

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

Financial Statements

December 31, 2012

# State of Delaware 403(b) Plan

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*Independent Auditors' Report*

To the Deferred Compensation Council  
The State of Delaware  
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 statement of net assets available for benefits as of December 31, 2012, the related statement of changes in net assets available for benefits for the year 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 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. 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 1,

To the Deferred Compensation Council  
The State of Delaware  
Dover, Delaware

2009, 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 in excess of 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 plan assets available for benefits do 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 these financial statements.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, 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, agreements, and other matters. The purpose of

To the Deferred Compensation Council  
The State of Delaware  
Dover, Delaware

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 consideration of State of Delaware 403(b) Plan's internal control over financial reporting and compliance.

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

June 17, 2014  
Wilmington, Delaware

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

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Management's Discussion and Analysis

December 31, 2012

This discussion and analysis of the State of Delaware 403(b) Plan (the "Plan") financial performance provides an overview of the Plan's financial activities for the year ended December 31, 2012. Please read this section in conjunction with the Plan's financial statements which follow this section.

### **Financial Highlights**

- Net assets available for plan benefits increased by approximately \$30.8 million during 2012 from \$247.9 million at December 31, 2011 to \$278.7 million at December 31, 2012. This increase was primarily due to contributions made to the Plan as well as gains on investments and distributions made to participants during 2012.
- Employee contributions were \$20.3 million for the year ended December 31, 2012. Changes in contributions are primarily due to fluctuations in the average contribution per participant and number of active plan participants. There were 4,747 active participants as of December 31, 2012.
- Transfers into the Plan were \$1.9 million for the year ended December 31, 2012. Changes in the amount of transfers-in from year to year vary greatly and are the direct result of changes in the number of individuals performing these transactions.
- Net investment income amounted to \$29.2 million in 2012. 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.
- Distributions paid to participants were \$21.2 million for the year ended December 31, 2012. Fluctuations in the amount of distributions paid from year to year are primarily due to changes in the number of retirees per year as well as the average distribution per retiree. There were approximately 600 individuals who received a distribution from the Plan during the year ended December 31, 2012.
- Administrative expenses and investment fees were \$270,234 for the year ended December 31, 2012. Fluctuations in these fees directly relate to changes in amount of total investments and the allocation of investments amongst the Plan's various investment options.

## State of Delaware 403(b) Plan

Management's Discussion and Analysis  
December 31, 2012

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### Overview of the Financial Statements

This financial report consists of the Statement of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits. These statements provide information about the financial position and activities of the Plan as a whole. The notes to 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 net assets available for plan benefits (Table 1) and changes in net assets available for plan benefits (Table 2):

**Table 1**  
**Net Assets Available for Plan Benefits**

	<u>2012</u>
Investments	\$ 277,649,866
Notes receivable from participants	<u>1,021,516</u>
Net assets available for plan benefits	<u><u>\$ 278,671,382</u></u>

**Table 2**  
**Changes in Net Assets Available for Plan Benefits**

	<u>2012</u>
Additions:	
Employee contributions	\$ 21,156,920
Transfers into Plan	1,905,871
Net investment income	29,230,173
Interest income on notes receivable from participants	16,926
Deductions:	
Benefits paid to participants	21,236,111
Administrative and investment fees	<u>270,234</u>
Change in plan net assets	<u><u>\$ 30,803,545</u></u>

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

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Management's Discussion and Analysis

December 31, 2012

### **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 Defined Contribution Plans of the State of Delaware Deferred Compensation Plan at 820 Silver Lake Boulevard, Dover, Delaware 19904-2464.

## State of Delaware 403(b) Plan

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Statement of Net Assets Available for Benefits

December 31, 2012

	<u>2012</u>
<b>Assets</b>	
Investments, at fair value	\$ 277,649,866
Notes receivable from participants	<u>1,021,516</u>
Total assets	278,671,382
<b>Liabilities</b>	<u>-</u>
Net assets available for benefits	<u><u>\$ 278,671,382</u></u>

The accompanying notes are an integral part of the financial statements

## State of Delaware 403(b) Plan

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### Statement of Changes in Net Assets Available for Benefits Year Ended December 31, 2012

	<u>2012</u>
<b>Additions</b>	
Investment income	
Net appreciation in fair value of investments	\$ 27,795,197
Interest and dividends	<u>1,434,976</u>
Net investment income	<u>29,230,173</u>
Interest income on notes receivable from participants	<u>16,926</u>
Contributions	
Participant	20,317,311
Rollovers	<u>839,609</u>
Total contributions	<u>21,156,920</u>
Total additions	<u>50,404,019</u>
<b>Deductions</b>	
Benefits paid to participants	21,236,111
Administrative expenses	<u>270,234</u>
Total deductions	<u>21,506,345</u>
Net transfers into Plan	<u>1,905,871</u>
Net increase	30,803,545
<b>Net Assets Available for Plan Benefits</b>	
Beginning of year	<u>247,867,837</u>
End of year	<u><u>\$ 278,671,382</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 Financial Statements  
December 31, 2012

### **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.

#### **General**

The Plan is a defined contribution plan covering all education employees of the State of Delaware (the “State”). Under plan provisions, employees of the State, the Delaware Department of Education and State of Delaware sponsored education organizations are eligible to contribute into the Plan.

The Plan has evaluated subsequent events for recognition or disclosure through June 17, 2014, the date the financial statements were available to be issued.

#### **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 Internal Revenue Code (“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. 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 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.

#### **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. Terms range from one to five years or greater for the purchase of a primary residence. For remaining participant loans, principal and interest is paid directly to the provider by the participant.

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

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Notes to Financial Statements  
December 31, 2012

### **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 their account or periodic payments. In addition, the Plan allows for hardship distributions if certain criteria are met.

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

### **Basis of Accounting**

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

### **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 to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Mutual funds are valued at the quoted net asset values ("NAV") of the shares held by the Plan at year-end.

Investments in the fixed earnings options are valued based on the fixed earnings rates as reported by the investment carriers or manager. The investment valuation includes contributions received plus investment income earned to date less applicable charges and amounts withdrawn. The fixed earnings investments are reported at contract value, which approximates fair value.

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

Assets held for annuity payout reserves are actually valued as reported by AXA and Security Benefit Corporation.

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.

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

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Notes to Financial Statements

December 31, 2012

### **Notes Receivable from Participants**

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, they 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.

### **Administration of Plan Assets**

The Plan is administered by the State of Delaware and the Deferred Compensation Council.

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.

### **Payment of Benefits**

Benefits are recorded when paid.

### **3. Investments**

Delaware code Title 29 Section 6057 outlines the types of allowable investments of the Plan. 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 company offering such contracts is subject to regulation by the Insurance Commission 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 Deferred Compensation Council 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.

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

The fair or contract value of investments held by the Plan at December 31, 2012 were as follows. Investments marked with an asterisk (\*) represent individual investment options, which exceed 5% of the net assets available for plan benefits as of December 31, 2012. Investments marked with two asterisks (\*\*) represent international funds.

	<b>Fair and Carrying Value 2012</b>
<b>Fixed earnings investments:</b>	
Lincoln Financial stable value	\$ 477,713
ING fixed account	2,316,687
ING fixed account plus	301,625
ING guaranteed accumulation account	57,714
Hartford General Account	229,806
VALIC Fixed Account Plus	7,333,764
VALIC Short Term Fixed	103,850
Horace Mann Fixed Account	13,113,037
Horace Mann 5yr Guaranteed period account	28,076
Horace Mann 10yr Guaranteed period account	43,379
MetLife Fixed Account	12,480,763
AXA Guaranteed Interest Account	15,847,654 *
Security Benefit Fixed Account	1,155,451
Great American Equity Index – Flex	22,673
Great American Flex(b)	1,326,082
Great American Flex Max	86,228
Great American FlexMax 14	36,344
Great American Flex 6	811,946
Spinnaker Fixed Annuity Account	538,003
Spinnaker Plus Fixed Annuity Account	55,173
Preference FP	120,881
QPA Series III	4,016,194
QPA Series III Plus	503,223
New York Life Fixed Annuities	658,812
AUL Fixed Account	21,837
Alternate Fixed Account	22,313
<b>Variable earnings investments:</b>	
<b>AXA</b>	
AXA Aggressive Allocation	516,960
AXA Conserv- Allocation	34,088
AXA Conserv-Plus Allocation	173,862
AXA Moderate Allocation	1,351,068
AXA Moderate-Plus Allocation	939,035
AXA Tactical Manager Int.	23,590
AXA Tactical Manager 400	55,322
AXA Tactical Manager 500	33,190
AXA Tactical Manager 2000	11,014
American Cntry VP Mid Cap Val	12,873
All Asset Growth Alt Twenty	105,774

