



Delaware Public Employees' Retirement System

— A component unit of the State of Delaware

Forty-First Comprehensive
Annual Financial Report

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

2012

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Forty-First Comprehensive Annual Financial Report

Presented by the DPERS Board of Pension Trustees
and Prepared by the Office of Pensions
Fiscal Year Ended June 30, 2012

State Employees' Pension Plan

Special Fund

New State Police Pension Plan

Judiciary Pension Plans

County & Municipal Police and Firefighters' Plans

County & Municipal Other Employees' Pension Plan

Closed State Police Pension Plan

Diamond State Port Corporation Pension Plan

Delaware Volunteer Firemen's Fund

County & Municipal Police and Firefighters' COLA Fund

Post-Retirement Increase Fund

Delaware Local Government Retirement Investment Pool

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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, 2011

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.



Linda C. Danson
President

Jeffrey R. Emer
Executive Director



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STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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November 20, 2012

The Honorable Jack A. Markell
and
Members of the 147th General Assembly

Dear Governor and Members of the General Assembly:

The Board of Pension Trustees for the Delaware Public Employees' Retirement System (DPERS or the System) is proud to present its 41st Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012.

This report provides information on nine plans [State Employees', Special Fund, New State Police, Judiciary, County & Municipal Police and Firefighters', County & Municipal Other Employees', Delaware Volunteer Firemen's Fund, Diamond State Port Corporation, and Closed State Police] plus three commingled investment funds [County & Municipal Police and Firefighters' COLA (COLA Fund), Post-Retirement Increase (PRI) and Delaware Local Government Retirement Investment Pool (DELRIP)]. 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, 2012.

After strong returns in fiscal 2011, investment markets were not as generous in the latest year. While the domestic economy improved modestly, Europe and the emerging economies experienced significant weakness, which pulled down investment returns. The Fund's diversified portfolio returned 2.0% in fiscal 2012, but has compounded out at 13.2% per year over the last three fiscal years and 7.6% per year over the last ten years. The Fund's fiscal year return compares with the 5.4% return of the S&P 500 stock index, the (13.8%) return of the MSCI EAFE foreign stock index and the 7.5% return of the Barclays Aggregate bond index. Compared to other public funds with greater than \$5 billion in assets, DPERS' performance ranked in the top decile of the Trust Universe Comparison Service (TUCS) universe for the 3, 5, and 10 year periods ending June 30, 2012. Recognizing that there is no shortage of challenges lying ahead for the U.S. and global economies, the Board, its Investment Committee and

The Honorable Jack A. Markell
and
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staff will continue to actively monitor and proactively manage the System in a manner fully consistent with its fiduciary duty to the System's beneficiaries.

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

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

When calendar year 1971 ended, the four pension plans totaled \$14.7 million in assets with 2,766 pensioners. The State's contribution was 13.1% of payroll. At the end of Fiscal Year 2012, pensioners numbered 25,356; monies from the nine plans and three pension commingled investment funds totaled \$7.5 billion. The State's contribution rate for the State Employees' Plan for Fiscal Year 2012 was 8.4% of payroll. Employer rates in the other plans that the Board administers range from 6.6% to 27.5% of covered payroll. Benefit coverage varies by plan as shown on pages 30-33. The majority of beneficiaries' pension benefits are well funded, with 89% of the System's total membership covered by plans with a funded ratio greater than or equal to 90%. The funding status of each plan is detailed on pages 46-48.

Major Accomplishments

Best Practices – The Board, with the help of its legal counsel and various Committee members, continued its “Best Practices Review” during Fiscal Year 2012. Now in its eighth year, the process provides the benefit of annually comparing reviews of the System's operations and efficiency with similar public pension funds. Those reviews indicate the System continues to compare favorably or very favorably with its peers. The Board promoted Trustee training opportunities including special presentations by a leading economist and the investment advisor. In addition, with the help of outside legal counsel, the Board continued its review of the structure of the System and each of its nine plans as established in the Delaware Code for compliance with the Internal Revenue Code and its rules, regulations, and interpretive opinions. See the Tax Status update in Note 7 to the financial statements on page 45 for more details.

Local Government Participation – Membership in the County & Municipal plans continues to grow. New members to the County and Municipal Police and Firefighters' Plans include: Town of Elsmere (also joining the County and Municipal COLA Fund), and Town of Selbyville (also joining the County and Municipal Other Employees' Plan). The City of Wilmington joined the County and Municipal Other Employees' Plan.

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Major Accomplishments (continued)

GFOA Certificate of Achievement – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to DPERS for its comprehensive annual financial report (CAFR) for the Fiscal Year ended June 30, 2011. 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 sixteenth consecutive year that DPERS has received a Certificate of Achievement. DPERS believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we will submit the FY 2012 CAFR to the GFOA to determine its eligibility for another certificate of achievement.

Public Pension Coordinating Council Award – The Public Pension Coordinating Council (PPCC) granted the System the Public Pension Standards Award for 2011. This is the ninth consecutive year the award has been received. The PPCC is a coalition of National Association of State Retirement Administrators (NASRA), National Council on Teacher Retirement (NCTR), and National Conference on Public Employee Retirement Systems (NCPERS). The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration and serve as a benchmark by which all defined benefit public plans should be measured. Public Pension Standards include: comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment Committee, and communications with membership.

Technology Upgrades – The System implemented a new financial reporting system.

Adjusted System Expected Rate of Return – During Fiscal Year 2012, the Board reduced the expected rate of return of the System from 8.0% to 7.5%. This change in expected rate of return reflects the long-term economic outlook and achievable investment returns while maintaining the System's risk tolerance levels. The reduced expected rate of return could result in a lower funding status and higher contribution rate for the various plans going forward.

Investments and Economic Climate

The System's investments had a 2.0% return in Fiscal Year 2012. The System's annualized total returns for the last five, ten, and fifteen years are 3.9%, 7.6% and 7.3%, respectively. Relative to other large public pension funds, the System's performance ranks in the top decile of the Trust Universe Comparison Service (TUCS) universe for the 3, 5, and 10 year periods ending June 30, 2012.

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Investments and Economic Climate (continued)

System investments are managed to control the downside risk to which assets are exposed, while maximizing long term gain potential. This strategy positions the System to limit the impact of adverse market conditions. During the year, reduced exposure to international markets helped the System as corporate earnings remained strong for domestic companies, while European and developing country companies encountered weaker profits.

The System continues to manage its investments by focusing on risk control and diversification. For a further discussion of portfolio diversification and investment strategy, see the Investment Section beginning on page 61 of this report.

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

The Board's investment policy is summarized on pages 65-66. Investment objectives are outlined in the investment policy established by the Board, including the appropriate degree of risk. Investment managers are hired to execute the investment policy and have discretion for investment decisions within statutory authority, Board policy and their respective guidelines. A list of the investment managers under contract with the System as of June 30, 2012, may be found on page 72 of this report. A summary of the total System's asset allocation can be found on page 71.

Funding Status

A pension plan is well funded when it has sufficient assets invested to meet all expected future obligations to participants. The greater the level of funding, the larger the ratio of assets to actuarial accrued liability. Six of the plans/funds included in the System – the State Employees', New State Police, Judiciary, County & Municipal Police & Firefighters' Plan, County & Municipal Other Employees' Plan and Special Fund – have funded ratios greater than or equal to 90% of the actuarial accrued liability. The combined total membership of those plans represents 89.4% of the total System. Of the remaining plans, two are making annual contributions at the actuarially determined rates to reach full funding and the Closed State Police Pension Plan remains a pay-as-you-go plan.

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

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Internal Controls

System internal accounting controls are designed to reasonably assure the safekeeping of assets and the reliability of financial reporting. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of costs and benefits requires estimates and judgments by management. Control procedures and responsibilities are well documented both in writing and with graphic flowcharts. These are reviewed and updated annually. The Audit Committee, a committee appointed by the Board, monitors operations and controls throughout the year. An independent auditing firm audits the System's basic financial statements annually and reports any findings to the Audit Committee and the Board.

Professional Services

Professional consultants are appointed by the Board to perform ongoing services essential to the effective and efficient operation of the System. An opinion on the System's basic financial statements from the independent auditors, KPMG LLP, is included in the Financial Section of this report. Cheiron, Inc. performs the actuarial valuations for the System and advises the Board on funding matters. During the Fiscal Year 2012, the Board conducted a Request for Proposal (RFP) for Global custodian for the System. Northern Trust was selected and retained as the Global custodian for the system. Also during the Fiscal Year 2012, the Board conducted a Request for Information (RFI) for the System's Investment Advisor. Ashford Consulting Group, Inc. was selected and retained as the System's Investment Advisor. The System's Investment Advisor provides the Board and the Investment Committee with periodic investment performance updates, ongoing market insights, asset allocation recommendations, investment manager research, manager recommendations, performance and attribution analysis, and additional investment related services. IRSS, Inc. provides securities litigation monitoring to the System. The system has engaged several law firms to assist the System. Ice Miller, LLP, acts as tax counsel to the System and Chapman and Cutler LLP, Morgan, Lewis & Bockius LLP and Reinhart Boerner Van Deuren s.c. provide advice related to investment documentation and regulatory matters.

Acknowledgments

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

The Board thanks Harold D. Smith, who stepped down from the Audit Committee after nine years of service. The Board also thanks Susan Herrmann for her service as she stepped down from the Audit Committee.

The Board welcomes Arturo F. Agra to the Pension Board of Trustees. Mr. Agra is the Vice President of Strategic Planning for Pepco Holdings. Previously he held the titles of President and CEO of Conectiv Energy. He has a BS in Accounting from the University of Delaware and an MBA in Finance from St. Joseph's University.

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The Board also acknowledges Helen Foster, a Board Member who has become Chair of the Audit Committee. The Board welcomes Robert Paretta, Ph.D., CPA (not in public practice) and Stephen D. Ritchie, CPA to the Audit Committee. Dr. Paretta has been a Professor in the Accounting Department at the University of Delaware since 1972. He has a BBA in Finance from Iona College, an MBA in Finance from Long Island University and MS and Ph.D. in Accounting from Syracuse University. Mr. Ritchie is a partner and Director of Tax and Small Business for Belfint, Lyons & Shuman, P.A.. He has a BBS in Accounting from the University of Delaware.

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

This is my first letter as Chairperson of DPERS. I follow in the most capable footsteps of Philip S. Reese. After serving as Board chair for 8 years, Mr. Reese stepped down on January 31, 2012. The Board is grateful that Mr. Reese remains an active and most dedicated member of the Investment Committee. I am honored to work with a very fine board and its investment, audit and medical committees. We appreciate the ongoing support of both the Executive and Legislative branches of our state government, the Director of the Office of Management and Budget, the Executive Director and the Pension Office Staff, deputy attorney general, other state support personnel, our investment advisors and managers, professional consultants and the Pension Advisory Council. This remarkable team works tirelessly to produce one of the best managed pension funds in the country. Operationally we compare favorably or very favorably with other public funds across a host of measures. Moreover, for the 3, 5, and 10 year periods ending June 30, 2012, the System has ranked in the top decile in investment performance for public funds in excess of \$5 Billion in assets by the Trust Universe Comparison Service (TUCS). I look forward to continuing the longstanding working relationship with these various entities. On behalf of our Board, I wish the State, the wider DPERS team and all of our beneficiaries only the very best going forward.

Respectfully submitted,



Suzanne B. Grant, Chair
Board of Pension Trustees

Board of Pension Trustees, Board Committees, & Professional Consultants

Board of Pension Trustees

Suzanne B. Grant, Chair
Former Senior Vice President
 Salomon Smith Barney, Consulting Group

Arturo F. Agra
Vice President of Strategic Planning
 Pepco Holdings Inc.

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

Nancy J. Shevock
Former Director
 Delaware Transit Corporation

Helen R. Foster, J.D.
Consultant

Ex-Officio Board Members

Thomas J. Cook
State Secretary of Finance

Ann S. Visalli
Director, Office of Management & Budget

Executive Secretary to the Board and Pension Administrator

David C. Craik

Legal Counsel

Cynthia L. Collins, Esq.
Deputy Attorney General

Investment Committee

A. Dale Stratton, Chair
Suzanne B. Grant
Jan M. King
Clark Phippen
Philip S. Reese
George J. Saxon
Nancy J. Shevock
Mark E. Stalnecker

Audit Committee

Helen R. Foster, J.D., Chair
James A. Burke
Araya Debessay, Ph.D.
Mark Finfrock
Robert L. Paretta, Ph.D., CPA
 (not in public practice)
Stephen D. Ritchie, CPA

Medical Committee

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

Pension Advisory Council

Joseph Malloy, Chair
Firefighter; City of Wilmington

Consulting Actuary

Cheiron, Inc.

Investment Advisor

Ashford Consulting Group, Inc.

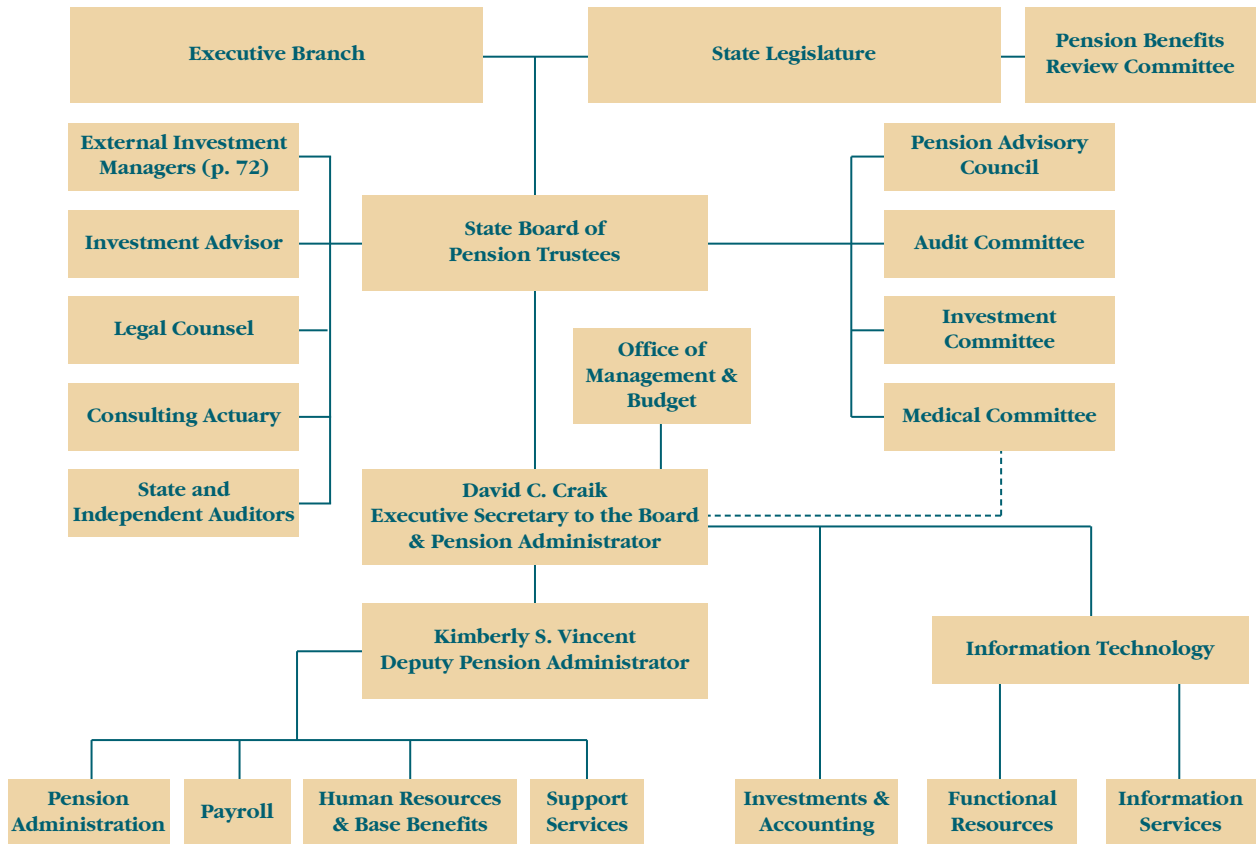
Independent Auditors

KPMG LLP

Global Custody Bank

Northern Trust Co.

Organizational Chart



Management Team:

- Investments & Accounting:** Wade Sallings, *Pension Cash/Debt Manager*
- Information Technology:** John McCartney, *Informational Systems Manager*
- Functional Resources:** Joanna M. Adams, *Strategic Information Systems Manager*
- Information Services - Applications:** Ralph Ball, *Strategic Information Systems Project Leader*
- Information Services - Systems:** Robert Eckstine, *Strategic Information Systems Project Leader*
- Pension Administration:** Mary Wood, *Human Resource Specialist V*
- Support Services:** Terri L. Timmons, *Office Manager*
- Payroll:** Bernice Murray, *Human Resource Specialist IV*
- Human Resources & Base Benefits:** Lisa Hudson, *Human Resource Specialist IV*

Highlights of Board Activities

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

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

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

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

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

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

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

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

Highlights of Board Activities (continued)

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

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

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

The Board retains Ashford Consulting Group, Inc., as investment advisor for the System. Ashford provides a variety of services to the System including: investment manager and custody contract negotiations, investment manager searches, performance analysis/attribution, and investment policy and asset allocation recommendations. The firm is prohibited by contract terms from managing any of the System's assets. A list of investment managers under contract with the System as of June 30, 2012, may be found on page 72 of this report.

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

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

The major activities of the Board and its committees during the 12-month period July 2011 through June 2012 were:

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



Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2011

Presented to

Delaware Public Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

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

Alan H. Winkle
Program Administrator

2012 Legislation Affecting Pensions

- Senate Bill 192**
(78 Del. Laws, C375)
- Provides that the surviving family of a County/Municipal Police/Firefighter member who has died in the line of duty receives a survivor's pension equal to three-quarters of the officer's compensation.
- Senate Bill 215**
(78 Del. Laws, C374)
- Full-time county and municipal police officers and full-time uniformed firefighters in the City of Wilmington could elect to have their pension or disability pensions reduced by 3% and thereby increase the survivor's pension from 50% to 75%.
- Senate Bill 260**
(78 Del. Laws, C290)
- Creates an annual earnings limit of \$19,240.00 for State Employee retirees who are returning to work with a participating employer (only allowed positions: daily substitutes or casual/seasonal positions less than 30 hours or, if 30 hours or more, not to exceed 12 months). Also creates the requirement that retirees who contract with a participating employer to complete an IRS Form SS-8 to determine that the retiree is an independent contractor and not an employee.
- Senate Bill 279**
(78 Del. Laws, C289)
- Grants a 1% pension increase to retired State Employees, retired Judges, retired "New" State police and retired County/Municipal Police/Firefighters on July 1, 2012 for persons whose pension benefit was effective on or before June 30, 2011 and is payable on July 1, 2012.
- House Bill 164**
(78 Del. Laws, C318)
- Permits employees who are employed in positions that are classified as Hazardous Duty Level A-1 (e.g. Correction Officers) to retire at 25 years without any reduction. Those employees will pay a higher employee contribution rate. The bill is subject to a Private Letter Ruling by the Internal Revenue Service. If approved those employees would begin paying a higher contribution rate the first of the following year after the approval. Employees may begin to retire under this provision once they have been contributing under the new provisions for two years.



FINANCIAL SECTION

Delaware Public Employees' Retirement System

— A component unit of the State of Delaware



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditor's Report

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

We have audited the accompanying statement of plan net assets of the Delaware Public Employees' Retirement System (the System) as of June 30, 2012 and the related statements of changes in plan net assets for the year then ended, which collectively comprise the System's basic financial statements. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying summarized comparative financial information has been derived from the Delaware Public Employees' Retirement System's June 30, 2011 financial statements and, in our report dated October 31, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 the 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 previously present fairly, in all material respects, the plan net assets of the Delaware Public Employees' Retirement System as of June 30, 2012, and its changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



The financial statements include summarized prior year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2011, from which such summarized information was derived.

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis, Schedule of Funding Progress, and Schedule of Employer Contributions, on pages 20-23 and 46-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's financial statements. The Schedule of Administrative Expenses, Schedule of Investment Expenses and the Schedule of Plan Net Assets and Changes in Plan Net Assets for the Delaware Local Government Investment Pool are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Administrative Expenses, Schedule of Investment Expenses and the Schedule of Plan Net Assets and Changes in Plan Net Assets for the Delaware Local Government Investment Pool are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Introductory, Investment, Actuarial and Statistical sections as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

November 16, 2012

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Delaware Public Employees' Retirement System's (System) financial performance and provides an overview of the System's financial activities for the Fiscal Year ended June 30, 2012. 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, 2012, versus Fiscal Year 2011:

- Plan net assets of all the pension funds administered by the System decreased by \$112.4 million.
- Fiscal Year 2012 covered payrolls totaled \$2,047.8 million. Employer contributions increased 9.5% while Member contributions increased 4.0%. Employer contributions increased primarily due to the employers meeting the increased actuarial annual required contributions driven by anticipated future benefits, and investment returns. Member contributions were higher primarily due to an increase in covered payroll and a member contribution rate increase under the State Employees' Plan.
- Net investment earnings (net increase/(decrease) in fair value, plus investment earnings, less investment-related expenses) decreased by \$1,378.0 million as a result of a lower investment return of 2.0% in Fiscal Year 2012 versus a higher investment return of 24.3% in Fiscal Year 2011.
- Transfer of Contributions from PRI Fund decreased by \$5.5 million due to fewer post-retirement increases granted by legislation in previous fiscal years.
- Pension benefits paid to retirees and beneficiaries increased \$28.1 million bringing the total benefit payments to \$482.3 million. The 6.2% increase was due to a net increase of 2.9% in the number of retirees.
- Administrative expenses (including special project expenses) increased by 6.6%. The increase is largely attributed to an increase in our building office space rent, the need to purchase additional technology hardware that included a new telephone system, and training cost for newly hired staff.

