

# **State of Delaware 403(b) Plan**

Financial Statements

December 31, 2016 and 2015

## State of Delaware 403(b) Plan

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December 31, 2016 and 2015

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***Independent Auditors' Report***

To the Plans Management Board  
State of Delaware 403(b) Plan  
Dover, Delaware

***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of State of Delaware 403(b) Plan (Plan), which comprise the statements of fiduciary net position as of December 31, 2016 and 2015, the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

The Plan has not maintained sufficient accounting records and supporting documents relating to annuity and custodial accounts issued to current and former employees prior to January 1, 2009. These pre-2009 contracts are permissibly excluded by the Department of Labor's Field Assistance Bulletin No. 2010-01. Effective January 2009,

To the Plans Management Board  
State of Delaware 403(b) Plan  
Dover, Delaware

the State of Delaware approved 13 vendors for participants of the Plan to select. Prior to this, participants' vendor options were dependent on the school district they worked for and not monitored by the plan administrator. These options included more than 100 vendors for the 19 school districts. Due to the volume of previously approved vendors, the amount of excluded annuity and custodial accounts and the related income and distributions were not determinable, which consequently rendered us unable to obtain sufficient audit evidence with respect to individual participant account balances accumulated from the inception of the Plan to test the completeness and accuracy of beginning account balances. Therefore, the fiduciary net position does not include permissibly excluded pre-2009 contracts held by any vendor. Plan assets held by the 13 approved vendors approved by the State of Delaware that were not permissibly excludible by the Department of Labor's Field Assistance Bulletin No. 2010-01, are included in the financial statements.

#### ***Disclaimer of Opinion***

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

#### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 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 the 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.

To the Plans Management Board  
State of Delaware 403(b) Plan  
Dover, Delaware

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the State of Delaware 403(b) Plan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Delaware 403(b) Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of the State of Delaware 403(b) Plan's internal control over financial reporting and compliance.

*Belfint, Lyons & Shuman, P.A.*

November 12, 2019  
Wilmington, Delaware

## State of Delaware 403(b) Plan

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### Management's Discussion and Analysis December 31, 2016, 2015, and 2014

This discussion and analysis of the State of Delaware 403(b) Plan's (the "Plan") financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2016, 2015, and 2014. Please read this section in conjunction with the Plan's financial statements, which follow this section.

#### Financial Highlights

- Fiduciary net position restricted for pensions increased by approximately \$21.7 million during 2016 from \$339.2 million at December 31, 2015 to \$360.9 million at December 31, 2016. This increase was primarily due to income into the Plan being greater than distributions made to participants during 2016. Fiduciary net position restricted for pensions decreased by approximately \$3.9 million during 2015 from \$343.1 million at December 31, 2014 to \$339.2 million at December 31, 2015. This decrease was primarily due to contributions made to the Plan being less than the investment losses and distributions made to participants during 2015.
- Participant contributions were \$23.3 million, \$23.1 million, and \$22.9 million for the years ended December 31, 2016, 2015, and 2014, respectively. Changes in contributions are primarily due to fluctuations in the average contribution per participant and number of active plan participants. There were approximately 5,600, 5,500, and 5,300 active participants as of December 31, 2016, 2015, and 2014, respectively.
- Net transfers into (out of) the Plan were \$215,773, \$144,788, and (\$526,934) for the years ended December 31, 2016, 2015, and 2014, respectively. Changes in the amount of transfers into (out of) the Plan from year to year vary greatly and are the direct result of changes in the number of individuals performing these transactions.
- Net investment income increased to a \$23.4 million gain in 2016 from a \$2.1 million loss in 2015. Fluctuations in income are primarily due to changes in the funds offered by the Plan, changes in interest rates for fixed earnings investments, as well as fluctuations in the financial market from year to year.
- Benefits paid to participants were \$24.8 million, \$24.5 million, and \$27.7 million for the years ended December 31, 2016, 2015, and 2014, respectively. Fluctuations in the amount of distributions paid from year to year are primarily due to changes in the number of separated, deceased, or retired participants and beneficiaries receiving eligible distributions per year as well as the size of their account balances. There were approximately 1,000, 900, and 1,000 individuals who received a distribution from the Plan during the years ended December 31, 2016, 2015, and 2014, respectively.
- Administrative expenses were \$369,009, \$574,521, and \$814,366 for the years ended December 31, 2016, 2015, and 2014, respectively. Fluctuations in these fees are the result of different arrangements with the service providers and the number of transactions charged directly to participant accounts.

## State of Delaware 403(b) Plan

Management's Discussion and Analysis  
December 31, 2016, 2015, and 2014

### Overview of the Financial Statements

This financial report consists of the statements of fiduciary net position and the statements of changes in fiduciary net position. These statements provide information about the financial position and activities of the Plan as a whole. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The following analysis focuses on fiduciary net position restricted for pensions (Table 1) and changes in fiduciary net position (Table 2):

**Table 1**  
**Fiduciary Net Position Restricted for Pensions**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Investments	\$ 360,136,348	\$ 338,287,572	\$ 342,120,017
Notes Receivable from Participants	785,881	876,067	930,730
 Fiduciary Net Position Restricted for Pensions	 <u>\$ 360,922,229</u>	 <u>\$ 339,163,639</u>	 <u>\$ 343,050,747</u>

**Table 2**  
**Changes in Fiduciary Net Position**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Additions			
Participant and Rollover Contributions	\$ 23,274,358	\$ 23,107,339	\$ 22,933,815
Net Transfers into (out of) Plan	215,773	144,788	(526,934)
Net Investment Income (Loss)	23,426,677	(2,095,509)	19,194,152
Interest Income on Notes Receivable from Participants	2,623	4,499	9,373
Deductions			
Benefits Paid to Participants	24,791,832	24,473,704	27,712,116
Administrative Expenses	369,009	574,521	814,366
 Change in Fiduciary Net Position	 <u>\$ 21,758,590</u>	 <u>\$ (3,887,108)</u>	 <u>\$ 13,083,924</u>

### Financial Contact

The Plan's financial statements are designed to present users with a general overview of the Plan's finances and to demonstrate the trustee's accountability. If you have questions about the report or need additional financial information, contact the Director of Contributions and Plan Management of the State of Delaware 403(b) Plan at 820 Silver Lake Boulevard, Dover, Delaware 19904-2464.

**State of Delaware 403(b) Plan**

Statements of Fiduciary Net Position  
December 31, 2016 and 2015

	<u>2016</u>	<u>2015*</u>
<b>Assets</b>		
Investments, at Fair Value	\$ 285,925,484	\$ 268,318,508
Investments, at Contract Value	74,210,864	69,969,064
Total Investments	<u>360,136,348</u>	<u>338,287,572</u>
Notes Receivable from Participants	<u>785,881</u>	<u>876,067</u>
Total Assets	360,922,229	339,163,639
<b>Liabilities</b>	<u>-</u>	<u>-</u>
Fiduciary Net Position Restricted for Pensions	<u>\$ 360,922,229</u>	<u>\$ 339,163,639</u>

\* Reclassified for comparative purposes.

The accompanying notes are an integral part of the financial statements



**State of Delaware 403(b) Plan**

Statements of Changes in Fiduciary Net Position  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Additions</b>		
Investment Income (Loss)		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 20,750,034	\$ (5,577,242)
Interest and Dividends	<u>2,676,643</u>	<u>3,481,733</u>
Net Investment Income (Loss)	<u>23,426,677</u>	<u>(2,095,509)</u>
Interest Income on Notes Receivable from Participants	<u>2,623</u>	<u>4,499</u>
Contributions		
Participant	21,581,746	21,600,179
Rollovers	<u>1,692,612</u>	<u>1,507,160</u>
Total Contributions	<u>23,274,358</u>	<u>23,107,339</u>
Total Additions	<u>46,703,658</u>	<u>21,016,329</u>
<b>Deductions</b>		
Benefits Paid to Participants	24,791,832	24,473,704
Administrative Expenses	<u>369,009</u>	<u>574,521</u>
Total Deductions	<u>25,160,841</u>	<u>25,048,225</u>
Net Transfers into (out of) Plan	<u>215,773</u>	<u>144,788</u>
Net Increase (Decrease)	21,758,590	(3,887,108)
<b>Net Position</b>		
Beginning of Year	<u>339,163,639</u>	<u>343,050,747</u>
End of Year	<u><u>\$ 360,922,229</u></u>	<u><u>\$ 339,163,639</u></u>

The accompanying notes are an integral part of the financial statements

## State of Delaware 403(b) Plan

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Notes to the Financial Statements  
December 31, 2016 and 2015

### 1. Description of the Plan

The following description of the State of Delaware 403(b) Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions. Participants may also find more information at <http://treasurer.delaware.gov/deferred-compensation-plans/>.

#### General

Delaware Code Title 29, Part V, Chapter 60A ("Code") sets forth the requirements for deferred compensation programs for public officers and employees of the State of Delaware (the "State"). The purpose of Chapter 60A is to create a vehicle through which all employees of the State may, on a voluntary basis, provide for additional retirement income security. The Code gives authority to the Plans Management Board (previously the Deferred Compensation Council), which is responsible for oversight of the Plan. The Plans Management Board has charged the Office of the State Treasurer (the "OST") with daily administration. The State of Delaware General Assembly may amend the Code at any time. The Plans Management Board may modify the Plan pursuant to authority provided under the Code.

A written plan document was made effective January 1, 2009 by the State Treasurer on behalf of the State of Delaware. The form of the Plan as written and administered is to be in compliance with Section 403(b) of the Internal Revenue Code ("IRC").

The Plan is a defined contribution plan covering each individual, whether hired, appointed or elected, who is a common law employee of the State of Delaware performing services for the State of Delaware for either 1) a school or 2) the State of Delaware Department of Education.

#### Contributions

Each year, participants may contribute up to 100% of pretax annual compensation, as defined by the plan document, up to the maximum limits of the IRC. Participants may designate all or a portion of their deferral contributions as after-tax contributions into a Roth account. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans (rollover). The State does not make any contributions to the Plan.

Participants direct the investment of all contributions into various investment options offered by the Plan. Contributions are subject to certain limitations.

#### Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of plan earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings, specific transactions, or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Employees electing to participate in the Plan may contribute to any of the following options:

- Until September 14, 2016, various fixed and variable earnings investment options administered by the 13 vendors approved by the State of Delaware.

## **State of Delaware 403(b) Plan**

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Notes to the Financial Statements  
December 31, 2016 and 2015

### **1. Description of the Plan - Continued**

#### **Participant Accounts - Continued**

- Effective September 14, 2016, a group annuity contract offering administered by Voya Retirement Insurance and Annuity Company, a pooled separate account, various publicly traded mutual funds, and a self-directed brokerage account.

#### **Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon.

#### **Notes Receivable from Participants**

Prior to 2009, participants could borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The notes were secured by the balance in the participant's account. Interest rates were commensurate with local prevailing rates. Principal and interest are paid directly to the provider by the participant. Terms ranged from one to five years or greater for the purchase of a primary residence. Effective January 1, 2009, loans were no longer permitted.

The Plan was amended January 1, 2015 to grandfather certain loans that were identified by the State that were processed by certain vendors during the period January 1, 2009 through December 31, 2014.

#### **Payment of Benefits**

Upon termination of service due to death, disability, retirement, or other reasons, a participant will receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, periodic payments, or an annuity. In addition, the Plan allows for hardship distributions if certain criteria are met.

A participant may elect, at such time as he or she is otherwise entitled to a distribution (other than on account of an unforeseeable emergency), to transfer part or all of the account to purchase service credit under a defined benefit plan maintained by the State that permits the acceptance of such plan-to-plan transfers.

### **2. Summary of Significant Accounting Policies**

#### **Financial Statement Presentation and Basis of Accounting**

The Governmental Accounting Standards Board (GASB) issues regulatory guidance defining generally accepted accounting principles for state and local governments in the United States. The accompanying financial statements of the Plan have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) as prescribed by GASB. Any reference to U.S. GAAP in the financial statements and the related disclosures refers to standards established by GASB.

The financial statements of the Plan are prepared on the accrual basis of accounting using the economic resources measurement focus.

## **State of Delaware 403(b) Plan**

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Notes to the Financial Statements  
December 31, 2016 and 2015

### **2. Summary of Significant Accounting Policies - Continued**

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

#### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

Fixed account investments are valued at the contract value of the owner's account. The contract owner's account equals the sum of contributions, plus guaranteed interest credited, minus withdrawals and fees. Stability of principal is the primary investment objective. The contract guarantees minimum rates of interest and may credit interest that exceeds the guaranteed minimum rates.

The TIAA Real Estate Account's value is principally derived from the market value of the underlying real estate holdings or other real-estate-related investments. Real estate holdings are valued principally utilizing external appraisals, which are estimates of property values based on a professional's opinion.