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
EQ/AllianceBernstein SM CP	\$ 1,981,089	
EQ/AXA Franklin Sml Cp Val Cor	1,398,763	
EQ/BlackRock Basic Value Equity	2,287,109	
EQ/Boston Advisors Eqty Income	203,445	
EQ/Calvert Socially Resp	71,461	
EQ/Capital Guardian Research	4,857,933	
EQ/Com Stck Index	2,292,277	
EQ/Com Stck Equity	1,946	
EQ/Core Bond Index	567,133	
EQ/Davis New York Venture	145,363	
EQ/Equity 500 index	478,508	
EQ/Equity Growth Plus	1,234,966	
EQ/Franklin Core Balanced	1,027,091	
EQ/Franklin Templeton Alloct	900	
EQ/GAMCO Mergers & Acquisition	170,804	
EQ/GAMCO Small Company Value	2,338,108	
EQ/Global Bond Plus	360,444	**
EQ/Global Multi-Sector Equity	3,745,738	**
EQ/International Core Plus	719,505	**
EQ/International equity index	1,100,231	**
EQ/International Value Plus	3,283,046	**
EQ/Intermediate Government BND	689,844	
EQ/JPMorgan Val Opportunities	888,036	
EQ/Large Cap core Plus	129,292	
EQ/Large cap Growth index	510,089	
EQ/Large cap Growth Plus	321,387	
EQ/Large cap value Index	313,905	
EQ/Large cap value PLUS	3,518,934	
EQ/Lord Abbett Large Cap Core	33,668	
EQ/MFS International Growth	331,103	**
EQ/Mid Cap Index	1,215,022	
EQ/Mid Cap Value Plus	4,298,572	
EQ/Money Market	132,566	
EQ/Montag & Caldwell Growth	393,291	
EQ/Morgan Stanley Mid Cap GR	1,056,670	
EQ/Mutual Large Cap Equity	1,880,684	
EQ/Oppenheimer Global	288,471	**
EQ/PIMCO Ultra Short Bond	483,800	
EQ/Quality Bond Plus	1,232,139	
EQ/Small Company Index	682,534	
EQ/T Rowe Price Growth Stock	3,205,317	
EQ/Templeton Global Equity	2,673,972	**
EQ/UBS Growth and Income	62,213	
EQ/Van Kampen Comstock	37,570	
EQ/Wells Fargo Omega Growth	220,280	
Fidelity VIP Contrafund	385,758	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Fidelity VIP Equity Income	\$ 40	
Fidelity VIP Mid Cap	34,728	
Goldman Sachs VIT Mid Cap Val	31,878	
Invesco V.I. Diversified Div	26	
Invesco V.I. Gbl Real Estate	71,539	
Invesco V.I. High Yield	50,112	
Invesco V.I. International GR	44,282	**
Invesco V.I. Mid Cap Core Equity	104,263	
Invesco V.I. Small Cap Equity	5,310	
Ivy Funds VIP Energy	88,390	
Ivy Funds VIP Mid Cap Growth	383,015	
Ivy Funds VIP High Income	250,507	
Ivy Funds VIP Small Cap Growth	39,162	
Lazard Retirement EMG Mrkts Eqty	414,234	
MFS International Value	341,977	**
MFS Investors Gr Stock	8,836	
MFS Investors Trust	10,649	
MFS Technology	319,309	
MFS Utilities	28,842	
Multimanager Aggressive Equity	792,832	
Multimanager Mid Cap Growth	80,751	
Multimanager Mid Cap Value	64,390	
Multimanager Small Cap Growth	95,637	
Multimanager Small Cap Value	350,688	
Multimanager Core Bond	216,029	
Multimanager International EQT	178,441	**
Multimanager LG Cp Core Eqty	5,502	
Multimanager Large Cap Value	53,448	
Multimanager Multi-Sector Bond	237,306	
Multimanager Small Cap Growth	70,517	
Multimanager Small Cap Value	331,028	
Multimanager Technology	1,945,370	
Oppenheimer Main Strt Fund/VA	2,423	
PIMCO VIT CmmdtyRealTetrn Stgy	9,822	
S&P 500 index 1yr-10% Buffer	29,114	
Target 2015 Allocation	3,266	
Target 2025 Allocation	343	
Target 2035 Allocation	3,370	
Target 2045 Allocation	9,499	
Templeton Global Bond Sec	32,234	**
Van ECK VIP Global Hard Assets	2,598	**
<b>ING</b>		
American Funds EuroPacific Growth Fund - Class R-4	2,488	**
American Funds EuroPacific Growth Fund - Class R-4	678	**
American Funds EuroPacific Growth Fund - Class R-4	4,954	**
American Funds Fundamental InvestorsSM - Class R-4	11,296	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
American Funds New Perspective Fund - Class R-4	\$ 1,946
American Funds The Growth Fund of America - Class R-4	18,458
American Funds The Growth Fund of America - Class R-4	16,171
American Funds The Growth Fund of America - Class R-4	2,921
American Funds The Growth Fund of America - Class R-4	48,783
American Funds Washington Mutual Investors Fund SM - R-4	189
Fidelity VIP Contrafund Portfolio - Initial Class	22,089
Fidelity VIP Contrafund Portfolio - Initial Class	2,219
Fidelity VIP Contrafund Portfolio - Initial Class	3,710
Fidelity VIP Contrafund Portfolio - Initial Class	16,419
Fidelity VIP Contrafund Portfolio - Initial Class	13,200
Fidelity VIP Contrafund Portfolio - Initial Class	62,687
Fidelity VIP Contrafund Portfolio - Initial Class	2,720
Fidelity VIP Equity-Income Portfolio - Initial Class	1,752
Fidelity VIP Equity-Income Portfolio - Initial Class	5,123
Fidelity VIP Equity-Income Portfolio - Initial Class	5,315
Fidelity VIP Equity-Income Portfolio - Initial Class	19,921
Fidelity VIP Growth Portfolio - Initial Class	6,914
ING Balanced Portfolio - Class I	56
ING Balanced Portfolio - Class I	61,374
ING Balanced Portfolio - Class I	14,904
ING Baron Growth Portfolio - Service Class	3,087
ING Clarion Global Real Estate Portfolio - Institutional	2,864 **
ING Davis New York Venture Portfolio - Service Class	18,745
ING Global Bond Portfolio - Initial Class	296 **
ING Global Bond Portfolio - Initial Class	11,997 **
ING Global Resources Portfolio - Service Class	2,472 **
ING Growth and Income Portfolio - Class I	5,577
ING Growth and Income Portfolio - Class I	9,246
ING Growth and Income Portfolio - Class I	63,054
ING Growth and Income Portfolio - Class I	8,211
ING Growth and Income Portfolio - Class I	235,097
ING Growth and Income Portfolio - Class I	1
ING Growth and Income Portfolio - Class I	50,184
ING Growth and Income Portfolio - Class I	72,052
ING Growth and Income Portfolio - Class I	53,902
ING Growth and Income Portfolio - Class I	194,396
ING Index Plus LargeCap Portfolio - Class I	2,424
ING Index Plus LargeCap Portfolio - Class I	1,389
ING Index Plus LargeCap Portfolio - Class I	1,056
ING Index Plus LargeCap Portfolio - Class I	49,827
ING Index Plus LargeCap Portfolio - Class I	13,241
ING Index Plus MidCap Portfolio - Class I	2,772
ING Index Plus MidCap Portfolio - Class I	1,961
ING Index Plus SmallCap Portfolio - Class I	2,459
ING Index Plus SmallCap Portfolio - Class I	1,702