Using this Financial Report

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

The Schedule of Funding Progress (pages 46-48) includes historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions (pages 49-51) presents historical trend information about the annual required contributions of employers and the contributions made by employers in relation to this requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.

Net Assets

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2012	2011	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Cash and Investments at Fair Value	\$ 7,502,362	\$ 7,622,242	\$ (119,880)	(1.6%)
Receivables	54,515	58,456	(3,941)	(6.7%)
Total Assets	\$ 7,556,877	\$ 7,680,698	\$ (123,821)	(1.6%)
Total Liabilities	\$ 20,510	\$ 31,918	\$ (11,408)	(35.7%)
Total Plan Net Assets	\$ 7,536,367	\$ 7,648,780	\$ (112,413)	(1.5%)

Changes in Net Assets

(dollar values expressed in thousands)

Fiscal Years Ended June 30,	2012	2011	Increase/ (Decrease) Amount	Increase/ (Decrease) Percent
Additions:				
Employer Contributions	\$ 204,062	\$ 186,418	\$ 17,644	9.5%
Transfer of Contributions from PRI Fund	8,371	13,825	(5,454)	(39.5%)
Transfer of Assets from Outside the System	2,918	3,108	(190)	(6.1%)
Member Contributions	57,226	55,003	2,223	4.0%
Other	29	-	29	100.0%
Net Investment Earnings (Losses)	123,537	1,501,532	(1,377,995)	(91.8%)
TOTAL ADDITIONS	\$ 396,143	\$ 1,759,886	\$ (1,363,743)	(77.5%)
Deductions:				
Transfer of Contributions from PRI Fund	\$ 8,371	\$ 13,825	\$ (5,454)	(39.5%)
Transfer of Assets Outside the System	2,551	2,012	539	26.8%
Pension Payments	482,274	454,217	28,057	6.2%
Refunds of Contributions to Members	4,490	3,278	1,212	37.0%
Burial Benefit Payments	5,130	4,927	203	4.1%
Administrative Expenses:				
General Administrative Expenses	5,610	5,276	334	6.3%
Best Practices Review	114	76	38	50.0%
Financial Reporting System	16	32	(16)	(50.0%)
Total Administrative Expenses	\$ 5,740	\$ 5,384	\$ 356	6.6%
TOTAL DEDUCTIONS	\$ 508,556	\$ 483,643	\$ 24,913	5.2%
INCREASE/(DECREASE) IN PLAN NET ASSETS	\$ (112,413)	\$ 1,276,243	\$ (1,388,656)	(108.8%)

Analysis of Net Assets

The System was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the various plans, refunds of member contributions to terminated employees, and the cost of administering the System. Combined plan net assets decreased by \$112.4 million during Fiscal Year 2012. Benefit payments and administrative expenses of \$493.1 million exceeding this year's investment return of 2% or \$123.5 million, and pension contributions of \$261.3 million is the primary reason for this year's decrease in total plan net assets.

Employer contributions increased approximately \$17.6 million and Member contributions increased by approximately \$2.2 million. Employer contributions increased primarily due to the employers meeting the increased actuarial annual required contributions driven by anticipated future benefits and investment returns. Member contributions were higher primarily due to a increase in covered payrolls for Fiscal Year 2012. Member contributions also increased due to a new tier of 5% of earnings in excess of \$6,000 being created for new employees hired on or after January 1, 2012 as a result of passing House Bill 81 (78 Del. Laws, C14). Transfers from the Post-Retirement Increase Fund (PRI) decreased by approximately \$5.5 million reflecting fewer post-retirement increases granted by legislation in previous fiscal years.

Transfers of Assets Outside the System include transfers from the County & Municipal Police and Firefighters' COLA Fund (COLA Fund) to individual participating entities. Pension benefit payments increased by approximately 6.2% as a result of a 2.9% increase in the number of retirees over Fiscal Year 2011.

Administrative expenses (including special project expenses) increased by 6.6%. The increase is largely attributed to an increase in our building office space rent, the need to purchase additional technology hardware that included a new telephone system, and training cost for newly hired staff.

Historical Trends

Accounting standards require that the Statement of Plan Net Assets reports asset values at fair value and includes only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the long-term actuarial funding status of the pension funds is provided in the Schedule of Funding Progress (pages 46-48). The asset value stated in the Schedule of Funding Progress is the actuarial value of assets as determined by calculating the ratio of market value to book value of assets over a five-year period. The actuarial assumptions used in the most recent valuation are identified, along with the Current Funded Status of the Plans, within the Notes to the Financial Statements (pages 38-39). Annual required contributions of employers and contributions made by employers in relation to the required contributions are provided in the Schedule of Employer Contributions (pages 49-51). This schedule indicates whether employers are meeting their responsibilities to provide financial resources to the plans.

Statement of Plan Net Assets

as of June 30, 2012 with Comparative Totals for June 30, 2011

(expressed in thousands)

	State Employees' Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
Assets:						
Cash & Cash Equivalents	\$ 462,710	\$ 21	\$ 18,741	\$ 3,797	\$ 11,689	\$ 1,551
Receivables:						
Accrued Investment Income	16,646	1	634	129	367	48
Pending Trade Sales	22,285	1	906	183	561	75
Employer Contributions	6,375	-	341	104	1,217	312
Member Contributions	2,146	-	138	10	440	50
Total Receivables:	\$ 47,452	\$ 2	\$ 2,019	\$ 426	\$ 2,585	\$ 485
Investments at Fair Value:						
Domestic Fixed Income	567,896	27	23,098	4,654	14,300	1,903
Domestic Equities	1,460,678	69	59,409	11,970	36,781	4,894
Pooled Equity & Fixed Income	1,726,716	82	70,229	14,151	43,480	5,786
Alternative Investments	1,750,128	83	71,181	14,342	44,070	5,864
Foreign Fixed Income	148,202	7	6,028	1,215	3,732	497
Foreign Equities	769,925	37	31,314	6,310	19,387	2,580
Total Investments:	\$ 6,423,545	\$ 305	\$ 261,259	\$ 52,642	\$ 161,750	\$ 21,524
TOTAL ASSETS:	\$ 6,933,707	\$ 328	\$ 282,019	\$ 56,865	\$ 176,024	\$ 23,560
Liabilities:						
Pending Purchases Payable	13,396	1	544	110	337	45
Benefits Payable	1,262	7	-	-	63	4
Accrued Investment Expenses	3,983	-	162	32	99	13
Accrued Administrative Expenses	240	-	4	1	5	2
TOTAL LIABILITIES:	\$ 18,881	\$ 8	\$ 710	\$ 143	\$ 504	\$ 64
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POOL PARTICIPANTS:						
	\$ 6,914,826	\$ 320	\$ 281,309	\$ 56,722	\$ 175,520	\$ 23,496

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

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

Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post- Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Closed State Police Plan	Totals as of June 30,	
						2012	2011
\$ 502	\$ 1,216	\$ 437	\$ 113	\$ 2,590	\$ 2,490	\$ 505,857	\$ 455,095
13	40	9	4	89	1	17,981	19,728
-	58	21	10	125	-	24,225	21,300
-	77	-	1,078	-	-	9,504	13,177
-	21	-	-	-	-	2,805	4,251
\$ 13	\$ 196	\$ 30	\$ 1,092	\$ 214	\$ 1	\$ 54,515	\$ 58,456
5,438	1,489	532	361	3,174	-	622,872	724,025
5,484	3,830	1,368	669	8,164	-	1,593,316	1,557,600
-	4,527	1,617	791	9,652	-	1,877,031	1,587,661
-	4,589	1,639	801	9,782	-	1,902,479	1,866,093
-	389	139	68	828	-	161,105	190,858
2,752	2,019	721	353	4,304	-	839,702	1,240,910
\$ 13,674	\$ 16,843	\$ 6,016	\$ 3,043	\$ 35,904	\$ -	\$ 6,996,505	\$ 7,167,147
\$ 14,189	\$ 18,255	\$ 6,483	\$ 4,248	\$ 38,708	\$ 2,491	\$ 7,556,877	\$ 7,680,698
12	35	13	6	75	-	14,574	25,123
5	-	-	-	-	14	1,355	1,409
-	11	2	2	22	-	4,326	5,030
-	1	-	-	-	2	255	356
\$ 17	\$ 47	\$ 15	\$ 8	\$ 97	\$ 16	\$ 20,510	\$ 31,918
\$ 14,172	\$ 18,208	\$ 6,468	\$ 4,240	\$ 38,611	\$ 2,475	\$ 7,536,367	\$ 7,648,780

Statement of Changes in Plan Net Assets

for the fiscal year ended June 30, 2012 with Comparative Totals for June 30, 2011

(expressed in thousands)

	State Employees' Plan	Special Fund	New State Police Plan	Judiciary Pension Plans	County & Municipal Police and Firefighters' Plans	County & Municipal Other Employees' Plan
Additions:						
Contributions:						
Employer Contributions	\$ 147,464	\$ -	\$ 8,309	\$ 2,674	\$ 9,265	\$ 1,362
Transfer of Contributions from PRI Fund	8,179	-	143	49	-	-
Transfer of Assets from Outside the System	-	-	-	-	-	-
Member Contributions	47,850	-	3,560	305	4,569	547
Other	-	-	29	-	-	-
Total Contributions:	\$ 203,493	\$ -	\$ 12,041	\$ 3,028	\$ 13,834	\$ 1,909
Investments:						
Investment Income	106,782	5	4,224	858	2,542	337
Net Appreciation (Depreciation) in Fair Value	25,782	-	1,385	260	1,033	144
Total Investment Income/(Loss):	\$ 132,564	\$ 5	\$ 5,609	\$ 1,118	\$ 3,575	\$ 481
Less Investment Manager/Advisor Fees	(19,248)	(1)	(770)	(156)	(469)	(62)
Less Investment Administrative Expenses	(588)	-	(8)	(1)	(10)	(5)
Net Investment Earnings/(Loss):	\$ 112,728	\$ 4	\$ 4,831	\$ 961	\$ 3,096	\$ 414
TOTAL ADDITIONS	\$ 316,221	\$ 4	\$ 16,872	\$ 3,989	\$ 16,930	\$ 2,323
Deductions:						
Transfer of Contributions from PRI Fund	-	-	-	-	-	-
Transfer of Assets Outside the System	-	-	-	-	-	-
Pension Payments	443,919	48	7,949	3,067	2,254	345
Refunds of Contributions to Members	4,024	-	78	-	227	53
Burial Benefit Payments	4,976	7	7	-	-	-
Administrative Expenses	5,392	1	76	10	109	44
TOTAL DEDUCTIONS	\$ 458,311	\$ 56	\$ 8,110	\$ 3,077	\$ 2,590	\$ 442
NET INCREASE (DECREASE)	\$ (142,090)	\$ (52)	\$ 8,762	\$ 912	\$ 14,340	\$ 1,881
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:						
BALANCE BEGINNING OF YEAR	\$ 7,056,916	\$ 372	\$ 272,547	\$ 55,810	\$ 161,180	\$ 21,615
BALANCE END OF YEAR	\$ 6,914,826	\$ 320	\$ 281,309	\$ 56,722	\$ 175,520	\$ 23,496

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

Delaware Volunteer Firemen's Fund	Diamond State Port Corporation Plan	County & Municipal Police and Firefighters' COLA Fund	Post-Retirement Increase Fund	Delaware Local Gov't Retirement Investment Pool	Closed State Police Plan	Totals as of June 30,	
						2012	2011
\$ 1,311	\$ 814	\$ -	\$ 9,799	\$ -	\$ 23,064	\$ 204,062	\$ 186,418
-	-	-	-	-	-	8,371	13,825
-	-	2,918	-	-	-	2,918	3,108
177	216	-	-	-	2	57,226	55,003
-	-	-	-	-	-	29	-
\$ 1,488	\$ 1,030	\$ 2,918	\$ 9,799	\$ -	\$ 23,066	\$ 272,606	\$ 258,354
346	270	82	75	587	4	116,112	145,247
(165)	94	38	198	174	-	28,943	1,378,587
\$ 181	\$ 364	\$ 120	\$ 273	\$ 761	\$ 4	\$ 145,055	\$ 1,523,834
(5)	(49)	(16)	(15)	(107)	-	(20,898)	(21,699)
-	(3)	-	-	-	(5)	(620)	(603)
\$ 176	\$ 312	\$ 104	\$ 258	\$ 654	\$ (1)	\$ 123,537	\$ 1,501,532
\$ 1,664	\$ 1,342	\$ 3,022	\$ 10,057	\$ 654	\$ 23,065	\$ 396,143	\$ 1,759,886
-	-	-	8,371	-	-	8,371	13,825
-	-	2,318	-	233	-	2,551	2,012
1,660	366	-	-	-	22,666	482,274	454,217
72	36	-	-	-	-	4,490	3,278
-	-	-	-	-	140	5,130	4,927
30	27	3	-	1	47	5,740	5,384
\$ 1,762	\$ 429	\$ 2,321	\$ 8,371	\$ 234	\$ 22,853	\$ 508,556	\$ 483,643
\$ (98)	\$ 913	\$ 701	\$ 1,686	\$ 420	\$ 212	\$ (112,413)	\$ 1,276,243
\$ 14,270	\$ 17,295	\$ 5,767	\$ 2,554	\$ 38,191	\$ 2,263	\$ 7,648,780	\$ 6,372,537
\$ 14,172	\$ 18,208	\$ 6,468	\$ 4,240	\$ 38,611	\$ 2,475	\$ 7,536,367	\$ 7,648,780

Notes to Financial Statements
June 30, 2012

1. Plan Descriptions and Contribution Information

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

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

With the exception of the Diamond State Port Corporation Pension Plan, the General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board. The Board of Directors for the Diamond State Port Corporation is responsible for setting benefits and contributions and amending their plan provisions.

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

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

As of June 30, 2012, the date of the most recent actuarial valuation, employee membership data related to each of the Plans was as follows:

Plan	Retirees Beneficiaries Currently Receiving Benefits	(1)Terminated Employees Entitled to Benefits But Not Receiving Them Yet	Active Participants	Total Membership	Participating Employers
State Employees'	22,811	2,796	35,427	61,034	1
Special	11	-	-	11	N/A
New State Police	159	11	671	841	1
Judiciary	42	-	55	97	1
County & Municipal Police & Firefighters'	79	20	1,059	1,158	32
County & Municipal Other Employees'	56	19	483	558	37
Delaware Volunteer Firemen's	1,617	179	4,871	6,667	63
Diamond State Port Corporation	45	6	265	316	1
Closed State Police	536	-	1	537	1
Total Membership:	25,356	3,031	42,832	71,219	137

(1) Includes individuals on long-term disability.

The following are brief descriptions of the individual plans in effect as of June 30, 2012. For a more complete description, please refer to the respective plan documents.

State Employees' Pension Plan

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

There are two tiers within this plan:

- 1) employees hired prior to January 1, 2012 (Pre-2012).
- 2) employees hired on or after January 1, 2012 (Post-2011).

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

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

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

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

Pre-2012 date of hire Member - 3% of earnings in excess of \$6,000.

Post-2011 date of hire Member – 5% of earnings in excess of \$6,000.

Burial Benefit: \$7,000 per member.

Special Fund

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

Service Benefits: Defined by special legislation.

Vesting: Defined by special legislation.

Retirement: Defined by special legislation.

Disability Benefits: Defined by special legislation.

Survivor Benefits: Same as State Employees' Plan.

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

Burial Benefit: \$7,000 per member.

New State Police Pension Plan

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

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

Vesting: 10 years of credited service at age 62.

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

service and is retired due to age; or 20 years of credited service.

Disability Benefits:

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

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

Non-Duty - Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependant not to exceed 20% for all dependants. Partial disability to a minimum of 30% of final average monthly compensation.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Member - 7% of compensation.

Burial Benefit: \$7,000 per member.

Judiciary Pension Plans (Closed and Revised)

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

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

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

Service Benefits:

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

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

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

Vesting: 12 years of credited service.

Retirement:

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

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

Disability Benefits: Same as Service Benefits.

Survivor Benefits:

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

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

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

Burial Benefit: Not applicable.

County & Municipal Police and Firefighters' Pension Plan

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

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

Vesting: 5 years of credited service.

Retirement: Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits:

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

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

Non-Duty - Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependant not to exceed 20% for all dependants. Partial disability to a minimum of 30% of final average monthly compensation.

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. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

Contributions:

Employer - determined by Board of Pension Trustees.

Member - 7% of compensation.

Burial Benefit: Not applicable.

County & Municipal Other Employees' Pension Plan

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

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

Vesting: 5 years of credited service.

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

Disability Benefits:

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

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

Burial Benefit: Not applicable.

Delaware Volunteer Firemen's Fund

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

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

Vesting: 10 years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

Employer - determined by Board of Pension Trustees.

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

Burial Benefit: Not applicable.

Diamond State Port Corporation Plan

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

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

Vesting: 5 years of credited service.

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

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

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

Contributions:

Employer - determined by the Board of Pension Trustees.

Member - 2% of compensation.

Burial Benefit: Not applicable.

Closed State Police Pension Plan

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

Service Benefits: 50% of monthly salary.

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

Disability Benefits:

Duty - 75% of monthly salary.

Non-Duty - Same as Service Benefits.

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

Contributions:

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

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

Burial Benefit: \$7,000 per member.

2. Fund Descriptions and Contributions

County & Municipal Police and Firefighters' COLA Fund

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

Post-Retirement Increase Fund

The State of Delaware passed legislation which established a mechanism for funding ad hoc post-retirement increases granted by the General Assembly to members retired under the State Employees' Plan, the New State Police Plan, and the Judiciary Plans (Closed and Revised) beginning in Fiscal Year 1994. The mechanism allows the State to appropriate actuarially determined employer contributions to a separate Post-Retirement Increase Fund (PRI) managed by the Board. The actuary uses the current actuarial assumptions, methods, and population data to calculate the estimated additional liability resulting from the potential benefit increases. The schedule of Plan Actuarial Methods on page 39 displays the actuarial assumptions of the Plans as of the June 30, 2012 valuation date. When the Legislature grants an ad hoc post-retirement adjustment, funds are transferred from this PRI Fund on a monthly basis based on a five-year actuarial funding schedule to the appropriate pension plan from which the additional benefits are disbursed. For the Fiscal Year ended June 30, 2012, \$8.4 million was transferred to the appropriate plans in the System.

As of June 30, 2012, recently granted post-retirement increases have outstanding liabilities totaling \$132.7 million, which will be funded by the State and transferred to the appropriate plans over the next five fiscal years as follows:

Fiscal Year 2013	\$ 26,585,200
Fiscal Year 2014	\$ 27,536,000
Fiscal Year 2015	\$ 28,521,100
Fiscal Year 2016	\$ 29,541,600
Fiscal Year 2017	\$ 20,536,400

The Board adopts actuarially determined funding for the Post-Retirement Increase Fund. Funding for Fiscal Year 2012 was 0.50% of covered payroll. Funding for Fiscal Year 2013 will be 1.49%.

Local Government Retirement Investment Pool

In June 1996, the State of Delaware established the Delaware Local Government Retirement Investment Pool (DELRIIP) in the custody of the Board to allow local governments within the State of Delaware the option to pool their pension assets with the System for investment purposes. The DELRIIP is an external investment pool that allows local governments to potentially maximize their rate of return and reduce administrative expenses related to the investment of funds. Participation in the pool is voluntary. There were three participating entities in DELRIIP as of June 30, 2012, which comprise the pool in its entirety: Sussex County and the Towns of Elsmere and Newport.

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

3. Summary of Significant Accounting Policies

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

Reporting Entity

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

The Fund was formed on June 25, 2008 and commenced operations on July 1, 2008. The Fund was formed for the object and purpose of increasing the investment return on assets of the pension plans of DPERS. The net assets of the Fund are included in Alternative Investments on the Statement of Plan Net Assets. The income, realized gains and losses, and expenses of the Fund are included in the respective sections of the Statement of Changes in Plan Net Assets. The System directly bears all administrative expenses of the Fund (accounting, legal, organizational) from its resources. The System's investment in the Fund at June 30, 2012 had an original cost basis of \$92.8 million and a fair value of \$102.5 million.

The Fund was audited separately for its fiscal year ended December 31, 2011. Audited statements are available upon request from the State of Delaware Office of Pensions.

In April 2012, the Board approved the liquidation of the First State Independence Fund I, LLC, by the Fund manager. All Fund managers received notices on or before July 1, 2012 to liquidate their assets. Proceeds from the asset liquidations should be received by the spring of 2013.

Basis of Accounting

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

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

Method Used to Estimate Values

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

Investments

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

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

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

Pooled investments are redeemable with the underlying funds at net asset values under the original terms of the partnership agreements and/or subscription agreements. As of June 30, 2012, the fair value of these investments totaled \$1,877,031 thousand. The asset allocation (in thousands) was \$934,405 domestic fixed income, \$751,457 domestic equity, and \$191,169 international equity.

As of June, 30, 2012, alternative investment values of \$1,902,479 thousand represent 25.2% of the System's net assets. Most of these investments are reported on a one-quarter lag adjusted for cash flows as of June 30, 2012.

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

Administrative Expenses

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

4. Current Funded Status of the Plans

The funded status of each pension plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

(dollar values expressed in thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
State Employees'	30-Jun-2012	\$ 7,270,430	\$ 7,949,855	\$ 679,425	91.5%	\$ 1,881,097	36.1%
Special	30-Jun-2012	366	264	(102)	138.6%	N/A	N/A
New State Police	30-Jun-2012	292,262	324,898	32,636	90.0%	54,412	60.0%
Judiciary	30-Jun-2012	59,279	65,946	6,667	89.9%	10,387	64.2%
County & Municipal Police and Firefighters'	30-Jun-2012	179,816	186,901	7,085	96.2%	67,091	10.6%
County & Municipal Other Employees'	30-Jun-2012	23,851	25,189	1,338	94.7%	22,435	6.0%
Diamond State Port Corporation	30-Jun-2012	18,930	23,039	4,109	82.2%	12,229	33.6%
Closed State Police+	30-Jun-2012	2,748	293,808	291,060	0.9%	124	234,725.8%

						Active Members**	UAAL Per Active Member**
Delaware							
Volunteer Firemen's	30-Jun-2012	\$ 14,972	\$ 30,149	\$ 15,177	49.7%	4,871	\$ 3,116

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

++Not expressed in thousands.