Variable earnings investments in publicly traded mutual funds are presented at fair value based on published daily net asset value.

Participants pay fixed premiums for the life of the policy based on the policy's coverage. New York Life applies part of the premium to the policy and invests the other portion, which builds up cash value. The value of the whole life insurance policy is the guaranteed value that grows according to the formula determined by New York Life within the contract.

Purchases and sales of securities are recorded on a trade-date basis.

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the gains and losses on investments bought and sold as well as held during the year.

#### **Notes Receivable from Participants**

Effective January 1, 2009 the Plan no longer allows loans to participants. Effective January 1, 2015 the Plan was amended to grandfather certain loans that were identified by the State that were processed by certain vendors during the period January 1, 2009 through December 31, 2014. Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable are recorded as distributions based upon the terms of the plan document. Certain vendors issue a Form 1099-R for loans that are deemed to be in default, but if the loan is collateralized the vendors do not offset the deemed distributed loan balance against the participant account until the participant takes a full distribution. This accounting treatment does not result in a material misstatement of the financial statements. Related fees are recorded as administrative expenses and are expensed when they are incurred. Interest income is recorded on the accrual basis. No allowance for credit losses has been recorded as of December 31, 2016 and 2015.

## **State of Delaware 403(b) Plan**

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Notes to the Financial Statements  
December 31, 2016 and 2015

### **2. Summary of Significant Accounting Policies - Continued**

#### **Administration of Plan Assets**

Until July 1, 2016, the State of Delaware's Deferred Compensation Council ("Council") was responsible for the administration of the State's 403(b) Plan. Effective July 1, 2016, Delaware House of Representatives Bill Number 358 amended Delaware Code Title 29 to consolidate the governing boards of the Deferred Compensation Plan, the Achieving a Better Life Experience ("ABLE") Program, and the Delaware College Investment Plan to one common board - the Plans Management Board. The daily operations of the Plan are administered by Delaware's Office of the State Treasurer.

On May 3, 2016, the State Treasurer acting on behalf of the Deferred Compensation Council executed a Master Directed Trust agreement with Voya Institutional Trust Company (Voya) as trustee of the assets.

Effective September 14, 2016, all assets with Fidelity Investments were transferred to Voya Retirement Insurance and Annuity Company ("Voya"). All other assets remained with the respective providers unless the participant chose to transfer his or her assets to Voya.

The Plan's assets are administered under contracts with the custodians and trustees of the Plan. The custodians and trustees invest funds received from contributions, investment sales, interest, and dividend income and make distribution payments to participants. Certain administrative expenses of maintaining the Plan are paid by the State.

Participants may select a self-directed brokerage account through TD Ameritrade, through the Voya platform, or previously through Fidelity Brokeragelink.

#### **Payment of Benefits**

Benefits are recorded when paid.

#### **Administrative Expenses**

Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the state. Expenses paid by the State are excluded from these financial statements. Costs associated with participant-initiated transactions are paid by the respective participants' accounts. Some administrative expenses are paid from the Plan.

Voya charges the Plan a .08% asset-based fee. The OST charges the Plan a .05% oversight fee for certain administrative functions that it performs. These fees from participant accounts are deposited in a Plan Expense Reimbursement Account and are used to pay consulting, legal, accounting, OST administrative, and other fees. The .05% oversight fee is reviewed periodically by the OST and may be adjusted based on actual expense results.

#### **Subsequent Events**

The Plan has evaluated subsequent events for recognition or disclosure through the date the financial statements were available to be issued.

Effective January 1, 2017, the Plan was amended and restated by the Plans Management Board to allow for Roth rollovers and make certain updates to conform to various federal law changes.

## State of Delaware 403(b) Plan

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Notes to the Financial Statements  
December 31, 2016 and 2015

### 2. Summary of Significant Accounting Policies - Continued

#### Accounting Changes

GASB Statement No. 72, *Fair Value Measurements and Application*, which was adopted during the year ended December 31, 2016 addresses accounting and reporting issues related to fair value measurements. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

### 3. Related-Party Transactions

Two State of Delaware employees are required to serve on the Deferred Compensation Council/Plans Management Board. One State employee representative must be eligible to participate in the Plan.

Certain investments of the Plan are managed by the custodians and trustees and, therefore, these transactions qualify as party-in-interest transactions. Additionally, the plan assets include loans to participants, which are secured by the participant's account balances. These transactions qualify as party-in-interest transactions.

The Plan participated in a Revenue Credit Program with Fidelity Management Trust Company, in which funds could be used to offset administrative expenses or be allocated to participants. Per the agreement with Fidelity, \$550,000 would be allocated for the 2015 plan year on a proportional basis between the State of Delaware 403(b) Plan, State of Delaware Deferred Compensation Plan, and the State of Delaware Match Plan. Per the agreement with Fidelity, \$625,000 would be allocated for the 2016 plan year on a proportional basis. However, since the State terminated the contract with Fidelity and moved assets to Voya, only one partial quarter relating to the 2016 Fidelity agreement was allocated to Voya.

On May 3, 2016, the State entered into a custodial agreement with Voya Institutional Trust Company. As part of this agreement, Voya has set up a Plan Expense Reimbursement Account (PERA) to accumulate amounts equal to fund revenue sharing and asset-based fees, including an administrative service fee, and pay reasonable plan expenses. During 2016, the 403(b) Plan was allocated \$33,142, of which \$33,107 was used to pay plan expenses.

Certain administrative functions of the Plan are performed by officers or employees of the State. No such officer or employee receives compensation from the Plan.

### 4. Plan Termination

Although it has not expressed any intent to do so, the State of Delaware General Assembly may amend the Code to terminate the Plan. The Plans Management Board, through the authority given to it by the Code, has the right at any time to terminate the Plan. As described in Note 1 in the General section, the Plans Management Board has charged the OST with daily administration and to carry out resolutions of the Plans Management Board.

## State of Delaware 403(b) Plan

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Notes to the Financial Statements  
December 31, 2016 and 2015

### 5. Tax Status

In the opinion of legal counsel, the Plan has been designed to comply with Section 403(b) of the IRC and the regulations promulgated thereunder. Since the Plan is individually designed, it is not currently eligible to receive a determination letter from the Internal Revenue Service. The Plan is required to operate in conformity with the IRC and the regulations to maintain the tax deferred status of the participant deferrals under Section 403(b). Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred are includable in the gross income of the participant only for the taxable year in which such compensation or other income is paid to the participant or the participant's beneficiary. The plan administrator believes the Plan is operating in accordance with the applicable requirements of Section 403(b) of the IRC and therefore believes that the benefits are tax deferred and the related custodial accounts are not subject to income tax until distributed to the participants or their beneficiaries.

### 6. Risks and Uncertainties

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 associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net position.

Credit risk is the risk that the Plan will lose money because of the default of the security of the issuer or investment counterparty. The stable value option and the variable earnings mutual funds are unrated.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are held in custody by Voya Institutional Trust Company and TD Ameritrade self-directed brokerage account. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. The investments that exceed 5 percent are identified in Note 9.

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. Investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment. The Plan invests in mutual funds, including debt-based mutual funds. Such funds are subject to interest rate risk; funds holding bonds with longer maturities are more subject to this risk than funds holding bonds with shorter maturities.

Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of investments in foreign securities. The Plan does not have any direct investment in foreign securities. The Plan's exposure to foreign currency risk derives from its investment in mutual funds with international holdings. The fair value of these investments was \$30,267,350 and \$31,881,942 as of December 31, 2016 and 2015, respectively. The individual funds are identified in Note 9.

## State of Delaware 403(b) Plan

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Notes to the Financial Statements  
December 31, 2016 and 2015

### 7. Plan Amendments

Effective January 1, 2017, the Plan was amended and restated to allow for Roth rollovers and to conform to various federal law changes.

### 8. Reclassifications

Certain 2015 amounts have been reclassified to conform with 2016 classifications.

### 9. Investments

Delaware Code Title 29 Section 6057 outlines the types of allowable investments of the Plan. The Deferred Compensation Council/Plans Management Board has overall responsibility for ensuring the assets of the Plan are in compliance with all applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies. These investments include the following:

1. Savings accounts in federally insured banking institutions.
2. United States government bonds or debt instruments.
3. Life insurance and annuity contracts, provided the companies offering such contracts are subject to regulation by the Insurance Commissioner of the State.
4. Investment funds registered under the Investment Company Act of 1940.
5. Securities that are traded on the New York Exchange National Association of Securities Dealers Automated Quotations ("NASDAQ") and American Stock Exchange.

The Plans Management Board has overall responsibility for ensuring the assets of the Plan are in compliance with applicable laws governing the operation of the Plan and establishing the related investment guidelines and policies.

Effective September 5, 2018, the Plans Management Board approved an Investment Policy Statement to guide decision-making related to the selection, monitoring and removal of investment options and other matters.

### Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.



## State of Delaware 403(b) Plan

Notes to the Financial Statements  
December 31, 2016 and 2015

### 9. Investments - Continued

#### Fair Value Measurements - Continued

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The Plan has the following fair value measurement as of December 31, 2016 and 2015:

	2016			
	December 31, 2016	Level 1	Level 2	Level 3
Interest-Bearing Cash	\$ 1,630,551	\$ 1,630,551	\$ -	\$ -
Registered Investment Companies	88,461,177	88,461,177	-	-
Variable Annuity Contracts	194,648,075	-	194,648,075	-
Whole Life Insurance Policies	522,633	-	-	522,633
Pooled Separate Accounts	168,562	-	168,562	-
Self-Directed Brokerage Accounts	494,486	494,486	-	-
Total Investments, at Fair Value	<u>\$ 285,925,484</u>	<u>\$ 90,586,214</u>	<u>\$ 194,816,637</u>	<u>\$ 522,633</u>
	2015			
	December 31, 2015	Level 1	Level 2	Level 3
Interest-Bearing Cash	\$ 2,150,444	\$ 2,150,444	\$ -	\$ -
Registered Investment Companies	77,341,187	77,341,187	-	-
Variable Annuity Contracts	188,352,430	-	188,352,430	-
Whole Life Insurance Policies	474,447	-	-	474,447
Total Investments, at Fair Value	<u>\$ 268,318,508</u>	<u>\$ 79,491,631</u>	<u>\$ 188,352,430</u>	<u>\$ 474,447</u>

There were no significant transfers between levels 1 and 2 and no transfers in or out of level 3 for the years ended December 31, 2016 and 2015. The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31:

	2016
Balance - Beginning of Year	<u>\$ 474,447</u>
Interest Income	<u>2,698</u>
Purchases, Issuances, Sales, and Settlements	
Contributions, Rollovers, and Transfers In	45,488
Withdrawals, Distributions, Settlements, and Transfers Out	<u>-</u>
Total Purchases, Issuances, Sales, and Settlements, Net	<u>45,488</u>
Balance - End of Year	<u>\$ 522,633</u>

## **State of Delaware 403(b) Plan**

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Notes to the Financial Statements  
December 31, 2016 and 2015

### **9. Investments - Continued**

#### **Investments at Contract Value**

The Plan holds investment contracts with the various vendors approved by the State of Delaware. The vendors maintain the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The investment contracts are presented on the face of the statements of fiduciary net position at contract value. Contract value, as reported by the vendors, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value.

The contract value of the investment contract as of December 31, 2016 and 2015, was \$74,210,864 and \$69,969,064, respectively. The investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting interest rate is based on a formula established by the contract issuer.

Certain events limit the Plan's ability to transact at contract value with the issuer. Such events include the following: (a) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (b) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (c) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (d) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA.

Furthermore, certain events would allow the issuer to terminate the contract with the Plan and settle at an amount different from contract value. Examples of such events include (a) an uncured breach of the Plan's investment guidelines, (b) a material amendment to the contract without the issuer's consent, (c) a violation of a material obligation under the contract, or (d) a material misrepresentation.

The State does not believe that any events that would limit the Plan's ability to transact at contract value with the plan participants or the issuer are probable.

#### **Value of Investments**

The Plan's investments (including gains and losses on investments bought, sold, as well as held during the year) appreciated (depreciated) in value by \$20,750,034 and (\$5,577,242) during 2016 and 2015, respectively.

The value of investments held by the Plan at December 31, 2016 and 2015 were as follows. Investments marked with an asterisk (\*) represent individual investment options that exceed 5% of fiduciary net position as of December 31, 2016 or 2015. Investments marked with two asterisks (\*\*) represent international funds.

