State of Delaware 403(b) Plan

Financial Statements

December 31, 2019 and 2018

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December 31, 2019 and 2018

Independent Auditors' Report

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of State of Delaware 403(b) Plan (Plan), which comprise the statements of fiduciary net position as of December 31, 2019 and 2018, the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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

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

Disclaimer of Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 and 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2020, on our consideration of the State of Delaware 403(b) Plan's internal control over financial reporting and our tests of its

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

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

Belfint, Lyons & Shuman, P.A.

August 3, 2020
Wilmington, Delaware

This discussion and analysis of the State of Delaware 403(b) Plan's (the "Plan") financial performance provides an overview of the Plan's financial activities for the years ended December 31, 2019, 2018, and 2017. Please read this section in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- Fiduciary net position restricted for pensions increased by approximately $67.7 million during 2019 from $378.7 million at December 31, 2018 to $446.4 million at December 31, 2019. This decrease was primarily due to contributions and gains on investments during 2019 being greater than distributions made to participants. Fiduciary net position restricted for pensions decreased by approximately $29.6 million during 2018 from $408.3 million at December 31, 2017 to $378.7 million at December 31, 2018. This increase was primarily due to distributions made to participants and net losses during the year being larger than income into the Plan during 2018.

- Participant contributions were $24.5 million, $22.3 million, and $22.9 million for the years ended December 31, 2019, 2018, and 2017, respectively. Changes in contributions are primarily due to fluctuations in the average contribution per participant and number of active plan participants. There were approximately 5,700, 5,400, and 5,300 active participants as of December 31, 2019, 2018, and 2017, respectively.

- Net transfers into the Plan were $96,200, $24,390, and $67,014 for the years ended December 31, 2019, 2018, and 2017, respectively. Changes in the amount of transfers into the Plan from year to year vary greatly and are the direct result of changes in the number of individuals performing these transactions or the average transfer amount.

- Net investment income (loss) increased to a $71.2 million gain in 2019 from a ($21.3) million loss in 2018. Fluctuations in income are primarily due to changes in the funds offered by the Plan, changes in interest rates for fixed earnings investments, as well as fluctuations in the financial market from year to year.

- Benefits paid to participants were $27.3 million, $29.9 million, and $24.2 million for the years ended December 31, 2019, 2018, and 2017, respectively. Fluctuations in the amount of distributions paid from year to year are primarily due to changes in the number of separated, deceased, or retired participants and beneficiaries receiving eligible distributions per year as well as the size of their account balances. There were approximately 1,200, 1,200, and 1,200 individuals who received a distribution from the Plan during the years ended December 31, 2019, 2018, and 2017, respectively.

- Administrative expenses were $889,475, $781,173, and $409,155 for the years ended December 31, 2019, 2018, and 2017, respectively. Fluctuations in these fees are the result of different arrangements with the service providers and the number of transactions charged directly to participant accounts.

Overview of the Financial Statements

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

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

Table 1
Fiduciary Net Position Restricted for Pensions

	2019	2018	2017
Investments	$ 445,920,480	$ 378,156,705	$ 407,593,225
Notes Receivable from Participants	468,452	560,905	675,941
Fiduciary Net Position Restricted for Pensions	$ 446,388,932	$ 378,717,610	$ 408,269,166

Table 2
Changes in Fiduciary Net Position

	2019	2018	2017
Additions			
Participant and Rollover Contributions	$ 24,523,384	$ 22,321,332	$ 22,915,460
Corrective Contributions	-	114,868	-
Net Transfers into Plan	96,200	24,390	67,014
Net Investment Income (Loss)	71,200,789	(21,314,238)	48,961,573
Interest Income on Notes Receivable from Participants	1,950	2,597	1,859
Deductions			
Benefits Paid to Participants	27,261,526	29,919,332	24,189,814
Administrative Expenses	889,475	781,173	409,155
Change in Fiduciary Net Position	$ 67,671,322	$ (29,551,556)	$ 47,346,937

Financial Contact

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

Statements of Fiduciary Net Position
December 31, 2019 and 2018

	2019	2018
Assets		
Investments, at Fair Value	$ 377,914,222	$ 309,622,953
Investments, at Contract Value	68,006,258	68,533,752
Total Investments	445,920,480	378,156,705
Notes Receivable from Participants	468,452	560,905
Total Assets	446,388,932	378,717,610
Liabilities	-	-
Fiduciary Net Position Restricted for Pensions	$ 446,388,932	$ 378,717,610

The accompanying notes are an integral part of the financial statements

State of Delaware 403(b) Plan

Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Additions		
Investment Income (Loss)		
Net Appreciation (Depreciation) in Fair Value of Investments	$ 64,339,246	$ (26,068,867)
Interest and Dividends	6,861,543	4,754,629
Net Investment Income (Loss)	71,200,789	(21,314,238)
Interest Income on Notes Receivable from Participants	1,950	2,597
Contributions		
Participant	22,084,198	20,745,717
Rollovers	2,439,186	1,575,615
Corrective Contributions	-	114,868
Total Contributions	24,523,384	22,436,200
Total Additions	95,726,123	1,124,559
Deductions		
Benefits Paid to Participants	27,261,526	29,919,332
Administrative Expenses	889,475	781,173
Total Deductions	28,151,001	30,700,505
Net Transfers into Plan	96,200	24,390
Net Increase (Decrease)	67,671,322	(29,551,556)
Net Position		
Beginning of Year	378,717,610	408,269,166
End of Year	$ 446,388,932	$ 378,717,610