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
ING Index Solution 2015 Portfolio - Service Class	\$ 104,751
ING Index Solution 2025 Portfolio - Service Class	1,810
ING Index Solution 2025 Portfolio - Service Class	2,508
ING Index Solution 2035 Portfolio - Service Class	17,337
ING Index Solution 2045 Portfolio - Service Class	8,773
ING Index Solution 2055 Portfolio - Service Class	15,903
ING Index Solution 2055 Portfolio - Service Class	3,243
ING Index Solution Income Portfolio - Service Class	1,022
ING Intermediate Bond Portfolio - Class I	1,578
ING Intermediate Bond Portfolio - Class I	12,690
ING Intermediate Bond Portfolio - Class I	3,972
ING Intermediate Bond Portfolio - Class I	4,986
ING Intermediate Bond Portfolio - Class I	7,493
ING Intermediate Bond Portfolio - Class I	1,495
ING Intermediate Bond Portfolio - Class I	13,195
ING Invesco Van Kampen Comstock Portfolio - Service Class	778
ING Invesco Van Kampen Growth and Income Portfolio - Service	1,441
ING Invesco Van Kampen Growth and Income Portfolio - Service	2,484
ING JPMorgan Emerging Markets Equity Portfolio - Service	2,542 **
ING JPMorgan Emerging Markets Equity Portfolio - Service	23,652 **
ING JPMorgan Mid Cap Value Portfolio - Service Class	426
ING Large Cap Growth Portfolio - Institutional Class	2,167
ING Large Cap Value Portfolio - Institutional Class	1,419
ING Large Cap Value Portfolio - Institutional Class	1,808
ING Large Cap Value Portfolio - Institutional Class	2,621
ING Large Cap Value Portfolio - Institutional Class	10,023
ING Large Cap Value Portfolio - Institutional Class	2,632
ING Money Market Portfolio - Class I	4,003
ING Money Market Portfolio - Class I	1,709
ING Money Market Portfolio - Class I	235,668
ING Oppenheimer Global Portfolio - Initial Class	2,808 **
ING Oppenheimer Global Portfolio - Initial Class	4,088 **
ING Oppenheimer Global Portfolio - Initial Class	14,404 **
ING Oppenheimer Global Portfolio - Initial Class	54,985 **
ING Oppenheimer Global Portfolio - Initial Class	10,780 **
ING Oppenheimer Global Portfolio - Initial Class	209 **
ING PIMCO Total Return Portfolio - Service Class	7,565
ING PIMCO Total Return Portfolio - Service Class	1,634
ING Pioneer High Yield Portfolio - Initial Class	11,504
ING Pioneer Mid Cap Value Portfolio - Institutional Class	865
ING Pioneer Mid Cap Value Portfolio - Institutional Class	5,046
ING Pioneer Mid Cap Value Portfolio - Institutional Class	30,843
ING Russell Large Cap Value Index Portfolio - Class S	22,523
ING Small Company Portfolio - Class I	2,169
ING Solution 2015 Portfolio - Service Class	383,931
ING Solution 2015 Portfolio - Service Class	13,410

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
ING Solution 2025 Portfolio - Service Class	\$ 90,542
ING Solution 2025 Portfolio - Service Class	20,135
ING Solution 2035 Portfolio - Service Class	64,362
ING Solution 2035 Portfolio - Service Class	48,031
ING Solution 2045 Portfolio - Service Class	47,137
ING Solution 2045 Portfolio - Service Class	1,922
ING Solution Income Portfolio - Service Class	154,099
ING Solution Income Portfolio - Service Class	810
ING T. Rowe Price Capital Appreciation Portfolio - Service	11,611
ING T. Rowe Price Capital Appreciation Portfolio - Service	12,008
ING T. Rowe Price Diversified Mid Cap Growth Port - Initial	1,908
ING T. Rowe Price Growth Equity Portfolio - Initial Class	5,674
ING T. Rowe Price Growth Equity Portfolio - Initial Class	843
ING Templeton Foreign Equity Portfolio - Initial Class	510 **
ING Templeton Foreign Equity Portfolio - Initial Class	3,670 **
ING UBS U.S. Large Cap Equity Portfolio - Initial Class	30
ING UBS U.S. Large Cap Equity Portfolio - Initial Class	68
Lord Abbett Series Fund - Mid Cap Stock Portfolio - CI VC	516
Oppenheimer Developing Markets Fund - Class A	10,682
Oppenheimer Developing Markets Fund - Class A	2,184
Oppenheimer Developing Markets Fund - Class A	11,561
Oppenheimer Developing Markets Fund - Class A	776
PIMCO VIT Real Return Portfolio - Administrative Class	1,156
Pioneer Emerging Markets VCT Portfolio - Class I	925 **
Pioneer High Yield VCT Portfolio - Class I Shares	3,038
Pioneer High Yield VCT Portfolio - Class I Shares	342
Templeton Global Bond Fund - Class A	5,500 **
Wanger Select	1,768
Wanger Select	2,706
Wanger USA	2,769
Wanger USA	5,149
Wells Fargo Advantage Special Small Cap Value Fund - Class A	1,162
Wells Fargo Advantage Special Small Cap Value Fund - Class A	1,849
Wells Fargo Advantage Special Small Cap Value Fund - Class A	5,420
Other Investments	316,837
<b>Security Benefit</b>	
Am Century VP Balanced	47,433
Am Century VP Income & Growth	45,627
Am Century VP International	1,863 **
Am Century VP Value	17,297
American Century Equity Income	22,606
American Century Heritage	13,903
American Century International Growth	1,859 **
American Century NVIT Growth	15,526
American Century Str Alloc: Moderate	62,102
American Century Ultra	22,555

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
American Century Value	\$ 74,063	
American Century VP Mid Cap Value	18,387	
Ariel Fund	13,921	
Baron Asset	941	
Calamos Growth	29,492	
Calamos Growth & Income	47,657	
Dreyfus Appreciation Fund	25,746	
Dreyfus IP Technology Growth	807,167	
Dreyfus Opp Midcap Value	9,686	
Dreyfus Socially Responsible Growth	125,045	
Dreyfus Stock Index Fund	92,887	
Dreyfus Strategic Value	24,644	
Dreyfus VIF Appreciation Fund	17,501	
Dreyfus VIF International Value	10,324	**
Dreyfus VIF Opp Small Cap	105,612	
Dreyfus VIF Quality Bond	31,890	
Federated Bond	8,096	
Federated NVIT High Income Bond	12,860	
Federated Quality Bond Fund II	1,589	
Fidelity Advisor Value Strategies	8,404	
Fidelity VIP Contrafund	86,732	
Fidelity VIP Equity Income Port	67,111	
Fidelity VIP Equity Income Port SC	18,451	
Fidelity VIP Growth Portfolio SC	11,098	
Fidelity VIP High Income Port	99,873	
Franklin Income Securities	1,267,616	
Franklin Small Cap Value Securities	2,103	
Guggenheim High Yield	13,886	
Guggenheim Large Cap Value	9,798	
Guggenheim Mid Cap Growth	54,219	
Guggenheim Mid Cap Value	87,952	
Guggenheim Small Cap Growth	39,679	
Guggenheim US Invst Grade Bond	5,116	
Guggenheim VT All Cap Value	1,873,283	
Guggenheim VT All-Asset Con St	9,742	
Guggenheim VT All-Asset Mod St	48,754	
Guggenheim VT Alpha Opp	3,129	
Guggenheim VT Glb Mgd Futures	6,566	
Guggenheim VT High Yield	1,041,246	
Guggenheim VT Lg Cap Core	282,373	
Guggenheim VT Lg Cap Value	586,913	
Guggenheim VT Lg Cp Conc Gr	12,007	
Guggenheim VT Mgd Asset Alloc	982,981	
Guggenheim VT Mid Cap Growth	1,186,769	
Guggenheim VT Mid Cap Value	1,538,944	
Guggenheim VT Money Market	3,074	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
Guggenheim VT MSCI EAFE Eq Wt	\$ 142,999
Guggenheim VT Small Cap Growth	51,677
Guggenheim VT Small Cap Value	2,059,731
Guggenheim VT Total Return Bd	132,136
Guggenheim VT US Long Short	239
Invesco American Franchise	483
Invesco Comstock	6,009
Invesco Equity and Income	9,027
Invesco Small Cap Growth	233
Invesco Technology	25,325
Invesco V.I. Glbl Health Care	1,726,046
Invesco V.I. Govt Securities	285,964
Invesco V.I. Intl Growth	926,636 **
Invesco V.I. Md Cp Core Equity	9,546
Invesco V.I. Glbl Real Estate	302,460
Invesco Van Kampen VI Am Fran	2,306
Invesco Van Kampen VI Comstock	337,528
Invesco Van Kampen VI Eq & Inc	317,148
Invesco Van Kampen VI Md Cp Gr	99,020
Invesco Van Kampen VI Value Op	47,730
Janus Aspen Enterprise	1,456,522
Janus Aspen Janus Portfolio	133,860
Janus Aspen Overseas	22,909
Janus Overseas	1,382
Legg Mason Var Agg Gro	7,380
Legg Mason Var Sm Cap Gro	31,041
MFS VIT Research International	64,122 **
MFS VIT Total Return	48,946
MFS VIT Utilities	2,370,701
NB NVIT Socially Responsible	25,096
Neuberger Berman AMT Balanced Port	39,742
Neuberger Berman AMT Social Responsive	653,952
Neuberger Berman Core Bond	13,884
Neuberger Berman Lg Cp Val	1,212
Neuberger Berman Socially Responsive	23,826
NVIT Government Bond	22,436
NVIT Multi-Manager Large Cap Growth	60
NVIT Multi-Manager Mid Cap Growth	47,169
NVIT Multi-Manager Mid Cap Value	119,319
NVIT Multi-Manager Small Cap Value	17,786
NVIT Multi-Manager Small Company	11,251
NVIT Nationwide	63,381
NVIT Real Estate	3,140
Oppenheimer Capital App Fund	25,277
Oppenheimer Core Bond Fund/VA	550,631
Oppenheimer Global Securities Fund	2,908 **