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Fixed Earnings Investments:</b>		
Alternate Fixed Account	\$ 24,165	\$ 23,927
American Century Prime Money Market (Security Benefit)	-	153,825
AUL Fixed Account	25,890	25,633
AXA Guaranteed Interest Account	15,132,393	14,916,784
BlackRock Money Market Portfolio - Class A	-	1,068
Dreyfus General Money Market (Security Benefit)	-	39,139
EQ/Money Market	61,938	101,999
Fidelity Cash Reserve	-	722,922
Fidelity Government Money Market	-	71,097
Fidelity Government Money Market Premium	-	40,763
Fidelity Money Market	-	240,553
Fidelity Money Market Premium	-	318,853
Fidelity Retirement Government Money Market	-	56,580
Fidelity US Treasury Money Market	-	19,192
FMMT Retirement Government Money Market II	-	164,789
Great American Equity Index - Flex	30,111	28,433
Great American Flex 6	983,215	935,125
Great American Flex Max	166,364	153,197
Great American FlexMax 11	29,158	9,672
Great American FlexMax 14	42,166	41,282
Hartford General Account	194,649	121,589
Horace Mann 10 Year Guaranteed Period Account	219,388	188,511
Horace Mann 5 Year Guaranteed Period Account	61,735	62,965
Horace Mann 7 Year Guaranteed Period Account	24,590	24,095
Horace Mann Fixed Account	15,029,152	14,947,886
Invesco Government Money Market (Security Benefit)	290,066	-
JPMorgan US Government Money Market (Security Benefit)	183,835	-
Lincoln Financial Stable Value	754,051	710,568
MetLife Fixed Account	13,728,064	12,271,407
MetLife Fixed Rider	2,886,539	2,798,844
MetLife Fund 16B	123,316	128,361
MetLife Fund 16C	44,677	47,486
MetLife Fund 16D	106,886	109,040
MetLife T Flex	3,903,121	3,939,405
New York Life Fixed Annuities	830,923	724,419
NVIT Money Market (Security Benefit)	11,996	11,800
Preference FP	79,551	82,941
Prime Cash Obligations Fund R (Kades Margolis)	10	10
QPA Series III	3,559,351	3,692,638

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Fixed Earnings Investments - Continued:</b>		
QPA Series III Plus	\$ 514,609	\$ 514,830
Resource B Fidelity VIP Money Market - II	906	948
Security Benefit Fixed Account	3,333,107	2,249,309
Spinnaker Fixed Annuity Account	510,905	511,484
Spinnaker Plus Fixed Annuity Account	47,852	54,317
VALIC Fixed Account Plus	8,039,534	7,497,241
VALIC Fixed Income (Kades Margolis)	229,308	14,521
VALIC Money Market I Fund	165,775	55,196
VALIC Money Market II Fund	3,041	485
VALIC Short Term Fixed	114,585	158,314
Vanguard Federal Money Market	806,239	-
Voya Fixed Account	2,652,390	2,650,509
Voya Fixed Plus Account	309,644	312,690
Voya Fixed Plus Account III	479,475	-
Voya Guaranteed Accumulation Account	-	21,641
Voya Money Market Portfolio - Class I	106,745	151,225
Total Fixed Earnings Investments	<u>75,841,415</u>	<u>72,119,508</u>
<b>Variable Earnings Investments:</b>		
AXA		
All Asset Aggressive Alt 25	16,126	7,663
All Asset Growth Alt 15	13,492	7,854
All Asset Growth Alt 20	148,719	131,831
American Century VP Mid Cap Value	57,510	48,113
American Funds Insurance Series Bond	9,729	6,872
AXA Aggressive Allocation	896,903	793,546
AXA Balanced Strategy	5,814	4,028
AXA Conservative Allocation	5,474	9,539
AXA Conservative Growth Strategy	6,104	3,832
AXA Conservative Strategy	459	359
AXA Conservative-Plus Allocation	173,274	165,488
AXA Franklin Balanced Managed	356,238	377,890
AXA Franklin Templeton Allocation Managed Volatility	4,948	4,580
AXA Global Equity Managed Volatility	1,840,534	1,980,627 **
AXA International Core Managed Volatility	610,784	636,777 **
AXA International Managed Volatility	12,233	17,713 **
AXA International Value Managed Volatility	1,333,212	1,481,834 **
AXA Large Cap Core Managed Volatility	129,568	146,723
AXA Large Cap Growth Managed Volatility	1,649,004	1,655,477
AXA Large Cap Value Managed Volatility	2,825,212	2,770,956

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
AXA - Continued		
AXA Loomis Sayles Growth	\$ 218,843	\$ 216,148
AXA Mid Cap Value Managed Volatility	2,555,856	2,472,319
AXA Moderate Allocation	1,534,927	1,448,205
AXA Moderate Growth Strategy	8,385	4,506
AXA Moderate-Plus Allocation	1,004,145	959,668
AXA Tactical Manager 2000	1,553	2,133
AXA Tactical Manager 400	19,172	29,787
AXA Tactical Manager 500	28,157	25,995
AXA Templeton Global Equity Managed	883,427	1,055,710 **
Charter Multi-Sector Bond	121,301	122,346
Charter Small Cap Growth	160,290	152,300
Charter Small Cap Value	660,341	576,147
EQ/AllianceBernstein Small Cap	1,536,175	1,471,486
EQ/AXA Franklin Small Cap Value Managed Volatility	600,626	550,405
EQ/AXA Mutual Shares Managed Volatility	552,295	624,305
EQ/BlackRock Basic Value Equity	2,260,860	1,997,553
EQ/Boston Advisors Equity Income	142,737	133,684
EQ/Calvert Socially Responsible	33,057	59,413
EQ/Capital Guardian Research	2,588,931	2,768,086
EQ/Com Stock Index	2,013,125	1,978,727
EQ/Core Bond Index	484,552	506,421
EQ/Emerging Markets Equity Plus	2,549	2,604
EQ/Equity 500 Index	837,296	746,073
EQ/GAMCO Mergers & Acquisition	102,738	112,122
EQ/GAMCO Small Company Value	2,077,994	1,733,722
EQ/Global Bond Plus	61,249	80,167 **
EQ/High Yield Bond	227	267
EQ/JPMorgan Value Opportunities	540,523	507,388
EQ/Large Cap Growth Index	505,975	488,381
EQ/Large Cap Value Index	435,239	361,009
EQ/Intermediate Government Bond	371,662	420,043
EQ/International Equity Index	700,793	714,795 **
EQ/Invesco Comstock	221,113	188,172
EQ/MFS International Growth	231,148	227,621 **
EQ/Mid Cap Index	1,440,491	1,257,711
EQ/Morgan Stanley Mid Cap Growth	410,878	496,897
EQ/Oppenheimer Global	321,282	331,496 **
EQ/PIMCO Global Real Return	3,829	3,116 **
EQ/PIMCO Ultra Short Bond	199,286	239,878

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
AXA - Continued		
EQ/Quality Bond Plus	\$ 481,741	\$ 522,345
EQ/Small Company Index	463,138	445,231
EQ/T. Rowe Price Growth Stock	1,945,202	2,194,741
EQ/UBS Growth and Income	87,393	76,605
EQ/Wells Fargo Omega Growth	320,768	343,684
Fidelity VIP Contrafund	915,628	795,854
Fidelity VIP Equity Income	25,208	19,851
Fidelity VIP Mid Cap	147,613	-
Goldman Sachs VIT Mid Cap Value	102,644	63,927
Invesco V.I. Diversified Dividend	6,032	4,843
Invesco V.I. Global Real Estate	52,676	35,516 **
Invesco V.I. High Yield	33,180	31,311
Invesco V.I. International Growth	211,663	208,403 **
Invesco V.I. Mid Cap Core Equity	14,249	12,582
Invesco V.I. Small Cap Equity	18,512	16,029
Ivy Funds VIP Energy	44,621	23,134
Ivy Funds VIP High Income	189,683	177,592
Ivy Funds VIP Mid Cap Growth	454,720	441,035
Ivy Funds VIP Small Cap Growth	21,456	36,109
Lazard Retirement Emerging Markets Equity	237,026	178,397
MFS International Value	789,672	736,338 **
MFS Investors Growth Stock	17,820	14,215
MFS Investors Trust	63,685	60,175
MFS Technology	250,705	272,053
MFS Utilities	46,036	36,836
MSCI EAFE 1yr - 10% Buffer	1,152	-
Multimanager Aggressive Equity	328,307	374,450
Multimanager Core Bond	262,869	258,657
Multimanager Mid Cap Growth	75,694	74,032
Multimanager Mid Cap Value	40,844	35,019
Multi-Manager Small Cap Value	-	127,727
Multimanager Technology	1,019,020	1,079,817
Oppenheimer Main Street Fund NA	844	606
PIMCO VIT Commodity Real Return Strategy	4,838	3,610
Russell 2000 1yr - 10% Buffer	1,967	149
Russell 2000 3yr - 20% Buffer	9,680	9,033
S&P 500 Index 1yr - 10% Buffer	83,378	72,124
S&P 500 Index 3yr - 20% Buffer	30,888	28,816

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
AXA - Continued		
S&P 500 Index 5yr - 20% Buffer	\$ 16,548	\$ 14,324
Target 2015 Allocation	8,646	7,419
Target 2025 Allocation	6,317	4,800
Target 2035 Allocation	11,270	9,358
Target 2045 Allocation	10,809	19,157
Templeton Global Bond	100,878	93,278 **
Van ECK VIP Global Hard Assets	8,613	4,515 **
Total Variable Earnings Investments at AXA	44,931,997	44,282,205
Voya		
American Funds EuroPacific Growth Fund - Class R-4	12,892	12,974 **
American Funds Fundamental Investors SM - Class R-4	-	16,090
American Funds The Growth Fund of America - Class R-4	38,475	50,112
American Funds Washington Mutual Investors Fund - Class R-4	298	266
Ariel Fund - Investor Class	10,771	9,437
Delaware Small Cap Value Fund - A	11,277	8,715
Fidelity VIP Contrafund Portfolio - Initial Class	56,846	74,233
Fidelity VIP Equity-Income Portfolio - Initial Class	35,396	36,317
Fidelity VIP Growth Portfolio - Initial Class	19,655	21,317
Oppenheimer Developing Markets Fund - A	9,937	21,923
Pioneer Emerging Markets VCT Portfolio - Class I	-	2,882 **
Templeton Global Bond Fund - A	3,460	4,520 **
Voya Balanced Portfolio - Class I	80,566	76,033
Voya Baron Growth Portfolio - Service Class	5,778	5,336
Voya Columbia Contrarian Core Portfolio - Service Class	23,744	23,794
Voya Global Bond Portfolio - Initial Class	-	1,170 **
Voya Global Equity Portfolio	1,333	- **
Voya Global Value Advantage Port I	-	2,357 **
Voya Growth and Income Portfolio - Class I	744,153	723,533
Voya Index Plus Large Cap Portfolio - Class I	6,105	5,606
Voya Index Plus Mid Cap Portfolio - Class I	4,511	3,866
Voya Index Plus Small Cap Portfolio - Class I	4,337	3,449
Voya Index Solution 2025 Portfolio - Service Class	82,544	81,621
Voya Index Solution 2035 Portfolio - Service Class	101,177	136,088
Voya Index Solution 2045 Portfolio - Service Class	60,702	105,036
Voya Index Solution 2055 Portfolio - Service Class	60,255	112,701
Voya Index Solution Income Portfolio - Service Class	186,614	172,547
Voya Intermediate Bond Portfolio - Class I	39,264	54,093

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Voya - Continued		
Voya Invesco Growth and Income Portfolio - Service Class	\$ 4,875	\$ 4,119
Voya JPMorgan Emerging Markets Equity Portfolio - Service Class	1,628	1,475 **
Voya JPMorgan Mid Cap Value Portfolio - Service Class	-	2,074
Voya Large Cap Growth Portfolio - Institutional Class	3,392	3,303
Voya Large Cap Value Portfolio - Institutional Class	67,984	67,460
Voya Oppenheimer Global Portfolio - Initial Class	23,323	38,650 **
Voya Pioneer High Yield Portfolio - Initial Class	-	11,907
Voya Russell Large Cap Value Index Portfolio - Class S	37,821	35,632
Voya Solution 2025 Portfolio - Service Class	155,485	150,139
Voya Solution 2035 Portfolio - Service Class	296,113	233,485
Voya Solution 2045 Portfolio - Service Class	94,878	79,726
Voya Solution Income Portfolio - Service Class	527,455	472,221
Voya T. Rowe Price Capital Appreciation Portfolio - Service Class	14,516	14,257
Voya T. Rowe Price Diversified Mid Cap Growth - Initial Class	4,105	3,687
Voya T. Rowe Price Growth Equity Portfolio - Initial Class	6,268	8,213
Voya Templeton Foreign Equity Portfolio - Initial Class	-	1,979 **
Wanger Select	9,517	8,097
Wanger USA	2,567	2,288
Wells Fargo Adv Special Small Cap Value Fund - Class A	2,016	4,503
Total Variable Earnings Investments at Voya	2,852,033	2,909,231
Lincoln Financial		
AllnzGI NFJ Small Cap Value Fund - Class R	42,698	33,578
American Funds EuroPacific Growth Fund - Class R-3	137,175	113,556 **
American Funds The Growth Fund of America - Class R-3	159,032	135,452
AMG Managers Cadence Mid Cap - Class N	25,520	17,196
Baron Growth Fund - Retail Shares	44,298	45,808
Dreyfus Bond Market Index Fund - Investor Shares	92,336	77,102
Dreyfus S&P 500 Index Fund	33,373	26,669
Eaton Vance Large Cap Value Fund - Class A	144,356	101,134
Invesco Mid Cap Core Equity Fund - Class A	37,310	33,757
Janus Henderson Balanced Fund - Class S	138,835	125,688
Janus Henderson Mid Cap Value Fund - Class S	45,027	30,675
JPMorgan Small Cap Equity Fund - Class A	40,264	39,400
PIMCO Total Return Fund Class - R	115,782	96,364
Pioneer Fund - Class R	49,614	50,393
Total Variable Earnings Investments at Lincoln Financial	1,105,620	926,772