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

5. Plan Actuarial Methods

The chart shown below summarizes the actuarial assumptions and methods used to determine the funded status of the plans and is presented as of the last actuarial valuation date, June 30, 2012.

Plan	State Employees'	Special	New State Police	Judiciary	Closed State Police
Valuation Date	30-Jun-2012	30-Jun-2012	30-Jun-2012	30-Jun-2012	30-Jun-2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases and Open for Aggregate Gain/Loss	Level Dollar Open	Level Percent Closed	Level Percent Closed	Level Dollar Closed
Remaining Amortization Period	20.0 ⁽¹⁾ years	10 years	20.0 ⁽¹⁾ years	9.64 ⁽¹⁾ years	25 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	7.5%	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases ¹	3.8% to 11.8%	N/A	4.3% to 11.8%	3.8% to 12.5%	4.2% to 4.8%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc	Based on CPI

Plan	County & Municipal Police and Firefighters'	County & Municipal Other Employees'	Delaware Volunteer Firemen's	Diamond State Port Corporation
Valuation Date	30-Jun-2012	30-Jun-2012	30-Jun-2012	30-Jun-2012
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 Open
Remaining Amortization Period	10 years	10 years	16 years	15 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	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases ¹	4.3% to 11.8%	3.8% to 9.6%	N/A	4.3%
Cost-of-living adjustments	Ad hoc	Ad hoc	Ad hoc	Ad hoc

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

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

6. Deposits and Investments

Investment Policy

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

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

For the Fiscal Year ended June 30, 2012, management of the System believes it has operated in all material respects in accordance with these policies.

Securities Lending

The System entered into a contract with its custodian to allow participation in its securities lending program. The objective of securities lending is to earn income through a conservatively operated and well-controlled program. The System elected not to participate in the program during fiscal years 2012 and 2011 but may elect to participate at some time in the future.

Investments

The following is a listing of fixed income investments and cash equivalents and related maturity schedule which shows the System's exposure to interest rate risk as of June 30, 2012. It is the System's policy to classify corporate convertible bonds as equity securities on the Statement of Net Assets on pages 24-25 because these securities generally convert to preferred equity interests upon maturity. Corporate convertible bonds in the amount of \$530.5 million have been included in the chart below as they have maturity dates and are exposed to interest rate risk.

Investment Maturities (in Years)

(expressed in thousands)

Investment Type	Fair Value	Less than 1	1 - 6	6 - 10	10 +
Asset Backed Securities	\$ 668	\$ -	\$ -	\$ 668	\$ -
Cash Equivalents	434,338	434,338	-	-	-
Commercial Mortgage-Backed	1,429	-	-	-	1,429
Corporate Bonds	678,796	4,622	370,032	167,007	137,135
Corporate Convertible Bonds	530,520	18,184	388,974	36,806	86,556
Government Agencies	28,427	1,621	21,368	5,438	-
Government Bonds	57,468	27,627	6,057	7,186	16,598
Municipal/Provincial Bonds	17,189	-	13,173	-	4,016
Pooled Investments	934,405	-	-	931,362	3,043
Total:	\$ 2,683,240	\$ 486,392	\$ 799,604	\$ 1,148,467	\$ 248,777

Interest Rate Risk

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

Custodial Credit Risk

Deposits

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party. At June 30, 2012, the \$505.9 million carrying amount of the System's cash and cash equivalents was comprised of \$494.9 million of short-term investments and \$11.0 million in deposits. The \$10.8 million bank balance of deposits was subject to custodial credit risk because it was uninsured and uncollateralized. This amount includes pooled deposits of \$181 thousand which were held by the State Treasurer's Office.

Investments

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

Credit Risk

The System's general investment policy is to apply the prudent-person rule to all risks incurred by the fund: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The System has no investment policy that would further limit its investment choices related to credit risk. As of June 30, 2012, the System's fixed income investments and cash equivalents had the following credit risk characteristics:

Moody's Ratings or Comparable	Percent of Total Fund	Market Value (expressed in thousands)
AAA to A	19.6%	\$1,498,858
BBB to B	10.2%	778,307
CCC to C	0.8%	62,251
Default	0.0%	2,100
Agency of the Federal Government	0.1%	8,438
Not Rated	4.4%	333,286
Total:	35.1%	\$2,683,240

Investment Concentration Risk

As of June 30, 2012, the System held no concentration of investments in an individual issuer in excess of 5% of the fair value of the System's net assets.

Management Fees

In addition to the \$20.9 million paid in Manager/Advisor fees shown in the Statement of Changes in Plan Net Assets, the System paid \$25.8 million and \$25.7 million in management fees to the alternative investment funds and partnerships for the Fiscal Years ended June 30, 2012 and 2011, respectively. These fees are netted against investment income. Management fees charged at the underlying fund level for the investments held by the First State Independence Fund I, LLC ranged from 1% to 2% of net assets, plus a performance fee of 20% on positive investment earnings, which were netted against earnings.

Investment Commitments

The System has commitments to invest up to an additional \$842.0 million in venture capital limited partnerships in varying amounts as of June 30, 2012, to be drawn down, as called upon at any time during the term of each partnership, which is usually a ten-year period. Generally, these commitments are self-funding, in that the capital calls are met using cash flows generated by the existing venture capital/limited partnerships as managers in this asset class realize the proceeds of their investments.

Foreign Investments

Foreign investments include equity securities, bonds, and cash and cash equivalents. The following is a listing of foreign assets included in the Statement of Plan Net Assets as of June 30, 2012. The listing includes \$4.7 million of investments of domestic issuers which have been classified as domestic on the Statement of Plan Net Assets, but are denominated in a foreign currency.

Currency Risk

(expressed in thousands)

Currency	Fair Value in U.S. Dollars	Equities	Fixed Income	Cash and Cash Equivalents
Australian dollar	\$ 33,694	\$ 19,639	\$ 13,884	\$ 171
Brazilian real	21,681	13,397	8,284	-
British pound sterling	110,656	109,308	897	451
Canadian dollar	42,342	20,165	21,933	244
Danish krone	6,790	6,790	-	-
Euro	194,835	170,130	15,535	9,170
Hong Kong dollar	62,795	62,545	-	250
Indonesian rupiah	20,050	11,712	8,301	37
Japanese yen	30,903	30,655	-	248
Mexican peso	2,623	-	2,623	-
New Zealand dollar	18,377	-	18,377	-
Norwegian krone	17,233	2,640	14,593	-
Philippine peso	14,307	14,307	-	-
Singapore dollar	9,035	5,010	4,003	22
South Korean won	11,294	11,294	-	-
Swedish krona	17,453	17,453	-	-
Swiss franc	31,724	31,679	-	45
Thai baht	6,722	6,722	-	-
Turkish lira	11,236	11,095	-	141
Malaysian ringgit	4,110	4,110	-	-
Total Foreign Currencies	\$ 667,860	\$ 548,651	\$ 108,430	\$ 10,779
Foreign issued investments denominated in U.S. Dollars	348,441	291,050	57,391	-
Pooled international investments denominated in U.S. Dollars	191,169	191,169	-	-
Total:	\$ 1,207,470	\$ 1,030,870	\$ 165,821	\$ 10,779

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. The Board adopted a formal written policy on the use of derivatives which is reviewed periodically and incorporated in the formalized investment policy adopted by the Board. Some selected managers are permitted to use derivatives. In every case, the types of derivatives used and limits on their use are stated in the manager's contract and are monitored on an ongoing basis. Derivatives serve a variety of useful purposes for the System, including the reduction of foreign exchange risk, the minimization of transaction costs and as a means of implementing value added strategies to enhance returns. If the use of derivatives in a portfolio strategy results in some leverage, that leverage is never permitted to expose the Fund to a loss greater than the amount committed to that strategy.

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

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

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

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

The Investment Committee monitors the System's derivative holdings on a regular basis to ensure that the derivatives used by managers of the System will not have a material adverse impact on its financial condition. Total derivative instruments at June 30, 2012 were not material to the System.

Risk and Uncertainty

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

7. Tax Status

The System currently operates seven of its plans as tax qualified governmental retirement plans under the Internal Revenue Code (“IRC”). The seven plans include the State Employees’, New State Police, Judiciary, County & Municipal Police and Firefighters’, County & Municipal Other Employees’, Diamond State Port Corporation, and Closed State Police (“Qualified Retirement Plans”). The Internal Revenue Service made favorable determinations by letters dated October 2, 2012 that the Qualified Retirement Plans are designed in accordance with applicable sections of the IRC. The System and its tax counsel believe the Qualified Plans are designed and are currently being operated in compliance with the applicable provisions of the IRC. The favorable determination letters for the Qualified Retirement Plans are valid through January 31, 2014.

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

The System has two outstanding private letter ruling requests it has submitted to the IRS. On August 31, 2010, the System requested a ruling that a Delaware statutory change to the State of Delaware County and Municipal Police/Firefighter Pension Plan allowing a retiree's compensation to be calculated so that it does not result in a loss of pension benefits due to a mandatory leave without pay would not affect the qualified status of the Plan. On October 20, 2011, the System submitted a request for a ruling that a proposed change to the State of Delaware State Employees’ Plan, with respect to a change in benefits and contributions for correctional officers contained in HB 164, would not affect the qualified status of the Plan. Subsequent to the submission of the private letter ruling for the correctional officers, the General Assembly passed HB164. Additionally, the System will be submitting a private letter ruling request with respect to the establishment of the Delaware Public Employees' Retirement System Qualified Excess Benefit Arrangement Plan and Trust. Another request related to the separate Special Fund with 11 beneficiaries whose benefits are separately funded from the Delaware General Assembly may be submitted for review by the IRS. Management will amend plan language or operational procedures, as necessary, to comply with any issues identified by the IRS.

Required Supplementary Information

Schedule 1 - Schedule of Funding Progress

(dollar values expressed in thousands)
(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
State Employees'	30-Jun-2012	\$ 7,270,430	\$ 7,949,855	\$ 679,425	91.5%	\$ 1,881,097	36.1%
	30-Jun-2011	7,091,821	7,547,951	456,130	94.0%	1,783,603	25.6%
	30-Jun-2010	6,808,957	7,096,326	287,369	96.0%	1,740,622	16.5%
	30-Jun-2009	6,744,050	6,827,006	82,956	98.8%	1,753,129	4.7%
	30-Jun-2008	6,751,949	6,549,856	(202,093)	103.1%	1,711,473	(11.8%)
	30-Jun-2007	6,437,916	6,208,025	(229,891)	103.7%	1,654,609	(13.9%)
	30-Jun-2006	5,998,746	5,901,072	(97,674)	101.7%	1,589,185	(6.1%)
	30-Jun-2005	5,660,057	5,572,719	(87,338)	101.6%	1,471,931	(5.9%)
	30-Jun-2004	5,387,560	5,229,927	(157,633)	103.0%	1,399,279	(11.3%)
	30-Jun-2003	5,125,442	4,794,944	(330,498)	106.9%	1,355,800	(24.4%)
Special	30-Jun-2012	\$ 366	\$ 264	\$ (102)	138.6%	N/A	N/A
	30-Jun-2011	406	287	(119)	141.5%	N/A	N/A
	30-Jun-2010	457	333	(124)	137.2%	N/A	N/A
	30-Jun-2009	516	399	(117)	129.3%	N/A	N/A
	30-Jun-2008	614	492	(122)	124.8%	N/A	N/A
	30-Jun-2007	673	530	(143)	127.0%	N/A	N/A
	30-Jun-2006	758	704	(54)	107.7%	N/A	N/A
	30-Jun-2005	855	791	(64)	108.1%	N/A	N/A
	30-Jun-2004	933	785	(148)	118.9%	N/A	N/A
	30-Jun-2003	1,009	768	(241)	131.4%	N/A	N/A
New State Police	30-Jun-2012	\$ 292,262	\$ 324,898	\$ 32,636	90.0%	\$ 54,412	60.0%
	30-Jun-2011	270,625	286,890	16,265	94.3%	50,556	32.2%
	30-Jun-2010	245,303	260,258	14,955	94.3%	49,896	30.0%
	30-Jun-2009	229,457	241,251	11,794	95.1%	50,425	23.4%
	30-Jun-2008	216,368	214,921	(1,447)	100.7%	47,971	(3.0%)
	30-Jun-2007	194,560	195,811	1,251	99.4%	46,924	2.7%
	30-Jun-2006	169,824	170,877	1,053	99.4%	43,579	2.4%
	30-Jun-2005	150,209	149,657	(552)	100.4%	39,645	(1.4%)
	30-Jun-2004	134,507	128,932	(5,575)	104.3%	36,718	(15.2%)
	30-Jun-2003	120,457	106,272	(14,185)	113.3%	31,778	(44.6%)

Required Supplementary Information (continued)

Schedule 1 - Schedule of Funding Progress (continued)

(dollar values expressed in thousands)
(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Judiciary	30-Jun-2012	\$ 59,279	\$ 65,946	\$ 6,667	89.9%	\$ 10,387	64.2%
	30-Jun-2011	55,784	63,090	7,306	88.4%	9,624	75.9%
	30-Jun-2010	51,550	60,104	8,554	85.8%	9,798	87.3%
	30-Jun-2009	49,036	57,799	8,763	84.8%	9,814	89.3%
	30-Jun-2008	47,209	55,856	8,647	84.5%	9,689	89.2%
	30-Jun-2007	43,050	53,686	10,636	80.2%	9,825	108.3%
	30-Jun-2006	38,407	50,177	11,770	76.5%	9,397	125.3%
	30-Jun-2005	35,112	44,079	8,967	79.7%	8,475	105.8%
	30-Jun-2004	32,841	38,864	6,023	84.5%	7,672	78.5%
	30-Jun-2003	30,961	32,319	1,358	95.8%	7,173	18.9%
County & Municipal Police and Firefighters'	30-Jun-2012	\$ 179,816	\$ 186,901	\$ 7,085	96.2%	\$ 67,091	10.6%
	30-Jun-2011	157,394	160,150	2,756	98.3%	59,418	4.6%
	30-Jun-2010	135,684	141,430	5,746	95.9%	56,917	10.1%
	30-Jun-2009	119,712	122,573	2,861	97.7%	55,478	5.2%
	30-Jun-2008	102,423	103,911	1,488	98.6%	49,328	3.0%
	30-Jun-2007	87,395	89,022	1,627	98.2%	45,059	3.6%
	30-Jun-2006	72,120	72,832	712	99.0%	38,342	1.9%
	30-Jun-2005	59,711	61,335	1,624	97.4%	33,389	4.9%
	30-Jun-2004	48,893	45,204	(3,689)	108.2%	27,930	(13.2%)
	30-Jun-2003	41,228	36,698	(4,530)	112.3%	24,128	(18.8%)
County & Municipal Other Employees'	30-Jun-2012	\$ 23,851	\$ 25,189	\$ 1,338	94.7%	\$ 22,435	6.0%
	30-Jun-2011	20,664	22,859	2,195	90.4%	20,580	10.7%
	30-Jun-2010	17,596	19,827	2,231	88.7%	20,591	10.8%
	30-Jun-2009	15,074	16,787	1,713	89.8%	19,046	9.0%
	30-Jun-2008	12,980	14,308	1,328	90.7%	18,632	7.1%
	30-Jun-2007	10,405	11,578	1,173	89.9%	16,183	7.2%
	30-Jun-2006	8,529	9,222	693	92.5%	13,027	(5.3%)
	30-Jun-2005	7,048	6,722	(326)	104.8%	9,737	(3.3%)
	30-Jun-2004	4,275	3,340	(935)	128.0%	7,474	(12.5%)
	30-Jun-2003	3,602	3,332	(270)	108.1%	6,209	(4.3%)

Required Supplementary Information (continued)

Schedule 1 - Schedule of Funding Progress (continued)

(dollar values expressed in thousands)

(unaudited)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annualized Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
Diamond State Port Corporation	30-Jun-2012	\$ 18,930	\$ 23,039	\$ 4,109	82.2%	\$ 12,229	33.6%
	30-Jun-2011	17,198	20,632	3,434	83.4%	11,150	30.8%
	30-Jun-2010	15,418	18,354	2,936	84.0%	11,224	26.2%
	30-Jun-2009	14,353	16,284	1,931	88.1%	11,071	17.4%
	30-Jun-2008	13,391	14,139	748	94.7%	10,270	7.3%
	30-Jun-2007	11,911	13,604	1,693	87.6%	11,213	15.1%
	30-Jun-2006	10,361	12,738	2,377	81.3%	11,130	21.4%
	30-Jun-2005	8,948	9,732	784	91.9%	9,248	8.5%
	30-Jun-2004	8,140	9,049	909	90.0%	8,950	10.2%
30-Jun-2003	7,328	7,056	(272)	103.9%	8,636	(0.1%)	
Closed State Police ⁺	30-Jun-2012	\$ 2,748	\$ 293,808	\$ 291,060	0.9%	\$ 124	234,725.8%
	30-Jun-2011	2,414	286,010	283,596	0.8%	114	248,768.4%
	30-Jun-2010	1,440	298,493	297,053	0.5%	339	87,626.3%
	30-Jun-2009	727	306,904	306,177	0.2%	619	49,463.2%
	30-Jun-2008	618	299,912	299,294	0.2%	1,152	25,980.4%
	30-Jun-2007	514	297,183	296,669	0.2%	1,695	17,502.6%
	30-Jun-2006	1,663	294,149	292,486	0.6%	1,912	15,297.4%
	30-Jun-2005	749	283,902	283,153	0.3%	2,579	10,979.2%
	30-Jun-2004	2,979	285,044	282,065	1.0%	2,608	10,815.4%
30-Jun-2003	2,322	318,250	315,928	0.7%	2,869	11,011.8%	
						**Active Members	**UAAL Per Active Member
Delaware	30-Jun-2012	\$ 14,972	\$ 30,149	\$ 15,177	49.7%	4,871	\$ 3,116
Volunteer	30-Jun-2011	14,379	29,515	15,136	48.7%	4,933	3,068
Firemen's	30-Jun-2010	13,663	27,382	13,719	49.9%	4,898	2,801
	30-Jun-2009	13,241	26,562	13,321	49.8%	5,074	2,625
	30-Jun-2008	12,972	25,719	12,747	50.4%	5,066	2,516
	30-Jun-2007	12,225	24,809	12,584	49.3%	5,170	2,434
	30-Jun-2006	11,340	23,925	12,585	47.4%	5,160	2,439
	30-Jun-2005	10,665	22,913	12,248	46.5%	5,106	2,399
	30-Jun-2004	10,121	21,950	11,829	46.1%	5,055	2,340
30-Jun-2003	9,644	15,619	5,975	61.7%	4,933	1,211	

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

++ Not expressed in thousands

Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions

(dollar values expressed in thousands)
(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees**	30-Jun-2012	\$ 147,464	100.0%
	30-Jun-2011	128,019	100.0%
	30-Jun-2010	101,457	100.0%
	30-Jun-2009	96,576	100.0%
	30-Jun-2008	101,660	100.0%
	30-Jun-2007	97,000	100.0%
	30-Jun-2006	91,013	100.0%
	30-Jun-2005	70,638	100.0%
	30-Jun-2004	57,459	100.0%
	30-Jun-2003	40,175	100.0%
Special	30-Jun-2012	\$ -	N/A
	30-Jun-2011	-	N/A
	30-Jun-2010	-	N/A
	30-Jun-2009	-	N/A
	30-Jun-2008	-	N/A
	30-Jun-2007	-	N/A
	30-Jun-2006	-	N/A
	30-Jun-2005	-	N/A
	30-Jun-2004	-	N/A
	30-Jun-2003	-	N/A
New State Police*	30-Jun-2012	\$ 8,309	100.0%
	30-Jun-2011	7,810	100.0%
	30-Jun-2010	6,562	100.0%
	30-Jun-2009	6,791	100.0%
	30-Jun-2008	6,643	100.0%
	30-Jun-2007	6,334	100.0%
	30-Jun-2006	5,276	100.0%
	30-Jun-2005	3,785	100.0%
	30-Jun-2004	3,125	100.0%
	30-Jun-2003	2,786	100.0%

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

Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions (continued)

(dollar values expressed in thousands)

(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Judiciary*	30-Jun-2012	\$ 2,674	100.0%
	30-Jun-2011	2,557	100.0%
	30-Jun-2010	2,473	100.0%
	30-Jun-2009	2,549	100.0%
	30-Jun-2008	2,644	100.0%
	30-Jun-2007	2,495	100.0%
	30-Jun-2006	2,002	100.0%
	30-Jun-2005	1,391	100.0%
	30-Jun-2004	1,235	100.0%
	30-Jun-2003	1,342	100.0%
County & Municipal Police and Firefighters'	30-Jun-2012	\$ 9,265	100.0%
	30-Jun-2011	7,569	100.0%
	30-Jun-2010	7,307	100.0%
	30-Jun-2009	12,007	100.0%
	30-Jun-2008	6,246	100.0%
	30-Jun-2007	5,780	100.0%
	30-Jun-2006	5,488	100.0%
	30-Jun-2005	5,627	100.0%
	30-Jun-2004	3,179	100.0%
	30-Jun-2003	2,931	100.0%
County & Municipal Other Employees'	30-Jun-2012	\$ 1,362	100.0%
	30-Jun-2011	1,186	100.0%
	30-Jun-2010	1,276	100.0%
	30-Jun-2009	2,293	100.0%
	30-Jun-2008	1,492	100.0%
	30-Jun-2007	820	100.0%
	30-Jun-2006	734	100.0%
	30-Jun-2005	2,271	100.0%
	30-Jun-2004	321	100.0%
	30-Jun-2003	248	100.0%

