

NOTE 14. PENSIONS

PRIMARY GOVERNMENT

State of Delaware Pension Plans

The State Board of Pension Trustees administers the following defined benefit plans of the Delaware Public Employees' Retirement System (DPERS):

- *State Employees' Pension Plan;
- *Special Pension Plan;
- *New State Police Pension Plan;
- *Judiciary Pension Plans (Closed and Revised);
- *County and Municipal Police/Firemen's Pension Plans
(FICA and Non-FICA);
- *County and Municipal Other Employees' Pension Plan;

- *Volunteer Firemen's Pension Plan;
- *Diamond State Port Corporation Pension Plan; and
- *Closed State Police Pension Plan.

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

The individual plans comprising the DPERS are considered part of the State's financial reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary funds. All of the investment assets of the Plans, with the exception of the Closed Police Pension Plan, are pooled and invested in the common DPERS Master Trust Fund (Master Trust). Each of the Plans has equity in the Master Trust based on funds contributed and earnings allocated. Individual investments in the Master Trust are not specifically identified to the various Plans.

Additionally, the following non-DPERS funds, described below, have been established under the custody of the State Board of Pension Trustees.

- *County and Municipal Police/Firemen's COLA Fund;
- *Post-Retirement Increase Fund; and
- *Delaware Local Government Retirement Investment Pool.

Non-DPERS Fund Descriptions and Contributions

County and Municipal Police and Firemen's COLA Fund

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

Post-Retirement Increase Fund (PRI)

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

Investment Trust Fund

In June 1996, the State of Delaware passed legislation, which established the Delaware Local Government Retirement Investment Pool (DELRIP) in the custody of the Board of Pension Trustees to allow local governments the option to pool their pension assets with the Delaware Public Employees' Retirement System. The DELRIP is an external investment pool that allows local governments to maximize their rate of return and reduce administrative expenses related to the investment of funds. There were three participating entities in the DELRIP as of June 30, 2003, which comprises the pool in its entirety.

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

Post-Retirement Health Insurance Premium Fund

In June 2000, the State of Delaware passed legislation which established a mechanism for funding the State's retiree health care costs for covered employees in the State Employees' Pension Plan. The mechanism allows the State to appropriate employer contributions to a separate fund managed by the Board. These funds will be used to pay the State's cost for health care premiums. Funding levels are set annually by the Delaware State Legislature as a part of the budget process. Funding began in July 2001 in the amount of 0.65% of payroll. Funding for FY2003 was 0.37% of payroll. Funding during FY2004 has been suspended.

The DPERS issues a publicly available financial report that includes financial statements and required supplementary information for each of the individual plans and funds identified above. The financial report may be obtained by writing to the

State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

Plan Membership, Benefit and Contribution Provisions

A description of the individual plans including eligibility provisions, types of benefits and contribution requirements are set forth in general terms below and on the following pages. Detailed information regarding these plans is available in the Delaware Code and in the Rules and Regulations of the Board of Pension Trustees.

State Employees' Pension Plan

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

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

Vesting: Five (5) years of credited service.

Retirement: Age 62 with five (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 five (5) years of credited service.

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

Contributions:

Employer - determined by Board of Pension Trustees.

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

Death Benefit: \$7,000 per member.

Special Pension Plan

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

Service Benefits: Defined by special legislation.

Vesting: Not applicable.

Retirement: Not applicable.

Disability Benefits: Not applicable.

Survivor Benefits: Same as State Employees' Plan.

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

Death Benefit: \$7,000 per member.

New State Police Pension Plan

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

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

Vesting: Ten (10) years of credited service.

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

Disability Benefits: Duty - Total Disability - 75% of compensation plus 10% for each dependent not to exceed 25% for all dependents. Partial Disability - calculated the same as Service Benefits subject to minimum 50% of final average. Ordinary –same as Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - 7% of compensation.

Death Benefit: \$7,000 per member.

Judiciary Pension Plans (Closed and Revised)

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

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

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

Service Benefits:

Closed – Three percent (3%) of average annual compensation multiplied by years of credited service, subject to minimum and maximum 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, eligible survivor receives 2/3 of pension the employee would have been eligible to receive.

Revised - If employee is receiving a pension, then eligible survivor receives 1/2 of pension (2/3 with 3% reduction); if employee is active, eligible survivor receives 2/3 of pension the employee would have received at age 62.

Contributions:

Employer - determined by Board of Pension Trustees.

Employee:

- ◆ Closed - \$500 per year for the first 25 years of service.
- ◆ Revised - 3% of earnings that exceed \$6,000 per year, plus 2% of earnings that exceed the Social Security Wage Base for the first 24 years of service.