**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Lincoln Investments		
Alger Capital Appreciation Fund - A	\$ 22,535	\$ 18,507
Alger Growth & Income Fund - A	1,473	704
Alger Spectra Fund - A	6,099	-
AllianceBernstein Global Bond Fund - A	-	7,258 **
AllianceBernstein International Growth Fund - A	4,150	4,092 **
American Century Heritage Fund - A	18,985	17,265
American Funds AMCAP Fund - A	19,523	16,238
American Funds AMCAP Fund - F1	11,906	8,299
American Funds American Balanced Fund - A	1,474	1,049
American Funds American Balanced Fund - F1	1,271	1,192
American Funds Capital World Growth and Income Fund - A	9,300	8,265 **
American Funds Capital World Growth and Income Fund - F1	53,410	52,567 **
American Funds EuroPacific Growth Fund - A	573	590 **
American Funds EuroPacific Growth Fund - F1	10,279	15,019 **
American Funds Fundamental Investors Fund - A	70,729	62,237
American Funds Growth Fund of America - A	1,659	980
American Funds Growth Fund of America - F1	15,348	13,494
American Funds Investment Company of America - A	10,899	6,607
American Funds Investment Company of America - B	1,032	3,857
American Funds Investment Company of America - F1	12,828	10,478
American Funds New Perspective Fund	2,354	1,787
American Funds New World Fund - F1	131	126
American Funds Small Cap World Fund	2,375	1,724
American Funds Washington Mutual Investors - A	65,954	57,517
AMG Yacktman Focused Fund	-	10,889
Artisan High Income Fund - Inv	2,683	-
BlackRock Equity Dividend Fund - A	46,937	48,232
BlackRock Global Allocation Fund - A	2,502	4,833 **
BlackRock Global Dividend Portfolio - A	6,697	9,113 **
BlackRock Multi Asset Income Portfolio - A	-	61,904
Calvert Bond Portfolio - A	16,630	15,777
CLS American Hybrid Strategy - Moderate Aggressive	20,863	-
Columbia Balanced Fund - A	-	7,973
Dividend Portfolios - Income (403B)	-	109,041
DoubleLine Total Return Bond Fund - N	3,066	-
DWS Small Cap Value Fund-A	142	122
Eaton Vance Global Macro Absolute Return Fund	5,014	5,786
Eaton Vance Large Cap Value Fund - A	15,452	13,559
Federated Bond Fund	-	294

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Lincoln Investments - Continued		
Federated Clover Small Value Fund	\$ 6,547	\$ 3,926
Federate International Leaders Fund	2,356	1,784 **
Federated Kaufmann Large Cap Fund - A	6,362	3,525
Federated Kaufmann Small Cap Fund - A	6,186	5,386
Federated Prime Cash Obligations Fund - AS	10,682	1,610
Fidelity Advisor Emerging Markets Fund - A	2,051	1,819 **
Fidelity Advisor Floating Rate High Income Fund	6,706	6,152
First Eagle Global Fund - A	35,786	3,259 **
First Eagle Gold Fund - A	4,462	25,172 **
Franklin Gold and Precious Metals Fund - A	192	123
Franklin Income Fund - A	73,410	215,834
Franklin Income Fund - C	-	2,204
Franklin India Growth Fund - A	11,732	11,184 **
Franklin Mutual Global Discovery Fund - A	48,258	30,921 **
Franklin Natural Resources Fund - A	918	701
Franklin Rising Dividends Fund - A	124,255	110,837
Franklin Small Cap Value Fund - A	1,600	335
Franklin Utilities Fund	7,375	3,844
Goldman Sachs Short Duration Government Fund - A	20,541	18,426
Guggenheim Mid Cap Value Fund - A	-	1,433
Invesco Asia Pacific Growth Fund - A	-	19,846 **
Invesco Balanced Risk Allocation Fund - A	13,337	4,427
Invesco Charter Fund - A	8,074	6,123
Invesco Developing Markets Fund - A	32,436	25,775 **
Invesco Diversified Dividend Fund - A	12,722	5,445
Invesco Endeavor Fund	2,185	398
Invesco Equity and Income Fund	4,246	6,829
Invesco Global Real Estate Fund - A	28,615	33,279 **
Invesco Global Real Estate Income Fund	540	514 **
Invesco Global Small & Mid Cap Growth Fund	1,439	730 **
Invesco Mid Cap Core Equity Fund - A	8,693	6,609
Invesco Small Cap Discovery Fund - A	23,299	19,014
Ivy Asset Strategy Fund - A	33,731	40,746
Ivy Energy Fund - A	977	15,398
Ivy Mid Cap Growth Fund - A	197	186
Ivy Real Estate Securities Fund - A	-	24,549
Janus Global Life Sciences Fund - A	8,285	6,884 **
Janus Triton Fund - A	60,073	43,342
John Hancock Disciplined Value Fund	6,887	3,482

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Lincoln Investments - Continued		
JPMorgan Global Multi Asset - Moderate	\$ 79,944	\$ - **
JPMorgan Global Multi Asset - Moderate Growth	70,073	- **
JPMorgan Small Cap Value Fund	2,076	1,209
JPMorgan US Equity Fund	-	878
Meeder - Master Program - Conservative	20,794	29,978
Meeder - Master Program - Moderate Growth	28,173	26,851
MFS Global Total Return Fund - A	-	3,008 **
MFS Growth Fund - A	3,753	-
Oppenheimer International Diversified Fund - A	8,795	5,317 **
Oppenheimer Real Estate Fund - A	-	-
Oppenheimer Rising Dividends Fund Inc - A	2,174	1,662
Oppenheimer Developing Markets Fund - A	55,805	58,485 **
PIMCO All Asset All Authority Fund - D	11,338	8,393
PIMCO Investment Grade Corporate Bond Fund	5,032	3,753
PIMCO Real Return Fund - D	10,559	9,225
PIMCO Total Return Fund - D	65,160	58,620
PRIMECAP Odyssey Stock Fund	2,768	-
Progressive Asset Management - Aggressive 5	-	19,019
Progressive Asset Management - Conservative 5	2,217	773
Progressive Asset Management - Moderate 12	201,294	194,704
Progressive Asset Management - Moderate 8	75,833	15,350
Progressive Asset Management - Moderate Aggressive 5	19,686	7,254
Progressive Asset Management - Moderate Aggressive 8	37,703	37,375
Progressive Asset Management - Moderate Conservative 5	-	23,658
Progressive Asset Management Moderate 5	68,385	84,102
Putman International Equity Fund - A	-	6,328 **
Putman Investors Fund - A	293	16,226
Putman US Government Income Trust Fund - A	-	7,062
Putnam Dynamic Asset Allocation Growth Fund - A	301	-
RidgeWorth Ceredex Mid Cap Value Equity Fund - A	17,183	7,588
T. Rowe Price Blue Chip Growth Fund	11,818	1,979
T. Rowe Price Growth Stock Fund	4,195	7,977
T. Rowe Price Retirement 2025 Fund - Adv	1,660	965
T. Rowe Price Target Retirement 2030 Fund - Adv	1,192	313
Templeton Emerging Markets Small Cap Fund	2,055	1,483 **
Templeton Global Bond Fund - A	-	11,455 **
Thornburg International Value Fund - A	466	479 **
Thornburg Investment Income Builder Fund - A	206	188
Vanguard Balanced Index Fund - Admiral	10,294	210

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Lincoln Investments - Continued		
Vanguard Consumer Staples Index Fund - Admiral	\$ 3,455	\$ -
Vanguard Dividend Growth Fund	13,800	9,077
Vanguard Energy Fund - Admiral	9,964	1,184
Vanguard Equity Income Fund - Admiral	1,312	1,187
Vanguard Growth and Income Fund - Admiral	3,803	3,392
Vanguard LifeStrategy Conservative Growth Fund - Inv	13,600	-
Vanguard LifeStrategy Income Fund - Inv	5,038	-
Vanguard Small Cap Growth Index Fund - Admiral	1,872	238
Vanguard STAR Fund - Inv	-	7,962
Vanguard Target Retirement Fund 2020	17,601	17,162
Vanguard Target Retirement Fund 2030	199,986	199,908
Vanguard Wellesley Income Fund - Admiral	1,115	657
Wells Fargo Adv Premier Large Company Growth	10,982	12,196
Wells Fargo Special Small Cap Value Fund - A	960	-
Wright Selected Blue Chip Equities Fund	280	-
Total Variable Earnings Investments at Lincoln Investments	2,184,421	2,214,256
MetLife		
1919 Variable Socially Responsible Balanced	83,737	87,370
American Funds Balanced Allocation	206,586	182,690
American Funds Bond Fund	1,084,139	993,298
American Funds Global Small Cap Fund	3,235,888	3,008,957 **
American Funds Growth Allocation	650,687	578,223
American Funds Growth and Income Fund	736,230	653,625
American Funds Growth Fund	5,381,014	4,982,575
American Funds Moderate Allocation	525,422	497,880
Baillie International Stock	323,842	316,228 **
Barclays Capital Aggressive Bond Index	693,265	872,855
BlackRock Bond Income	272,104	179,296
BlackRock Bond Income - Class A	13,429	13,182
BlackRock Capital Appreciation	121,853	218,043
BlackRock High Yield	194,307	190,970
BlackRock Large Cap Value	102,793	77,915
Calvert VP SRI Balanced	180,846	176,842
Clarion Global Real Estate	289,094	295,414 **
ClearBridge Aggressive II	1,135,276	1,092,774
Fidelity Contrafund - Service Class 2	243,621	286,503
Fidelity Growth	7,846	8,002
Fidelity High Income Portfolio - Initial Class	36,448	40,785

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
MetLife - Continued		
Fidelity Investment Growth Bond	\$ 6,717	\$ 6,573
Fidelity VIP Equity Income	134,478	144,502
Fidelity VIP Mid Cap Portfolio - Service Class 2	118,401	116,846
Flex Premium Adjustable Life - Universal Life	341,621	369,587
Franklin Small-Mid Cap Growth Securities	5,216	4,841
Frontier Mid Cap Growth Portfolio	1,180,649	1,251,518
Harris Oakmark International	2,989,218	2,715,464 **
Invesco Comstock Portfolio	3,886	9,500
Invesco Mid Cap Value	332,396	307,146
Invesco Small Cap Growth	362,830	114,291
Janus Aspen Series Overseas	79,439	99,778 **
Jennison Growth	493,504	544,651
JPMorgan Small Cap Value	982	762
Legg Mason ClearBridge Variable Aggressive Growth	354,953	317,056
Legg Mason ClearBridge Variable Appreciation	34,875	32,187
Legg Mason ClearBridge Variable Large Cap Growth	195,795	54,742
Legg Mason ClearBridge Variable Large Cap Value	33,167	29,268
Legg Mason ClearBridge Variable Small Cap Growth	73,703	48,954
Loomis Sayles Global Markets	503,034	323,352 **
Loomis Sayles Small Cap Growth	429,849	374,797
Lord Abbett Bond Debenture	-	401,588
Met/Artisan Mid Cap Value	258,883	206,314
Met/Franklin Low Duration Total Return	52,861	753
MetLife Asset All 100	2,114,030	2,914,899
MetLife Asset All 20	282,078	300,661
MetLife Asset All 40	1,638,460	1,656,643
MetLife Asset All 60	9,289,599	9,909,955
MetLife Asset All 80	17,253,370	17,276,109 *
MetLife Mid Cap Stock Index	350,777	185,746
MetLife Small Cap Value - B	190,853	158,027
MetLife Stock Index Portfolio	3,085,014	3,108,459
MFS Research International	186,332	176,767 **
MFS Total Return	154,717	123,522
MFS Value	495,108	410,408
Morgan Stanley Mid Cap Growth	421,628	490,638
MSCI EAFE Index	589,523	673,520
Neuberger Berman Genesis	228,275	205,986
Oppenheimer Global Equity	563,474	567,930 **
PIMCO Inflation Protected Bond	398,257	211,289
PIMCO Total Return	1,279,786	1,307,374