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
Oppenheimer Main St Sm-MdCp/VA	\$ 36,574
Oppenheimer Main Street Fund	837
Oppenheimer Sm&Md Cp Growth/VA	7,482
PIMCO All Asset	125,124
PIMCO Foreign Bond (U.S. Dollar-Hedged)	4,662 **
PIMCO High Yield	10,416
PIMCO Low Duration	61,560
PIMCO Real Return	1,607,418
PIMCO Total Return	13,880
PIMCO VIT Emerging Markets Bond	11,844 **
PIMCO VIT Foreign Bond-Hedged	13,098 **
PIMCO VIT Real Return	36,504
Royce Micro-Cap	642,943
Royce Value	10,878
RS Technology	10,735
RS Value	14,367
Templeton Foreign Securities Fund	50,918 **
Van Eck VIP Emerging Markets	3,437 **
Van Eck VIP Global Hard Assets	3,530 **
Van Kampen NVIT Comstock Value	13,905
Wells Fargo Advantage Small Cap Value	10,420
Western Asset Var Glob HY Bond	713,323 **
<b>Lincoln Financial</b>	
Baron Grow	12,811
Dreyfus Bon	33,821
ETN VNC VA	38,253
Invesco MI	7,674
Janus Balance	70,268
Janus Perk	13,395
Mngers CAD	6,014
Dreyfus S&P	13,552
Pioneer FU	14,307
Allnzgi NF	8,549
PIMCO Total	44,986
AM FDS EUR	37,637
AM FDS GRT	40,438
JPM Small	6,512
<b>Lincoln Investments</b>	
Alger Capital Appreciation Fund-A	9,242
Alliance Bernstein Intl Growth Fund-A	2,341 **
American Century Heritage Fund-A	8,914
American Funds AMCAP Fund-A	5,770
American Funds AMCAP Fund-F1	971
American Funds Capital World Bond Fund - F1	3,295
American Funds Capital World Growth Inc Fund-A	4,628
American Funds Capital World Growth Inc Fund - F1	27,422

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
American Funds EuroPacific Growth Fund-A	\$ 1,511	**
American Funds EuroPacific Growth Fund-F1	3,161	**
American Funds Fundamental Investors Fund-A	39,948	
American Funds Growth Fund of America- A	6,427	
American Funds Growth Fund of America- F1	1,025	
American Funds Investment Company of America-A	16,521	
American Funds Investment Company of America-B	12,799	
American Funds Investment Company of America-F1	4,543	
American Funds New World Fund-F1	825	
American Funds Washington Mutual Investors-A	37,135	
BlackRock Equity Dividend Fund-A	6,454	
BlackRock Global Allocation Fund-A	2,396	**
Calvert Bond Portfolio-A	12,327	
DWS Small Cap Value Fund-A	731	
Eaton Vance Large Cap Value Fund-A	7,759	
Federated Kaufmann Small Cap Fund-A	2,165	
Federated Total Return Bond Fund-A	2,437	
Fidelity Advisor Emerging Markets Fund-A	1,181	**
First Eagle Global Fund-A	3,080	**
Franklin Gold and Precious Metals Fund-A	341	
Franklin Growth Fund-A	1,714	
Franklin Income Fund- A	74,041	
Franklin Income Fund-C	1,080	
Franklin India Growth Fund-A	2,108	
Franklin Natural Resources Fund-A	713	
Franklin Rising Dividends Fund -A	23,537	
Franklin Small Cap Value Fund-A	175	
Goldman Sachs Short Duration Government Fund-A	11,724	
Guggenheim Mid Cap Value Fund-A	690	
Invesco Asia Pacific Growth Fund-A	6,109	
Invesco Charter Fund- A	1,928	
Invesco Developing Markets Fund-A	16,860	
Invesco Global Real Estate Fund- A	5,428	**
Invesco Mid Cap Core Equity Fund-A	1,154	
Invesco Small Cap Discovery Fund- A	8,906	
Ivy Asset Strategy Fund-A	41,368	
Ivy Energy Fund -A	5,396	
Ivy mid Cap Growth Fund-A	639	
Ivy Real Estate Securities Fund-A	5,911	
Janus Triton Fund-A	1,997	
Mutual Global Discovery Fund- A	7,004	**
MFS Global Total Return Fund -A	1,521	**
Oppenheimer Developing Markets Fund- A	13,720	**
Oppenheimer Equity Income Fund- A	1,904	
Oppenheimer Flexible Strategies Fund-A	25,159	
Oppenheimer Global Strategic Income Fund- A	1,891	**

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Oppenheimer International Diversified Fund- A	\$ 1,965	**
Oppenheimer Real Estate Fund- A	556	
Oppenheimer Rising Dividends Fund Inc- A	1,141	
Pax World Balance Fund- Inv	1,832	
Putman Absolute Return 700 Fund- A	9,447	
Putman International Equity Fund- A	5,302	**
Putman Investors Fund- A	10,916	
Putman US Government Income Trust Fund- A	6,744	
PIMCO All Assets All Authority Fund- D	2,235	
PIMCO Low Duration Fund- D	2,166	
PIMCO Real Return Fund- D	12,665	
PIMCO Total Return Fund- D	63,841	
RidgeWorth Conservative Allocation Strategy - A	10,073	
SOLUTIONS Money Market	9,917	
Templeton Global Bond Fund -A	23,585	**
Thornburg International Value Fund -A	621	**
Thornburg Investment Income Builder Fund- A	817	
Timothy Plan Defensive Strategies Fund- A	1,715	
Vanguard Dividend Growth Fund	19,073	
Vanguard Short Term Federal Fund- Inv	22,832	
Vanguard Target Retirement Fund 2020	14,162	
Vanguard Target Retirement Fund 2030	150,926	
Vanguard Wellesley Income Fund- Inv	25,263	
Yacktman Focused Fund -Service	944	
Meeder- Master Program- Conservative (New)	15,397	
Progressive Asset Management - Moderate Aggressive 5	2,271	
Progressive Asset Management - Moderate Aggressive 8	32,392	
Progressive Asset Management - Moderate 12	117,133	
Progressive Asset Management Moderate 5	37,489	
<b>MetLife Resources</b>		
MetLife Mod-Aggressive Allocation	13,738,374	
American Funds Bond Fund	640,167	
American Funds Growth Fund	3,629,939	
American Funds Global SC Fund	2,137,416	**
Harris Oakmark International	1,956,630	**
American Funds Grt-Inc Fund	383,085	
MFS Value	215,369	
BlackRock Aggressive Growth	1,315,285	
BlackRock Diversified	839,391	
Baillie International Stock	351,000	**
Western Asset Management Strategy Bond	921,987	
Barclays Capital Aggressive Bond	1,190,006	
BlackRock Large Cap Core	1,533,910	
MSCI EAFE Index	763,019	
MetLife Mid Cap Stock Index	88,717	
Russell 2000 Index	763,551	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
Stock Index	\$ 2,534,429
Morgan Stanley Mid Cap Growth	499,476
PIMCO Total Return	1,096,027
MetLife Aggressive Strategy	2,565,594
MFS Total Return	96,069
Invesco Small Cap Growth	40,106
TRP Small Cap Growth	667,003
Davis Venture Value	326,773
BlackRock Bond Income	153,082
Lord Abbett Bond Debenture	368,990
PIMCO Inflation Protected Bond	332,060
Oppenheimer Global Equity	512,589 **
Met/Artisan Mid Cap Value	135,844
MetLife Conservative-Moderate Allocation	1,395,458
Lord Abbett Mid Cap Value	298,251
Clarion Global Real Estate	242,228 **
Janus Forty	810,926
Western Asset Management US Gov	302,648
Neuberger Berman Genesis	118,271
Loomis Sayles Small Cap Growth	226,417
TRP Mid Cap Growth	215,464
MetLife Moderate Allocation	8,314,906
TRP Large Cap Growth	249,268
Legg Mason ClrBr Aggressive Growth	253,353
MetLife Conservative Allocation	595,361
Jennison Growth	488,771
RCM Technology	88,923
Calvert VP SRI Balanced	133,082
American Funds Balanced Allocation	27,967
SSgA Growth Income ETF	1,005,964
Lazard Mid Cap	68,000
American Funds Moderate Allocation	113,608
MFS Research International	133,706 **
BlackRock Large Cap Value	20,996
SSgA Growth ETF	976,130
Third Ave Small Cap Value	128,303
American Funds Growth Allocation	9,272
Met/Franklin Mut Shares	1,700
Loomis Sayles Small Cap	8,423
Met/Franklin Income	9,899
Fidelity Inv Growth Bond	6,532
Fidelity Growth	11,069
MetLife Stock Index Portfolio	2,697,795
MetLife Templeton Growth	1,102
BlackRock Lgcy LC Growth	6,759
FI Value Leaders	877