Death Benefit: Not applicable.

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

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

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

Vesting: Ten (10) years of credited service.

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

Disability Benefits:

Duty - Total Disability - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents; Partial Disability - calculated the same as Service benefits.

Ordinary - Same as Service Benefits.

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

Contributions:

Employer - determined by Board of Pension Trustees.

Employee - FICA covered - 5% of compensation.

Non-FICA covered - 7% of compensation.

Death Benefit: Not applicable.

County and Municipal Other Employees' Pension Plan

Plan Description and Eligibility: County and Municipal Other Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers employees other than police officers and fire fighters 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 highest five years of compensation.

Vesting: Five (5) years of credited service.

Retirement: Age 62 with five (5) years of credited service, age 60 with 15 years of credited service, or 30 years of credited service.

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

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

Contributions:

Employer - determined by Board of Pension Trustees.

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

Death Benefit: Not applicable.

Volunteer Firemen's Pension Plan

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

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

Vesting: Ten (10) years of credited service.

Retirement: Age 60 with 10 years credited service.

Disability Benefits: Not applicable.

Survivor Benefits: Not applicable.

Contributions:

- ◆ Employer - determined by Board of Pension Trustees.
- ◆ Volunteer Member - \$60 per member per year.

Death Benefit: Not applicable.

Diamond State Port Corporation Pension Plan

Plan Description and Eligibility: The Diamond State Port Corporation Pension Plan is a single-employer defined benefit plan that 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: Five (5) years of credited service.

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

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

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

Contributions:

- ◆ Employer - determined by Board of Pension Trustees.
- ◆ Employee - 2% of compensation.

Death Benefit: Not applicable.

Closed State Police Pension Plan

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

Service Benefits: 50% of monthly salary.

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

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

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

Contributions:

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

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

Death Benefit: \$7,000 per member.

Historical Trend Information

Historical trend information for the current year and the preceding five years designed to provide information about progress made by the individual plans in accumulating sufficient assets to pay benefits when due is presented in the separately issued financial report of the DPERS.

Pension Investments

As of June 30, 2003, the following managers have investments at fair value in excess of 5% of the DPERS net assets held in trust for pension benefits:

	Fair Value (Expressed in Thousands)
Mellon Capital Asset Allocation Fund	\$ 1,044,553
Mellon Capital Global Asset Allocation Fund	664,009
Lincoln Capital	382,095
T. Rowe Price High Yield Bonds	296,542
Loomis Saytles	<u>252,598</u>
Total	<u>\$ 2,639,797</u>

Employer Contributions

The table on the following page provides an analysis of Employer Contributions for the current year and the preceding two years. Totals for State Employees', New State Police and Judiciary plans do not include Post-Retirement Increase Fund contributions. Employer contributions of all Plans administered by the System are actuarially determined, with the exception of the Closed State Police Plan, which remains pay-as-you-go. The table presents the annual required contributions expressed in dollars and as a percentage of amount actually contributed.

Schedule of Employer Contributions

(Expressed in Thousands)

Plan	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
State Employees' *	6/30/03	\$40,175	100.0%
	6/30/02	18,148	100.0%
	6/30/01	20,542	100.0%
Special	6/30/03	- 0 -	N/A
	6/30/02	- 0 -	N/A
	6/30/01	- 0 -	N/A
Closed State Police	6/30/03	\$27,654	68.0%
	6/30/02	27,831	64.0%
	6/30/01	27,709	62.0%
New State Police *	6/30/03	\$ 2,786	100.0%
	6/30/02	2,476	100.0%
	6/30/01	2,480	100.0%
Judiciary *	6/30/03	\$ 1,342	100.0%
	6/30/02	1,399	100.0%
	6/30/01	1,333	100.0%
Diamond State Port Corporation	6/30/03	\$ 333	100.0%
	6/30/02	341	100.0%
	6/30/01	386	100.0%
County and Municipal Police/ Firemen's	6/30/03	\$ 2,931	100.0%
	6/30/02	2,779	100.0%
	6/30/01	2,664	100.0%
County and Municipal Other Employees	6/30/03	\$ 248	100.0%
	6/30/02	92	100.0%
	6/30/01	165	100.0%
Volunteer Firemen's	6/30/03	\$ 667	100.0%
	6/30/02	586	100.0%
	6/30/01	618	100.0%

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

Annual Pension Cost, Actuarial Methods and Assumptions

The table on the following page provides information concerning annual pension costs. Annual pension cost for each plan, except the Closed State Police Plan, is equal to the respective plan's required and actual contributions for the fiscal year ended June 30, 2003.