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
MetLife - Continued		
Pioneer Fund Portfolio	\$ -	\$ 9,081
Pioneer Strategic Income	-	5,869
Russell 2000 Index	875,929	752,163
SSgA Growth and Income ETF	868,690	853,768
SSgA Growth ETF Portfolio	705,513	873,201
Stock Index	2,882,319	2,859,047
T. Rowe Price Large Cap Growth	802,103	561,832
T. Rowe Price Large Cap Value	12,816	45,239
T. Rowe Price Mid Cap Growth	458,486	345,459
T. Rowe Price Small Cap Growth	1,038,190	887,938
Templeton Developing Markets	9,505	7,991
Templeton Foreign Securities Fund - Service Class 2	37,589	46,598
Transamerica	76,604	78,457
Western Asset Management Strategy Bond	987,805	554,426
Western Asset Management Strategy Bond Opportunities	5,890	5,697
Western Asset Management US Government	324,865	206,652
WMC Balanced Portfolio	802,653	825,216
WMC Core Equity Opportunities	300,783	350,222
WMC Large Cap Research	1,594,616	1,702,390
Total Variable Earnings Investments at MetLife	73,810,521	72,877,076
Fidelity		
Fid Asset Manager 40%	-	6,811
Fid Asset Manager 50%	-	95,680
Fid Asset Manager 60%	-	26,700
Fid Asset Manager 70%	-	72,415
Fid Asset Manager 85%	-	34,375
Fid Balanced	-	550,597
Fid Blue Chip Growth	-	825,225
Fid Blue Chip Value	-	114,641
Fid Canada	-	25,513 **
Fid Capital & Income	-	393,817
Fid Capital Appreciation	-	148,518
Fid China Region	-	52,578 **
Fid Contrafund	-	1,746,561
Fid Convertible Securities	-	45,674
Fid Corporate Bond	-	35,420
Fid Disciplined Equity	-	17,612
Fid Diversified Investment	-	347,744 **

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Fidelity - Continued		
Fid Dividend Growth	\$ -	\$ 225,822
Fid Emerging Asia	-	11,062 **
Fid Emerging Europe, Middle East, Africa (EMEA)	-	7,663
Fid Emerging Markets	-	92,366 **
Fid Emerging Markets Discovery	-	7,917 **
Fid Equity Dividend Income	-	65,854
Fid Equity Income	-	88,280
Fid Europe	-	46,104 **
Fid Export & Multinational	-	1,735
Fid Fidelity Fund	-	352,034
Fid Floating Rate High Income	-	61,688
Fid Focused High Income	-	15,492
Fid Focused Stock	-	20,755
Fid Four in One Index	-	215,124
Fid Freedom 2005	-	134,402
Fid Freedom 2010	-	583,323
Fid Freedom 2015	-	1,632,729
Fid Freedom 2020	-	4,600,230
Fid Freedom 2025	-	2,603,308
Fid Freedom 2030	-	2,139,133
Fid Freedom 2035	-	1,647,691
Fid Freedom 2040	-	1,226,409
Fid Freedom 2045	-	518,719
Fid Freedom 2050	-	394,729
Fid Freedom 2055	-	76,909
Fid Freedom 2060	-	248
Fid Freedom Income	-	319,138
Fid Global Balanced	-	87,348 **
Fid Global Bond	-	18,791 **
Fid Global Commodity Stock	-	3,705 **
Fid Global Equity Income	-	32,115 **
Fid GNMA	-	43,388
Fid Government Income	-	180,101
Fid Growth & Income	-	221,230
Fid Growth Company	-	727,963
Fid Growth Discovery	-	141,800
Fid Growth Strategy	-	62,781
Fid High Income	-	16,379
Fid Independence	-	14,497 **

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Fidelity - Continued		
Fid Intenational Cap Appreciation	\$ -	\$ 40,464 **
Fid International Bond	-	42,258 **
Fid International Discovery	-	262,653 **
Fid International Enhanced Index	-	1,855 **
Fid International Growth	-	63,076 **
Fid International Real Estate	-	6,779 **
Fid International Small Cap	-	6,349 **
Fid International Small Cap Opportunities	-	11,721 **
Fid International Value	-	6,715 **
Fid Japan	-	43,671 **
Fid Large Cap Core Enhanced Index	-	24,104
Fid Large Cap Stock	-	53,487
Fid Large Cap Value Enhanced Index	-	56,834
Fid Latin America	-	2,042 **
Fid Leveraged Company Stock	-	153,567
Fid Limited Term Bond	-	20,762
Fid Limited Term Government	-	19,869
Fid Inflation Protected Bond	-	30,190
Fid Intermediate Bond	-	120,277
Fid Intermediate Government Income	-	5,097
Fid Investment Grade Bond	-	18,265
Fid Low Priced Stock	-	523,683
Fid Magellan	-	526,721
Fid Mega Cap Stock	-	36,626
Fid Mid Cap Enhanced Index	-	3,845
Fid Mid Cap Stock	-	201,681
Fid Mid Cap Value	-	63,832
Fid NASDAQ Composite Index	-	89,536
Fid New Markets Income	-	11,720
Fid New Millenium	-	68,855
Fid OTC Portfolio	-	165,458
Fid Overseas	-	47,124 **
Fid Pacific Basin	-	45,297 **
Fid Puritan	-	252,900
Fid Real Estate Income	-	32,581
Fid Real Estate Investment	-	40,146
Fid Sel Air Transportation	-	37,993
Fid Sel Automotive	-	21,373
Fid Sel Banking	-	13,711



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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Fidelity - Continued		
Fid Sel Biotechnology	\$ -	\$ 511,489
Fid Sel Chemicals	-	193,142
Fid Sel Communicaitons Equipment	-	78
Fid Sel Computers	-	6,456
Fid Sel Construction and Housing	-	2,345
Fid Sel Consumer Staples	-	55,603
Fid Sel Defense	-	44,345
Fid Sel Electronics	-	24,056
Fid Sel Energy	-	41,714
Fid Sel Energy Services	-	3,626
Fid Sel Environment & Alternative Energy	-	8,774
Fid Sel Financial	-	36,246
Fid Sel Gold	-	127,078
Fid Sel Health Care Services	-	40,767
Fid Sel Healthcare	-	195,693
Fid Sel Industrials	-	3,338
Fid Sel Insurance	-	10,822
Fid Sel IT Services	-	55,116
Fid Sel Leisure	-	24,347
Fid Sel Materials	-	12,981
Fid Sel Medical Equipment & Systems	-	137,708
Fid Sel Natural Gas	-	3,168
Fid Sel Natural Resources	-	36,550
Fid Sel Pharmaceutical	-	148,569
Fid Sel Retailing	-	22,867
Fid Sel Software	-	43,634
Fid Sel Technology	-	64,861
Fid Sel Transport	-	25,409
Fid Sel Utilities	-	22,834
Fid Sel Wireless	-	768
Fid Short Term Bond	-	517,259
Fid Small Cap Discovery	-	156,509
Fid Small Cap Enhanced Index	-	393
Fid Small Cap Growth	-	248,955
Fid Small Cap Stock	-	14,811
Fid Small Cap Value	-	129,876
Fid Stock Sel Large Cap	-	22,401
Fid Stock Sel Mid Cap	-	48,747
Fid Stock Sel Small Cap	-	10,508
Fid Stockk Sel All Cap	-	10,567

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Fidelity - Continued		
Fid Strategic Dividend & Income	\$ -	\$ 37,005
Fid Strategic Income	-	419,139
Fid Strategic Real Return	-	101,749
Fid Telecom & Utilities	-	2,488
Fid Total Bond	-	305,929
Fid Total Emerging Markets	-	502 **
Fid Trend	-	44,828
Fid Value	-	397,190
Fid Value Strategy	-	88,245
Fid Worldwide	-	20,442 **
SPTN 500 Index Adv	-	1,160,089
SPTN Emerging Markets Index Adv	-	81,465 **
SPTN Extended Markets Index Adv	-	28,151 **
SPTN Global ex US Index Adv	-	36,103 **
SPTN Inflation Protection Index Adv	-	3,997
SPTN International Index Adv	-	200,599 **
SPTN Intermediate Treasury Index Adv	-	18,021
SPTN Long-Term Index Adv	-	45,982
SPTN Mid Cap Index Adv	-	78,971
SPTN Real Estate Index Adv	-	40,385
SPTN Short-Term Index Adv	-	58,268
SPTN Small Cap Index Adv	-	10,675
SPTN Total Market Index Adv	-	746,309
SPTN US Bond Index Adv	-	236,170
Strategic Advisers Growth Multi-Manager	-	1,543
Strategic Advisers Multi-Manager 2005	-	237
Strategic Advisers Multi-Manager 2025	-	60
Strategic Advisers Multi-Manager 2030	-	11,989
Strategic Advisers Multi-Mangaer 2040	-	11,284
Total Variable Earnings Investments at Fidelity	-	33,604,185
Hartford		
Alger Mid Cap Growth Institutional - I	13,046	73,234
Alger Capital Appreciation Institutional - I	44,065	42,825
American Century Equity Income - A	230,177	175,117
American Funds Capital World Growth and Income - R3	701,647	693,833
American Funds Fundamental Investors - R3	758,869	639,286
American Funds Growth Fund - R3	382,007	343,375
BlackRock LifePath 2020 Investors - A	66,650	136,887

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Hartford - Continued		
BlackRock LifePath 2030 Investors - A	\$ 128,314	\$ 88,094
BlackRock LifePath 2040 Investors - A	84,043	76,146
Columbia Mid Cap Opportunities Value - R3	78,525	58,927
Dreyfus Mid Cap Index - 1	72,921	56,718
Dreyfus Small Cap Stock Index - 1	56,734	43,738
Eaton Vance Large Cap Value - A	161,103	136,385
Franklin Growth - A	46,403	37,606
Franklin Mutual Shares - A	357,967	292,343
Goldman Sachs Small Cap Value - A	140,445	107,037
Invesco Equity and Income - A	264,966	244,209
Janus Overseas - S	33,916	32,854 **
Lord Abbett Value Opportunities - A	133,259	48,757
PIMCO Real Return - A	98,348	101,237
PIMCO Total Return - A	698,869	639,085
Pioneer Strategic Income - A	102,029	104,737
The Hartford Capital Appreciation - R5	577,912	557,512
The Hartford Small Company - R5	7,387	16,805
Total Variable Earnings Investments at Hartford	5,239,602	4,746,747
VALIC		
Aggressive Growth Lifestyle	406,849	304,028
Ariel Appreciation Fund	44,768	45,490
Ariel Fund	393	344
Asset Allocation Fund	42	135
Blue Chip Growth Fund	246,567	236,944
Broad Cap Value Income	416	369
Capital Conservation	24,275	20,853
Conservative Growth Lifestyle	354	-
Core Bond Fund	274,764	192,910
Core Equity Fund	127,822	113,527
Dividend Value	200,915	97,356
Dynamic Allocation Fund	147,249	143,276
Emerging Economies	532,544	437,258 **
Foreign Value	416,411	362,387 **
Global Real Estate Fund	242,738	246,979 **
Global Social Awareness Fund	118,998	115,540 **
Global Strategy	110,899	129,183 **
Government Securities Fund	9,439	17,783
Growth & Income Fund	208,080	195,310

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
VALIC - Continued		
Growth Fund	\$ 141,230	\$ 264,900
Health Sciences Fund	77	13,397
High Yield Bond Fund	186,734	84,683
Inflation Protected Fund	138,874	85,980
International Equities Index Fund	610,714	587,843 **
International Growth Fund	101,016	118,122 **
International Government Bond	34,757	48,405 **
International Opportunities	495,640	543,923 **
Invesco Balanced Risk Commodity Strategy Fund	285,971	302,424
Large Cap Core	21,627	28,305
Large Cap Value Fund	85,744	69,999
Large Capital Growth	96,629	93,051
Mid Cap Growth Fund	17,447	26,444
Mid Cap Index Fund	1,429,298	1,171,324
Mid Cap Strategic Gwth	3,939	2,230
Mid Cap Value Fund	671,713	553,183
Moderate Growth Lifestyle	42,353	29,852
NASDAQ-100 (R) Index Fund	1,601	4,384
Science & Technology Fund	364,568	352,064
Small Cap Aggressive Growth	2,824	3,380
Small Cap Fund	152,767	163,548
Small Cap Growth Fund	3,402	3,787
Small Cap Index Fund	444,339	408,440
Small Cap Special Value Fund	2,193	5,297
Small Cap Value Fund	312,306	271,817
Small Mid Growth Fund	71,303	70,097
Socially Responsible Fund	738,672	675,545
Stock Index Fund	2,781,364	2,546,797
Strategic Bond Fund	135,860	132,218
Vanguard LifeStrategy Conservative	5,016	36,706
Vanguard LifeStrategy Growth	134,347	118,080
Vanguard LifeStrategy Moderate	11,714	10,357
Vanguard Long-Term Investment-Grade Fund	19,781	25,704
Vanguard Long-Term Treasury	17,595	17,525
Vanguard Wellington Fund	536,433	500,109
Vanguard Windsor II	577,680	599,652
Total Variable Earnings Investments at VALIC	13,791,051	12,629,244

