



DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Schedule of Employer Allocations and Schedule of
Pension Amounts by Employer

June 30, 2015

(With Independent Auditors' Report Thereon)

Issuance Date: May 20, 2016

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Table of Contents

	Page
Independent Auditors' Report	1
Schedule of Employer Allocations	3
Schedule of Pension Amounts by Employer	4
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer	5
Supplementary Information	
Schedule 1 – Schedule of Allocation of PRI Contribution	11
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with <i>Government Auditing Standards</i>	12



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

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

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the State Employees' Pension Plan as of and for the year ended June 30, 2015, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of the State Employees' Pension Plan as of and for the year ended June 30, 2015, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.



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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all participating entities for the State Employees' Pension Plan as of and for the year ended June 30, 2015 in accordance with U. S. generally accepted accounting principles.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Delaware Public Employees' Retirement System as of and for the year ended June 30, 2015, and our report thereon, dated December 15, 2015, expressed an unmodified opinion on those financial statements.

Supplementary and Other Information

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

Restriction on Use

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

KPMG LLP

May 5, 2016

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

State Employees' Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2015

	<u>Employer contributions</u>	<u>Employer's proportionate share</u>
Reporting unit:		
State of Delaware Entities:		
Academia Antonia Alonso Charter	\$ 71,109	0.0399%
Academy of Dover Charter	124,896	0.0701
Campus Community Charter	186,452	0.1046
De Academy Public Safety Charter	189,970	0.1065
DE Aglands	8,259	0.0046
DE College Prep Charter	84,663	0.0475
DE Military Academy Charter	252,762	0.1418
Delaware Economic Development Office	239,141	0.1341
Delaware Department of Transportation	6,508,133	3.6502
Delaware State Education Association	9,311	0.0052
Delaware State Housing Authority	82,415	0.0462
Delaware State University	4,543,491	2.5483
Delaware Solid Waste Authority	532,731	0.2988
Early College High School Charter	34,099	0.0191
East Side Charter	302,200	0.1695
Family Foundations Charter	341,059	0.1913
First State Military Academy	3,302	0.0019
First State Montessori Academy Charter	102,938	0.0577
Gateway Lab Charter	168,569	0.0945
General Gov't (State of DE)	154,266,747	86.5243
Kumba Charter	191,823	0.1076
Las America Aspira Charter	251,229	0.1409
Lottery, State of DE	244,307	0.1370
MOT Charter	353,433	0.1982
Moyer Academy Charter	175,854	0.0986
Newark Charter	1,021,918	0.5732
Odyssey Charter	465,410	0.2610
Pencader Charter	—	—
Positive Outcomes Charter	130,283	0.0731
Prestige Charter	138,146	0.0775
Providence Creek Charter	241,709	0.1356
Reach Charter	204,772	0.1149
Sussex Academy Charter	220,473	0.1237
The Charter School of Wilmington	486,345	0.2728
The Delaware Met Charter	3,989	0.0022
Thomas Edison Charter	354,261	0.1987
	<u>172,536,199</u>	<u>96.7711</u>
University of Delaware	<u>5,756,894</u>	<u>3.2289</u>
Total	<u>\$ 178,293,093</u>	<u>100.00%</u>
PRI Transfer (note 4)	\$ 32,654,000	

See accompanying notes to schedule of employer allocation and schedule of pension amounts by employer.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