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
LggMsn ClrB Var Lrg Cp Gr	\$ 47,834
LggMsnClrBr Var LgCap Val	24,713
Fid VIP Mid Cap Port SC	242,120
Fidelity High Inc Port IC	75,246
Fidelity VIP Eqty Income	292,016
Fidelity ContraFund - SC2	317,236
Dreman Small Cap Value	45,260
T Rowe Price Lg Cap Val	29,706
Pioneer Strategic Income	18,554
Van Kampen Comstock Port	7,120
T. Ro Pri Lg Cap Gro Port	25,157
Loomis Sayles Global Mkts	359,402 **
JanusAspenSeries Overseas	195,213
T. Rowe Price Small CapGr	57,865
LggMsnClrBr Var Fun Val	109,954
BlackRock Legacy LgCapGr	154,254
LggMsn Inv Cns Var Sc Awr	83,847
LggMsn ClrBr Var Sm Cp Gr	27,339
Pioneer Fund Portfolio	6,381
Frank Sm-Mid Cap Gro Sec	2,756
Temp Foreign Sec Fnd Cl 2	53,486
Templeton Developing Mkts	38,298
Lgg Mason ClearBr Var App	41,172
BlackRock MM Port-Cl A	27,657
BlackRock High Yield	488,407
BlackRock Bnd Inc-Cl A	26,300
Fixed Rider	2,959,517
Fund 16A	54,678
Fund 16B	141,976
Fund 16C	108,635
Fund16D	121,721
T-Flex	3,864,831
<b>Fidelity</b>	
Fid Fidelity Fund	239,778
Fid Puritan	367,406
Fid Trend	13,762
Fid Sel Computers	3,594
Fid Sel Electronics	11,643
Fid Sel Cons Staples	21,222
Fid Value Strat	61,262
Fid Gnma	104,121
Fid Magellan	331,894
Fid Contrafund	1,283,725
Fid Equity Inc	58,366
Fid Growth Company	386,319
Fid Invst GR BD	124,625

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Fid Growth & Inc	\$ 199,167	
Fid Sel Software	24,055	
Fid Intermed Bond	78,431	
Fid Sel Air Transport	35,163	
Fid Capital & Income	221,073	
Fid Value	289,482	
Fid Sel Gold	275,034	
Fid Sell BioTech	104,892	
Fid Sel Energy SVCS	3,656	
Fid Sel Insurance	5,227	
Fid Sel Retailing	19,378	
Fid US Govt Res	614	
Fidelity Govt Income	206,599	
Fid Cash Resrve	1,111,689	
Fid Sel Energy SVCS	40,983	
Fid Sel Leisure	14,399	
Fid Sel Healthcare	14,351	
Fid Sel Technology	64,202	
Fid Sel Utilities	70,559	
Fid Sel Financial	18,107	
Fid Sel Defense	18,371	
Fid Sel Chemicals	177,742	
Fid Independence	904,977	
Fid Sel Money Market	290,219	
Fid OTC Portfolio	102,702	
Fid Overseas	44,252	
Fid Sel Consumer Fin	16,452	
Fid Levergd CO Stk	147,664	
Fid New Millen	37,856	
Fid Europe	3,234	**
Fid Pacific Basin	37,218	**
Fid Real Estate Invs	324,868	
Fid Balanced	334,576	
Fid Intl Discovery	125,486	**
Fid Capital Apprec	115,686	
Fid Convertible Sec	32,049	
Fid Canada	95,858	**
Fid Telecom & Util	2,795	
Fid Blue Chip Gr	250,965	
Fid Asset MGR 50%	104,803	
Fid Disciplnd Eqty	60,958	
Fid Low Priced Stk	566,407	
Fid Worldwide	18,499	**
Fid Eq Div Income	196,448	
Fid Asset MGR 70%	131,231	
Fid Emerging Mkts	85,078	**

## State of Delaware 403(b) Plan

Notes to Financial Statements  
December 31, 2012

	<u>Fair and Carrying Value</u>	
	<u>2012</u>	
Fid Growth Strat	\$	20,914
Fid Diversifd Intl		169,930 **
Fid Asset Mrg 20%		97,441
Fid Dividend Gr		123,373
Fid New Markets Inc		112,368
Fid Export & Multi		1,215 **
Fid Focused Stock		3,659
Fid Global Balanced		23,942 **
Fid Intl Cap Apprec		1,282 **
Fid Stk Sel SM Cap		43,028
Fid Mid Cap Stock		148,202
Fid Large Cap Stock		7,849
Fid Growth Disc		69,027
Fid Small Cap Stock		20,843
Fid Latin America		3,910 **
Fid Emerging Asia		28,952 **
Fid China Region		31,293 **
Fid Sel It Services		20,554
Fid Sel Med Eq & Sys		64,036
Fid Four in One Idx		102,728
Fid Japan Small Co		10,225
Fid Mega Cpa Stock		56,630
Fid Strategic Income		316,151
Fid Freedom Income		209,059
Fid Freedom 2000		179,095
Fid Freedom 2010		596,853
Fid Freedom 2020		2,398,194
Fid Freedom 2030		1,087,242
Fid Sm Cap Discovery		60,862
Fid US Treas MM		132,694
Fid Short Term Bond		351,030
Fid Intm Govt Income		12,512
Fid Money Market		80,924
Fid High Income		258,932
Fid Govt MMkt		72,635
Fid Sel Automotive		17,246
Fid Sel Medical Del		11,267
Fid Sel Banking		51,280
Fid Sel Materials		18,954
Fid Sel Constr/ House		14,969
Fid Sel Transport		20,344
Fid Sel Natural Gas		12,500
Fid Sel Natural Res		24,389
Fid Sel Industrials		20,714
Fid Sel Env Alt Engy		4,861
Fid Sel Comm Equip		28