Annual Pension Cost, Actuarial Methods and Assumptions
(Expressed in Thousands)

Plan	State Employees'	Special	Closed State Police	New State Police	Judiciary
Annual Pension Cost	\$ 40,175	N/A	\$ 27,654	\$ 2,786	\$ 1,342
Actuarial Valuation Date	6/30/03	6/30/03	6/30/03	6/30/03	6/30/03
Actuarial Cost Method	Entry Age Normal	N/A	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed for Plan Bases & Open for Aggregate Gain/Loss	N/A	Level Percent Closed	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	14.43 years	N/A	33 years	17 years	18 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:					
Investment rate of return	8.50%	8.50%	8.50%	8.50%	8.50%
Projected Salary Increases*	6.00%-9.89%	N/A	7.00%	7.00%	5.50%
Cost-of-living adjustments	Ad Hoc	Ad Hoc	Based on CPI	Ad Hoc	Ad Hoc

Plan	Diamond State Port Corporation	County & Municipal Police & Fireman's	County & Municipal Other Employees	Volunteer Firemen's
Annual Pension Cost	\$ 341	\$ 2,779	\$ 92	\$ 586
Actuarial Valuation Date	6/30/03	6/30/03	6/30/03	6/30/03
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent Closed	Level Percent Open	Level Percent Open	Level Dollar Closed
Remaining Amortization Period	19 years	10 years	10 years	24 years
Asset Valuation Method	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market	5-year Smoothed Market
Actuarial Assumptions:				
Investment rate of return	8.50%	8.50%	8.50%	8.50%
Projected Salary Increases*	5.00%	7.00%	7.00%	N/A
Cost-of-living adjustments	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc

- Projected Salary Increases include an inflation component of 5% for all Plans.

Funding Status and Progress

The amount shown below as "actuarial accrued liability" is a measure of the difference between the actuarial present value of future plan benefits, and the actuarial present value of future normal cost. It is intended to help readers assess the individual plans' funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

FUNDING STATUS AND PROGRESS

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6)
				AAL AAL (UAAL) (Excess of Assets over Liabilities) (2) - (1)			UAAL/ (Excess) as % of Covered Payroll (3) / (5)
State Employees'	6/30/03	\$ 5,125,442	\$ 4,794,944	\$ (330,498)	106.9%	\$ 1,355,800	(24.4%)
	6/30/02	4,956,156	4,521,732	(434,424)	109.6%	1,351,112	(32.2%)
	6/30/01	4,759,031	4,232,244	(526,787)	112.4%	1,270,632	(41.5%)
Special	6/30/03	\$ 1,009	\$ 768	\$ (241)	131.4%	N/A	N/A
	6/30/02	1,832	742	(1,090)	246.9%	N/A	N/A
	6/30/01	1,866	993	(873)	187.9%	N/A	N/A
Closed State Police +	6/30/03	\$ 2,322	\$ 318,250	\$ 315,928	0.7%	\$ 2,869	11,011.8%
	6/30/02	2,036	318,687	316,651	0.6%	3,105	10,198.1%
	6/30/01	1,749	306,194	304,445	0.6%	3,247	9,376.2%
New State Police	6/30/03	\$ 120,457	\$ 106,272	\$ (14,185)	113.3%	\$ 31,778	(44.6%)
	6/30/02	109,615	91,928	(17,687)	119.2%	30,281	(58.4%)
	6/30/01	99,138	80,040	(19,098)	123.9%	25,624	(69.1%)
Judiciary	6/30/03	\$ 30,961	\$ 31,646	\$ 685	97.8%	\$ 6,112	11.2%
	6/30/02	29,049	30,122	1,073	96.4%	7,329	14.6%
	6/30/01	27,231	29,635	2,404	91.9%	6,371	37.7%
Diamond State Port Corporation	6/30/03	\$ 7,328	\$ 7,056	\$ (272)	103.9%	\$ 8,636	(3.1%)
	6/30/02	6,675	6,617	(58)	100.9%	9,354	(0.6%)
	6/30/01	6,044	5,618	(426)	107.6%	8,788	(4.8%)
County and Municipal Police/ Firemen's (FICA) *	6/30/03	\$ 41,228	\$ 36,698	\$ (4,530)	112.3%	\$ 24,128	(18.8)%
	6/30/02	35,053	30,344	(4,709)	115.5%	21,342	(22.1)%
	6/30/01	29,389	26,465	76	99.3%	19,605	1.1%
County and Municipal Other Employees' *	6/30/03	\$ 3,632	\$ 3,332	\$ (270)	108.1%	\$ 6,209	(4.3)%
	6/30/02	3,033	2,816	(217)	107.7%	2,545	(8.5)%
	6/30/01	2,794	2,962	168	94.3%	2,292	7.3%
Volunteer	6/30/03	\$ 9,644	\$ 15,619	\$ 5,975	61.7%	4,933	Cost per Active Member ++ \$ 1,211
	6/30/02	9,333	14,940	5,607	62.5%	4,856	1,155
	6/30/01	9,022	13,837	4,815	65.2%	4,769	1,010

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

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

++ Not expressed in thousands.