State Employees' Pension Plan

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2015

Reporting unit	Net pension liability	Deferred outflows of resources				Deferred inflows of resources					Pension expense excluding that attributable to employer-paid member contributions		
		Differences between expected and actual experience	Changes of assumptions	Changes in proportion	Total deferred outflows of resources	Differences between expected and actual experience	Changes of assumptions	Net difference between projected and actual investment earnings on pension plan investments	Changes in proportion	Total deferred inflows of resources	Proportionate share of allocable plan pension expense	Net amortization of deferred amounts from changes in proportion	Total pension expense excluding that attributable to employer-paid member contributions
State of Delaware Entities:													
Academia Antonia Alonso Charter	\$ 265,332	—	—	313,656	313,656	5,952	—	81,127	—	87,079	56,305	64,329	120,634
Academy of Dover Charter	466,028	—	—	34,200	34,200	10,454	—	142,491	3,388	156,333	98,895	7,873	106,768
Campus Community Charter	695,710	—	—	—	—	15,606	—	212,718	177,245	405,569	147,635	(40,638)	106,997
De Academy Public Safety Charter	708,839	—	—	418,888	418,888	15,900	—	216,732	—	232,632	150,421	96,356	246,777
DE Aglands	30,817	—	—	6,881	6,881	691	—	9,423	1,453	11,567	6,540	1,013	7,553
DE College Prep Charter	315,906	—	—	—	—	7,086	—	96,590	66,447	170,123	67,038	(15,584)	51,454
DE Military Academy Charter	943,136	—	—	24,974	24,974	21,156	—	288,369	4,673	314,198	200,140	5,309	205,449
Delaware Economic Development Office	892,311	—	—	11,440	11,440	20,016	—	272,829	14,124	306,969	189,355	35	189,390
Delaware Department of Transportation	24,283,925	—	—	169,728	169,728	544,722	—	7,424,954	1,453,310	9,422,986	5,153,222	(248,230)	4,904,992
Delaware State Education Association	34,743	—	—	2,318	2,318	779	—	10,623	474	11,876	7,373	345	7,718
Delaware State Housing Authority	307,518	—	—	—	—	6,898	—	94,025	39,425	140,348	65,258	(9,083)	56,175
Delaware State University	16,953,218	—	—	493,058	493,058	380,284	—	5,183,547	31,009	5,594,840	3,597,594	117,063	3,714,657
Delaware Solid Waste Authority	1,987,790	—	—	13,542	13,542	44,589	—	607,779	230,779	883,147	421,823	(54,987)	366,836
Early College High School Charter	127,234	—	—	151,932	151,932	2,854	—	38,903	—	41,757	27,000	30,393	57,393
East Side Charter	1,127,604	—	—	213,212	213,212	25,294	—	344,772	—	370,066	239,286	45,776	285,062
Family Foundations Charter	1,272,599	—	—	286,592	286,592	28,546	—	389,105	—	417,651	270,055	64,081	334,136
First State Military Academy	12,322	—	—	14,715	14,715	276	—	3,767	—	4,043	2,615	2,943	5,558
First State Montessori Academy Charter	384,095	—	—	457,913	457,913	8,616	—	117,439	—	126,055	81,508	91,972	173,480
Gateway Lab Charter	628,986	—	—	176,425	176,425	14,109	—	192,316	—	206,425	133,475	41,103	174,578
General Gov't (State of DE)	575,618,588	—	—	—	—	12,911,918	—	175,998,790	4,722,238	193,632,946	122,150,374	(1,073,473)	121,076,901
Kumba Charter	715,751	—	—	304,819	304,819	16,055	—	218,845	—	234,900	151,888	62,233	214,121
Las America Aspira Charter	937,416	—	—	479,479	479,479	21,028	—	286,621	—	307,649	198,926	106,028	304,954
Lottery, State of DE	911,588	—	—	—	—	20,448	—	278,724	36,427	335,599	193,446	(7,655)	185,791
MOT Charter	1,318,772	—	—	278,490	278,490	29,582	—	403,222	—	432,804	279,853	59,080	338,933
Moyer Academy Charter	656,169	—	—	288,060	288,060	14,719	—	200,628	—	215,347	139,244	65,325	204,569
Newark Charter	3,813,103	—	—	1,306,891	1,306,891	85,533	—	1,165,879	—	1,251,412	809,168	297,257	1,106,425
Odyssey Charter	1,736,595	—	—	967,383	967,383	38,954	—	530,974	—	569,928	368,518	219,478	587,996
Pencader Charter	—	—	—	—	—	—	—	—	733,468	733,468	—	(183,355)	(183,355)
Positive Outcomes Charter	486,128	—	—	31,856	31,856	10,905	—	148,636	7,563	167,104	103,160	6,451	109,611
Prestige Charter	515,467	—	—	12,688	12,688	11,563	—	157,607	103,016	272,186	109,386	(17,431)	91,955
Providence Creek Charter	901,895	—	—	57,153	57,153	20,231	—	275,760	41,052	337,043	191,389	6,078	197,647
Reach Charter	764,071	—	—	272,528	272,528	17,139	—	233,619	—	250,758	162,141	61,508	223,649
Sussex Academy Charter	822,657	—	—	272,455	272,455	18,453	—	251,532	—	269,985	174,574	59,561	234,135
The Charter School of Wilmington	1,814,710	—	—	55,086	55,086	40,706	—	554,858	53,523	649,087	385,094	3,067	388,161
The Delaware Met Charter	14,884	—	—	37,341	37,341	334	—	4,551	23,318	28,203	3,159	4,672	7,831
Thomas Edison Charter	1,321,860	—	—	62,630	62,630	29,651	—	404,166	—	433,817	280,508	14,892	295,400
	643,787,767	—	—	7,216,333	7,216,333	14,441,047	—	196,841,921	7,742,932	219,025,900	136,616,366	(116,215)	136,500,151
University of Delaware	21,480,813	—	—	526,599	526,599	481,844	—	6,567,886	—	7,049,730	4,558,382	116,215	4,674,597
Total	\$ 665,268,580	—	—	7,742,932	7,742,932	14,922,891	—	203,409,807	7,742,932	226,075,630	141,174,748	—	141,174,748

See accompanying notes to schedule of employer allocations and schedule of pension amounts by employer.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

June 30, 2015

(1) Plan Descriptions

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

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2015. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Separately issued financial statements for DPERS are available from the pension office at:

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

Plan Description and Eligibility: The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

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

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

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

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

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

June 30, 2015

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

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension (or 66.7% with 2% reduction, or 100% with 6% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

Burial Benefit: \$7,000 per member.