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

Required Supplementary Information (continued)

Schedule 2 - Schedule of Employer Contributions (continued)

(dollar values expressed in thousands)
(unaudited)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
Delaware Volunteer Firemen's	30-Jun-2012	\$ 1,896	69.1%
	30-Jun-2011	1,762	69.2%
	30-Jun-2010	1,703	69.9%
	30-Jun-2009	1,604	69.1%
	30-Jun-2008	1,553	67.3%
	30-Jun-2007	1,528	64.0%
	30-Jun-2006	1,464	61.4%
	30-Jun-2005	1,403	57.7%
	30-Jun-2004	694	100.0%
	30-Jun-2003	667	100.0%
Diamond State Port Corporation	30-Jun-2012	\$ 814	100.0%
	30-Jun-2011	704	100.0%
	30-Jun-2010	594	100.0%
	30-Jun-2009	694	100.0%
	30-Jun-2008	715	100.0%
	30-Jun-2007	626	100.0%
	30-Jun-2006	703	100.0%
	30-Jun-2005	352	100.0%
	30-Jun-2004	346	100.0%
	30-Jun-2003	333	100.0%
Closed State Police	30-Jun-2012	\$ 24,678	93.5%
	30-Jun-2011	26,638	87.7%
	30-Jun-2010	27,214	85.9%
	30-Jun-2009	26,423	82.4%
	30-Jun-2008	25,337	83.9%
	30-Jun-2007	24,912	76.9%
	30-Jun-2006	24,623	83.9%
	30-Jun-2005	24,358	69.9%
	30-Jun-2004	27,747	70.2%
	30-Jun-2003	27,654	68.0%

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

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SUPPORTING SCHEDULES

Delaware Public Employees' Retirement System

— A component unit of the State of Delaware

Schedule 3 – Schedule of Administrative Expenses

(dollar values expressed in thousands)

		Fiscal 2012	Fiscal 2011	Change	
				Dollars	Percent
Personnel Services:	Salaries	\$ 2,259	\$ 2,151	\$ 108	5.0%
	Fringe Benefits	1,116	1,104	12	1.1%
	Total Personnel Services:	\$ 3,375	\$ 3,255	\$ 120	3.7%
Professional Services:	Actuarial	130	174	(44)	(25.3%)
	Audit	225	292	(67)	(22.9%)
	Medical Services	21	30	(9)	(30.0%)
	State Agency Support Services	36	37	(1)	(2.7%)
	Other Professional Services	9	8	1	12.5%
	Total Professional Services:	\$ 421	\$ 541	\$ (120)	(22.2%)
Communication:	Printing	95	93	2	2.2%
	Telephone	19	19	-	0.0%
	Postage	156	133	23	17.3%
	Travel	14	8	6	75.0%
	Other Communications	18	14	4	28.6%
	Total Communications:	\$ 302	\$ 267	\$ 35	13.1%
Data Processing:	Contracting Services	293	280	13	4.6%
	Training	35	6	29	483.3%
	Maintenance	355	304	51	16.8%
	Equipment - Hardware	197	81	116	143.2%
	Total Data Processing:	\$ 880	\$ 671	\$ 209	31.1%
Rental:	Equipment Leasing	4	5	(1)	(20.0%)
	Fleet Services	5	4	1	25.0%
	Office Space	590	505	85	16.8%
	Total Rentals:	\$ 599	\$ 514	\$ 85	16.5%
Miscellaneous:	Supplies and Equipment	17	9	8	88.9%
	Maintenance	14	17	(3)	(17.6%)
	Continuing Education	-	1	(1)	(100.0%)
	Other Miscellaneous	2	1	1	100.0%
	Total Miscellaneous:	\$ 33	\$ 28	\$ 5	17.9%
General Administrative Expenses:		\$ 5,610	\$ 5,276	\$ 334	6.3%
Special Projects:	Best Practices Review	114	76	38	50.0%
	Financial Reporting System	16	32	(16)	(50.0%)
	Total Special Projects:	\$ 130	\$ 108	\$ 22	20.4%
Grand Total Administrative Expenses:		\$ 5,740	\$ 5,384	\$ 356	6.6%

See accompanying independent auditors report.

Schedule 4 – Schedule of Investment Expenses

(dollar values expressed in thousands)

	Fiscal 2012	Fiscal 2011	Change	
			Dollars	Percent
Custody Fees	\$ 263	\$ 195	\$ 68	34.9%
Investment Manager/Advisor Fees	20,581	21,409	(828)	(3.9%)
Legal	54	95	(41)	(43.2%)
Pension Office Support Staff	598	581	17	2.9%
Other Investment Expenses	22	22	-	0.0%
Total Investment Expenses:	\$ 21,518	\$ 22,302	\$ (784)	(3.5%)

See accompanying independent auditors report.

Schedule of Plan Net Assets of the Delaware Local Government Retirement Investment Pool as of June 30, 2012 with Comparative Totals for June 30, 2011

(expressed in thousands)

	Sussex County Government	Town of Elsmere	Town of Newport	Totals as of June 30	
				2012	2011
Assets:					
Cash & Cash Equivalents	\$ 2,299	\$ 160	\$ 131	\$ 2,590	\$ 2,268
Receivables:					
Accrued Investment Income	79	6	4	89	99
Pending Trade Sales	111	8	6	125	106
Total Receivables:	\$ 190	\$ 14	\$ 10	\$ 214	\$ 205
Investments at Fair Value:					
Domestic Fixed Income	2,817	198	159	3,174	3,603
Domestic Equities	7,246	509	409	8,164	7,783
Pooled Equity & Fixed Income	8,567	602	483	9,652	7,961
Alternative Investments	8,682	610	490	9,782	9,357
Foreign Fixed Income	736	51	41	828	956
Foreign Equities	3,821	268	215	4,304	6,209
Total Investments:	\$ 31,869	\$ 2,238	\$ 1,797	\$ 35,904	\$ 35,869
Total Assets:	\$ 34,358	\$ 2,412	\$ 1,938	\$ 38,708	\$ 38,342
Liabilities:					
Pending Purchases Payable	66	5	4	75	125
Accrued Investment Expenses	20	1	1	22	26
Total Liabilities:	\$ 86	\$ 6	\$ 5	\$ 97	\$ 151
Net Assets Held in Trust for Pool Participants	\$ 34,272	\$ 2,406	\$ 1,933	\$ 38,611	\$ 38,191

See accompanying independent auditors' report.

Schedule of Changes in Plan Net Assets
of the Delaware Local Government Retirement Investment Pool
for the Fiscal Year Ended June 30, 2012
with Comparative Totals for June 30, 2011

(expressed in thousands)

	Sussex County Government	Town of Elsmere	Town of Newport	Totals as of June 30	
				2012	2011
Additions:					
Contributions:					
Transfer of Assets from Outside the System	\$ -	\$ -	\$ -	\$ -	\$ -
Total Contributions:	\$ -	\$ -	\$ -	\$ -	\$ -
Investments:					
Investment Income	519	39	29	587	714
Net appreciation/ (depreciation) in fair value	159	6	9	174	6,792
Total Investment Income/(Loss):	\$ 678	\$ 45	\$ 38	\$ 761	\$ 7,506
Less Investment Manager/Advisor Fees	(95)	(7)	(5)	(107)	(107)
Less Investment Administrative Expenses	-	-	-	-	-
Net Investment Earnings/(Loss):	\$ 583	\$ 38	\$ 33	\$ 654	\$ 7,399
Total Additions	\$ 583	\$ 38	\$ 33	\$ 654	\$ 7,399
Deductions:					
Transfer of Assets Outside the System	-	233	-	233	190
Administrative Expenses	1	-	-	1	1
Total Deductions	\$ 1	\$ 233	\$ -	\$ 234	\$ 191
Net Increase /(Decrease)	\$ 582	\$ (195)	\$ 33	\$ 420	\$ 7,208
Net Assets Held in Trust for Pool Participants:					
Balance Beginning of Year	\$ 33,690	\$ 2,601	\$ 1,900	\$ 38,191	\$ 30,983
Balance End of Year	\$ 34,272	\$ 2,406	\$ 1,933	\$ 38,611	\$ 38,191

See accompanying independent auditors report.



KPMG LLP
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Philadelphia, PA 19103-2499

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

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

We have audited the financial statements of the Delaware Public Employees' Retirement System (the System) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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



Compliance and Other Matters

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

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

KPMG LLP

November 16, 2012

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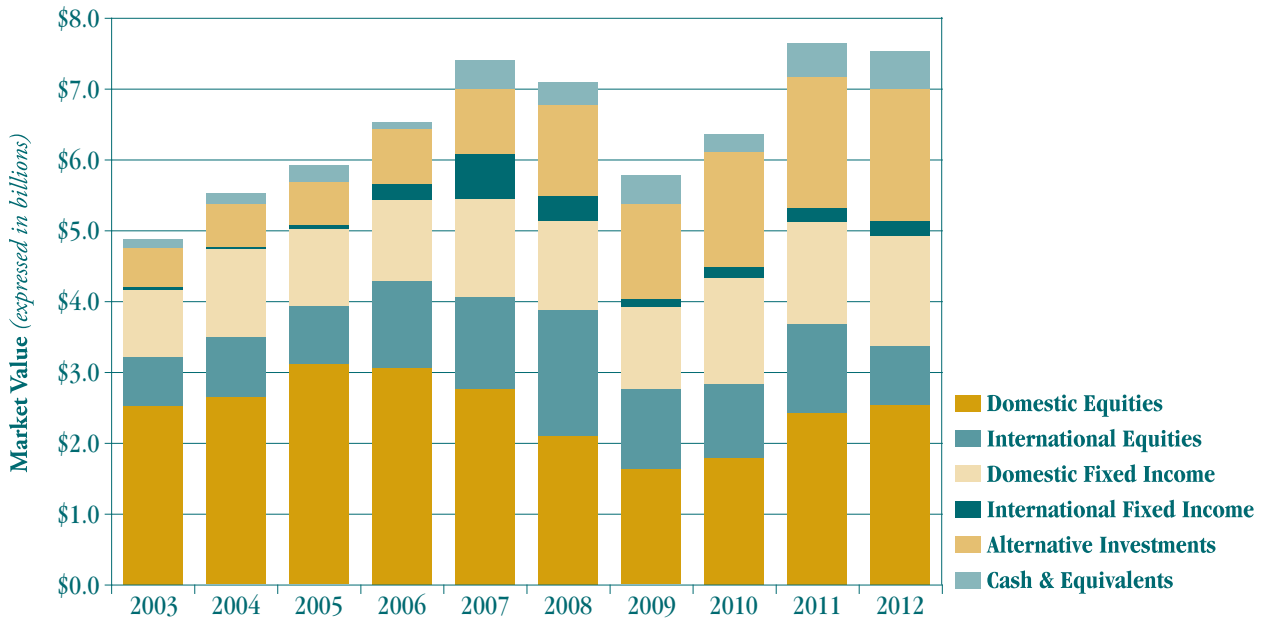


INVESTMENT SECTION

Delaware Public Employees' Retirement System

— A component unit of the State of Delaware

Ten-Year Investment Comparison



Investment Portfolio
Fiscal Years Ended June 30,
(expressed in millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Domestic Equities	\$ 2,520.7	\$ 2,655.7	\$ 3,119.6	\$ 3,053.9	\$ 2,758.4	\$ 2,095.1	\$ 1,632.9	\$ 1,779.2	\$ 2,432.8	\$ 2,538.8
International Equities	697.2	839.2	817.0	1,242.4	1,312.3	1,778.8	1,134.9	1,056.8	1,244.5	842.6
Domestic Fixed Income	950.8	1,242.3	1,084.2	1,137.7	1,386.4	1,266.6	1,148.4	1,509.1	1,448.4	1,565.3
International Fixed Income	28.8	27.6	54.4	227.4	627.2	353.1	121.5	138.0	193.5	163.5
Alternative Investments	559.9	607.3	615.1	775.2	919.9	1,281.3	1,348.6	1,630.2	1,866.1	1,902.5
Cash & Short Term	123.3	149.1	237.7	90.4	402.0	314.3	398.7	248.8	452.8	517.3
	\$ 4,880.7	\$ 5,521.2	\$ 5,928.0	\$ 6,527.0	\$ 7,406.2	\$ 7,089.2	\$ 5,785.0	\$ 6,362.1	\$ 7,638.1	\$ 7,530.0

Note: For this section, Pooled Investments are included in their respective equity and fixed income asset classes and, therefore, are different from the categories used in the Financial Section on pages 24-25. In addition, the market value of investments represented in this section includes cash and cash equivalents, accrued interest, investment sales pending, and investment purchases pending, as indicated in the Financial Section on pages 24-25.

Reconciliation to Plan Net Assets

(expressed in millions)

	2012
Total Investment Portfolio Value	\$ 7,530.0
Receivables	
Employer Contributions	9.5
Member Contributions	2.8
Liabilities	
Benefits Payable	(1.4)
Accrued Investment Expenses	(4.3)
Accrued Administrative Expenses	(0.2)
Net Assets Held in Trust	\$ 7,536.4



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
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August 21, 2012

Dear Board Members, Participants, and Beneficiaries:

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

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

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

Board Members, Participants and Beneficiaries

Page 2

August 21, 2012

The dedicated members of the Investment Committee met 17 times over the course of the fiscal year. The Fund's portfolio of investments assumed a more defensive posture during the course of the fiscal year in reaction to continued stresses in the global economy. Asset allocation moves included a building of the Fund's liquidity position, a shift from international towards domestic equities and a reduction of credit risk in the fixed income portion of the Fund. Along the way, commitments were made to six new limited partnership investments, in addition to the acquisition of a small secondary interest in an existing limited partnership investment. The opening of a new manager account authorized by the Board was pending at fiscal year-end.

The Fund's return for the 2012 fiscal year was 2.0%. The one year result compares favorably with a return of 1.2% for the median fund in the Trust Universe Comparison Service (TUCS) universe of public funds with assets greater than \$5.0 billion. The System's results place it among the top quartile of funds in this universe for the fiscal year. The total System's annualized returns for the last 5, 10 and 15 years are 3.9%, 7.6% and 7.3%, respectively. The System's long term performance ranks in the top decile of the TUCS universe for the 3, 5, and 10 year periods ending June 30, 2012. The System's longer term results have been achieved with lower observed return volatility than the median for the universe, reflecting the System's longstanding focus on risk management. For the period ending June 30, 2012, the Systems assets had a decrease of \$112.4 million, as benefit payments and expenses exceeded net employer and member contributions by \$235.9 million offset by \$123.5 million in investment related gains. We thank our dedicated professional staff at the Office of Pensions, our Investment Advisor, our custodian bank, and our money managers, who all work diligently to ensure the successful operation of the Board of Pension Trustees' Investment Committee.

Respectfully submitted,



A. Dale Stratton, Chair
Board of Pension Trustees'
Investment Committee

Investment Activity and Economic Climate

The fiscal year proved to be one of the more challenging environments to add value. Despite positive developments for the domestic economy in consumer spending and manufacturing in response to continued fiscal and monetary stimulus, the real story in the latest year was in the European and developing economies, both of which had deteriorating outlooks over the course of the year. The first fiscal quarter last summer was witness to the near breakdown of the European banking system due to its sovereign debt holdings, while the second quarter began with a liquidity-induced market rally, which continued through March. This rally's gains were partially retraced over the balance of the fiscal year, as European worries returned and increased concerns about slower Chinese growth weighed on markets. For the full fiscal year, the broad domestic equity market, as measured by the Russell 3000 index, rose 3.8%, while international stocks, as measured by the MSCI All-Country ex-USA index, had a fiscal year return of -14.6%, weighed down by declines in European and developing markets.

While the economic outlook and equity returns were mixed, the fixed income climate was broadly positive as long term interest rates moved lower over the year, causing bond prices to rise. The broadest measure of the fixed income markets, the Barclays Universal bond index, had a 7.4% return for the period. Partially reflecting strength in Treasury bonds, the Barclays TIPS (Treasury Inflation-Protected Securities) index rose 11.7%. Lower quality credit bonds as measured by the JPMorgan Global High Yield index rose 7.7%.

At the outset of the new fiscal year, the economic and financial market landscape once again presents an uncertain outlook. There is no shortage of challenges: the domestic economy faces low employment growth, a weak housing industry and fiscal imbalances; Europe is apparently in recession and is likely to be wrestling with sovereign debt issues for some time; and developing country growth rates are declining (partially due to European weakness). At the same time, there are some signs of hope: corporate profitability and balance sheets appear to be relatively sound, and equity market valuations are arguably attractive, especially relative to low fixed income interest rates. In the face of these uncertainties we will continue to rely on the investment principles and risk management guidelines that have served us well in the past and do our best to execute a sound investment strategy for the benefit of all the System's stakeholders.

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

Investment Philosophy and Objectives

In the investment of public funds, adequate funding of employee pensions is a paramount concern. Excessive risk taking could jeopardize that funding. An appropriate balance must be struck between risks taken and returns sought to ensure the long-term health and affordability of the plans involved. For more than 30 years, the System has been managed to control the extent of downside risk to which assets are exposed while maximizing the potential for long-term gain.

Specific investment objectives are:

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

To achieve these objectives, these investment guidelines are employed:

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

Investment Process

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

General Management

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

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

Investment Results

In Fiscal Year 2012, the investment process experienced:

- Fair value annual rate of return of 2.0%
- Benefit and expense payments exceeded net employer and member contributions by \$236.3 million
- Net investment gains of \$123.5 million (investment gains less investment expenses)
- Decrease in fair market value of investment portfolio from \$7.6 billion to \$7.5 billion
- Overall volatility well below that of an all common stock portfolio.

Fifteen Year Total Investment Rates of Return

Total Investment Portfolio				
	Fair Value <i>(in millions)</i>	Fair Value Annual Rate of Return	Annual Consumer Price Index	Real Rate of Return
2003	\$4,880.7	3.4%	2.2%	1.2%
2004	\$5,521.2	16.3%	3.2%	13.1%
2005	\$5,928.0	10.0%	2.5%	7.5%
2006	\$6,527.0	12.4%	4.3%	8.1%
2007	\$7,406.2	15.9%	2.7%	13.2%
2008	\$7,089.2	(1.3%)	4.5%	(5.8%)
2009	\$5,785.0	(15.5%)	(1.4%)	(14.1%)
2010	\$6,362.1	14.4%	1.1%	13.3%
2011	\$7,638.1	24.3%	3.6%	20.7%
2012	\$7,530.0	2.0%	1.7%	0.3%
Five Year		3.9%	2.0%	1.9%
Ten Year		7.6%	2.5%	5.1%
Fifteen Year		7.3%	2.4%	4.9%

Periods Ending June 30, 2012

(All Returns Greater Than One Year Are Annualized)

	Five Years	Ten Years	Fifteen Years
Total System Return	3.9%	7.6%	7.3%
S&P 500 Index % Return	0.2%	5.3%	4.8%
Excess Return vs. S&P 500 Index	3.7%	2.3%	2.5%
Relative Return Volatility vs. S&P 500 Index	58.9%	60.7%	58.1%

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

One investment objective is to achieve an annualized rate of total return over any 15-year period that is at least 3 percentage points greater than inflation. The most recent 15-year result is a real rate of return of 4.9% (7.3% System return less 2.4% CPI) measured on a time-weighted basis. During this period, risk, as measured by relative volatility, was approximately 58.1% 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 2.4% (4.8% S&P 500 less 2.4% CPI). While 15 year investment market returns have been characterized by increased volatility, the portfolio has been successful at meeting the real return objective of 3.0% (DPERS return less 3%) over the 15 year period.

Comparative Investment Results

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

	1 Year	3 Year	5 Year	10 Year
Domestic Equities ⁽¹⁾	(1.8%)	14.1%	0.7%	7.3%
S&P 500	5.4%	16.4%	0.2%	5.3%
Russell 3000 Index	3.8%	16.7%	0.4%	5.8%
ML All Convertibles	(3.2%)	13.3%	2.0%	6.5%
Global Equities ⁽²⁾	(5.6%)	12.8%	1.8%	2.9%
MSCI All Country World Index	(6.5%)	10.8%	(2.7%)	5.7%
International Equities ⁽³⁾	(9.0%)	7.9%	0.8%	9.0%
MSCI EAFE Index	(13.8%)	6.0%	(6.1%)	5.1%
Jefferies Global Convertibles ex US	(10.3%)	6.3%	1.8%	6.4%
Fixed Income & Cash ⁽⁴⁾	5.7%	9.0%	5.8%	5.7%
Barclays Government, Credit Bond Index	4.7%	7.3%	6.5%	5.8%
Alternative Strategies ⁽⁵⁾	12.2%	18.2%	10.4%	10.0%
38% Russell 3000, 20% MSCI AC World Index ex-US,	1.8%	11.2%	2.5%	5.9%
38.5% Barclays Universal, 1.5% Barclays TIPS,				
2% 90-day Treasury Bills				
Total System	2.0%	13.2%	3.9%	7.6%
38% Russell 3000, 20% MSCI AC World Index ex-US,	1.8%	11.2%	2.5%	5.9%
38.5% Barclays Universal, 1.5% Barclays TIPS,				
2% 90-day Treasury Bills				
60% S&P 500 Index, 35% Barclays Government,	6.8%	12.7%	3.0%	5.7%
Credit Bond Index, 5% 90-day Treasury Bills				
Delaware Volunteer Firemen's Fund ⁽⁶⁾	1.7%	10.2%	NA	NA
38% Russell 3000, 20% MSCI AC World Index	1.8%	10.9%	NA	NA
ex-USA, 40% Barclays Aggregate,				
2% 90-day Treasury Bills				
Consumer Price Index	1.7%	2.1%	2.0%	2.5%

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

(2) Includes pooled global allocation portfolios.