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Fid Sel Pharmaceutical	\$ 120,268	
Fid Retire MMKT	273,498	
Fid Ret Govt MM	39,926	
Fid Inst Sh Int Govt	21,513	
Fid Stksel Lgcap Val	15,650	
Fid Freedom 2040	506,635	
Fid Mid Cap Value	36,658	
Fid Large Cap Growth	937	
Fid Mid Cap Growth	11,095	
Fid Inflat Prot Bond	47,130	
Fid Ultra Short Bond	5,863	
Fid Float Rt Hi Inc	28,276	
Fid Intl Small Cap	6,947	**
Fid Total Bond	103,118	
Fid Real Estate Inc	19,743	
Fid Blue Chip Value	8,357	
Fid Nasdaq Comp Indx	5,400	
Fid Freedom 2005	124,791	
Fid Freedom 2015	1,370,524	
Fid Freedom 2025	1,538,095	
Fid Freedom 2035	748,454	
Fid Strat Div & Inc	103,441	
Fid Focused High Inc	2,355	
Fid Intl Real Estate	322	**
Fid Small Cap Growth	166,884	
Fid Small Cap Value	140,899	
Fid Intl Sm Cap Opp	4,633	**
Fid Strat Real Ret	47,928	
SPTN TOT MKT IDX Adv	232,881	
SPTN EXT MKT IDX ADV	20,819	
SPTN INTL INDEX ADV	82,019	**
SPTN 500 INDEX ADV	440,692	
SPTN ST TR IDX ADV	48	
SPTN INT TR IDX ADV	12,435	
SPTN LT TR IDX ADV	34,178	
Fid Intl Value	7,561	**
Fid Freedom 2045	144,970	
Fid Freedom 2050	119,980	
Fid LC VAL Enh Indx	40,649	
Fid LC Gro Enh Indx	38,198	
Fid Asset MGR 40%	6,086	
Fid Asset MGr 60%	13,380	
Fid Global Strat	42	**
Fid Intl Growth	5,490	**
Fid Intl Enh Index	107	**
Fid Sm Cap Enh Indx	11,801	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Fid EMEA	\$ 3,557	**
Fid Glb Comdty Stk	345	**
Fid Corporate Bond	16,470	
Fid Consv Inc Bd	32,347	
SPTN Us Bond Idx Adv	115,586	
FID Freedom 2055	299	
SPTN Em MKTS Idx Adv	103	
SPTN Mid Cap Idx Adv	51	
SPTN real Es Idx Adv	1,690	
SPTN Sm Cap IDX Adv	926	
Fid Emerg MKTS Disc	76	
<b>Hartford</b>		
Eaton Vance Large-Cap Val A	77,249	
PIMCO Total Return-A	460,515	
American Funds CapWLD G&I R3	404,496	
Columbia Mid Cap Opp Value-R3	28,701	
Lord Abbett Small Cap Blend-A	22,220	
Janus Overseas- S	19,037	**
The Hartford Capital Apprn-R5	359,356	
Pioneer Stategic Income-A	77,522	
American Funds Growth Fund R3	167,445	
Invesco Equity and Income-A	111,439	
American Funds Fundamental Inv-R3	349,700	
Dreyfus MidCap InVDX-1	26,635	
Blackrock Life Path 2020	83,625	
Alger MidCap Growth Inst-I	39,032	
Mutual Shares- A	163,146	
American Century Eqty Inc-A	58,501	
Alger Capital Appreciation Inst-I	1,560	
Franklin Growth-A	6,656	
PIMCO Real Return-A	49,784	
Goldman Sachs Small Cap Val-A	67,101	
The Hartford Small Company-R5	8,878	
Blackrock Lifepath Ret-Inv A	93,124	
Blackrock Lifepath 2030-Invs A	42,961	
Blackrock Lifepath 2040- Invs A	120,908	
Dreyfus Smallcap Stock Indx-I	1,166	
Dreyfus Basic S&P 500 Index	1,706	
<b>VALIC</b>		
Aggressive Growth Lifestyle	299,951	
Ariel Appreciation Fund	37,098	
Ariel Fund	9,692	
Asset Allocation Fund	21,898	
Blue Chip Growth Fund	79,862	
Broad Cap Value Inc	206	
Capital Conservation	23,981	

## State of Delaware 403(b) Plan

Notes to Financial Statements  
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	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Core Bond Fund	\$ 32,606	
Core Equity Fund	98,662	
Dividend Value	55,985	
Emerging Economies	216,775	**
Foreign Value	166,805	**
Global Real Estate Fund	110,352	**
Global Social Awareness Fund	86,180	**
Global Strategy	181,623	**
Government Securities Fund	46,609	
Growth & Income Fund	140,318	
Growth Fund	231,127	
Health Sciences Fund	115	
High Yield Bond Fund	32,523	
Inflation Protected Fund	24,111	
International Equities Fund	303,684	**
International Government Bond	61,119	
International Growth Fund	123,447	
Intl Opportunities	235,200	**
Invesco Bal Risk Commod Str R5	102,614	
Large Cap Core	17,456	
Large Cap Value Fund	50,579	
Large Capital Growth	86,353	
Mid Cap Growth Fund	49,905	
Mid Cap Index Fund	824,089	
Mid Cap Strategic Gwth	419	
Mid Cap Value Fund	150,151	
Moderate Growth Lifestyle	24,928	
Money Market I Fund	57,939	
Money Market II Fund	1	
Nasdaq-100(R) Index Fund	3,348	
Science & Technology Fund	212,600	
Sm Cap Aggressive Gwth	1,128	
Small Cap Fund	166,368	
Small Cap Growth Fund	1,233	
Small Cap Index Fund	308,003	
Small Cap Special Value Fund	23,022	
Small Cap Value Fund	135,204	
Small Mid Growth Fund	41,593	
Socially Responsible Fund	268,136	
Stock Index Fund	1,779,435	
Strategic Bond Fund	144,082	
Value Fund	2,631	
Vanguard Lifestrategy Conser	130,769	
Vanguard Lifestrategy Growth	1,054	
Vanguard Lifestrategy Modera	24,025	
Vanguard Long-Term Treasury	41,298	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>
Vanguard Lt Inv-Grade Fund	\$ 26,112
Vanguard Wellington Fund, Inc.	481,775
Vanguard Windsor II	280,663
<b>Kades Margolis</b>	
Invesco Equity and Income A	1,749
Pioneer Classic Balanced A	2,869
American Century Heritage Fund	988
Calvert Social Invst Equity	1,306
Pioneer Fundamental Value A	33,426
Delaware Smid Cap Growth A	9,910
Delaware Diversified Income A	2,297
Dreyfus Small Cap A	9
Delaware Limited Term Government CI	7,576
Franklin Total Return CI A	10,312
Franklin Balance Sheet Investment A	18,039
Franklin Rising Dividends A	16,620
Franklin Rising Dividends Class A	13,725
Fidelity Advisor Small Cap CI A	15,045
Fidelity Advisor Strategic Income A	44,662
Invesco Global Health Care Class A	513 **
Pioneer Ibbotson Growth A	7,255
Invesco Mid Cap Core Equity Class A	3,290
Invesco Energy Class A	8,421
Invesco Gold & Precious Metals Class A	2,400
Janus Advisor Balanced Fund CI A	9,480
Janus Advisor Growth & Income Fd A	8,485
Perkins Mid Cap Value A	6,071
Perkins Small Cap Value A	88
Munder Internet Class A	7,718
Oppenheimer Rising Dividend Fund	7,230
Oppenheimer Developing Mkts CI A	9,401
JPMorgan Government Bond Fund Class	9,656
Oppenheimer International Growth A	10,182 **
Oppenheimer Money Market A	9,567
Oppenheimer Global Opportunities A	8,001 **
PIMCO All Asset A	8,110
Pioneer Fundamental Growth A	9,763
Pioneer Fundamental Growth Fd A	6,624
PIMCO Income A	19,993
Pimco Total Return CI A	9,491
Quaker Strategic Growth Class A	14,539
Oppenheimer Small & Mid Cap Value A	11,988
American AMCAP R4	38,457
Amer Funds 2030 Target Date Ret Fd	21,202
Amer Funds 2045 Target Date Ret Fd	2,952
Amer Funds Europac Gr R4	7,368

