire Co. & Auxiliary
 Gumboro Fire Co. & Auxiliary
 Indian River Fire Co. & Auxiliary
 Laurel Fire Co. & Auxiliary
 Lewes Fire Co.
 Millsboro Fire Co. & Auxiliary
 Millville Fire Co. & Auxiliary
 Milton Fire Co. & Auxiliary
 Rehoboth Beach Fire Co. & Auxiliary
 Seaford Fire Co. & Auxiliary
 Selbyville Fire Co. & Auxiliary
 Memorial Fire Co. & Auxiliary
 Roxana Fire Co. & Auxiliary

State Personnel Office Mission Statement:

Provide the leadership and services for achieving a quality workforce.

Pension Office Programmatic Goal:

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