(2) Basis of Presentation

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

(3) Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the Plan to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the System's total employer contributions during the measurement period July 1, 2014 through June 30, 2015. Employer contributions to the plan are recognized when due pursuant to legal requirements. Employer contributions are determined by Board of Pension Trustees. Employer contributions were 9.56% of earnings for the Fiscal Year 2015.

(4) PRI Contribution

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

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

June 30, 2015

(5) Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the participating employers at June 30, 2015 were as follows (dollar values expressed in thousands):

Employers' total pension liability	\$	9,074,604
Plan net position		8,409,336
Employers' net pension liability	\$	665,268

Actuarial Assumptions

The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

Investment rate of return/discount rate ⁽¹⁾		7.2%
Projected salary increases ⁽¹⁾		3.5% to 11.5%
Cost-of-living adjustments		n/a

(1) Inflation is included at 3%.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP – 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

June 30, 2015

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

<u>Asset class</u>	<u>Long-term expected real rate of return</u>	<u>Asset allocation</u>
Domestic equity	5.7%	36.5%
International equity	5.7	16.5
Fixed income	2.0	22.6
Alternative investments	7.8	19.6
Cash and equivalents	—	4.8

Discount Rate

The discount rate used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability (asset) calculated using the discount rate of 7.2%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (dollar values expressed in thousands):

	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
Collective net pension liability (asset)	\$ 1,503,060	665,268	(316,685)

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

June 30, 2015

(6) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2015:

	Measurement period ending June 30	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
Deferred Inflows of Resources:						
Difference between expected and actual experience	2015	6 years	\$ —	(17,907,469)	(2,984,578)	(14,922,891)
Net difference between projected and actual earnings on pension plan investments	2014 2015	5 years 5 years	(585,159,130) —	— 294,324,426	(146,289,782) 58,864,885	(438,869,348) 235,459,541
Subtotal			<u>(585,159,130)</u>	<u>294,324,426</u>	<u>(87,424,897)</u>	<u>(203,409,807)</u>
Total			<u>\$ (585,159,130)</u>	<u>276,416,957</u>	<u>(90,409,475)</u>	<u>(218,332,698)</u>

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

Year ending June 30:	
2016	\$ (90,409,475)
2017	(90,409,475)
2018	(90,409,477)
2019	55,880,309
2020	(2,984,580)
Total	<u>\$ (218,332,698)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 6 years for the 2014 and 2015 amounts.

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

June 30, 2015

(7) Collective Pension Expense

The components of collective pension expense for the year ending June 30, 2015 (excluding that attributable to employer-paid member contributions) are as follows (in thousands):

Service costs	\$ 192,046
Interest on total pension liability	627,925
Member contributions	(55,782)
Administrative expense	7,353
Changes in benefit terms	54,191
Projected earnings on plan investments	(594,149)
Recognition of deferred outflows and inflows of resources:	
Differences between expected and actual experience	(2,985)
Differences between projected and actual earnings on plan investments	(87,424)
Pension expense	<u>\$ 141,175</u>

SUPPLEMENTARY INFORMATION

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
State Employees' Pension Plan

Schedule of Allocation of PRI Contribution

For the year ended June 30, 2015

Reporting unit	Allocation of PRI Contribution
State of Delaware Entities:	
Academia Antonia Alonso Charter	\$ 13,024
Academy of Dover Charter	22,874
Campus Community Charter	34,148
De Academy Public Safety Charter	34,793
DE Aglands	1,513
DE College Prep Charter	15,506
DE Military Academy Charter	46,293
Delaware Economic Development Office	43,798
Delaware Department of Transportation	1,191,951
Delaware State Education Association	1,705
Delaware State Housing Authority	15,094
Delaware State University	832,131
Delaware Solid Waste Authority	97,569
Early College High School Charter	6,245
East Side Charter	55,347
Family Foundations Charter	62,464
First State Military Academy	605
First State Montessori Academy Charter	18,853
Gateway Lab Charter	30,873
General Gov't (State of DE)	28,253,624
Kumba Charter	35,132
Las America Aspira Charter	46,012
Lottery, State of DE	44,744
MOT Charter	64,731
Moyer Academy Charter	32,207
Newark Charter	187,162
Odyssey Charter	85,239
Pencader Charter	—
Positive Outcomes Charter	23,861
Prestige Charter	25,301
Providence Creek Charter	44,269
Reach Charter	37,504
Sussex Academy Charter	40,379
The Charter School of Wilmington	89,073
The Delaware Met Charter	731
Thomas Edison Charter	64,882
University of Delaware	1,054,363
Total	<u>\$ 32,654,000</u>

See accompanying independent auditors' report.



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial schedules of Delaware Public Employees' Retirement System – State Employees' Retirement Plan, which are comprised of the schedule of employer allocation as of and for the years ended June 30, 2015, and the schedule of pension amounts for the year ended June 30, 2015, and the related notes to the financial schedules, and have issued our report thereon dated May 5, 2016.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Delaware Public Employees' Retirement System – State Employees' Retirement 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 Delaware Public Employees' Retirement System – State Employees' Retirement Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

May 5, 2016