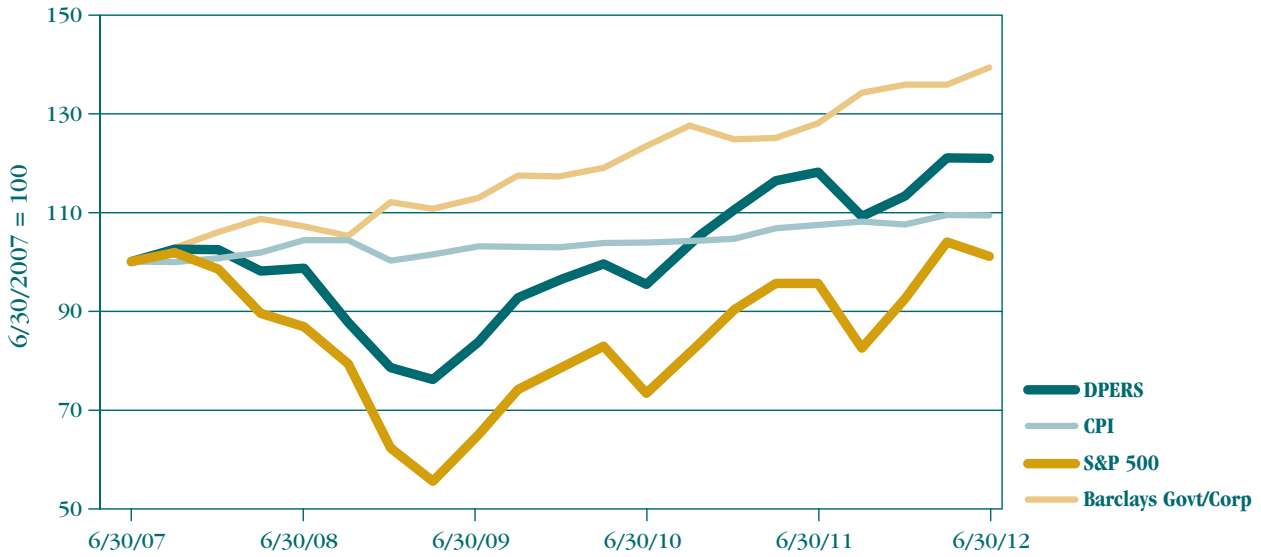
(3) Includes international convertible securities.

(4) Includes managed futures.

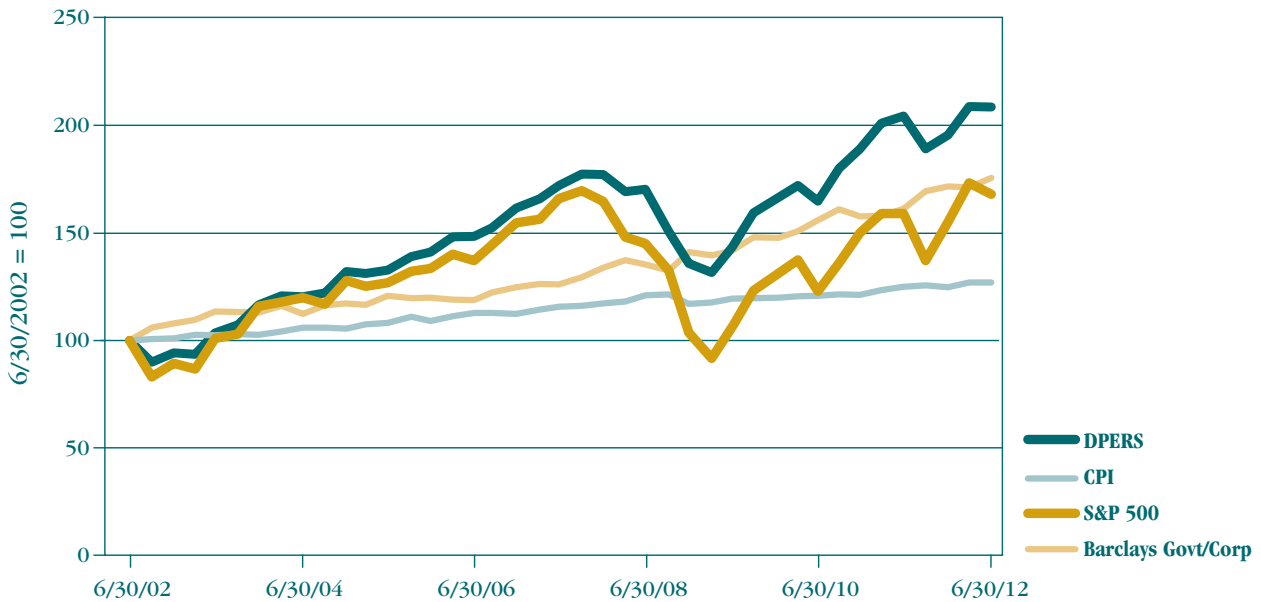
(5) Includes private equity and other non-marketable investments. All returns are on a lagged basis.

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

Total Return Performance Comparison - 5 Years



Total Return Performance Comparison - 10 Years



List of Largest Assets Directly Held as of June 30, 2012

(excludes investments in pooled vehicles)

Ten Largest Equity Holdings (Includes Convertibles)	Market Value	% of Total Fund	Shares
Apple Incorporated	\$ 40,979,280	0.54%	70,170 shares
Pepsico Incorporated	28,315,511	0.38%	400,729 shares
Amazon.com Incorporated	28,167,429	0.37%	123,352 shares
Wal-Mart Stores Incorporated	25,129,180	0.33%	360,430 shares
Baidu Incorporated ADR	24,122,804	0.32%	209,800 shares
Johnson & Johnson Company	22,430,393	0.30%	332,007 shares
Coca Cola Company	22,328,171	0.30%	283,698 shares
McDonalds Corporation	22,289,995	0.30%	251,779 shares
Microsoft Corporation	20,764,217	0.28%	678,791 shares
Chevron Corporation	20,197,764	0.27%	191,488 shares
	<u>\$ 254,724,744</u>	<u>3.39%</u>	

Ten Largest Bond Holdings	Market Value	% of Total Fund	Par (\$)
Inter-American Development Bank 6.000% 12/15/17	\$ 16,011,690	0.21%	\$ 17,750,000
Government of Canada 1.750% 3/1/13	12,614,466	0.17%	\$ 12,720,000
New South Wales Treasury Corporation 6.000% 2/1/18	11,700,407	0.16%	\$ 9,990,000
Kingdom of Norway 6.500% 5/15/13	8,605,703	0.11%	\$ 48,705,000
Merrill Lynch & Company 6.110% 1/29/37	7,066,844	0.09%	\$ 7,300,000
Federal Republic of Brazil 10.250% 1/10/28	6,921,965	0.09%	\$ 10,750,000
Government of Canada 2.000% 9/1/12	6,592,027	0.09%	\$ 6,665,000
International Paper Company 8.700% 6/15/38	6,092,456	0.08%	\$ 4,305,000
Kingdom of Norway 4.250% 5/19/17	6,082,811	0.08%	\$ 31,875,000
Ford Motor Company 6.625% 10/1/28	5,409,290	0.07%	\$ 4,740,000
Total	<u>\$ 87,097,659</u>	<u>1.15%</u>	

Asset Allocation

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

	2012	2011	2010	2009	2008
Domestic Equities	33.7%	31.8%	28.0%	28.2%	29.5%
International Equities	11.2%	16.3%	16.6%	19.6%	25.1%
Domestic Fixed Income	20.8%	19.0%	23.7%	19.9%	17.9%
International Fixed Income	2.2%	2.5%	2.2%	2.1%	5.0%
Alternative Investment	25.2%	24.5%	25.6%	23.3%	18.1%
Cash and Equivalents	6.9%	5.9%	3.9%	6.9%	4.4%

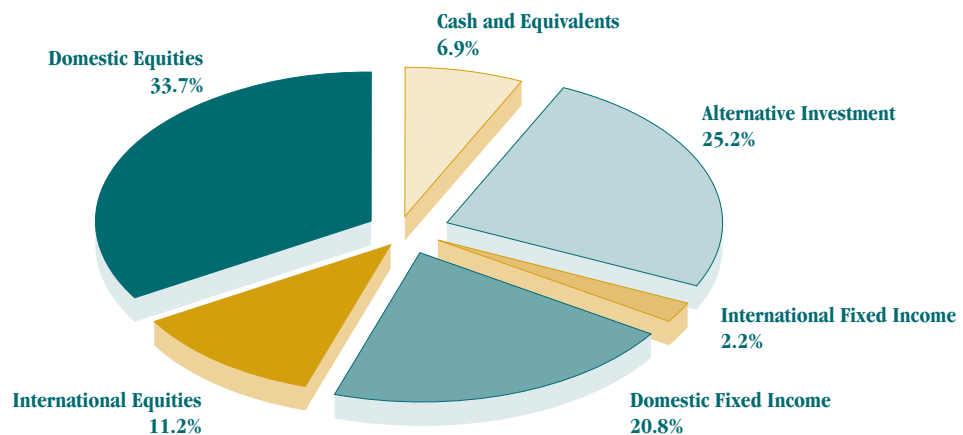
Individual investment managers are selected for each asset class based on a rigorous set of performance and organizational criteria. In addition to a proven track record of managing a given class of assets, they must have a clearly stated and consistently applied investment policy and decision-making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

All investment managers are expected to maintain those organizational criteria in order to continue as managers. During the fiscal year, three equity managers and a fixed income manager were given additional funds. Two international equity managers, two small cap managers, two fixed income managers, a international convertible manager, and a natural resources equity manager had their assets under management reduced.

In the area of alternative investments, the System entered into four new partnership commitments. Also the System increased the commitment on a partnership and purchased a secondary interest in a partnership. In the area of alternative investments, a fund of funds hedge fund manager was terminated, a hedge fund manager was transitioned to directly held status, and an emerging markets hedge fund manager had their assets under management reduced.

Asset Allocation

as of June 30, 2012



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

Investment Manager	Mandate	Fiscal Year Retained
Domestic Equities		
Daruma Asset Management	Small Cap Equities	2010
Focused Investors	Large Cap Equities	2011
Mellon Capital Management	Indexed Equities/Tactical Asset Allocation	1984
Oaktree Capital Management	Convertible Securities	1995
Rutabaga Capital Management	Small Cap Value Equities	2007
T. Rowe Price Associates	Natural Resources Equities	1971
Vanguard Total Market Stock Index Fund	Equities	2009
Wellington Management Company	Large Cap Equities	2011
International Equities		
Axiom International Investors LLC	Global Equities	2007
Baillie Gifford	Global Equities	2008
Dodge and Cox Funds	International Equities	2007
Oaktree Capital Management	International Convertible Securities	1995
T. Rowe Price Associates	Global Equities	2010
Vanguard International Total Stock Index Fund	International Equities	2009
Sanderson Asset Management, Inc.	International Equities	2010
Domestic Fixed Income		
Loomis Sayles & Company LP	Long Term Corporate Bonds	1999
Mellon Capital Management	Inflation Protection/Broad Market Bonds	1984
T. Rowe Price Associates	High Yield Bonds/Floating Rate Bank Loans	1996
Vanguard Total Bond Market Index Fund	Broad Market Bonds	2009
Alternative Investments		
Accel Partners	Venture Capital	1984
Accel-KKR Company	Venture Capital	2002
Allegis Capital	Venture Capital	2005
Advanced Technology Ventures	Venture Capital	1990
Angelo, Gordon & Co	Hedge Fund/Distressed Debt	2007
Atalaya Capital Management LP	Distressed Debt	2011
Barlow Partners	Hedge Fund	2009
The Carlyle Group	Private Equity	1996
Centerbridge Credit Partners L.P.	Distressed Debt	2009
Cherry Tree Ventures	Venture Capital	1984
Flagship/One Liberty Ventures	Venture Capital	1982
IDG-Accel	Venture Capital	2006
Liquid Realty Partners	Real Estate	2008
MeriTech Capital Partners	Venture Capital	1997
Oaktree Capital Management	Distressed Debt; Emerging Markets	1998
ONSET Enterprise Associates	Venture Capital	1990
Pecks Management Partners	Private Equity	1986
Riverstone	Venture Capital	2006
Spectra Enterprise Associates	Venture Capital	1987
Summit Ventures	Venture Capital	1989
T. Rowe Price Associates	Distressed Debt	1989
Trident Capital	Venture Capital	2000
Viking Partners	Hedge Fund	2012
Weston Presidio Capital	Venture Capital	1996
Cash & Short-Term		
Northern Trust	Cash & Equivalents	2007

Investment Summary and Schedule of Investment Fees

(dollar values expressed in millions)

	Market Value as of June 30, 2012	Percent of Total Investment Assets	Total Fiscal Year 2012 Investment Fees	Basis Points
Equities				
Domestic Equities	\$ 2,538.8	33.7%	\$ 6.1	
International Equities	842.6	11.2%	7.1	
Sub-Total	\$ 3,381.4	44.9%	\$ 13.2	
Fixed Income				
Domestic Fixed Income	\$ 1,565.3	20.8%	\$ 3.0	
International Fixed Income	163.5	2.2%	0.0	
Sub-Total	\$ 1,728.8	23.0%	\$ 3.0	
Other Asset Allocations				
Alternative Investment	\$ 1,902.5	25.2%	\$ 1.4	
Cash and Short Term	517.3	6.9%	0.0	
Sub-Total	\$ 2,419.8	32.1%	\$ 1.4	
Other Investment Services				
Custodian/Investment Advisor Fees	-	-	\$ 3.3	
Pension Office Support Staff Expenses	-	-	0.6	
Sub-Total	-	-	\$ 3.9	
	<u>\$ 7,530.0</u>	<u>100.0%</u>	<u>\$ 21.5</u>	<u>29 bp</u>

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

Glossary of Terms Used

Fair Value (Market Value):

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

Time-Weighted Total Return:

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

Alternative Investments:

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

Schedule of Broker Commissions

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

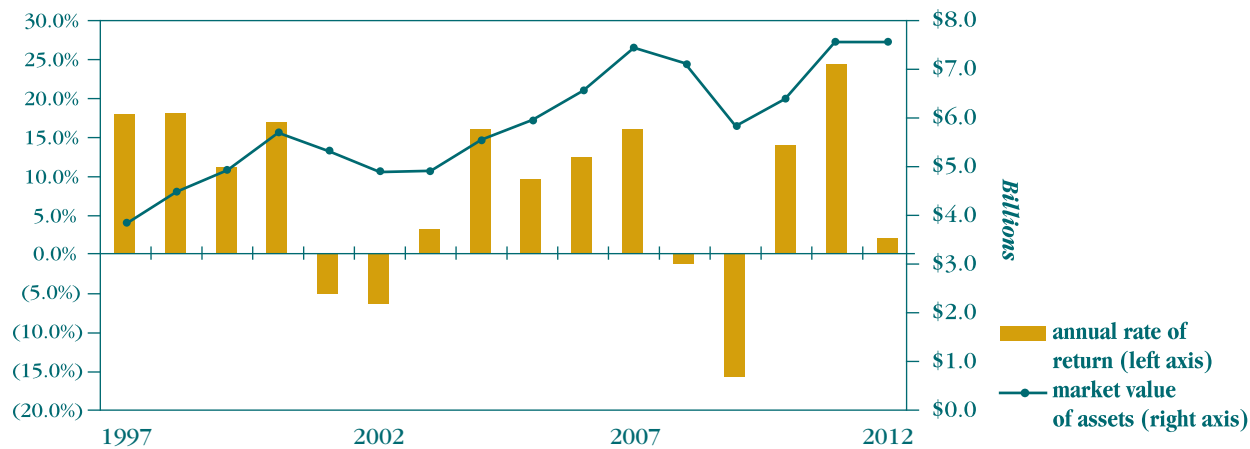
The following is a list of brokers who received \$10,000 or more in commissions during Fiscal Year 2012.

Broker	# of Shares	Commission Per Share	Total	
			Dollar Amount of Trades	Total Commission
UBS	27,710,111	\$0.01	\$ 193,322,466	\$ 179,444
Merrill Lynch	13,003,012	\$0.01	143,967,207	150,735
Morgan Stanley	12,422,194	\$0.01	143,677,692	119,998
Credit Suisse	36,152,193	\$0.00	257,037,223	119,615
JP Morgan	14,713,691	\$0.01	155,379,911	116,890
Citigroup Global	9,377,192	\$0.01	128,649,412	113,569
Deutsche Bank	18,062,121	\$0.01	106,134,140	110,309
Goldman Sachs And Co.	7,459,410	\$0.01	160,273,121	105,485
Barclays Capital	7,817,778	\$0.01	282,992,425	100,862
Weeden And Co	3,427,349	\$0.02	33,028,195	72,761
CLSA	23,474,812	\$0.00	25,905,016	59,911
Instinet	3,901,885	\$0.01	62,991,906	47,706
Royal Bank Of Canada	2,863,117	\$0.01	74,321,855	39,276
Pershing	1,122,063	\$0.03	22,289,146	33,225
Sanford C. Bernstein	2,083,180	\$0.02	70,615,874	33,192
Macquarie Securities	12,124,834	\$0.00	21,341,375	32,087
Credit Agricole	9,331,986	\$0.00	14,480,349	31,625
Jefferies & Company	1,560,771	\$0.02	45,990,014	31,190
Stifel Nicolaus & Company	794,022	\$0.04	19,559,649	29,667
Investment Technology Group Inc	1,411,129	\$0.02	25,270,076	26,148
Nomura	2,640,998	\$0.01	39,389,917	18,089
HSBC	1,715,941	\$0.01	11,068,024	16,964
Raymond James	438,557	\$0.04	17,983,757	15,843
Robert W Baird	417,653	\$0.04	16,549,466	15,744
Banco Btg Pactual S.A.	455,110	\$0.03	5,778,264	14,438
ING	1,387,670	\$0.01	47,297,533	13,923
Bear Stearns	669,269	\$0.02	21,495,176	13,475
Blair, William & Co	291,220	\$0.04	2,692,711	10,614
BMO Capital Markets Corp	305,068	\$0.03	7,604,837	10,564
All Others (135 Brokers Not Listed)	28,414,542	\$0.01	272,701,458	322,598
Totals	245,548,878		\$ 2,429,788,195	\$ 2,005,947
Average Commission, Per Share		\$0.01		

Delaware Public Employees' Retirement System

Annual Market Value of Fund and Rate of Return

For the 15-Year Period 1997-2012



The Investment Section is prepared by the Pension Office staff with input from the Board of Pension Trustees, the Investment Committee, and the Investment Advisor.

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ACTUARIAL SECTION

Delaware Public Employees' Retirement System

— A component unit of the State of Delaware



September 17, 2012

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

Dear Board Members:

At your request, we have prepared our annual actuarial valuations of each of the funded pension plans administered by the Board as of June 30, 2012. The results of these valuations are contained in the enclosed exhibits. Any distribution of the exhibits must be in their entirety, including this cover letter, unless prior written consent is obtained.

Funding Objective

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

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

Assumptions and Methods

The actuarial assumptions and methods used in these valuations are based on most recent experience study completed during the fiscal year ended June 30, 2012. The Board set the investment return assumption based on advice from its investment consultant.

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

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



Board of Pension Trustees
 September 17, 2012
 Page 2



from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

This report was prepared solely for the purposes described herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Reliance on Others

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

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

Supporting Schedules

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

Certification

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

I hereby certify that, to the best of my knowledge, this report and its contents are work products of Cheiron, Inc. These work products are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Standard of Practice set out by the Actuarial Standards Board. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal service or advice.

Sincerely,
 Cheiron

Fiona E. Liston, FSA, EA
 Consulting Actuary

Actuarial Assumptions and Methods

Asset Valuation Method

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

In order to produce a stable pattern of contribution rates, market values are adjusted to remove some of the volatility. The actuarial value of assets is equal to 1/5th of the market value plus 4/5th of the expected value, where the expected value is equal to last year's actuarial value and subsequent cash flows into and out of the fund accumulated with interest at the prior year valuation rate of 7.5% per annum.

Funding Method

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

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

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

A portion of the unfunded liability will be paid through future, scheduled transfers from the Post-Retirement Increase Fund. These transfers will cover the liability increases due to the cost-of-living increases granted on January 1, 2011 and July 1, 2012. The remaining unfunded actuarial liability will be amortized in layers for the Judiciary Plan, over an open 20 year period for the State Employees' Plan and State Police Plan and over a closed period of 15 years for the Volunteer Firemen's Plan and over an open 15 years for the Diamond State Port Corporation plan through the unfunded liability amortization component of the total contribution.

Actuarial Assumptions

The actuarial assumptions for the actuarial valuations are based on the experience study completed this year. 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, 2012:

1. Rate of return on investments:
7.5% compounded annually (adopted 2011).
2. Salary increases attributable to inflation:
3.25% compounded annually (adopted 2011).
3. Salary increases attributable to merit and productivity:
Increases for State Employees ranging from 0.50% to 8.5% per year (adopted 2011).
4. Mortality:
Rates of mortality vary by plan and gender. For retirees, assumption anticipates future improvements in mortality through the use of a projection scale (adopted 2011). Sample retiree mortality rates from the State Employees plan are as follows:

Age	Base Rate in 2000		Projection Scale	
	Male	Female	Male	Female
35	0.08%	0.05%	0.50%	1.10%
40	0.11%	0.07%	0.80%	1.50%
45	0.15%	0.11%	1.30%	1.60%
50	0.21%	0.17%	1.80%	1.70%
55	0.36%	0.27%	1.90%	0.80%
60	0.67%	0.51%	1.60%	0.50%

Active employee mortality rates for all plans are based on the RP 2000 Mortality Table for males and females, with full generational projections using Projection Scale AA.