The accompanying notes are an integral part of the financial statements

1. Description of the Plan

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

General

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

A written plan document was made effective January 1, 2009 by the State Treasurer on behalf of the State of Delaware. The Plan was amended and restated effective January 1, 2017. The form of the Plan as written and administered is to be in compliance with Section 403(b) of the Internal Revenue Code ("IRC").

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

Contributions

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

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

During 2018, a corrective contribution was deposited for participants' missed deferrals due to a technical error resulting in participant elections made during December 2017 and January 2018 not being implemented in a timely manner. The correction was computed in accordance with IRS requirements, equal to 50% of the affected participants' missed deferral, and classified as a Qualified Non-Elective Contribution (QNEC).

1. Description of the Plan - Continued

Participant Accounts

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

Employees electing to participate in the Plan may contribute to any of the following options: a group annuity contract offering administered by Voya Retirement Insurance and Annuity Company, a pooled separate account, various publicly traded mutual funds, and a self-directed brokerage account.

Vesting

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

Notes Receivable from Participants

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

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

Payment of Benefits

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

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

2. Summary of Significant Accounting Policies

Financial Statement Presentation and Basis of Accounting

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

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

Use of Estimates

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

Investment Valuation and Income Recognition

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

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

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

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

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

2. Summary of Significant Accounting Policies - Continued

Investment Valuation and Income Recognition - Continued

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

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

Notes Receivable from Participants

Effective January 1, 2009 the Plan no longer allows loans to participants. Effective January 1, 2015 the Plan was amended to grandfather certain loans that were identified by the State that were processed by certain vendors during the period January 1, 2009 through December 31, 2014. Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes receivable are recorded as distributions based upon the terms of the plan document. Certain vendors issue a Form 1099-R for loans that are deemed to be in default, but if the loan is collateralized the vendors do not offset the deemed distributed loan balance against the participant account until the participant takes a full distribution. This accounting treatment does not result in a material misstatement of the financial statements. Related fees are recorded as administrative expenses and are expensed when they are incurred. Interest income is recorded on the accrual basis. No allowance for credit losses has been recorded as of December 31, 2019 and 2018.

Administration of Plan Assets

Under Delaware Code Title 29, the Plans Management Board is charged with governance of the Plan. The daily operations of the Plan are administered by Delaware’s Office of the State Treasurer.

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

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

Payment of Benefits

Benefits are recorded when paid.

2. Summary of Significant Accounting Policies - Continued

Administrative Expenses

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

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

Subsequent Events

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

3. Related-Party Transactions

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

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

On May 3, 2016, the State entered into a custodial agreement with Voya Institutional Trust Company. As part of this agreement, Voya has set up a Plan Expense Reimbursement Account (PERA) to accumulate amounts equal to fund revenue sharing and asset-based fees, including an administrative service fee, and pay reasonable plan expenses. During 2018, the 403(b) Plan was allocated $47,770, of which $17,187 was used to pay plan expenses. During 2019, the 403(b) Plan was allocated $48,786, of which $50,010 was used to pay plan expenses.

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

4. Plan Termination

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

5. Tax Status

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

6. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net position.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investments are held in custody by Voya Institutional Trust Company and TD Ameritrade self-directed brokerage account. The concentrations of investments are determined by the participants' elections to invest in the available investment options as selected by the Board. As of December 31, 2019 or 2018 no individual investment option exceeded 5% of fiduciary net position.

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

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments in foreign securities. The Plan does not have any direct investment in foreign securities. The Plan's exposure to foreign currency risk derives from its investment in mutual funds with international holdings. The fair value of these investments was $31,872,337 and $27,423,638 as of December 31, 2019 and 2018, respectively. The individual funds are identified in Note 8.

7. Plan Amendments

Effective January 1, 2019, the Plan was amended to eliminate the six-month suspension of elective deferrals to a participant's 403(b) account after receipt of a hardship withdrawal.

8. Investments

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

1. Savings accounts in federally insured banking institutions.

2. United States government bonds or debt instruments.

3. Life insurance and annuity contracts, provided the companies offering such contracts are subject to regulation by the Insurance Commissioner of the State.

4. Investment funds registered under the Investment Company Act of 1940.

5. Securities that are traded on the New York Exchange National Association of Securities Dealers Automated Questions (“NASDAQ”) and American Stock Exchange.