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Horace Mann		
AllianceBernstein Large Cap Growth	\$ -	\$ 238,623
AllianceBernstein Small/Mid Cap	-	6,129
AllianceBernstein VPS Small Cap Growth	-	1,673
American Century Mid Cap Value	-	479
American Funds Blue Chip Income & Growth	143,506	31,611
American Funds Insurance Series Growth	174,757	70,540
American Funds Insurance Series Managed Risk	38,016	25,345
American Funds Insurance Series New World	76,145	30,793
Ariel Appreciation Fund	-	192,637
Ariel Fund	-	101,772
Calvert S&P Mid Cap 400 Index	1,458,784	136,361
Davis Value Portfolio	-	47,571
Delaware Growth Opportunities	-	64,421
Delaware Realty	-	158,378
Dreyfus Mid Cap Stock Portfolio	-	3,649
Dreyfus Small Cap Stock Index	844,668	110,382
Fidelity Freedom 2015	1,666	707
Fidelity Freedom 2025	53,891	46,590
Fidelity Freedom 2035	5,767	1,404
Fidelity Freedom 2045	20,030	3,297
Fidelity Funds Manager 20%	26,584	-
Fidelity Funds Manager 50%	75,821	15
Fidelity Funds Manager 60%	332,297	9,372
Fidelity Funds Manager 70%	1,139,341	130,845
Fidelity Funds Manager 85%	144,811	4,801
Fidelity Real Estate Portfolio - Service Class 2	233,172	22,385
Fidelity VIP Emerging Markets - Service Class 2	-	36,963 **
Fidelity VIP Growth - Service Class 2	-	1,105,270
Fidelity VIP Growth & Income - Service Class 2	-	80,131
Fidelity VIP High Income - Service Class 2	-	69,368
Fidelity VIP Index 500 - Service Class 2	4,283,390	1,455,900
Fidelity VIP Investment Grade Bond - Service Class 2	145,204	124,725
Fidelity VIP Mid Cap - Service Class 2	-	630,542
Fidelity VIP Overseas - Service Class 2	426,466	449,984 **
Franklin High Income Securities	82,928	967
Goldman Sachs Mid Cap Value	-	1,110
Goldman Sachs Structured Small	-	3,853
Ibbotson Aggressive Growth ETF	-	45,318
Ibbotson Balanced ETF	-	239,025

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Horace Mann - Continued		
Ibbotson Conservative ETF	\$ -	\$ 23,986
Ibbotson Growth ETF	-	728,037
Ibbotson Income & Growth ETF	-	60,023
JPM US Equity	90,677	70,847
Lazard Retirement US Small-Mid Cap Equity Portfolio	-	2,293
Lord Abbett Developing Growth	21,900	14,814
Lord Abbett Growth Opportunities	-	2,748
MFS Mid Cap Value Portfolio	1,700	638
Neuberger Berman Genesis Fund	-	151,789
Putnam Multi-Cap Growth	-	40,480
Rainier Small/Mid Cap Equity	-	97,046
Royce Capital Fund Small Cap	-	170,786
T. Rowe Price Equity Income Portfolio VIP - II	-	183,772
T. Rowe Price Prime Reserve	8,307	67,279
T. Rowe Price Small Cap Stock	-	63,070
T. Rowe Price Small Cap Value	-	105,852
Templeton Global Bond Securities Fund	29,244	32,812 **
Wells Fargo Advantage Discovery	112,951	140,112
Wells Fargo Opportunity Fund	-	55,307
Wilshire 5000 Index Portfolio	-	57,893
Wilshire 5000 Index Portfolio	-	145,003
Wilshire Large Company Growth	-	63,679
Wilshire Large Company Growth	-	143,640
Wilshire Large Company Value	-	465,097
Wilshire Small Company Growth	-	46,155
Wilshire Small Company Value	-	15,414
Wilshire Vi 2015 ETF Fund	612,888	605,901
Wilshire Vi 2025 ETF Fund	698,276	602,611
Wilshire Vi 2035 ETF Fund	764,531	683,444
Wilshire Vi Balanced HM Shares	2,649,623	2,715,237
Total Variable Earnings Investments at Horace Mann	14,697,341	13,238,701
First Investors		
Equity Income	157,659	141,193
Fund for Income	51,692	58,481
Global	171,098	198,313 **
Government	11,594	10,173
Growth and Income	349,818	360,437
International	41,083	13,384 **

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
First Investors - Continued		
International Opportunity Bond	\$ 13,768	\$ 13,027 **
Investment Grade	33,431	45,678
Opportunity	120,830	141,192
Select Growth	57,698	17,518
Special Situations	53,804	15,172
Total Return	584,315	532,471
Total Variable Earnings Investments at First Investors	1,646,790	1,547,039
Symetra		
Resource B Deu International	2,847	- **
Resource B DWS Global Income Builder VIP	4,470	23,683 **
Resource B DWS International	-	23,253 **
Resource B Pioneer Funds	523,497	537,512
Resource B Pioneer Mid Cap Value	65,952	57,322
Resource B Pioneer Select Mid Cap Growth - I	561,686	552,442
Spinnaker American Century VP Balanced	69,275	66,665
Spinnaker American Century VP Large Company Value - II	4,521	3,986
Spinnaker American Century VP International	10,963	11,844 **
Spinnaker American Century VP Value	2,311	2,010
Spinnaker Deu International	3,389	- **
Spinnaker Dreyfus IP Mid Cap Stock	68,959	67,238
Spinnaker Dreyfus IP Technology Growth	28,797	27,885
Spinnaker Dreyfus Socially Responsible	-	9
Spinnaker Dreyfus Stock Index	24,922	22,678
Spinnaker Dreyfus VIF Appreciaton	6,762	6,528
Spinnaker DWS Global Income Builder VIP	40,191	19,762 **
Spinnaker DWS International	30,827	14,482 **
Spinnaker Federated High Income Bond - II	2,220	1,961
Spinnaker Fidelity Income	22,122	21,534
Spinnaker Fidelity VIP - II	2,788	2,857
Spinnaker Fidelity VIP Contrafund	115,049	109,947
Spinnaker Fidelity VIP Equity Income	28,460	24,454
Spinnaker Fidelity VIP Growth	41,641	46,812
Spinnaker Fidelity VIP Growth & Income	38,234	33,720
Spinnaker Fidelity VIP Mid Cap	15,246	13,878
Spinnaker Franklin Flex Cap	7,037	7,348
Spinnaker Franklin Mutual Shares Securities	21,948	19,252
Spinnaker Franklin Small Cap Value	14,877	11,588

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	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Symetra - Continued		
Spinnaker Franklin Small Mid Class	\$ 25,105	\$ 24,693
Spinnaker Franklin US Government	4,191	4,370
Spinnaker Invesco VI American Franchise - I	5,378	5,367
Spinnaker Invesco VI Global Health	2,345	2,686 **
Spinnaker Invesco VI Global Real Estate	42,284	42,501 **
Spinnaker Invesco VI International Growth - II	12,003	12,413 **
Spinnaker Invesco VI Mid Cap Growth - II	4,170	4,205
Spinnaker JPMorgan Mid Cap Value	46,205	40,852
Spinnaker JPMorgan US Equity	17,016	15,554
Spinnaker PIMCO VIT All Asset - Adv	1,669	1,499
Spinnaker PIMCO VIT Commodity Real Return - Adm	461	420
Spinnaker Pioneer Equity Income - II	25,844	21,926
Spinnaker Pioneer Fund	337,584	324,362
Spinnaker Pioneer High Yield	1,931	1,779
Spinnaker Pioneer Mid Cap Value	8,472	7,371
Spinnaker Pioneer Select Mid Cap Growth	507,805	513,276
Spinnaker Pioneer Strategic Income - II	21,946	20,789
Spinnaker Plus American Century VP International	-	22 **
Spinnaker Plus Dreyfus IP Technology Growth	-	33
Spinnaker Plus Fidelity VIP Growth	-	55
Spinnaker Plus Invesco VI American Franchise - I	-	15
Spinnaker Plus Pioneer Funds	1,246	1,225
Spinnaker Plus Pioneer Select Mid Cap Growth	-	111
Spinnaker Templeton Developing Markets	2,392	2,096 **
Spinnaker Templeton Global Bond	1,423	1,402 **
Spinnaker Templeton Growth Securities	23,239	21,498
Total Variable Earnings Investments at Symetra	2,851,700	2,801,170
New York Life		
NY Life Variable Annuities	1,416,074	1,385,394
Whole Life Insurance Policies	522,633	474,447
Total Variable Earnings Investments at New York Life	1,938,707	1,859,841
Kades Margolis		
AIG Focused Dividend Strategy - A	26,416	-
Alger Spectra - A	19,261	11,609
AllianceBernstein Global Bond - A	18,711	2,733 **
American Century Equity Income - A	79,866	68,665



**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Kades Margolis - Continued		
American Century Heritage Fund	\$ 2,972	\$ 2,639
American Funds 2030 Target Date Retirement Fund	30,364	28,302
American Funds 2045 Target Date Retirement Fund	114	107
American Funds AMCAP - R-4	55,809	53,222
American Funds American Balanced	216,951	184,122
American Funds Capital Income Builder - R-4	57,396	50,798
American Funds Capital World Growth & Income - R-4	108,697	103,182 **
American Funds EuroPacific Growth - R-4	17,072	21,345 **
American Funds Fundamental Investor - R-4	33,161	28,891
American Funds Growth Fund of America - R-4	12,892	11,147
American Funds Income Fund of America - R-4	100,223	87,669
American Funds Investment Co of America - R-4	17,213	14,361
American Funds New Economy - R-4	42,357	27,179
American Funds New Perspective - R-4	-	74
American Funds New World - R-4	25,085	- **
American Funds US Government Securities R-4	1,721	-
Calvert Equity - A	3,030	2,790
Delaware Diversified Income - A	22,270	3,422
Delaware Limited Term Diversified Income	8,701	8,458
Delaware Smid Cap Growth - A	18,236	18,478
DoubleLine Core Fixed Income - N	8,793	-
Dreyfus Small Cap Stock Index - Inv	20,582	-
Fidelity Advisor Freedom 2040 - A	5,377	3,383
Fidelity Advisor Small Cap - A	4,707	3,859
Fidelity Advisor Strategic Income - A	42,412	40,640
Franklin Balance Sheet Investment - A	-	22,483
Franklin Income - A	19,725	14,698
Franklin Mutual Global Discovery - A	28,333	24,993 **
Franklin Rising Dividends - A	55,875	47,850
Franklin Total Return - A	12,258	11,753
Franklin Utilities - A	17,432	14,194
Hartford Balanced Income - A	25,492	-
Invesco Developing Markets - A	-	3,973 **
Invesco Energy - A	8,439	6,608
Invesco Equity and Income - A	4,534	3,636
Invesco Global Health Care - A	1,500	1,567 **
Invesco Gold and Precious Metals - A	-	36
Invesco Mid Cap Core Equity - A	4,444	3,977
Invesco Select Companies - A	-	7,629
Invesco Small Cap Discovery - A	20,427	19,465