5. Rates of termination of service, disablement, and retirement:
Based on the results of the Experience Study completed in 2011 (adopted 2011).
6. Aggregate active member payroll: 3.25% annually (adopted 2011).

Summary of Plan Provisions and Changes in Plan Provisions

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

There were changes to the State Employees plan to provide a different retirement age, early retirement reduction factors and member contribution rate for those members hired on or after January 1, 2012.

Schedule of Active Member Valuation Data

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (expressed in thousands)	Annual Average Pay	% Increase/ (Decrease) in Average Pay
State Employees'	30-Jun-2012	35,427	\$ 1,881,097	\$ 53,098	5.9%
	30-Jun-2011	35,572	1,783,603	50,141	1.4%
	30-Jun-2010	35,217	1,740,622	49,426	(0.1%)
	30-Jun-2009	35,430	1,753,129	49,481	0.5%
	30-Jun-2008	34,764	1,711,473	49,231	2.3%
	30-Jun-2007	35,062	1,654,609	48,135	1.9%
	30-Jun-2006	34,313	1,589,185	46,314	5.0%
	30-Jun-2005	33,379	1,471,931	44,098	2.4%
	30-Jun-2004	32,498	1,399,279	43,057	1.2%
	30-Jun-2003	31,877	1,355,800	42,532	0.6%
Special	The Special Fund has no Active Members				
New State Police	30-Jun-2012	671	\$ 54,412	\$ 81,091	6.2%
	30-Jun-2011	662	50,556	76,369	(0.4%)
	30-Jun-2010	651	49,896	76,645	(0.9%)
	30-Jun-2009	652	50,425	77,339	5.0%
	30-Jun-2008	651	47,971	73,688	1.1%
	30-Jun-2007	644	46,924	72,863	5.8%
	30-Jun-2006	633	43,579	68,845	5.9%
	30-Jun-2005	610	39,645	64,992	4.6%
	30-Jun-2004	591	36,718	62,129	13.2%
	30-Jun-2003	579	31,778	54,884	0.2%
Judiciary	30-Jun-2012	55	\$ 10,387	\$ 188,855	6.0%
	30-Jun-2011	54	9,624	178,222	0.0%
	30-Jun-2010	55	9,798	178,145	(0.2%)
	30-Jun-2009	55	9,814	178,436	(0.6%)
	30-Jun-2008	54	9,689	179,426	0.4%
	30-Jun-2007	55	9,825	178,636	4.6%
	30-Jun-2006	55	9,397	170,854	6.8%
	30-Jun-2005	53	8,475	159,906	8.4%
	30-Jun-2004	52	7,672	147,539	4.9%
	30-Jun-2003	51	7,173	140,647	1.7%
County & Municipal	30-Jun-2012	1,059	\$ 67,091	\$ 63,353	3.7%
Police and Firefighters'	30-Jun-2011	973	59,418	61,067	3.8%
	30-Jun-2010	967	56,917	58,859	1.2%
	30-Jun-2009	954	55,478	58,153	2.1%
	30-Jun-2008	866	49,328	56,961	3.8%
	30-Jun-2007	821	45,059	54,883	4.9%
	30-Jun-2006	733	38,342	52,308	5.7%
	30-Jun-2005	675	33,389	49,465	(0.3%)
	30-Jun-2004	563	27,930	49,609	15.6%
30-Jun-2003	562	24,128	42,932	1.6%	

Schedule of Active Member Valuation Data (continued)

Plan	Fiscal Year Ended	Number of Members	Annualized Covered Payroll (expressed in thousands)	Annual Average Pay	% Increase/ (Decrease) in Average Pay
County & Municipal	30-Jun-2012	483	\$ 22,435	\$ 46,449	2.5%
Other Employees'	30-Jun-2011	454	20,580	45,330	1.0%
	30-Jun-2010	459	20,591	44,861	1.0%
	30-Jun-2009	429	19,046	44,396	1.7%
	30-Jun-2008	427	18,632	43,635	8.4%
	30-Jun-2007	402	16,183	40,256	7.8%
	30-Jun-2006	349	13,027	37,327	20.8%
	30-Jun-2005	315	9,737	30,911	(8.6%)
	30-Jun-2004	221	7,474	33,819	10.6%
	30-Jun-2003	203	6,209	30,586	8.2%
Closed State Police	30-Jun-2012	1	\$ 124	\$ 124,000	8.8%
	30-Jun-2011	1	114	114,000	0.9%
	30-Jun-2010	3	339	113,000	(8.7%)
	30-Jun-2009	5	619	123,800	7.5%
	30-Jun-2008	10	1,152	115,200	1.9%
	30-Jun-2007	15	1,695	113,000	6.4%
	30-Jun-2006	18	1,912	106,222	3.0%
	30-Jun-2005	25	2,579	103,160	6.8%
	30-Jun-2004	27	2,608	96,593	7.7%
	30-Jun-2003	32	2,869	89,656	15.5%
Diamond State Port Corporation	30-Jun-2012	265	\$ 12,229	\$ 46,147	5.5%
	30-Jun-2011	255	11,150	43,725	0.1%
	30-Jun-2010	257	11,224	43,673	10.1%
	30-Jun-2009	279	11,071	39,681	8.6%
	30-Jun-2008	281	10,270	36,548	(3.5%)
	30-Jun-2007	296	11,213	37,882	(3.7%)
	30-Jun-2006	283	11,130	39,329	13.5%
	30-Jun-2005	267	9,248	34,637	0.2%
	30-Jun-2004	259	8,950	34,556	4.4%
	30-Jun-2003	261	8,636	33,088	(1.0%)
Delaware Volunteer Firemen's	30-Jun-2012	4,871	\$ -	\$ -	-
	30-Jun-2011	4,933	-	-	-
	30-Jun-2010	4,898	-	-	-
	30-Jun-2009	5,074	-	-	-
	30-Jun-2008	5,066	-	-	-
	30-Jun-2007	5,170	-	-	-
	30-Jun-2006	5,160	-	-	-
	30-Jun-2005	5,106	-	-	-
	30-Jun-2004	5,055	-	-	-
	30-Jun-2003	4,933	-	-	-

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Plan	Fiscal Year Ended	Added to Rolls		Removed from Rolls	
		Additions	Annual Allowance (expressed in thousands)	Deletions	Annual Allowances (expressed in thousands)
State Employees'	30-Jun-2012	1,459	\$ 35,304	824	\$ 9,285
	30-Jun-2011	1,339	36,190	839	8,567
	30-Jun-2010	1,673	38,613	843	10,472
	30-Jun-2009	1,330	31,401	750	8,613
	30-Jun-2008	1,363	29,455	680	7,497
	30-Jun-2007	1,182	27,078	707	6,110
Special	30-Jun-2012	-	\$ (1)	1	\$ 3
	30-Jun-2011	1	3	3	9
	30-Jun-2010	-	-	4	12
	30-Jun-2009	1	4	6	22
	30-Jun-2008	-	-	2	4
	30-Jun-2007	-	1	3	29
New State Police	30-Jun-2012	31	\$ 2,089	2	\$ 16
	30-Jun-2011	18	1,231	1	20
	30-Jun-2010	27	1,535	2	-
	30-Jun-2009	18	1,006	1	40
	30-Jun-2008	12	613	1	39
	30-Jun-2007	12	634	-	-
Judiciary	30-Jun-2012	1	\$ 79	2	\$ 99
	30-Jun-2011	3	322	2	68
	30-Jun-2010	3	308	1	75
	30-Jun-2009	4	378	2	158
	30-Jun-2008	2	153	3	148
	30-Jun-2007	1	30	1	45
County & Municipal Police and Firefighters'	30-Jun-2012	13	\$ 453	2	\$ 14
	30-Jun-2011	13	358	1	27
	30-Jun-2010	12	450	-	-
	30-Jun-2009	8	252	-	-
	30-Jun-2008	5	132	1	7
	30-Jun-2007	6	192	1	21
County & Municipal Other Employees'	30-Jun-2012	12	\$ 117	2	\$ 42
	30-Jun-2011	10	66	2	18
	30-Jun-2010	9	99	1	41
	30-Jun-2009	6	75	-	-
	30-Jun-2008	3	17	-	-
	30-Jun-2007	6	40	2	10
Delaware Volunteer Firemen's	30-Jun-2012	97	\$ 108	63	\$ 52
	30-Jun-2011	115	126	53	46
	30-Jun-2010	110	118	66	46
	30-Jun-2009	104	114	61	51
	30-Jun-2008	123	132	48	41
	30-Jun-2007	111	131	56	46

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

Plan	Fiscal Year Ended	Added to Rolls		Removed from Rolls	
		Additions	Annual Allowance (expressed in thousands)	Deletions	Annual Allowances (expressed in thousands)
Diamond State	30-Jun-2012	2	\$ 19	1	\$ 16
Port Corporation	30-Jun-2011	7	77	3	25
	30-Jun-2010	6	48	1	10
	30-Jun-2009	2	12	-	-
	30-Jun-2008	1	3	1	14
	30-Jun-2007	8	52	2	38
Closed State Police	30-Jun-2012	11	\$ 1,572	21	\$ 767
	30-Jun-2011	8	234	9	271
	30-Jun-2010	12	415	14	585
	30-Jun-2009	12	1,403	10	385
	30-Jun-2008	13	1,115	13	437
	30-Jun-2007	6	840	10	235

Plan	Fiscal Year Ended	On Roll at Year End			
		Year End Total	Annual Allowance (expressed in thousands)	Average Annual Allowance	% Change in Annual Allowance
State Employees'	30-Jun-2012	22,811	\$ 456,733	\$ 20,070	6.0%
	30-Jun-2011	22,176	430,713	19,496	6.9%
	30-Jun-2010	21,676	403,091	18,686	7.51%
	30-Jun-2009	20,846	374,950	18,071	6.5%
	30-Jun-2008	20,266	352,161	17,450	6.6%
	30-Jun-2007	19,583	330,203	16,862	6.8%
Special	30-Jun-2012	11	\$ 48	\$ 4,408	(7.2%)
	30-Jun-2011	12	52	4,352	(10.4%)
	30-Jun-2010	14	58	4,163	(17.58%)
	30-Jun-2009	18	70	3,929	(20.5%)
	30-Jun-2008	23	89	3,866	(4.3%)
	30-Jun-2007	25	93	3,735	(23.1%)
New State Police	30-Jun-2012	159	\$ 8,889	\$ 56,258	30.4%
	30-Jun-2011	130	6,815	52,829	21.6%
	30-Jun-2010	113	5,604	49,593	37.72%
	30-Jun-2009	88	4,069	47,317	31.2%
	30-Jun-2008	71	3,102	43,701	22.7%
	30-Jun-2007	60	2,529	42,150	33.5%
Judiciary	30-Jun-2012	42	\$ 3,088	\$ 73,520	(0.6%)
	30-Jun-2011	43	3,107	72,257	8.9%
	30-Jun-2010	42	2,853	67,917	8.92%
	30-Jun-2009	40	2,618	65,471	9.2%
	30-Jun-2008	38	2,399	63,122	0.2%
	30-Jun-2007	39	2,394	61,382	(0.6%)

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

Plan	Fiscal Year Ended	On Roll at Year End		Average Annual Allowance	% Change in Annual Allowance
		Year End Total	Annual Allowance (expressed in thousands)		
County & Municipal	30-Jun-2012	79	\$ 2,371	\$ 30,018	22.7%
Police and Firefighters'	30-Jun-2011	68	1,933	28,845	20.7%
	30-Jun-2010	56	1,602	28,599	39.05%
	30-Jun-2009	44	1,151	26,176	28.1%
	30-Jun-2008	36	899	24,979	16.1%
	30-Jun-2007	32	774	24,201	28.1%
County & Municipal	30-Jun-2012	56	\$ 398	\$ 7,109	23.2%
Other Employees'	30-Jun-2011	46	323	7,023	17.7%
	30-Jun-2010	38	275	7,224	26.79%
	30-Jun-2009	30	216	7,218	53.7%
	30-Jun-2008	24	141	5,871	14.6%
	30-Jun-2007	21	123	5,877	32.3%
Delaware Volunteer	30-Jun-2012	1,617	\$ 1,668	\$ 1,034	3.5%
Firemen's	30-Jun-2011	1,583	1,612	1,022	5.2%
	30-Jun-2010	1,521	1,532	1,007	4.95%
	30-Jun-2009	1,477	1,459	994	4.5%
	30-Jun-2008	1,434	1,397	977	7.0%
	30-Jun-2007	1,359	1,305	961	6.9%
Diamond State	30-Jun-2012	45	\$ 366	\$ 8,143	0.8%
Port Corporation	30-Jun-2011	44	364	8,262	16.6%
	30-Jun-2010	40	312	7,795	13.96%
	30-Jun-2009	35	273	7,817	5.0%
	30-Jun-2008	33	261	7,897	(3.7%)
	30-Jun-2007	33	271	8,215	5.4%
Closed State Police	30-Jun-2012	536	\$ 23,200	\$ 43,364	3.6%
	30-Jun-2011	546	22,395	41,168	(0.2%)
	30-Jun-2010	547	22,432	41,161	(0.75%)
	30-Jun-2009	549	22,602	41,170	4.7%
	30-Jun-2008	547	21,584	39,459	3.2%
	30-Jun-2007	547	20,906	38,219	3.0%

Solvency Test

(dollar values expressed in thousands)

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
State Employees'	30-Jun-2012	\$ 629,639	\$ 4,370,623	\$ 2,949,593	\$ 7,270,430	100%	100%	77%
	30-Jun-2011	558,065	4,123,360	2,866,526	7,091,821	100%	100%	84%
	30-Jun-2010	527,578	3,873,286	2,695,462	6,808,957	100%	100%	89%
	30-Jun-2009	508,790	3,608,850	2,709,366	6,744,050	100%	100%	97%
	30-Jun-2008	470,813	3,390,993	2,688,050	6,751,949	100%	100%	108%
	30-Jun-2007	444,376	3,182,382	2,581,267	6,437,916	100%	100%	109%
	30-Jun-2006	434,605	2,982,471	2,484,996	5,998,746	100%	100%	104%
	30-Jun-2005	414,001	2,702,359	2,456,359	5,660,057	100%	100%	104%
	30-Jun-2004	396,614	2,437,522	2,395,791	5,387,560	100%	100%	107%
	30-Jun-2003	375,385	2,025,080	2,394,479	5,125,442	100%	100%	114%
Special	30-Jun-2012	\$ -	\$ 264	\$ -	\$ 366	-	139%	-
	30-Jun-2011	-	287	-	406	-	141%	-
	30-Jun-2010	-	333	-	457	-	137%	-
	30-Jun-2009	-	399	-	516	-	129%	-
	30-Jun-2008	-	492	-	614	-	125%	-
	30-Jun-2007	-	530	-	673	-	127%	-
	30-Jun-2006	-	704	-	758	-	108%	-
	30-Jun-2005	-	791	-	855	-	108%	-
	30-Jun-2004	-	785	-	933	-	119%	-
	30-Jun-2003	-	768	-	1,009	-	131%	-
New State Police	30-Jun-2012	\$ 45,534	\$ 105,829	\$ 173,535	\$ 292,262	100%	100%	81%
	30-Jun-2011	43,865	81,299	161,726	270,625	100%	100%	90%
	30-Jun-2010	40,955	65,550	153,753	245,303	100%	100%	90%
	30-Jun-2009	38,619	47,700	154,932	229,457	100%	100%	92%
	30-Jun-2008	35,707	36,474	142,740	216,368	100%	100%	101%
	30-Jun-2007	31,979	29,887	133,945	194,560	100%	100%	99%
	30-Jun-2006	28,551	22,373	119,953	169,824	100%	100%	99%
	30-Jun-2005	25,260	16,667	107,730	150,209	100%	100%	101%
	30-Jun-2004	22,194	13,036	93,702	134,507	100%	100%	106%
	30-Jun-2003	19,405	7,808	79,059	120,457	100%	100%	118%

Solvency Test (continued)

(dollar values expressed in thousands)

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)
Judiciary	30-Jun-2012	\$ 5,986	\$ 25,953	\$ 34,007	\$ 59,279	100%	100%	80%
	30-Jun-2011	5,400	26,482	31,208	55,784	100%	100%	77%
	30-Jun-2010	5,047	23,928	31,129	51,550	100%	100%	73%
	30-Jun-2009	4,816	22,315	30,668	49,036	100%	100%	71%
	30-Jun-2008	4,382	20,398	31,076	47,209	100%	100%	72%
	30-Jun-2007	3,984	19,998	29,704	43,050	100%	100%	64%
	30-Jun-2006	3,473	20,741	25,963	38,407	100%	100%	55%
	30-Jun-2005	3,126	19,624	21,329	35,112	100%	100%	58%
	30-Jun-2004	2,763	18,817	17,284	32,841	100%	100%	65%
	30-Jun-2003	2,498	18,447	11,374	30,961	100%	100%	88%
County & Municipal Police and Firefighters'	30-Jun-2012	\$ 38,013	\$ 28,007	\$ 120,881	\$ 179,816	100%	100%	94%
	30-Jun-2011	33,031	22,870	104,249	157,394	100%	100%	97%
	30-Jun-2010	28,585	18,613	94,232	135,684	100%	100%	94%
	30-Jun-2009	24,808	13,383	84,382	119,712	100%	100%	97%
	30-Jun-2008	20,669	10,380	72,862	102,423	100%	100%	98%
	30-Jun-2007	17,135	9,072	62,815	87,395	100%	100%	97%
	30-Jun-2006	13,965	6,992	51,875	72,120	100%	100%	99%
	30-Jun-2005	11,441	6,519	43,375	59,711	100%	100%	96%
	30-Jun-2004	9,334	5,656	30,214	48,893	100%	100%	112%
	30-Jun-2003	7,682	2,928	26,088	41,228	100%	100%	117%
County & Municipal Other Employees'	30-Jun-2012	\$ 3,423	\$ 3,887	\$ 17,879	\$ 23,851	100%	100%	93%
	30-Jun-2011	3,098	3,096	16,665	20,664	100%	100%	87%
	30-Jun-2010	2,653	2,637	14,537	17,596	100%	100%	85%
	30-Jun-2009	2,172	2,091	12,524	15,074	100%	100%	86%
	30-Jun-2008	1,756	1,302	11,250	12,980	100%	100%	88%
	30-Jun-2007	1,303	1,136	9,139	10,405	100%	100%	87%
	30-Jun-2006	1,005	860	7,357	8,529	100%	100%	91%
	30-Jun-2005	773	876	5,073	7,048	100%	100%	91%
	30-Jun-2004	626	649	2,065	4,275	100%	100%	145%
	30-Jun-2003	502	499	2,331	3,602	100%	100%	112%

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

Plan	Valuation Date	Aggregate Accrued Liabilities for			Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
		Active Member Contributions (1)	Retirants & Beneficiaries (2)	Active Member Employer Financed Contributions (3)		(1)	(2)	(3)	
Delaware	30-Jun-2012	\$ 4,896	\$ 13,998	\$ 11,255	\$ 14,972	100%	72%	-	
Volunteer	30-Jun-2011	4,797	13,457	11,261	14,379	100%	71%	-	
Firemen's	30-Jun-2010	4,727	12,692	9,963	13,663	100%	70%	-	
	30-Jun-2009	4,702	12,050	9,810	13,241	100%	71%	-	
	30-Jun-2008	4,531	11,513	9,675	12,972	100%	73%	-	
	30-Jun-2007	4,474	10,709	9,626	12,225	100%	72%	-	
	30-Jun-2006	4,299	9,925	9,701	11,340	100%	71%	-	
	30-Jun-2005	4,105	9,435	9,373	10,665	100%	70%	-	
	30-Jun-2004	3,918	8,842	9,190	10,121	100%	70%	-	
	30-Jun-2003	3,660	7,946	4,013	9,644	100%	75%	-	
	Diamond State Port Corporation	30-Jun-2012	\$ 3,480	\$ 3,564	\$ 15,995	\$ 18,930	100%	100%	74%
		30-Jun-2011	3,043	3,602	13,987	17,198	100%	100%	75%
30-Jun-2010		2,689	2,991	12,674	15,418	100%	100%	77%	
30-Jun-2009		2,528	2,658	11,098	14,353	100%	100%	83%	
30-Jun-2008		2,181	2,576	9,382	13,391	100%	100%	92%	
30-Jun-2007		1,905	2,689	9,010	11,911	100%	100%	81%	
30-Jun-2006		1,718	2,498	8,522	10,361	100%	100%	72%	
30-Jun-2005		1,476	2,126	6,130	8,948	100%	100%	87%	
30-Jun-2004		1,217	2,057	5,775	8,140	100%	100%	84%	
30-Jun-2003		1,105	1,461	4,490	7,328	100%	100%	106%	
Closed State Police	30-Jun-2012	\$ 125	\$ 292,866	\$ 817	\$ 2,748	100%	1%	-	
	30-Jun-2011	119	285,185	706	2,414	100%	1%	-	
	30-Jun-2010	326	296,089	2,078	1,440	100%	-	-	
	30-Jun-2009	519	302,526	3,859	727	100%	-	-	
	30-Jun-2008	515	292,027	7,370	618	100%	-	-	
	30-Jun-2007	752	285,795	10,636	514	68%	-	-	
	30-Jun-2006	863	281,515	11,771	1,663	100%	-	-	
	30-Jun-2005	1,168	266,344	16,390	749	64%	-	-	
	30-Jun-2004	1,200	267,614	16,230	2,979	100%	1%	-	
	30-Jun-2003	1,376	290,867	26,007	2,322	100%	-	-	

Analysis of Financial Experience for the State Employees' Pension Plan

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

(expressed in thousands)

Type of Activity	Gain/(Loss) for the Fiscal Years Ended June 30,						
	2012	2011	2010	2009	2008	2007	2006
Investment Income/(Loss) on Actuarial Assets	\$ (88,902)	\$ (8,726)	\$(224,949)	\$(337,848)	\$ (27,225)	\$ 120,673	\$ 33,600
Combined Liability Experience	(79,092)	26,105	34,271	31,060	(44,449)	(19,423)	(44,930)
(Loss)/Gain During Year from							
Financial Experience	(167,994)	17,379	(190,678)	(306,788)	(71,674)	101,250	(11,330)
Non-Recurring Items	39,896	(173,261)	-	-	-	-	1,923**
Composite (Loss)/Gain During Year	\$ (128,098)	\$(155,882)	\$(190,678)	\$(306,788)	\$ (71,674)	\$ 101,250	\$ (9,407)

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



STATISTICAL SECTION

Delaware Public Employees' Retirement System

— A component unit of the State of Delaware

About the Statistical Section

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

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

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

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

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

Schedule of Average Benefit Payments by Plan presents the average monthly benefit paid as of June 30, 2012, for plans that calculate benefits based on years of service or salary.