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Amer Funds Fundamen Inv R4	\$ 15,698	
Amer Funds Grth Fund Of America R4	4,933	
Amer Funds Income Fund Of America R	48,095	
Amer Funds Cap Inc Bldr R4	24,052	
American Balanced	51,398	
American Funds American Balanced R4	17,251	
Amer Funds New Econ R4	4,602	
Amer Funds New Persp R4	6,435	
Amer Funds Capwrldgi R4	112,686	
Fidelity Money Market	100	
Mutual Global Discovery A	43,265	**
Templeton Global Bond A	28,361	**
America Century Equity Income A	70,799	
American Century Equity Income Adv	15,564	
Invesco Small Cap Discovery A	12,802	
Invesco Value Opp A	2,310	
<b>Horace Mann</b>		
Wilshire VIT Equity HM Shares	722,432	
Wilshire VIT Balanced HM Shares	856,748	
Wilshire VIT Income HM Shares	59,662	
Wilshire VIT Soc Resp HM Shares	467,956	
Wilshire VIT Intl Equ HM Shares	131,779	**
Wilshire VIT Sm Cap Gr HM Shares	133,782	
Wilshire 5000 Index Portfolio	61,785	
Wilshire Large Co Growth	66,460	
Wilshire 5000 Index Portfolio	119,783	
Wilshire Large Co Growth	79,238	
Wilshire Large Co Value	205,721	
Wilshire Small Co Value	18,454	
Wilshire Small Co Growth	30,703	
T Rowe Price Small Cap Value	91,517	
T Rowe Price Small Cap Stock	43,391	
Fidelity VIP Growth & Income SC2	53,872	
Fidelity VIP Index 500 SC2	655,844	
Fidelity VIP Mid Cap SC2	339,915	
Fidelity VIP Growth SC2	437,923	
Fidelity VIP Overseas SC2	381,975	**
Fidelity VIP High Income SC2	25,788	
Fidelity VIP Inv Grade Bond SC2	147,206	
Davis Value Portfolio	32,625	
Wells Fargo Opportunity Fund	50,165	
Rainier Small/Mid Cap Equity	72,928	
Neuberger Berman Genesis Fund	129,504	
AllianceBernstein Lrg Cap Growth	187,589	
Ariel Fund	67,137	
Ariel Appreciation Fund	142,728	

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<b>Fair and Carrying Value</b>
	<b>2012</b>
Delaware Growth Opportunities	\$ 40,129
Lord Abbett Growth Opportunities	1,667
Goldman Sachs Structured Small	2,634
Dreyfus Midcap Stock Portfolio	2,331
Royce Capital Fund Small Cap	126,299
Wells Fargo Advantage Discovery	112,731
T RowePrice EquityInc Port VIPII	149,527
AllianceBernstein Small/Mid Cap	4,364
AllianceBernstein VPS Sm Cap Gro	938
T Rowe Price Prime Reserve	21,470
Wilshire VIT 2015 ETF Fund	329,695
Wilshire VIT 2025 ETF Fund	236,019
Wilshire VIT 2035 ETF Fund	495,833
Delaware Realty	56,444
Dreyfus Small Cap Stock Index	20,950
JPM US Equity	46,176
Goldman Sachs VIT Mid Cap Value	270
Calvert S&P Mid Cap 400 Index	1,253
Lazard Retirement US Small-Mid Cap Equity Portfolio	639
Fidelity VIP Emerging Markets SC2	25,461 **
Templeton Global Bond Securities Fund	70,006 **
Putnam Multi-Cap Gro	28,678
Ibbotson Conservative ETF	3,119
Ibbotson Income & Growth ETF	7,713
Ibbotson Balanced ETF	11,040
Ibbotson Growth ETF	54,291
<b>First Investors</b>	
Growth and Income	205,778
Fund for Income	143,047
Government	2,898
Global	127,211
Total Return	301,530
Special Situations	6,639
Investment Grade	32,384
Opportunity	68,723
Equity Income	105,926
Select Growth	10,929
International	11,783
<b>Symetra</b>	
Resource B DWS GBL IN BLDR VIP	4,101
Resource B DWS International	20,754
Resource B FID VIP MM SRV	1,076
Resource B PIO Funds	453,004
Resource B PIO MCAP Val	43,016
Resource B PIO SEL MCAP GR I	475,446
Spinnaker AMC VP Balanced	62,168

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<b>Fair and Carrying Value</b>
	<b>2012</b>
Spinnaker AMC VP Int'l	\$ 21,715
Spinnaker AMC VP Lg CO VAL II	2,932
Spinnaker AMC VP Value	1,604
Spinnaker DRF IP Midcap Stock	71,363
Spinnaker DRF IP Tech Growth	20,007
Spinnaker DRF Social Resp Gr	2,858
Spinnaker DRF Stock Index	15,740
Spinnaker DRF VIP Apprec	5,748
Spinnaker DWS GBL in Bldr VIP	40,875
Spinnaker DWS International	19,832
Spinnaker FED Hi Inc Bond II	1,995
Spinnaker FID VIP Contrafund	122,175
Spinnaker Fid VIP Equity Inc	19,061
Spinnaker Fid VIP Gr & Inc	36,452
Spinnaker Fid VIP Growth	46,143
Spinnaker FID VIP MidCap	36,216
Spinnaker FID VIP MM Srv	3,071
Spinnaker FRK Flexcap	5,033
Spinnaker FRK SM Cap Val	22,679
Spinnaker FRK Small Mid Cla	32,612
Spinnaker FRK US Govt	4,487
Spinnaker INVSC VI Ameri FR I	8,047
Spinnaker INVSC VI AMER FR II	1,608
Spinnaker IVSC VI Glb Hlth	1,614
Spinnaker INVSC VI Gbl RE	46,838
Spinnaker INVSC VI Int GR II	20,146
Spinnaker IVSC VI MCP GR II	10,569
Spinnaker JP MIT MDCP Val	32,193
Spinnaker JPMIT US Equit	10,385
Spinnaker MUT SHrs SEC	24,886
Spinnaker PIMVIT All ASST Adv	1,712
Spinnaker PIMVIT Comm RR ADM	928
Spinnaker PIO Eq INC CIS II	15,705
Spinnaker PIO Fund	411,200
Spinnaker PIO HI Yield	1,902
Spinnaker PIO MCAP Val	12,025
Spinnaker PIO Sel MCAP Gr	523,258
Spinnaker PIO StrTG Inc CL II	21,197
Spinnaker TEM Dev MKT	3,124
Spinnaker TEM Grwth Sec	18,858
Spinnaker Templeton Gbl BD	1,536
Spinnaker Plus AMC VP Int'l	20
Spinnaker Plus DRF IP Tech Growth	24
Spinnaker Plus Fid VIP Growth	35
Spinnaker Plus INVSC VI AMER FR I	10
Spinnaker Plus PIO Funds	860

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
Spinnaker Plus PIO Sel MCAP Gr	\$	74
<b>NY Life</b>		
Variable Annuities		1,537,611
Whole Life Insurance Policies		328,105
<b>Mutual Funds:</b>		
<b>Security Benefit</b>		
Amer Funds EuroPacific Growth		38,515 **
Amer Funds Fundamental Invstrs		69,355
American Century Equity Income		29,120
American Century Growth		250,887
American Century Heritage		46,477
American Century Prime Mny Mkt		39,409
American Century Select		5,662
Ariel Fund		21,023
Aston/Fairpointe Mid Cap		1,172
Aston/TAMRO Small Cap		320
BlackRock Equity Dividend		113,556
BlackRock Global Allocation		59,838 **
Calamos Global Equity		208,207 **
Calamos Growth		38,165
Calamos Growth & Income		37,798
Calamos High Income		14,646
Dreyfus Appreciation Fund		2,929
Dreyfus Opp Midcap Value		12,788
Dreyfus S&P 500 Stock Index		8,121
Dreyfus Strategic Value		44,146
Federated Bond		10,167
Fidelity Adv Value Strategies		4,506
Fidelity Advisor New Insights		23,852
Fidelity Advisor Real Estate		12,119
Franklin Flex Cap Growth		2,783
Franklin High Income		30,561
Guggenheim High Yield		26,089
Guggenheim Large Cap Value		14,804
Guggenheim Mid Cap Growth		23,608
Guggenheim Mid Cap Value		129,551
Guggenheim MSCI EAFE Eq Weight		13,630
Guggenheim Small Cap Growth		7,721
Guggenheim Small Cap Value		3,733
Invesco Developing Markets		5,179
Invesco Equity and Income		613,005
Invesco Small Cap Growth		41,440
Invesco Technology		8,369
Janus Overseas		7,381 **
Janus Triton		50,553
Large Cap Value		12,115

## State of Delaware 403(b) Plan

Notes to Financial Statements

December 31, 2012

	<u>Fair and</u> <u>Carrying Value</u> <u>2012</u>	
MCSI EAFE Equal Weight	\$ 10,875	
Mid Cap Value	9,468	
Mutual Global Discovery	18,811	**
Neuberger Berman Socially Resp	12,817	
Oppenheimer Developing Markets	22,803	
PIMCO High Yield Return	21,816	
PIMCO Low Duration	45,480	
PIMCO Real Return	64,602	
PIMCO Total Return	584,875	
Pru Jennison 20/20 Focus	24,680	
Pru Jennison Mid Cap Growth	44,978	
Pru Jennison Natural Resources	34,683	
Pru Jennison Value	2,088	
RidgeWorth Md Cap Value Equity	10,372	
Royce Opportunity	6,861	
Royce Value	85,246	
Templeton Global Bond	9,235	**
TRP Growth Stock	1,145	
TRP Retirement 2010	212,733	
TRP Retirement 2015	6,743	
TRP Retirement 2020	199,104	
TRP Retirement 2040	8,040	
TRP Retirement 2050	3,800	
Wells Fargo Advtg Opportunity	12,749	
Wells Fargo Advtg SmCp Value	25,586	
	<hr/>	
Total	\$ <u>277,649,866</u>	

The Plan's investments (including gains and losses on investments bought, sold, as well as held during the year) appreciated in value by \$27,795,197 during 2012.