NET PENSION OBLIGATION (NPO)

The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for the Closed State Police Plan for the fiscal years ended June 30, 2003, 2002, and 2001 are presented on the following page.

NET PENSION OBLIGATION (NPO)

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001
	(Expressed in Thousands)		
Annual Required Contribution	\$ 27,654	\$ 27,831	\$ 27,709
Interest on Net Pension Obligation	6,099	5,257	4,374
Adjustment to Annual Required Contribution	<u>(6,265)</u>	<u>(5,371)</u>	<u>(4,448)</u>
Annual Pension Cost	27,488	27,717	27,635
Less Contributions Made	<u>(18,667)</u>	<u>(17,805)</u>	<u>(17,245)</u>
Increase in Net Pension Obligation	8,821	9,912	10,390
Net Pension Obligation, Beginning of Year	<u>71,756</u>	<u>61,844</u>	<u>51,454</u>
Net Pension Obligation, End of Year	<u>\$ 80,577</u>	<u>\$ 71,756</u>	<u>\$ 61,844</u>

Post-Retirement Health Care Benefits

In addition to the pension benefits, the State provides post-retirement health care benefits, in accordance with State statutes, to all employees who retire from the State after meeting the eligibility requirements. The eligibility requirements are the same as those of the pension plans. Currently, 17,617 retirees meet those eligibility requirements. The State reimburses substantially all validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. The State also pays a fixed amount of \$292.32 per month for a Medicare supplement for each retiree eligible for Medicare. Expenditures for post-retirement health care benefits are recognized as retirees report claims. During the year, General Government expenditures of \$68,050,812 were recognized in the General Fund for post-retirement health care.

Deferred Compensation Plan

The State offers its permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all State of Delaware employees, permits them to defer a portion of their salary to future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The Plan changed in January 2001 to include an employer-matching contribution. The State will match the first \$10 per pay contributed by employees who have worked for the State at least for six months. Maximum annual State match per

employee is \$260. The State contribution totaled \$1,787,603 million for the year ended June 30, 2003.

Delaware Transportation Authority

Generally, employees of the Delaware Transportation Authority are covered under DPERS. The Delaware Transit Corporation (DTC), a subsidiary public corporation of the Delaware Transportation Authority, has three single-employer defined benefit plans consisting of the Salaried Office Pension Plan, the Contributory Pension Plan and the Delaware Transit Corporation (DTC) Pension Plan. Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing or calling the Delaware Transit Corporation at 900 Public Safety Boulevard, Dover, DE 19901.

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC. The most recent information available for DTC's annual pension cost and related information for each plan is as follows (note - the current year information is not available for each plan):

Annual Pension Cost, Actuarial Methods and Assumptions

(Expressed in Dollars)

Plan	Salaried Office Plan	DTC Pension Plan	Contributory Pension Plan
Contribution Rates: Employer	Actuarially Determined	Actuarially Determined	3.00/ 5.00%
Participants	1.00%	N/A	3.00/ 5.00%
Annual Pension Cost	\$ 42,192	\$ 693,100	\$ 563,584
Contributions Made	\$ -	\$ 545,328	\$ 346,939
Actuarial Valuation Date	7/1/2001	7/1/2002	01/01/2002
Actuarial Cost Method	Projected Unit Credit Cost	Frozen Initial Liability	Entry Age Normal
Remaining Amortization Period	N/A	23	N/A
Asset Valuation Method	Market	Market	Smooth
Actuarial Assumptions: Investment rate of return	7.00%	7.50%	7.00%
Projected Salary Increases	5.00%	4.50%	4.00%

N/A = Not Applicable

Effective January 1, 2003, the Contributory Pension Plan contribution and employer match percentages increased to 5% for North District Fixed Route operators and maintenance personnel. The contribution and employer match percentages for Paratransit operators and South District Fixed Route operators will increase to 5% effective July 1, 2003.

The component of the annual pension cost of the DTC Pension Plan for the year ended June 30, 2001 included an annual required contribution of \$494,329, interest on the net pension obligation of \$9,663 and amortization of the net pension obligation of \$10,752.