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

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

Current Year and Nine Years Ago

County & Municipal Police and Firefighters' Plan	2012		2003	
	# of Participants	% of total	# of Participants	% of total
City of Wilmington Police/Fire	355	33.5%	202	35.9%
New Castle County Police/Fire	313	29.6%	195	34.7%
City of Dover Police	93	8.8%	76	13.5%
All Others	298	28.1%	89	15.9%
	1,059	100.0%	562	100.0%

County & Municipal Other Employees' Plan	2012		2003	
	# of Participants	% of total	# of Participants	% of total
Kent Conservation District	76	15.7%	70	34.5%
City of Milford	72	14.9%	-	0.0%
City of New Castle	28	5.8%	21	10.3%
Town of Bethany Beach	24	5.0%	-	0.0%
City of Wilmington	23	4.8%	-	0.0%
Sussex Conservation District	21	4.3%	24	11.8%
Town of Georgetown	20	4.1%	22	10.8%
City of Harrington	20	4.1%	18	8.9%
All Others	199	41.3%	48	23.7%
	483	100.0%	203	100.0%

Schedule of Additions by Source

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
State Employees'	2012	\$ 147,464	8,179	-	47,850	-	86,946	25,782	\$ 316,221	7.8%
	2011	128,019	13,640	-	46,403	-	113,771	1,277,375	1,579,208	7.2%
	2010	101,457	26,116	-	44,915	-	75,498	681,066	929,052	5.8%
	2009	96,576	38,835	-	45,899	-	71,803	(1,120,066)	(866,953)	5.5%
	2008	101,660	46,856	-	45,761	-	82,719	(193,188)	83,808	6.1%
	2007	97,000	45,110	-	42,856	-	90,768	851,864	1,127,598	5.9%
	2006	91,013	38,306	-	41,139	-	64,309	602,359	837,126	6.1%
	2005	70,638	33,839	-	37,857	-	62,423	437,425	642,182	4.9%
	2004	57,459	27,790	1,500	36,007	-	100,682	631,656	855,094	4.2%
	2003	40,175	25,878	-	35,130	-	102,753	39,077	243,013	2.9%
Special	2012	\$ -	-	-	-	-	4	-	\$ 4	-
	2011	-	-	-	-	-	6	64	70	-
	2010	-	-	-	-	-	4	48	52	-
	2009	-	-	-	-	-	7	(103)	(96)	-
	2008	-	-	-	-	-	8	(3)	5	-
	2007	-	-	-	-	-	10	107	117	-
	2006	-	-	-	-	-	8	83	91	-
	2005	-	-	-	-	-	9	69	78	-
	2004	-	-	-	-	-	17	115	132	-
	2003	-	-	-	-	-	19	18	37	-
New State Police	2012	\$ 8,309	143	-	3,560	29	3,446	1,385	\$ 16,872	15.3%
	2011	7,810	86	-	3,434	-	4,254	47,611	63,195	15.4%
	2010	6,562	151	-	3,276	38	2,677	23,358	36,062	13.2%
	2009	6,791	205	-	3,422	40	2,276	(35,658)	(22,924)	13.5%
	2008	6,643	210	-	3,221	37	2,567	(6,308)	6,370	14.3%
	2007	6,334	202	-	3,191	26	2,639	24,960	37,352	13.5%
	2006	5,276	135	-	2,881	22	1,810	16,276	26,400	12.8%
	2005	3,785	81	-	2,636	36	1,650	11,146	19,334	10.0%
	2004	3,125	36	-	2,436	14	2,500	15,065	23,176	9.0%
	2003	2,786	30	-	2,337	10	2,392	1,278	8,833	8.3%

Schedule of Deductions by Type

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
State Employees'	2012	\$ -	-	443,919	4,024	4,976	5,392	\$ 458,311	\$ (142,090)
	2011	-	-	418,585	2,988	4,843	5,035	431,451	1,147,757
	2010	-	-	399,253	3,099	4,825	5,376	412,553	516,499
	2009	-	-	369,243	3,072	4,966	6,148	383,429	(1,250,382)
	2008	-	-	348,070	2,955	4,735	5,613	361,373	(277,565)
	2007	-	-	327,824	3,164	4,142	5,005	340,135	787,463
	2006	-	-	300,321	2,880	4,779	4,511	312,491	524,635
	2005	-	-	271,281	2,408	4,454	4,210	282,353	359,829
	2004	-	1,500	243,238	2,333	4,479	4,372	255,922	599,172
	2003	-	-	217,126	2,653	4,060	4,954	228,793	14,220
Special	2012	\$ -	-	48	-	7	1	\$ 56	\$ (52)
	2011	-	-	56	-	21	1	78	(8)
	2010	-	-	61	-	14	2	77	(25)
	2009	-	-	78	-	35	3	116	(212)
	2008	-	-	91	-	13	4	108	(103)
	2007	-	-	102	-	49	-	151	(34)
	2006	-	-	129	-	28	1	158	(67)
	2005	-	-	122	-	14	3	139	(61)
	2004	-	-	119	-	21	3	143	(11)
	2003	-	750	121	-	35	3	909	(872)
New State Police	2012	\$ -	-	7,949	78	7	76	\$ 8,110	\$ 8,762
	2011	-	-	6,213	22	-	78	6,313	56,882
	2010	-	-	5,182	60	-	74	5,316	30,746
	2009	-	-	3,662	63	14	71	3,810	(26,734)
	2008	-	-	2,882	14	7	72	2,975	3,395
	2007	-	-	2,245	15	-	64	2,324	35,028
	2006	-	-	1,723	44	-	60	1,827	24,573
	2005	-	-	1,254	99	-	61	1,414	17,920
	2004	-	-	922	75	-	53	1,050	22,126
2003	-	-	689	102	-	62	853	7,980	

Schedule of Additions by Source (continued from page 94)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
Judiciary	2012	\$ 2,674	49	-	305	-	701	260	\$ 3,989	25.7%
	2011	2,557	99	-	298	-	881	9,852	13,687	26.6%
	2010	2,473	190	-	304	-	564	4,953	8,484	25.2%
	2009	2,549	294	-	304	-	498	(7,723)	(4,078)	26.0%
	2008	2,644	350	-	338	-	593	(1,775)	2,150	28.0%
	2007	2,495	337	-	342	-	591	5,616	9,381	25.4%
	2006	2,002	307	-	320	-	411	3,768	6,808	22.1%
	2005	1,391	294	-	275	-	386	2,678	5,024	17.0%
	2004	1,235	253	-	249	-	612	3,817	6,166	16.8%
	2003	1,342	244	-	563	-	620	302	3,071	18.2%
County & Municipal Police and Firefighters'	2012	\$ 9,265	-	-	4,569	-	2,063	1,033	\$ 16,930	13.8%
	2011	7,569	-	-	3,986	-	2,420	27,158	41,133	12.7%
	2010	7,307	-	-	3,734	-	1,446	12,316	24,803	12.8%
	2009	12,007	-	-	3,852	-	1,057	(16,658)	258	21.6%
	2008	6,246	-	-	3,270	-	1,177	(2,776)	7,917	13.6%
	2007	5,780	-	-	2,877	-	1,141	10,972	20,770	12.8%
	2006	5,488	-	-	2,348	-	759	6,556	15,151	13.8%
	2005	5,627	-	-	2,003	-	649	4,110	12,389	12.4%
	2004	3,179	-	-	1,696	-	900	5,193	10,968	11.9%
	2003	2,931	-	-	1,546	-	805	567	5,849	12.1%
County & Municipal Other Employees'	2012	\$ 1,362	-	-	547	-	270	144	\$ 2,323	6.1%
	2011	1,186	-	-	489	-	314	3,556	5,545	5.8%
	2010	1,276	-	-	509	-	182	1,559	3,526	6.2%
	2009	2,293	-	-	481	-	135	(2,122)	787	12.0%
	2008	1,492	-	-	451	-	145	(328)	1,760	6.2%
	2007	820	-	-	366	-	134	1,421	2,741	5.1%
	2006	734	-	-	291	-	89	778	1,892	5.6%
	2005	2,271	-	-	215	-	76	362	2,924	4.9%
	2004	321	-	-	168	-	79	461	1,029	3.8%
	2003	248	-	-	259	-	71	48	626	3.2%

Schedule of Deductions by Type (continued from page 95)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
Judiciary	2012	\$ -	-	3,067	-	-	10	\$ 3,077	\$ 912
	2011	-	-	2,844	-	-	10	2,854	10,833
	2010	-	-	2,726	-	-	15	2,741	5,743
	2009	-	-	2,643	15	-	8	2,666	(6,744)
	2008	-	-	2,340	-	-	9	2,349	(199)
	2007	-	-	2,403	-	-	13	2,416	6,965
	2006	-	-	2,346	-	-	10	2,356	4,452
	2005	-	-	2,209	-	-	9	2,218	2,806
	2004	-	-	2,177	60	-	8	2,245	3,921
	2003	-	-	1,971	-	-	10	1,981	1,090
County & Municipal Police and Firefighters'	2012	\$ -	-	2,254	227	-	109	\$ 2,590	\$ 14,340
	2011	-	-	1,810	116	-	113	2,039	39,094
	2010	-	-	1,365	142	-	101	1,608	23,195
	2009	-	-	1,054	177	-	110	1,341	(1,083)
	2008	-	-	836	267	-	96	1,199	6,718
	2007	-	-	715	128	-	84	927	19,843
	2006	-	-	567	153	-	87	807	14,344
	2005	-	-	524	235	-	76	835	11,554
	2004	-	-	447	48	-	60	555	10,413
	2003	-	-	244	105	-	67	416	5,433
County & Municipal Other Employees'	2012	\$ -	-	345	53	-	44	\$ 442	\$ 1,881
	2011	-	-	301	64	-	48	413	5,132
	2010	-	-	236	30	-	43	309	3,217
	2009	-	-	164	34	-	62	260	527
	2008	-	-	133	22	-	53	208	1,552
	2007	-	-	113	74	-	40	227	2,514
	2006	-	-	94	41	-	43	178	1,714
	2005	-	-	84	13	-	30	127	2,797
	2004	-	-	61	19	-	29	109	920
	2003	-	-	52	41	-	26	119	507

Schedule of Additions by Source (continued from page 96)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Employer Contributions	Transfer of Contributions From PRI Fund	Transfer of Assets from Outside the System	Member Contributions	Other	Net Investment Income	Net Increase/ (Decrease) in Fair Value of Investments	Total Additions	Employer Contributions As a Percent of Covered Payroll
Delaware	2012	\$ 1,311	-	-	177	-	341	(165)	\$ 1,664	-
Volunteer	2011	1,221	-	-	180	-	317	2,008	3,726	-
Firemen's	2010	1,191	-	-	181	-	346	785	2,503	-
	2009	1,108	-	-	185	-	377	(1,714)	(44)	-
	2008	1,045	-	-	200	-	142	140	1,527	-
	2007	978	-	-	198	-	167	1,590	2,933	-
	2006	899	-	-	203	-	120	1,100	2,322	-
	2005	810	-	-	213	-	116	772	1,911	-
	2004	694	-	-	208	-	188	1,132	2,222	-
	2003	667	-	-	210	-	193	102	1,172	-
	Diamond State Port	2012	\$ 814	-	-	216	-	218	94	\$ 1,342
2011		704	-	-	209	-	265	2,992	4,170	6.3%
2010		594	-	-	204	-	164	1,452	2,414	5.3%
2009		694	-	-	211	-	138	(2,166)	(1,123)	6.3%
2008		715	-	-	203	-	156	(378)	696	7.0%
2007		626	-	-	209	-	158	1,465	2,458	5.6%
2006		703	-	-	226	-	109	967	2,005	6.4%
2005		352	-	-	173	-	98	662	1,285	4.0%
2004		346	-	-	164	-	150	898	1,558	4.2%
Closed State Police	2012	\$ 23,064	-	-	2	-	(1)	-	\$ 23,065	-
	2011	23,367	-	-	4	-	4	-	23,375	-
	2010	23,367	-	-	6	-	2	-	23,375	-
	2009	21,775	-	-	20	-	24	-	21,819	-
	2008	21,267	-	-	24	1	98	-	21,390	-
	2007	19,159	-	-	35	1	227	-	19,422	-
	2006	20,655	-	-	43	1	78	-	20,777	-
	2005	17,020	-	-	49	1	79	-	17,149	-
	2004	19,420	-	6	53	-	51	-	19,530	-
2003	17,845	-	757	65	-	63	-	18,730	-	

Schedule of Deductions by Type (continued from page 97)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30,	Transfer of Contributions from PRI Fund	Transfer of Assets Outside the System	Benefit Payments	Refund of Contributions	Burial Benefit Payments	Administrative Expenses	Total Deductions	Total Change in Net Assets
Delaware	2012	\$ -	-	1,660	72	-	30	\$ 1,762	\$ (98)
Volunteer	2011	-	-	1,644	65	-	29	1,738	1,988
Firemen's	2010	-	-	1,520	99	-	34	1,653	850
	2009	-	-	1,487	65	-	45	1,597	(1,641)
	2008	-	-	1,393	62	-	38	1,493	34
	2007	-	-	1,294	72	-	26	1,392	1,541
	2006	-	-	1,230	56	-	25	1,311	1,011
	2005	-	-	1,172	43	-	20	1,235	676
	2004	-	-	1,108	31	-	17	1,156	1,066
	2003	-	-	1,057	48	-	18	1,123	49
Diamond	2012	\$ -	-	366	36	-	27	\$ 429	\$ 913
State Port	2011	-	-	363	23	-	25	411	3,759
	2010	-	-	342	56	-	29	427	1,987
	2009	-	-	270	24	-	43	337	(1,460)
	2008	-	-	267	16	-	35	318	378
	2007	-	-	269	13	-	31	313	2,145
	2006	-	-	239	24	-	26	289	1,716
	2005	-	-	212	21	-	99	332	953
	2004	-	-	199	23	-	30	252	1,306
	2003	-	-	170	24	-	28	222	497
Closed	2012	\$ -	-	22,666	-	140	47	\$ 22,853	\$ 212
State Police	2011	-	-	22,401	-	63	44	22,508	867
	2010	-	-	22,592	-	91	50	22,733	642
	2009	-	-	21,605	-	70	70	21,745	74
	2008	-	-	21,106	-	84	58	21,248	142
	2007	-	-	20,343	-	40	50	20,433	(1,011)
	2006	-	-	19,676	-	121	54	19,851	926
	2005	-	-	19,234	-	133	46	19,413	(2,264)
	2004	-	-	18,901	3	63	50	19,017	513
	2003	-	-	18,429	-	77	59	18,565	165

Schedule of Benefit Deductions by Type

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
State Employees'	2012	\$ 393,801	29,158	20,960	\$ 443,919	\$ 809	\$ 3,215	\$ 4,024
	2011	369,593	28,064	20,928	418,585	391	2,597	2,988
	2010	350,695	26,958	21,600	399,253	546	2,553	3,099
	2009	321,214	25,791	22,238	369,243	426	2,646	3,072
	2008	300,964	24,430	22,676	348,070	441	2,514	2,955
	2007	281,194	23,346	23,284	327,824	591	2,573	3,164
	2006	255,291	21,931	23,099	300,321	367	2,513	2,880
	2005	229,908	20,211	21,162	271,281	349	2,059	2,408
	2004	205,416	18,560	19,262	243,238	278	2,055	2,333
	2003	182,615	16,986	17,525	217,126	549	2,104	2,653
Special	2012	\$ 16	25	7	\$ 48	\$ -	\$ -	\$ -
	2011	24	24	8	56	-	-	-
	2010	29	25	7	61	-	-	-
	2009	38	33	7	78	-	-	-
	2008	45	39	7	91	-	-	-
	2007	48	47	7	102	-	-	-
	2006	61	61	7	129	-	-	-
	2005	62	54	6	122	-	-	-
	2004	63	50	6	119	-	-	-
	2003	61	55	5	121	-	-	-
New State Police	2012	\$ 6,781	180	988	\$ 7,949	\$ -	\$ 78	\$ 78
	2011	5,095	198	920	6,213	-	22	22
	2010	4,137	198	847	5,182	27	33	60
	2009	2,655	198	809	3,662	-	63	63
	2008	1,882	196	804	2,882	-	14	14
	2007	1,499	177	569	2,245	-	15	15
	2006	1,076	140	507	1,723	-	44	44
	2005	646	111	497	1,254	-	99	99
	2004	439	74	409	922	-	75	75
	2003	294	69	326	689	-	102	102
Judiciary	2012	\$ 2,327	625	115	\$ 3,067	\$ -	\$ -	\$ -
	2011	2,129	601	114	2,844	-	-	-
	2010	2,068	544	114	2,726	-	-	-
	2009	2,028	501	114	2,643	-	15	15
	2008	1,731	495	114	2,340	-	-	-
	2007	1,761	528	114	2,403	-	-	-
	2006	1,729	505	112	2,346	-	-	-
	2005	1,605	494	110	2,209	-	-	-
	2004	1,598	472	107	2,177	60	-	60
	2003	1,407	459	105	1,971	-	-	-

Schedule of Benefit Deductions by Type (continued)

(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
County & Municipal Police and Firefighters'	2012	\$ 1,516	170	568	\$ 2,254	\$ -	\$ 227	\$ 227
	2011	1,386	115	309	1,810	43	73	116
	2010	1,046	66	253	1,365	-	142	142
	2009	745	60	249	1,054	-	177	177
	2008	617	60	159	836	-	267	267
	2007	499	61	155	715	-	128	128
	2006	365	59	143	567	3	150	153
	2005	323	57	144	524	-	235	235
	2004	227	56	164	447	-	48	48
	2003	85	55	104	244	-	105	105
County & Municipal Other Employees'	2012	\$ 288	23	34	\$ 345	\$ 2	\$ 51	\$ 53
	2011	267	9	25	301	-	64	64
	2010	213	6	17	236	13	17	30
	2009	143	4	17	164	6	28	34
	2008	112	4	17	133	-	22	22
	2007	93	3	17	113	7	67	74
	2006	81	-	13	94	-	41	41
	2005	72	-	12	84	-	13	13
	2004	49	-	12	61	-	19	19
	2003	40	-	12	52	-	41	41
Delaware Volunteer Firemen's	2012	\$ 1,660	-	-	\$ 1,660	\$ 21	\$ 51	\$ 72
	2011	1,644	-	-	1,644	7	58	65
	2010	1,520	-	-	1,520	13	86	99
	2009	1,483	4	-	1,487	13	52	65
	2008	1,393	-	-	1,393	10	52	62
	2007	1,294	-	-	1,294	-	72	72
	2006	1,230	-	-	1,230	-	56	56
	2005	1,172	-	-	1,172	-	43	43
	2004	1,108	-	-	1,108	-	31	31
	2003	1,057	-	-	1,057	-	48	48
Diamond State Port Corporation	2012	\$ 261	56	49	\$ 366	\$ 14	\$ 22	\$ 36
	2011	259	55	49	363	5	18	23
	2010	244	49	49	342	33	23	56
	2009	181	43	46	270	-	24	24
	2008	175	43	49	267	-	16	16
	2007	171	37	61	269	3	10	13
	2006	167	14	58	239	1	23	24
	2005	142	7	63	212	2	19	21
	2004	134	11	54	199	5	18	23
	2003	108	11	51	170	3	21	24

Schedule of Benefit Deductions by Type (continued)
(dollar values expressed in thousands)

Plan	Fiscal Year Ended June 30	Benefit Deductions			Total	Refund Deductions		Total
		Service	Survivor	Disability		Death Refunds	Separation Refunds	
Closed State	2012	\$ 15,781	3,714	3,171	\$ 22,666	\$ -	\$ -	\$ -
Police	2011	15,745	3,547	3,109	22,401	-	-	-
	2010	15,918	3,483	3,191	22,592	-	-	-
	2009	15,249	3,162	3,194	21,605	-	-	-
	2008	14,960	3,025	3,121	21,106	-	-	-
	2007	14,385	2,905	3,053	20,343	-	-	-
	2006	13,881	2,783	3,012	19,676	-	-	-
	2005	13,693	2,537	3,004	19,234	-	-	-
	2004	13,496	2,446	2,959	18,901	-	3	3
	2003	13,090	2,345	2,994	18,429	-	-	-

Schedule of Retired Members by Type of Benefit by Plan
As of June 30, 2012

	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
State Employees'	Deferred	2,796	-	-	-
	\$1 - 499	4,648	2,374	1,593	681
	500-999	4,610	3,054	967	589
	1,000 - 1,499	3,613	2,854	441	318
	1,500 - 1,999	2,642	2,325	186	131
	2,000 - 2,499	2,122	1,947	87	88
	2,500 - 2,999	1,587	1,495	46	46
	over \$3,000	3,589	3,491	45	53
Special	Deferred	-	-	-	-
	\$1 - 499	8	1	7	-
	500-999	2	-	1	1
	over \$1,000	1	1	-	-
New State Police	Deferred	11	-	-	-
	\$1 - 499	2	2	-	-
	500-999	1	1	-	-
	1,000 - 1,499	1	-	-	1
	1,500 - 1,999	1	-	-	1
	2,000 - 2,499	8	3	-	5
	2,500 - 2,999	18	13	3	2
	over \$3,000	128	113	2	13

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

As of June 30, 2012

	Amount of Monthly Benefit	Number of Retirants	Type of Retirement		
			Service	Survivor	Disability
Judiciary	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1,000 - 1,499	-	-	-	-
	1,500 - 1,999	1	-	1	-
	2,000 - 2,499	1	-	1	-
	2,500 - 2,999	5	1	4	-
	over \$3,000	35	24	9	2
	County & Municipal	Deferred	20	-	-
Police and Firefighters'	\$1 - 499	2	2	-	-
	500-999	6	6	-	-
	1,000 - 1,499	8	2	1	5
	1,500 - 1,999	7	3	1	3
	2,000 - 2,499	18	9	2	7
	2,500 - 2,999	20	19	-	1
	over \$3,000	18	11	1	6
	County & Municipal	Deferred	19	-	-
Other Employees'	\$1 - 499	29	23	4	2
	500-999	20	17	2	1
	1,000 - 1,499	5	4	-	1
	1,500 - 1,999	1	1	-	-
	over \$2,000	1	1	-	-
	Delaware Volunteer	Deferred	179	-	-
Firemen's	\$1 - 74	620	620	-	-
	75 - 99	389	389	-	-
	over \$100	608	608	-	-
Diamond State Port Corporation	Deferred	6	-	-	-
	\$1 - 499	20	13	7	-
	500-999	16	11	3	2
	1,000 - 1,499	7	4	1	2
	1,500 - 1,999	2	2	-	-
	over \$2,000	-	-	-	-
Closed State Police	Deferred	-	-	-	-
	\$1 - 499	-	-	-	-
	500-999	-	-	-	-
	1,000 - 1,499	-	-	-	-
	1,500 - 1,999	3	-	3	-
	2,000 - 2,499	48	-	41	7
	2,500 - 2,999	81	19	56	6
	over \$3,000	404	333	15	56

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, 2012, whose benefits are based on years of service or salary. Accordingly, the Special Pension Plan is not included.