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Kades Margolis - Continued		
Invesco Small Cap Growth - A	\$ 13,459	\$ -
Invesco Value Opportunities - A	3,415	2,900
Janus Henderson Balanced Fund - A	23,810	14,404
Janus Henderson Growth and Income Fund - A	15,314	13,546
John Hancock Disciplined Value - A	27,120	-
John Hancock Disciplined Value Mid Cap - A	18,167	8,783
John Hancock Global Absolute Return Strategies - R-2	-	10,833 **
John Hancock International Growth - R-2	7,474	- **
JP Morgan Government Bond	11,042	10,734
JPMorgan US Equity - A	19,914	-
Natixis ASG Managed Futures Strategy - A	7,056	-
Oppenheimer Developing Markets - A	-	107 **
Oppenheimer Global Opportunities - A	18,689	16,627 **
Oppenheimer International Growth - A	15,170	14,933 **
Oppenheimer Rising Dividend Fund	-	72
Oppenheimer Mid Cap Value - A	22,416	18,384
Parnassus Core Equity Fund	30,641	11,389
Perkins Mid Cap Value - A	-	72
PIMCO All Asset - A	9,301	8,202
PIMCO Income - A	31,860	28,301
PIMCO Total Return - A	-	110
Pioneer Classic Balanced	11,251	20,647
Pioneer Disciplined Value - A	103	25,138
Pioneer Fundamental Growth Fund - A	20,227	19,016
Pioneer Solutions Growth - A	7,382	37,581
Quaker Strategic Growth - A	25,438	24,422
Sentinel Total Return Bond - A	-	7,595
SunAmerica Focused Dividend Strategy - A	-	34,528
Templeton Global Bond - A	18,577	17,402 **
Toreador Core Retail	-	12,166
Toreador International Investor	-	7,629 **
Victory Munder Growth Opportunities Multi-Cap - A	13,736	12,990
Total Variable Earnings Investments at Kades Margolis	<u>1,570,410</u>	<u>1,338,448</u>
Security Benefit: Annuities		
AllianceBernstein Dynamic Asset Allocation	53,658	-
AllianceBernstein Small/Mid Cap Value	19,124	1,810
American Century Equity Income	6,047	5,118
American Century Heritage	22,712	21,446

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit: Annuities - Continued		
American Century International Growth	\$ 1,938	\$ 2,086 **
American Century NVIT Growth	-	7,270
American Century VP Balanced	85,515	70,305
American Century VP Income & Growth	60,541	44,159
American Century VP Mid Cap Value	310,250	511,712
American Century VP Ultra	414,434	848,844
American Century VP Value	7,839,191	6,393,429
American Funds Growth and Income	930,273	747,051
American Funds Insurance Series Asset Allocation	488,288	299,652
American Funds Insurance Series Global Bond	938,729	1,051,976 **
American Funds Insurance Series Global Growth	22,578	126,041 **
American Funds International	10,437	10,209 **
American Funds New World	1,992	- **
Ariel Fund	5,233	54,581
Baron Asset	1,399	1,295
BlackRock Equity Dividend	52,883	-
BlackRock Global Allocation	29,357	- **
BlackRock High Yield V.I.	610,197	489,158
Calamos Growth	19,151	19,112
Calamos Growth & Income	27,721	72,456
ClearBridge Variable Aggressive Growth	3,421,266	2,891,201
ClearBridge Variable Small Cap Growth	46,225	22,078
Dreyfus Appreciation Fund	20,406	53,128
Dreyfus General Money Market	771	8,180
Dreyfus IP Small Cap Stock Index	79,157	105,782
Dreyfus IP Technology Growth	851,962	1,095,763
Dreyfus Mid Cap Stock	43,810	38,709
Dreyfus Opportunities Midcap Value	17,145	14,237
Dreyfus Quality Bond Portfolio	31,074	31,027
Dreyfus Socially Responsible Growth	-	179,694
Dreyfus Stock Index Fund	162,519	115,178
Dreyfus Strategic Value	5,727	4,886
Dreyfus Sustainable US Equity	186,573	-
Dreyfus Variable Investment Fund - Appreciation Portfolio	20,509	29,080
Dreyfus VIF Appreciation	85,419	124,629
Dreyfus VIF International Value	82,184	22,900 **
Dreyfus VIF Opportunities Small Cap	158,469	135,357
Federated Bond	11,737	11,144
Federated NVIT High Income Bond	24,803	10,960

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit: Annuities - Continued		
Federated Quality Bond Fund - II	\$ 1,645	\$ 1,603
Fidelity Advisor Value Strategies	4,185	3,846
Fidelity Contrafund	115,582	107,346
Fidelity VIP Equity Income Portfolio	506,075	221,696
Fidelity VIP Growth & Income Portfolio	600,661	385,224
Fidelity VIP Growth Opportunities Portfolio	46,070	43,375
Fidelity VIP Growth Portfolio	18,606	18,388
Fidelity VIP High Income Portfolio	245,537	59,006
Franklin Income VIP Securities	327,101	359,830
Franklin Mutual Global Discovery VIP	4,428	3,999 **
Franklin Strategic Income VIP	2,649,461	2,651,971
Guggenheim High Yield	10,284	8,769
Guggenheim Large Cap Value	24,731	65,892
Guggenheim Mid Cap Value	38,606	71,996
Guggenheim StylePlus Mid Growth	23,547	21,454
Guggenheim US Investment Grade Bond	5,713	5,512
Guggenheim VIF Alpha Opportunity	4,450	4,001
Guggenheim VIF Global Managed Futures Strategy Fund	2,187	2,587 **
Guggenheim VIF Long Short Equity Fund	262	268
Guggenheim VT All Cap Value	2,392,522	2,137,520
Guggenheim VT High Yield	332,266	385,693
Guggenheim VT Large Cap Value	1,486,346	1,345,355
Guggenheim VT Managed Asset Allocation	1,422,367	1,405,409
Guggenheim VT Mid Cap Value	2,487,189	2,616,267
Guggenheim VT Money Market	-	92,495
Guggenheim VT Small Cap Value	3,661,288	2,815,573
Guggenheim VT StylePlus Large Core	234,551	152,191
Guggenheim VT StylePlus Large Growth	106,580	33,990
Guggenheim VT StylePlus Mid Cap Growth	647,971	657,103
Guggenheim VT StylePlus Small Cap Growth	25,878	47,359
Guggenheim VT Total Return Bd	58,128	182,449
Guggenheim VT World Equity Inc	129,890	127,400 **
Invesco American Franchise	723	723
Invesco Comstock	17,293	60,495
Invesco Equity and Income	14,702	12,793
Invesco Mid Cap Growth	-	12,140
Invesco Technology	2,147	2,099
Invesco V.I. American Fran	3,051	3,051

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit: Annuities - Continued		
Invesco V.I. Comstock	\$ 6,588,122	\$ 4,852,589
Invesco V.I. Equity and Income	679,756	623,533
Invesco V.I. Global Health Care	980,970	2,001,551 **
Invesco V.I. Government Securities	131,710	68,625
Invesco V.I. International Growth	4,504,352	3,776,708 **
Invesco V.I. Mid Cap Core Equity	2,913	8,863
Invesco V.I. Mid Cap Growth Fund	122,841	185,665
Invesco V.I. Value Opportunities	33,710	26,940
Invesco V.I. Global Real Estate	256,165	404,265 **
Janus Aspen Enterprise	1,798,733	1,809,968
Janus Aspen Janus Portfolio	80,782	197,465
Janus Aspen Overseas	24,440	25,794 **
Janus Overseas	1,073	1,169 **
JPMorgan Insurance Trust Core Bond	195,030	210,531
Lord Abbett Series Bond Debenture	14,619	-
MFS VIT Research International	57,553	87,621 **
MFS VIT Total Return	84,540	160,741
MFS VIT Utilities	1,574,065	1,517,903
Morningstar Balanced ETF Allocation	185,520	9,462
Morningstar Growth ETF Allocation	11,678	-
Morningstar Income and Growth ETF Allocation	19,986	-
NB NVIT Socially Responsible	42,387	38,385 **
Neuberger Berman AMT Social Responsive	1,881,755	1,850,856
Neuberger Berman Large Cap Value Fund	7,985	50,144
Neuberger Berman Mid Cap Growth	58,628	48,806
Neuberger Berman Socially Responsive	7,814	56,853
NVIT Government Bond	30,290	29,616
NVIT Mid Cap Index	15,539	13,061
NVIT Multi Sector Bond	18,992	17,206
NVIT Multi-Manager Large Cap Growth	89	10,419
NVIT Multi-Manager Mid Cap Growth	80,109	64,563
NVIT Multi-Manager Mid Cap Value	182,988	153,584
NVIT Multi-Manager Small Cap Value	4,739	3,809
NVIT Multi-Manager Small Company	18,286	15,090
NVIT Nationwide	71,103	63,419
Oppenheimer Capital App Fund	17,996	18,493
Oppenheimer Core Bond Fund NA	1,700,904	1,577,476
Oppenheimer Discovery Mid Cap Growth Fund NA	13,610	12,945
Oppenheimer Global Fund NA	3,146	118,033 **
Oppenheimer Main Street Fund	826	753

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit: Annuities - Continued		
Oppenheimer Main Street Small Cap NA	\$ 88,302	\$ 16,721
Oppenheimer NVIT Large Cap Growth	15,057	7,403
Other Investments	-	557,426
PIMCO Emerging Markets Bond Portfolio	15,184	17,348 **
PIMCO Foreign Bond (Hedged)	10,303	6,499 **
PIMCO Foreign Bond Portfolio (U.S. Dollar-Hedged)	21,026	39,613 **
PIMCO High Yield	-	9,852
PIMCO Real Return	6,591	6,425
PIMCO Total Return	19,781	19,499
PIMCO VIT All Asset	74,736	73,112
PIMCO VIT Commodity Real Return	47,119	86,194
PIMCO VIT Low Duration	11,784	14,262
PIMCO VIT Real Return Portfolio	403,202	393,166
Putnam VT Small Cap Value	21,444	-
Royce Micro-Cap	253,807	233,098
Royce Value	-	31,467
RS Technology	-	14,231
RS Value	-	41,872
Templeton Developing Markets VIP	-	19,539 **
Templeton Foreign Securities Fund	85,673	49,937 **
TRP Health Sciences	230,530	583,343
UIF Emerging Markets	-	109,797 **
Van Eck VIP Global Hard Assets	3,601	2,449 **
Van Kampen NVIT Real Estate	1,370	1,294
Victory RS Science and Technology	16,577	-
Victory RS Value	7,211	-
Wells Fargo Advantage Small Cap Value	9,931	16,549
Western Asset Variable Global High Yield Bond	191,392	201,789 **
Total Variable Earnings Investments at Security Benefit: Annuities	57,893,792	54,464,300
Security Benefit: Mutual Funds		
American Century Dividend Bond	249	159
American Century Heritage	19,377	18,458
American Century International Bond	66	46 **
American Century International Grwth	353	227 **
American Century Select	5,446	5,033
American Century Ultra	38	23
American Funds EuroPacific Growth	398,874	373,445 **
American Funds New World	92,102	42,314

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit - Continued		
American Funds Washington Mutual	\$ 121,032	\$ 161,775
AMG GW&K US Small Cap Growth	2	-
AMG Managers Fairpointe Mid Cap	33,148	-
Ariel Fund	30,867	26,263
Aston/Fairpointe Mid Cap	-	21,828
Baron Asset	76	46
Baron Small Cap	-	379,290
BlackRock Global Allocation	812	476 **
BlackRock International Opportunities	297	182 **
BlackRock Mid Cap Value Opportunities	18	-
Calamos Global Equity	5	- **
Calamos Growth	38,278	38,466
Calamos Growth & Income	17,662	16,070
Calamos High Income	10,013	8,888
Dreyfus Appreciation Fund	721	411
Dreyfus Mid Cap Index	271,062	177,833
Dreyfus Natural Resources	18,765	15,377
Dreyfus Opp Midcap Value	19,169	16,372
Dreyfus S&P 500 Stock Index	2,041,110	1,133,712
Dreyfus Strategic Value	7,854	6,607
Federated Bond	493,176	438,926
Fidelity Advisor New Insights	-	1,377,822
Fidelity Advisor Real Estate	222,015	266,009
Fidelity Advisor Value Strategies	6,505	5,900
Franklin High Income	-	58,275
Goldman Sachs Emerging Markets Equity	146	91 **
Goldman Sachs Emerging Markets Equity	58,395	92,198 **
Goldman Sachs Small Cap Value	77,319	6,327
Guggenheim High Yield	13,477	11,338
Guggenheim Large Cap Value	27,818	22,348
Guggenheim Mid Cap Value	75,546	57,875
Guggenheim Small Cap Value	17,871	13,932
Guggenheim StylePlus Mid Growth	19,484	17,667
Guggenheim Total Return Bond	1,220,792	20,102
Guggenheim World Equity Income	5,556	4,887 **
Invesco Comstock	25,777	21,829
Invesco Equity and Income	734,366	798,556
Invesco High Yield	41,101	36,646
Invesco Mid Cap Growth	10,717	10,388
Invesco Small Cap Growth	83,400	75,451