#### 4. Related Party Transactions

Certain members of the Deferred Compensation Council are participating or retired members of the Plan.

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

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.

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

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Notes to Financial Statements  
December 31, 2012

### **5. Plan Termination**

Although it has not expressed any intent to do so, the State has the right at any time to terminate the Plan.

### **6. Tax Status**

In the opinion of legal counsel, the Plan has been designed to qualify under Section 403(b) of the IRC and therefore, 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 to maintain its qualification under Section 403(b). Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in the gross income of the participant only for the taxable year in which such compensation or other income is paid or, otherwise, made available 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 the Plan is qualified and the related custodial accounts are tax exempt.

### **7. 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 Statement of Net Assets Available for Benefits.

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 annuities 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 managed by several fund managers. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Council. The investments that exceed 5% of plan assets are identified in Note 3.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment. The Plan allows the option of investments in mutual funds of countries outside the United States that invest in securities not required to disclose the individual assets within the fund. The fair value of these investments was \$23,730,675 as of December 31, 2012. The individual funds are identified in Note 3.

### **8. Prior Period Adjustment**

Plan assets have been adjusted to reflect investments held in custody by three of the plan vendors whose confirmations in previous years were not complete and accurate. The inclusion of investments in plan assets as of the beginning of the year required a prior period adjustment to increase beginning investments by \$14,193,398.



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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 Deferred Compensation Council  
The State of Delaware  
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 basic financial statements of State of Delaware 403(b) Plan as of and for the year ended December 31, 2012 and have issued our report thereon dated June 17, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the State of Delaware 403(b) Plan's internal control over financial reporting (internal control) to determine the audit procedures that were 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 State of Delaware 403(b) Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of State of Delaware 403(b) Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described below to be material weaknesses.

To the Deferred Compensation Council  
The State of Delaware  
Dover, Delaware

We have determined that the *lack of reconciliation of significant accounts (employee contributions and plan assets)* is a material weakness as described below:

Background - To establish the completeness of employee contributions presented on the financial statements, we reconciled the 403(b) deferrals actually withheld from the payroll to the deposits reflected on the confirmations provided by each of the 13 vendors.

Finding Number 1 - Reconciliation of Payroll Deferrals Withheld and Deposited - The reconciliation of actual deferrals withheld to the deposits on the vendors revealed the following differences:

Reconciliation of Deferral Withholdings to the Related Deposit			
Vendor	Amount Remitted by the Plan	Amount Deposited per First Confirmation	Initial Difference
New York Life	\$ 186,174.89	\$ 57,527.97	\$ 128,646.92
Kades Margolis	\$ 78,968.00	\$ 3,800.00	\$ 75,168.00

Finding Number 2 - Completeness of Plan Assets - Although the differences are not material, our attempt to locate and reconcile the deferral control totals per the payroll to the deposits revealed that the confirmations sent by these vendors in previous years have never included all of the assets in their custody, and that Kades Margolis has a shared custody agreement with Symetra and AUL/OneAmerica, for which a confirmation was never provided.

Specifically, Symetra held contracts amounting to \$7.89 million as of January 1, 2012, for which the Plan booked a prior period adjustment to include the balance as plan assets as of the beginning of the year, plus changes in net assets during the year ended December 31, 2012, to bring the account balance to \$7.99 million at year end. Additionally, AUL/OneAmerica held \$39,000 as of the beginning of the year for which the Plan booked a prior period adjustment to include the balances as plan assets as of the beginning of the year, plus changes in net assets during the year ended December 31, 2012, to bring the account balance to \$44,000 at year end.

Similarly, New York Life originally provided a confirmation showing \$312,898 in assets as of January 1, 2012 and \$328,106 as of December 31, 2012, but the actual balances held for the State of Delaware 403(b) Plan at New York Life actually amounted to \$3.0 million as of January 1, 2012 and \$2.5 million as of December 31, 2012, for which a prior period adjustment has been recorded to accurately reflect the beginning balance and a current adjustment has been recorded to record the current year activity.

To the Deferred Compensation Council  
The State of Delaware  
Dover, Delaware

*Finding Number 2 - Completeness of Plan Assets - continued -*

Lastly, MetLife provided statements for \$4.32 million in contracts that had not been included in their audit confirmations prior to 2012. The contracts included \$3.26 million dollars in contracts that currently receive contributions from the Plan, and do not meet the criteria for exclusion from plan assets under the Department of Labor's Field Assistance Bulletin No. 2010-1. The remaining \$1.06 million represents contracts that have not received contributions since January 1, 2009, which have continued to be excluded from plan assets pursuant to the DOL guidance.

*Material Weakness* - Due to the automated nature of deferral contribution remittances, participants were not at risk of losing their benefits as a result of this material misstatement of the Plan's financial statements. However, failure to reconcile significant accounts, such as deferral contribution income and total plan assets is a material weakness. As such, it is important for the Plan to have internal controls that prevent the information systems from generating incomplete information resulting in inaccurate financial reporting.

*Recommendation* - We recommend that the plan officials perform or delegate the reconciliation of 403(b) deferral contributions withheld from payroll to the deposits recorded by the vendors. To the extent possible, efforts should be made to use vendors that allow the plan sponsor full electronic access to plan records, including report-generating capabilities, without having to rely on requests from representatives at the vendors, who may not always understand the Plan and its operations, which must follow very intricate provisions.

*Management Response*

*Finding Number 1 - Reconciliation of Payroll Deferrals Withheld and Deposited* - Management recognizes the importance of reconciling deferrals withheld from payroll to the deposits recorded by the vendors. In light of the 2012 findings, management has established a process to reconcile payroll deferral withholdings by payroll period, as well as the annual total as reported on the Form W-3 equivalent generated by PHRST. The 2013 payroll deferrals will be fully reconciled and the total will be provided to the compilation company to ensure that employee contribution revenue on the compiled financial statements is complete and accurate as compared to the original payroll records. Lastly, any vendor misclassification of rollovers or other deposits will be reclassified into its appropriate revenue account.

*Finding Number 2 - Completeness of Plan Assets* - Management recognizes the importance of completeness and accuracy of the assets reported on the financial statements. As such, management is in the process of securing confirmations from all vendors who received contributions during 2013 to ensure that the compilation company has complete and accurate asset information. Prospectively, management will endeavor to reduce the number of available vendors and select a common remitter with more advanced reporting and reconciliation capabilities. Specifically, online access and report generation capabilities by

To the Deferred Compensation Council  
The State of Delaware  
Dover, Delaware

*Management Response - continued -*

*Finding Number 2 - Completeness of Plan Assets - continued* - plan officials will be considered a priority. Additionally, the common remitter will be expected to submit to the Plan a reconciliation of the deferral withholdings to the deposits recorded by the vendors for every payroll period. In the search for a common remitter, emphasis will be placed on reconciliation to the actual deposit recorded by the vendors, as opposed to the current system, which reconciles the deferral withholding to the remittance, but does not ensure that the deposits actually recorded are complete and accurate.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the State of Delaware 403(b) 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 as 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)'s Response to Findings***

The State of Delaware 403(b) Plan responded to the findings identified in our audit as previously described in this letter. The State of Delaware 403(b) Plan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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.*

June 17, 2014  
Wilmington, Delaware