Credited Service	2012 State Employees' Pension Plan			2012 New State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ 653	\$ 580	\$ 505	\$ 13	\$ 3,324	\$ 2,299
Average Final Salary	\$ 19,770	\$ -	\$ 52,331	\$ 14,160	\$ -	\$ 46,507
Number of Active Retirees	29	14	3	2	2	1
5 - 9.99 years						
Average Monthly Benefit	\$ 415	\$ 211	\$ 313	\$ -	\$ 2,678	\$ 2,265
Average Final Salary	\$ 48,284	\$ -	\$ 26,434	\$ -	\$ -	\$ 42,454
Number of Active Retirees	1,214	438	422	-	1	3
10 - 14.99 years						
Average Monthly Benefit	\$ 643	\$ 346	\$ 563	\$ 996	\$ 2,918	\$ 3,043
Average Final Salary	\$ 40,985	\$ -	\$ 33,278	\$ 140,875	\$ -	\$ 51,229
Number of Active Retirees	1,511	523	452	1	1	5
15 - 19.99 years						
Average Monthly Benefit	\$ 1,038	\$ 516	\$ 862	\$ 2,549	\$ 2,908	\$ 3,973
Average Final Salary	\$ 43,581	\$ -	\$ 35,915	\$ 78,595	\$ -	\$ 36,835
Number of Active Retirees	2,487	591	397	9	1	9
20 - 24.99 years						
Average Monthly Benefit	\$ 1,420	\$ 677	\$ 1,265	\$ 4,153	\$ -	\$ 6,081
Average Final Salary	\$ 45,783	\$ -	\$ 39,497	\$ 87,711	\$ -	\$ 64,158
Number of Active Retirees	2,725	570	320	68	-	4
25 - 29.99 years						
Average Monthly Benefit	\$ 2,052	\$ 932	\$ 1,766	\$ 6,242	\$ -	\$ -
Average Final Salary	\$ 50,435	\$ -	\$ 38,631	\$ 99,378	\$ -	\$ -
Number of Active Retirees	3,484	459	200	48	-	-
30 - 34.99 years						
Average Monthly Benefit	\$ 2,724	\$ 1,212	\$ 2,352	\$ 7,030	\$ -	\$ -
Average Final Salary	\$ 54,146	\$ -	\$ 52,881	\$ 105,652	\$ -	\$ -
Number of Active Retirees	4,135	487	81	4	-	-
35 - 39.99 years						
Average Monthly Benefit	\$ 3,561	\$ 1,699	\$ 2,933	\$ -	\$ -	\$ -
Average Final Salary	\$ 64,205	\$ -	\$ 47,040	\$ -	\$ -	\$ -
Number of Active Retirees	1,556	220	26	-	-	-
40 years and over						
Average Monthly Benefit	\$ 4,096	\$ 2,056	\$ 2,873	\$ -	\$ -	\$ -
Average Final Salary	\$ 66,460	\$ -	\$ 32,935	\$ -	\$ -	\$ -
Number of Active Retirees	399	63	5	-	-	-

Schedule of Average Benefit Payments by Plan (continued)

Credited Service	2012 Judiciary Pension Plan			2012 County & Municipal Police and Firefighters' Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ 8,615	\$ -	\$ -	\$ 69	\$ 1,379	\$ 1,785
Average Final Salary	\$ 72,650	\$ -	\$ -	\$ 42,000	\$ -	\$ 38,680
Number of Active Retirees	2	-	-	2	1	3
5 - 9.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 581	\$ 2,145	\$ 1,722
Average Final Salary	\$ -	\$ -	\$ -	\$ 48,330	\$ -	\$ 43,655
Number of Active Retirees	-	-	-	3	2	6
10 - 14.99 years						
Average Monthly Benefit	\$ 5,294	\$ 2,398	\$ 4,852	\$ 894	\$ -	\$ 2,620
Average Final Salary	\$ 111,066	\$ -	\$ 48,635	\$ 33,095	\$ -	\$ 58,944
Number of Active Retirees	8	3	2	4	-	8
15 - 19.99 years						
Average Monthly Benefit	\$ 4,799	\$ 4,044	\$ -	\$ 2,230	\$ 3,439	\$ 3,272
Average Final Salary	\$ 84,657	\$ -	\$ -	\$ 65,264	\$ -	\$ 62,963
Number of Active Retirees	2	1	-	8	1	5
20 - 24.99 years						
Average Monthly Benefit	\$ 8,738	\$ 3,607	\$ -	\$ 2,757	\$ -	\$ -
Average Final Salary	\$ 106,845	\$ -	\$ -	\$ 63,729	\$ -	\$ -
Number of Active Retirees	6	5	-	31	-	-
25 - 29.99 years						
Average Monthly Benefit	\$ 9,880	\$ 3,768	\$ -	\$ 5,805	\$ 1,836	\$ -
Average Final Salary	\$ 106,491	\$ -	\$ -	\$ 96,200	\$ -	\$ -
Number of Active Retirees	2	5	-	4	1	-
30 - 34.99 years						
Average Monthly Benefit	\$ 9,966	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 168,593	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	4	-	-	-	-	-
35 - 39.99 years						
Average Monthly Benefit	\$ 10,923	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 168,844	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	1	-	-	-	-	-
40 years and over						
Average Monthly Benefit	\$ -	\$ 4,834	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-

Schedule of Average Benefit Payments by Plan (continued)

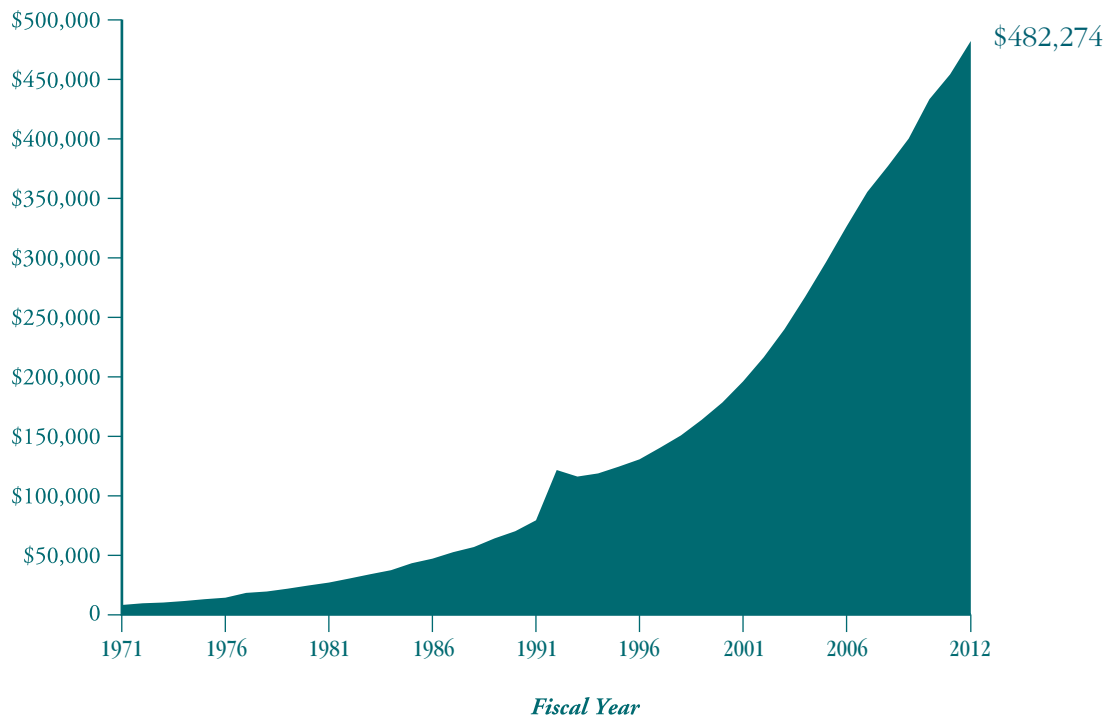
Credited Service	2012 County & Municipal Other Employees' Pension Plan			2012 Delaware Volunteer Firemen's Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ 154	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 23,366	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	2	-	-	-	-	-
5 - 9.99 years						
Average Monthly Benefit	\$ 339	\$ 308	\$ 184	\$ -	\$ -	\$ -
Average Final Salary	\$ 55,823	\$ -	\$ 24,070	\$ -	\$ -	\$ -
Number of Active Retirees	20	2	1	-	-	-
10 - 14.99 years						
Average Monthly Benefit	\$ 634	\$ 231	\$ 375	\$ 60	\$ -	\$ -
Average Final Salary	\$ 59,924	\$ -	\$ 24,099	\$ -	\$ -	\$ -
Number of Active Retirees	10	3	1	707	-	-
15 - 19.99 years						
Average Monthly Benefit	\$ 750	\$ -	\$ -	\$ 85	\$ -	\$ -
Average Final Salary	\$ 37,755	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	7	-	-	318	-	-
20 - 24.99 years						
Average Monthly Benefit	\$ 1,099	\$ 697	\$ 851	\$ 109	\$ -	\$ -
Average Final Salary	\$ 53,365	\$ -	\$ 24,241	\$ -	\$ -	\$ -
Number of Active Retirees	5	1	1	272	-	-
25 - 29.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ 1,368	\$ 125	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ 57,632	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	1	320	-	-
30 - 34.99 years						
Average Monthly Benefit	\$ 2,106	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ 69,184	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	2	-	-	-	-	-
35 - 39.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
40 years and over						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-

Schedule of Average Benefit Payments by Plan (continued)

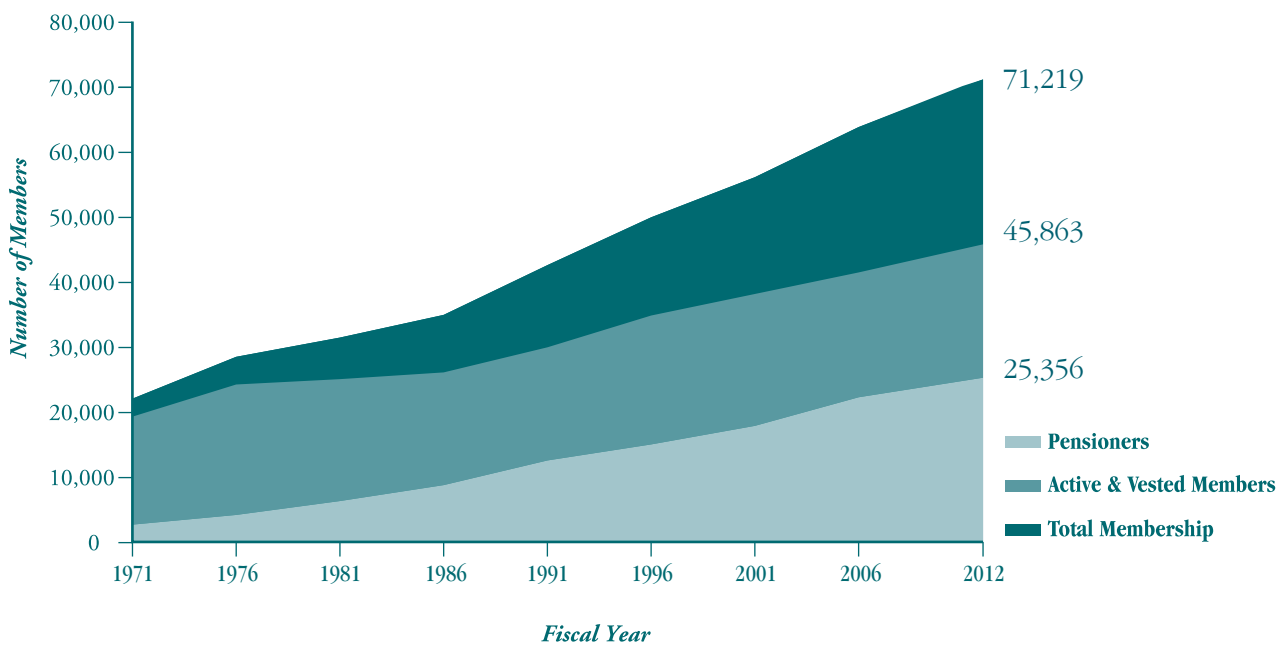
Credited Service	2012 Diamond State Port Corporation Pension Plan			2012 Closed State Police Pension Plan		
	Retirants	Beneficiaries	Disabilities	Retirants	Beneficiaries	Disabilities
Less than 5 years						
Average Monthly Benefit	\$ -	\$ 201	\$ -	\$ -	\$ 2,712	\$ 3,034
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,172
Number of Active Retirees	-	2	-	-	2	3
5 - 9.99 years						
Average Monthly Benefit	\$ 374	\$ 275	\$ 1,213	\$ -	\$ 2,546	\$ 3,333
Average Final Salary	\$ 23,196	\$ -	\$ 24,000	\$ -	\$ -	\$ 25,793
Number of Active Retirees	7	3	1	-	3	19
10 - 14.99 years						
Average Monthly Benefit	\$ 656	\$ 438	\$ 990	\$ -	\$ 2,640	\$ 3,533
Average Final Salary	\$ 49,197	\$ -	\$ 25,500	\$ -	\$ -	\$ 28,825
Number of Active Retirees	12	3	2	-	11	22
15 - 19.99 years						
Average Monthly Benefit	\$ 904	\$ -	\$ -	\$ -	\$ 3,430	\$ 4,070
Average Final Salary	\$ 77,660	\$ -	\$ -	\$ -	\$ -	\$ 47,695
Number of Active Retirees	8	-	-	-	7	15
20 - 24.99 years						
Average Monthly Benefit	\$ 956	\$ 620	\$ -	\$ 3,472	\$ 2,605	\$ 5,062
Average Final Salary	\$ 31,516	\$ -	\$ -	\$ 63,167	\$ -	\$ 51,154
Number of Active Retirees	2	1	-	284	89	10
25 - 29.99 years						
Average Monthly Benefit	\$ 1,892	\$ 665	\$ 917	\$ 4,459	\$ 2,549	\$ -
Average Final Salary	\$ 72,187	\$ -	\$ 34,585	\$ 85,305	\$ -	\$ -
Number of Active Retirees	1	1	1	50	3	-
30 - 34.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ 5,163	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ 92,713	\$ -	\$ -
Number of Active Retirees	-	-	-	18	-	-
35 - 39.99 years						
Average Monthly Benefit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	-	-	-	-	-
40 years and over						
Average Monthly Benefit	\$ -	\$ 1,082	\$ -	\$ -	\$ -	\$ -
Average Final Salary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Number of Active Retirees	-	1	-	-	-	-

Total Benefit Payments Chart

expressed in thousands



Total Membership Chart



Schedule of Participating Employers

State Employees' Pension Plan (established 1970)

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

Closed State Police Plan (established 1970)

- Delaware State Police (Appointed before July 1, 1980)

New State Police Plan (established 7/1980)

- Delaware State Police (Appointed after July 1, 1980)

Judiciary Pension Plans (established 1970)

- Appointed members of the State Judiciary

Diamond State Port Corporation Plan (established 1996)

- Diamond State Port Corporation Employees

County & Municipal Police and Firefighters' Plans

- Town of Bethany Beach (7/2006)
- Town of Blades (1/2011)
- Town of Bridgeville (2/2009)
- Town of Camden (7/2003)
- Town of Cheswold (9/2002)
- Town of Clayton (7/2006)
- Town of Dagsboro (7/1989)
- Town of Delmar (7/1990)
- Town of Dewey Beach (5/1991)
- City of Dover (7/1985)
- Town of Elsmere (7/2011)
- Town of Felton (1/2001)
- Town of Fenwick Island (8/2007)
- Town of Georgetown (7/1990)
- Town of Greenwood (7/2010)
- City of Harrington (7/1989)
- Town of Laurel (1/2006)
- Town of Lewes (7/2008)
- Town of Middletown (1/2007)
- City of Milford (1/2005)
- Town of Millsboro (7/1999)
- Town of Milton (10/2003)
- City of New Castle (7/1995)
- New Castle County (2/1993)
- Town of Newport (8/2005)
- Town of Ocean View (5/2003)
- Town of Rehoboth Beach (4/2005)
- Town of Seaford (12/2008)
- Town of Selbyville (2/2012)
- Town of South Bethany (7/2005)
- City of Wilmington (8/1991)
- Town of Wyoming (5/2003)

County & Municipal Other Employees' Plan

- Town of Bethany Beach (7/2006)
- Town of Blades (1/2011)
- Bowers/Frederica EMS (7/2009)
- Town of Camden (10/2006)
- Town of Cheswold (9/2002)
- Cheswold Fire Company (7/2007)
- Town of Clayton (7/2004)
- Delaware City Fire Company (7/2002)
- Elsmere Fire Company (8/2007)
- Felton Fire Company (7/2000)
- Town of Felton (4/2006)
- Five Points Fire Company (10/2007)
- Town of Georgetown (7/1990)
- Good-Will Fire Company (7/2002)
- City of Harrington (7/2002)
- Harrington Fire Company (7/1999)
- Kent Conservation District (11/2002)
- Lewes Fire Company (7/2002)
- Town of Laurel (7/2009)
- City of Milford (1/2005)
- Mill Creek Fire Company (1/2007)
- Town of Millsboro (7/1999)
- Millville Fire Company (11/2003)
- Town of Milton (10/2003)
- City of New Castle (7/1995)
- Town of Newport (7/2004)
- Town of Ocean View (5/2003)
- Port Penn Fire Co. (11/2003)
- Riverfront Development Corp. (7/2006)
- Town of Selbyville (2/2012)
- Town of South Bethany (5/2003)
- Sussex Conservation District (7/1987)
- Talleyville Fire Company (7/2009)
- Townsend Fire Company (7/1999)
- Volunteer Hose Co. of Middletown (5/1998)
- City of Wilmington (7/2011)
- Town of Wyoming (5/2003)

Delaware Local Gov't Retirement Investment Pool

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

County & Municipal COLA Fund

City of Dover (1991)
 Town of Elsmere (2011)
 Town of New Castle (1996)
 New Castle County (1993)
 City of Wilmington (1992)

Delaware Volunteer Firemen's Pension Plan (established 1987)

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

Harrington Fire Co. & Auxiliary
 Hartly Fire Co. & Auxiliary
 Houston Fire Co. & Auxiliary
 Leipsic Fire Co. & Auxiliary
 Little Creek Fire Co. & Auxiliary
 Magnolia Fire Co. & Auxiliary
 Marydel Fire Co. & Auxiliary
 South Bowers Fire Co. & Auxiliary
 Smyrna American Legion Ambulance
 Bethany Beach Fire Co. & Auxiliary
 Blades Fire Co. & Auxiliary
 Bridgeville Fire Co. & Auxiliary
 Dagsboro Fire Co. & Auxiliary
 Delmar Fire Co. & Auxiliary
 Ellendale Fire Co. & Auxiliary
 Frankford Fire Co. & Auxiliary
 Georgetown Fire Co. & Auxiliary
 Greenwood Fire Co. & Auxiliary
 Gumboro Fire Co. & Auxiliary
 Indian River Fire Co. & Auxiliary
 Laurel Fire Co. & Auxiliary
 Lewes Fire Co. & Auxiliary
 Millsboro Fire Co. & Auxiliary
 Millville Fire Co. & Auxiliary
 Milton Fire Co. & Auxiliary
 Rehoboth Beach Fire Co. & Auxiliary
 Seaford Fire Co. & Auxiliary
 Selbyville Fire Co. & Auxiliary
 Memorial Fire Co. & Auxiliary
 Roxana Fire Co. & Auxiliary
 Mid-Sussex Rescue Squad
 Georgetown Volunteer Ambulance Service

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