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit - Continued		
Ivy Science & Technology	\$ 13,719	\$ 13,514
Janus Enterprise	241,414	89,972
Janus Global Research	1,544,680	988,914 **
Janus Intech US Core	492	296
Janus Research	9,280	16,752
Janus Triton	362,030	407,447
JPMorgan Disciplined Equity	255,602	645,808
JPMorgan Equity Income	1,772,713	190,741
JPMorgan Small Cap Value	51,899	21,531
JPMorgan US Small Company	55,813	17,632
Legg Mason ClearBridge Aggressive Growth	1,352	918
Loomis Sayles Global Equity and Income	64,440	82,036 **
Mutual Global Discovery	266,935	183,346 **
Neuberger Berman Large Cap Value	24,405	19,040
Neuberger Berman Socially Responsible	26,689	24,008
Northern Large Cap Value	206	114
Oppenheimer Developing Markets	12,131	90,211 **
Oppenheimer Equity Income	329,558	570,135
Oppenheimer Global	345	205 **
PIMCO Commodity Real Return Strategy	120	68
PIMCO High Yield Return	7,343	6,277
PIMCO High Yield Spectrum	30,187	-
PIMCO Income	1,480	-
PIMCO Low Duration	-	42,748
PIMCO Real Return	140,804	203,626
PIMCO Small Cap StocksPLUS AR	649,400	165,456
PIMCO Total Return	-	1,096,415
Pioneer Bond	335,402	455,118
Pru Jennison Mid Cap Growth	-	76,136
Prudential Small Cap Value	-	115
RidgeWorth Mid Cap Value Equity	-	97,496
Royce Opportunity	10,298	7,929
RS Partners	-	1,055
Templeton Foreign	111,365	427,653 **
Templeton Global Bond	321,502	316,061 **
TRP Growth Stock	1,328,964	1,068,254
TRP QM US Small Cap Growth Equity	36,892	-
TRP Retirement 2010	239,859	213,522



**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Security Benefit - Continued		
TRP Retirement 2015	\$ 9,206	\$ 7,125
TRP Retirement 2020	506,348	439,586
TRP Retirement 2025	10,588	9,976
TRP Retirement 2030	127,068	115,083
TRP Retirement 2035	94,558	73,133
TRP Retirement 2040	19,629	24,011
TRP Retirement 2050	9,292	6,022
TRP Retirement 2055	5,901	5,553
TRP Retirement Balanced	-	5,813
Wells Fargo Advantage Opportunity	21,799	19,187
Wells Fargo Advantage Small Cap Value	20,435	15,224
Wells Fargo Large Cap Core	26,430	22,030
Wells Fargo Special Mid Cap Value	333,119	574,400
Wells Fargo Special Small Cap Value	3,175	-
	<u>15,695,724</u>	<u>14,637,560</u>
Total Variable Earnings Investments at Security Benefit		
Voya-Omni Platform		
American Funds 2010 Target Date - R-6	941,772	-
American Funds 2015 Target Date - R-6	1,735,410	-
American Funds 2020 Target Date - R-6	7,303,661	-
American Funds 2025 Target Date - R-6	6,430,433	-
American Funds 2030 Target Date - R-6	5,358,401	-
American Funds 2035 Target Date - R-6	5,285,899	-
American Funds 2040 Target Date - R-6	3,104,542	-
American Funds 2045 Target Date - R-6	1,945,136	-
American Funds 2050 Target Date - R-6	987,085	-
American Funds 2055 Target Date - R-6	504,006	-
American Funds 2060 Target Date - R-6	31,875	-
American Funds Washington Mutual - R-6	535,913	-
ClearBridge Mid Cap Growth Fund - Is	155,399	-
JPMorgan US Small Company Fund - R-6	251,728	-
Lazard International Equity Portfolio - R-6	94,132	- **
PIMCO Total Return Fund - Institutional Class	163,186	-
T. Rowe Price Blue Chip Growth Fund - I	551,075	-
TD Ameritrade Self-Directed Brokerage Account	494,486	-
Templeton Global Bond Fund R-6	182,463	- **
TIAA-CREF Real Estate Securities Fund - Institutional Class	168,562	-
Vanguard 500 Index Fund - Admiral	3,109,064	-
Vanguard Extended Market Index Fund - Admiral	921,103	-

**State of Delaware 403(b) Plan**

Notes to the Financial Statements

December 31, 2016 and 2015

	<b>Fair Value/Contract Value</b>	
	<b>2016</b>	<b>2015</b>
<b>Variable Earnings Investments - Continued:</b>		
Voya-Omni Platform - Continued		
Vanguard Intermediate-Term Bond Index Fund - Admiral	\$ 814,063	\$ -
Vanguard Total International Stock Index Fund - Admiral	699,789	-
Total Variable Earnings Investments at Voya-Omni Platform	41,769,183	-
Great American		
Great American Flex(b)	2,316,041	2,091,289
Total Variable Earnings Investments at Great American	2,316,041	2,091,289
Total Variable Earnings Investments	284,294,933	266,168,064
Total Investments	\$ 360,136,348	\$ 338,287,572

\* Represents Investments Greater than 5% of Net Position

\*\* Represents Investments in Foreign Securities



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***Independent Auditors' 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***

To the Plans Management Board  
State of Delaware 403(b) Plan  
Dover, Delaware

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of State of Delaware 403(b) Plan (Plan) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated November 12, 2019.

***Internal Control Over Financial Reporting***

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

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

To the Plans Management Board  
State of Delaware 403(b) Plan  
Dover, Delaware

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

### ***State of Delaware 403(b) Plan's Responses to Findings***

The State of Delaware 403(b) Plan's responses to findings identified in our audit are described in the accompanying schedule of findings and recommendations. The State of Delaware 403(b) Plan's responses were not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

### ***Purpose of this Report***

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

*Belfint, Lyons & Shuman, P.A.*

November 12, 2019  
Wilmington, Delaware

**STATE OF DELAWARE 403(b) PLAN  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2016**

**FINANCIAL STATEMENT FINDINGS**

**Reference Number:** 2016-001

**Type of Finding:** Material Weakness

**Inappropriately Excluded Participant Accounts on Financial Statements**

**Condition:** Security Benefit provided BLS with an audit package that consisted of a participant account balance report and a schedule of investments for the Plan. Initially, the assets on the participant account balance report totaled \$70,512,991 and the schedule of investments totaled \$71,422,385 as of December 31, 2016. Upon further review during reconciling procedures, we identified 126 participant accounts totaling \$6,202,961.90 not on the Security Benefit legacy vendor statements and confirmations.

**Criteria:** Plan statements provided by vendors should be complete and accurate, including all accounts that belong to the State of Delaware 403(b) Plan, but not IRA accounts that are not part of the plan.

**Cause:** Security Benefit personnel produce reports from individual contract statements and the computer system seems to be unable to identify all and only contracts that belong to the State of Delaware 403(b) Plan.

**Effect:** If vendors cannot produce complete and accurate reports, it could lead to materially misstated financial statements.

**Recommendation:** We recommend that State of Delaware 403(b) Plan officials work with Security Benefit personnel to ensure complete and accurate confirmations and statements are issued to the State of Delaware plan officials and auditors.

**Resolution:** BLS obtained individual account statements for the 126 participants that were missing on the account balance report and included the account balances and activity during the year in those accounts on the financial statements.

**Views of Responsible Plan Officials and Planned Corrective Actions:** All Security Benefit accounts have been added to the State's TPA's recordkeeping platform, Plan with Ease. We will work with our TPA to ensure all accounts are completely and accurately captured.

**Responsible Positions:** Promotions and Outreach Manager and Investments and Operations Manager

**STATE OF DELAWARE 403(b) PLAN**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2016**

**FINANCIAL STATEMENT FINDINGS – CONTINUED**

**Reference Number:** 2016-002

**Type of Finding:** Material Weakness

**Material Adjustment to Plan Financial Statements**

**Condition:** As a result of our audit fieldwork, we had to propose a material reclassification adjustment to the compiled financial statements totaling \$13,947,487.

**Criteria:** Strong internal control requires adequate review and adjustment of the year-end accounting data and financial information used to prepare the State of Delaware 403(b) Plan's financial statements in accordance with generally accepted accounting principles (GAAP).

**Cause:** The main reason for the material reclassification adjustment is that vendors do not report investment classifications, distributions, and exchanges in accordance with generally accepted accounting principles.

**Effect:** The effect was a material reclassification adjustment to the compiled financial statements totaling \$13,947,487.

**Resolution:** Plan officials have engaged a single vendor to receive contributions and to perform reconciliation of distributions to 1099-R reports and exchanges between vendors, which should net to zero. See Finding 2016-002 regarding vendor confirmations that are not complete and accurate.

**Views of Responsible Plan Officials and Planned Corrective Actions:** The State has updated its confirmation request to the vendors to request full detail in regards to participant accounts. The adjustments will be made on the financial statements to reflect the assets that were not included initially.

**Responsible Positions:** Promotions and Outreach Manager and Investments and Operations Manager

**STATE OF DELAWARE 403(b) PLAN**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2016**

**FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Reference Number:** 2016-003

**Type of Finding:** Significant Deficiency

**Participant Loans Issued After January 1, 2009**

**Condition:** Effective January 1, 2009, the State of Delaware 403(b) Plan document eliminated the participant loan provision. The Plan was amended January 1, 2015 to grandfather certain loans that were issued by certain offending vendors between January 1, 2009 and December 31, 2014, and all vendors were instructed to stop issuing loans. During our audit work, we noted that, in addition to the five loans issued during the 2015 plan year by New York Life, Symetra, and Security Benefit, New York Life issued five new loans during the 2016 plan year. Additionally, we noted nine loans issued between January 1, 2009 through December 31, 2014 that were not included in the VCP submission or follow-up communication.

**Criteria:** The plan provisions must be followed by all approved vendors.

**Cause:** The cause of the prohibited loan issuances appears to be due to the legacy vendors' failure to follow the terms of the plan document.

**Effect:** The effect of the issuance of loans is an operational failure. Although the loans that are outstanding do not lead to materially misstated financial statements, the effect of not following plan provisions could be a possible disqualification of the Plan under the applicable provisions of the Internal Revenue Code, which would cause the plan to lose its tax favored status.

**Recommendation:** Although the State of Delaware 403(b) Plan officials have notified vendors, it appears that New York Life did not update their processes. Plan officials should contact the offending vendor directly to communicate that loans may no longer be issued and to discuss possible ways in which the vendor can appropriately control the loan processes for the State of Delaware 403(b) Plan. It would be ideal if the vendor could remove the ability of its employees to process loans for this plan through automation.

**Resolution:** No new loans have been identified during the years ended December 31, 2017 or 2018. A list of loans issued after January 1, 2009 that were not included in the original VCP application has been submitted to the Deputy Attorney General for the Board's consideration of an additional submission to the Voluntary Correction Program.

**Views of Responsible Plan Officials and Planned Corrective Actions:** We will contact legal counsel and begin the process of adding the loans to a VCP filing.

**Responsible Positions:** Promotions and Outreach Manager and Investments and Operations Manager

**STATE OF DELAWARE 403(b) PLAN**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2016**

**CURRENT STATUS OF PRIOR YEAR FINDINGS**

**Reference Number: 2015-001**

**Type of Finding: Significant Deficiency**

**Participant Loans Issued After January 1, 2009**

**Condition:** Effective January 1, 2009, the State of Delaware 403(b) Plan document eliminated the participant loan provision. A Voluntary Compliance Program (VCP) application has been filed and approved, requesting that loans issued through 2014 be grandfathered. All vendors were instructed to stop issuing loans. However, three vendors issued new loans during the 2015 plan year: New York Life, Symetra, and Security Benefit.

**Current Status:** New loans continued to be issued in 2016. See current year finding 2016-001.

**Reference Number: 2015-002**

**Type of Finding: Material Weakness**

**Security Benefit Plan Assets - Inappropriately Included IRA Accounts and Excluded Plan Participant Accounts**

**Condition:** The Security Benefit confirmations included Individual Retirement Accounts (IRA) of \$203,554, and excluded participant accounts totaling \$1,434,147

**Current Status:** This finding has been corrected in the 2015 financial statements. There is no error noted in 2016 involving inappropriately included IRA assets. In 2016, Security Benefit did not provide statements for all plan participants. See current year finding 2016-002.

**Reference Number: 2015-003**

**Type of Finding: Significant Deficiency**

**Missing Distributions for Participants with Beginning Account Balances**

**Condition:** Security Benefit was unable to provide the 2015 statements for three participants who had account balances as of December 31, 2014, but not as of December 31, 2015. The three participants are not included in any of the distribution reports provided to BLS.

**Current Status:** This finding has been corrected in the 2015 financial statements. However, similar issues were noted during the 2016 audit. See current year finding 2016-002.



**STATE OF DELAWARE 403(b) PLAN**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS - CONTINUED**  
**YEAR ENDED DECEMBER 31, 2016**

**CURRENT STATUS OF PRIOR YEAR FINDINGS - CONTINUED**

**Reference Number:** 2015-004

**Type of Finding:** Material Weakness

**Material Adjustment to Plan Financial Statements**

**Condition:** As a result of our audit fieldwork, we had to propose a material reclassifying adjustment to the compiled financial statements of \$15,380,908.

**Current Status:** This finding has been corrected in the 2015 financial statements.