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

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

Fair Value Measurements

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

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

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

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

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

8. Investments - Continued

Fair Value Measurements - Continued

The Plan has the following fair value measurement as of December 31, 2019 and 2018:

	2019			
	December 31, 2019	Level 1	Level 2	Level 3
Interest-Bearing Cash	$ 2,273,515	$ 2,273,515	$ -	$ -
Registered Investment Companies	181,918,251	181,918,251	-	-
Variable Annuity Contracts	187,781,575	-	187,781,575	-
Whole Life Insurance Policies	596,109	-	-	596,109
Pooled Separate Accounts	534,557	-	534,557	-
Self-Directed Brokerage Accounts	4,810,215	4,810,215	-	-
Total Investments	$ 377,914,222	$ 189,001,981	$ 188,316,132	$ 596,109

	2018			
	December 31, 2018	Level 1	Level 2	Level 3
Interest-Bearing Cash	$ 1,516,608	$ 1,516,608	$ -	$ -
Registered Investment Companies	135,328,848	135,328,848	-	-
Variable Annuity Contracts	169,361,125	-	169,361,125	-
Whole Life Insurance Policies	589,766	-	-	589,766
Pooled Separate Accounts	329,636	-	329,636	-
Self-Directed Brokerage Accounts	2,496,970	2,496,970	-	-
Total Investments	$ 309,622,953	$ 139,342,426	$ 169,690,761	$ 589,766

8. Investments - Continued

Fair Value Measurements - Continued

There were no significant transfers between levels 1 and 2 and no transfers in or out of level 3 for the years ended December 31, 2019 and 2018. The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2019:

	2019
Balance - Beginning of Year	$ 589,766
Net Investment Income (Loss)	(6,543)
Purchases, Issuances, Sales, and Settlements	
Contributions, Rollovers, and Transfers In	51,833
Withdrawals, Distributions, Settlements, and Transfers Out	(38,947)
Total Purchases, Issuances, Sales, and Settlements, Net	12,886
Balance - End of Year	$ 596,109

Investments at Contract Value

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

The contract value of the investment contract as of December 31, 2019 and 2018, was $68,006,258 and $68,533,752, respectively. The investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan. The crediting interest rate is based on a formula established by the contract issuer.

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

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

8. Investments - Continued

Investments at Contract Value - Continued

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

Value of Investments

The Plan's investments (including gains and losses on investments bought, sold, as well as held during the year) appreciated (depreciated) in value by $64,339,246 and ($26,068,867) during 2019 and 2018, respectively.

The value of investments held by the Plan at December 31, 2019 and 2018 were as follows. Investments marked with an asterisk (*) represent individual investment options that exceed 5% of fiduciary net position as of December 31, 2019 or 2018. As of December 31, 2019 or 2018 no individual investment option exceeded 5% of fiduciary net position. Investments marked with two asterisks (**) represent international funds.

Print Investment Schedules in Excel

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

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

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of State of Delaware 403(b) Plan (Plan) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated August 3, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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

Belfint, Lyons & Shuman, P.A.

August 3, 2020
Wilmington, Delaware

STATE OF DELAWARE 403(b) PLAN
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2019

FINANCIAL STATEMENT FINDINGS

Reference Number: 2019-001
Type of Finding: Material Weakness
Inappropriately Excluded Participant Accounts on Vendor Statements/Confirmation Responses

Condition: Security Benefit provided BLS with an audit package that consisted of a participant account balance report and a schedule of investments for the Plan. BLS identified 14 participant accounts totaling $1,207,046.61 at December 31, 2018 that were not on the Security Benefit legacy vendor statements and confirmations for the plan year ending December 31, 2019.

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

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

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

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

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

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

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

CURRENT STATUS OF PRIOR YEAR FINDINGS

Reference Number: 2018-001
Type of Finding: Material Weakness
Inappropriately Excluded Participant Accounts on Vendor Statements/Confirmation Responses

Condition: Security Benefit provided BLS with an audit package that consisted of a participant account balance report and a schedule of investments for the Plan. BLS identified 14 participant accounts totaling $1,315,241.73 that were missing from the Security Benefit legacy vendor statements and confirmations.

Current Status: This finding has been corrected in the 2018 financial statements. In 2019, Security Benefit still did not provide statements for all plan participants. See current year finding 2019-001.

Reference Number: 2018-002
Type of Finding: Material Weakness
Inappropriately Excluded Participant Accounts on Vendor Statements/Confirmation Responses

Condition: MetLife did not provide BLS with statements for participants holding the Flex Premium Adjustable Life Co-Plan product at MetLife. As of December 31, 2016, there were 57 participants with a Co-Plan contract with a total value of $341,621. Additionally, MetLife did not provide BLS with statements for participants holding group contracts with TransAmerica at MetLife. As of December 31, 2017, there were 13 participants with a TransAmerica contract with a total of $73,471.

Current Status: This finding has been corrected in the 2018 financial statements. MetLife provided Co-Plan information on November 11, 2019. Transamerica statements were not provided. In 2019, MetLife timely provided BLS with the statements for participants holding the Flex Premium Adjustable Life Co-Plan product and TransAmerica contracts.