As of January 1, 2001, significant changes were made to the provisions of the Contributory Plan. The changes included an increase in benefits received by retirees, the addition of Paratransit operators and South District Fixed Route operators to the Plan, and increased benefits paid to beneficiaries of certain deceased active participants.

The tables on the following page provide required supplementary information concerning funding policies and annual pension costs. Annual pension cost is equal to the respective plans required and actual contributions.

Funding Status and Progress

(Expressed in Dollars)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (Excess of Assets over AAL) (a-b)	(d) Funded Ratio (a / b)	(e) Annual Covered Payroll	(f) UAAL (Excess) as % of Covered Payroll (c / e)
Salaried Office Pension Plan	07/01/2001	\$ 2,606,031	\$ 1,075,445	\$ 1,530,586	242.32%	\$ 723,961	211.42%
	07/01/2000	\$ 2,859,157	\$ 1,049,467	\$ 1,809,690	272.44%	\$ 702,499	257.61%
	07/01/1999	\$ 2,498,738	\$ 1,054,050	\$ 1,444,688	237.06%	\$ 685,788	210.66%
DTC Pension Plan	07/01/2002	\$ 4,355,464	\$ 4,727,035	\$ (371,571)	92.14%	\$ 7,690,602	(4.83%)
	07/01/2001	\$ 3,717,396	\$ 4,097,808	\$ (380,418)	90.72%	\$ 7,680,779	(4.95%)
	07/01/2000	\$ 3,465,024	\$ 3,840,040	\$ (375,016)	90.23%	\$ 6,868,150	(5.46%)
Contributory Pension Plan	01/01/2002	\$ 13,207,197	N/A	N/A	N/A	\$ 14,754,161	N/A
	01/01/2001	\$ 14,294,487	N/A	N/A	N/A	\$ 12,236,975	N/A
	01/01/2000	\$ 14,903,156	N/A	N/A	N/A	\$ 7,449,948	N/A

Three-Year Trend Information

(Expressed in Dollars)

	Plan Year Ended	Contribution Made	Annual Pension Cost (APC)	Percent Of APC Contributed	Net Pension Obligation
Salaried Pension Plan	06/30/2002	\$ - 0 -	\$ 42,192	-	\$ -
	06/30/2001	\$ 5,977	\$ 40,950	14.60%	-
	06/30/2000	\$ 10,379	\$ 42,440	24.26%	-
DTC Pension Plan	06/30/2003	\$ 545,328	\$ 693,100	78.68%	-
	06/30/2002	\$ 975,255	\$ 641,054	152.13%	-
	06/30/2001	\$ 520,000	\$ 493,240	105.43%	102,079
Contributory Pension Plan	12/31/2002	\$ 346,939	\$ 563,584	61.56%	-
	12/31/2001	\$ 326,681	\$ 256,801	127.21%	-
	12/31/2000	\$ 202,851	\$ 7,614	2,664.18%	-

N/A = Not Applicable

Plan Merger

Effective July 1, 2002, the Salaried Office Pension Plan was merged into the Contributory Pension Plan.

Component Units

Delaware State Housing Authority (DSHA)

All full time or regular part-time State employees of the DSHA are covered under the DPERS plan, including post-retirement health care. For the year ended June 30, 2003, the Authority was required to contribute 9.47% of covered payroll to the

DPERS plan. The Authority's contribution to the DPERS for the year ended June 30, 2003 was \$181,215, equal to the required contribution for the year. Full-time non-state employees of the Public Housing Program and Section 8 Program are covered by the "Housing-Renewal and Local Agency Retirement Plan," a defined contribution plan funded by contributions from both the Authority and the covered employees. Non-State employees of the DSHA are required to contribute 3.5% of their base salary. The DSHA's contribution rate of annual salaries is 9.47% for the period ended June 30, 2003. Total contributions made for the year amounted to \$309,896 of which \$226,060 and \$83,836 was contributed by the DSHA and its employees, respectively.

The Authority provides post-retirement health care benefits in accordance with Authority General Order Number 325, to all non-state employees who retire from the Authority after meeting the eligibility requirements. Currently, five retirees meet those eligibility requirements. Health care benefits paid during fiscal 2003 totaled \$18,717. The set aside balance, which is held in the State of Delaware investment pool, totaled \$259,024 as of June 30, 2003. The Authority decided for fiscal 2003 the current set aside balance was sufficient and did not set aside additional funds.

Diamond State Port Corporation and Delaware State University

Generally, employees of these discretely presented component units are covered under DPERS.