



# **Sussex County Council Public/Media Packet**

**MEETING:  
June 24, 2014**

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SAMUEL R. WILSON JR., VICE PRESIDENT  
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# Sussex County Council

## A G E N D A

JUNE 24, 2014

10:00 A.M.

### Call to Order

### Approval of Agenda

### Approval of Minutes

### Reading of Correspondence

### Todd Lawson, County Administrator

1. Employee of the Second Quarter – Loretta Ellingsworth
2. Library Advisory Board Appointment
3. Administrator's Report

### Gina Jennings, Finance Director

1. Insurance Recommendations
2. Pension
  - A. Quarterly Pension Update
  - B. Investment Policy Revisions
  - C. 2014 Actuarial Report

### Hal Godwin, Deputy County Administrator

1. Wastewater Agreement – Bay Forest Club – Phase 3.1
2. Legislative Update and Committee Report



**Grant Requests**

1. El Centro Cultural to sponsor the *Festival Hispano*.
2. First State Community Action Agency for the Pinetown Civic Association's community event.
3. Town of Millville for Town event costs.
4. Seaford Historical Society for project expenses.

**Introduction of Proposed Zoning Ordinances**

**Any Additional Business Brought Before Council**

**Executive Session – Pending/Potential Litigation and Land Acquisition pursuant to 29 Del. C. §10004(b)**

**Possible Action on Executive Session Items**

**1:00 p.m. Grand Opening celebration of the Greenwood Public Library**

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Sussex County Council meetings can be monitored on the internet at [www.sussexcountydela.gov](http://www.sussexcountydela.gov).

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In accordance with 29 Del. C. §10004(e)(2), this Agenda was posted on June 17, 2014 at 4:50 p.m., and at least seven (7) days in advance of the meeting.

This Agenda was prepared by the County Administrator and is subject to change to include the addition or deletion of items, including Executive Sessions, which arise at the time of the Meeting.

Agenda items listed may be considered out of sequence.

###

GINA A. JENNINGS, MBA, MPA  
FINANCE DIRECTOR

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gjennings@sussexcountyde.gov



**Sussex County**  
DELAWARE  
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## **Memorandum**

TO: Sussex County Council  
The Honorable Michael H. Vincent, President  
The Honorable Samuel R. Wilson, Jr., Vice President  
The Honorable George B. Cole  
The Honorable Joan R. Deaver  
The Honorable Vance Phillips

FROM: Gina A. Jennings  
Finance Director

DATE: June 18, 2014

RE: **INSURANCE RECOMMENDATION**

On Tuesday, I will be presenting results of the County's Request for Insurance Proposals. This insurance renewal is for the period July 1, 2014 through June 30, 2017. Mr. R. Scott Agar, the County's insurance consultant with Insurance Buyers' Council, will be here to discuss the analysis of the proposals and make recommendations. Attached are IBC's detailed analysis, observations, and recommendations, as well as the scoring matrix used to evaluate the options. The estimated cost for this insurance coverage is \$1,975,000. This is a \$152,000, or 8 percent, increase.

We are suggesting two minor changes to the County's coverages:

1. IBC recommends increasing the deductible on the general liability to \$10,000 from \$0. By reviewing claims during the last 7 years, this change would have resulted in a savings of \$4,500 per year.
2. IBC recommends increasing the airport liability coverage from \$2,500,000 to \$3,000,000 at an additional cost of \$500. This slight increase in cost gives us improved coverage for airplanes at the County's airport.

In summary, the recommendation is to obtain all lines of coverage from Pratt Insurance. We were disappointed with the number responses. Although we have a history of awarding the contract to Pratt, I would have liked to see more competition. So, instead of waiting three years, next year we will, again, be going out to bid for worker's compensation, which is over 50 percent of our cost. We will be seeking more options, such as self-insurance.

Attachments

pc: Mr. Todd F. Lawson





R. Scott Agar, CPCU, ARM  
Vice President  
Principal Consultant  
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June 11, 2014

Ms. Gina Jennings  
Finance Director  
Sussex County  
Administrative Office Building  
2 The Circle  
P.O. Box 589  
Georgetown, DE 19947

RE: Request for Insurance Proposals  
Analysis and Recommendations

Dear Ms. Jennings:

In response to the Request for Insurance Proposals, we received submissions from four producers by the proposal deadline. Summaries of the proposals received are as follows:

**Pratt Insurance, Inc. (Pratt)**

The incumbent producer for your insurance placements submitted a quotation for all lines of coverage. The underwriters of their proposal were member companies of the following incumbent insurers:

Great American Insurance Group (Great American) – real and personal property, inland marine and crime.

CNA Group (CNA) – equipment breakdown.

Westchester Fire Insurance Company (ACE) – pipeline floater.

Catlin U.S. Pool (Catlin) – airport liability.

Travelers Insurance Companies (Travelers) – workers compensation, general liability (including medical professional), business auto, law enforcement liability and umbrella/excess liability.

Ironshore Specialty Insurance Company (Ironshore) – public officials and employment practices liability.

**Strategic Insurance Partners (SIP)**

This producer submitted proposals for six coverages. The underwriters of their proposal were member companies of the following insurers:

XL Insurance America, Inc. (XL) – Equipment breakdown

Chubb Custom Insurance, Inc. (Chubb) – Mobile equipment and property floater.

RSUI Indemnity Company (RSUI) and (XL) – Pipeline floater

Amerihealth Casualty (Amerihealth) – Workers compensation.

Old Republic Insurance Company (Old Republic) – Airport liability.

**Avery W. Hall Insurance Agency (Avery Hall)**

This producer submitted proposal for two coverages. The underwriters of their proposal were member companies of the following insurers:

Selective Way Insurance Company (Selective) – Business auto.

Hartford Steam Boiler Inspection and Insurance Company (Hartford Steam) – Equipment breakdown.

**Insurance and Financial Services, Ltd. of Delaware (IFS)**

This producer submitted a proposal for public officials’ liability (including employment practices). The underwriters of their proposal were member companies of the following insurers:

Indian Harbor Insurance (XL) – Public officials’ liability (primary \$5,000,000).

RSUI Indemnity (RSUI) – Public officials’ liability (excess \$5,000,000).

**Recommendations**

As a result of our review of the proposals received, we recommend you secure insurance coverages as follows:

Coverage	Producer	Insurer	Premium
Real and Personal Property	Pratt	Great American	\$225,843
Equipment Breakdown	Pratt	C N A	\$16,000
Electronic Data Processing	Pratt	Great American	Included
Mobile Equipment	Pratt	Great American	Included
Property Floater	Pratt	Great American	Included
Pipeline Floater	Pratt	ACE	\$90,418
Valuable Papers and Records	Pratt	Great American	Included
Fine Arts	Pratt	Great American	Included
Crime	Pratt	Great American	\$15,000
Business Income	Pratt	Great American	Included
Extra Expense	Pratt	Great American	Included
Workers Compensation (Deposit Premium)	Pratt	Travelers	\$1,019,435
General Liability/Medical Professional Liability (\$10,000 Deductible)	Pratt	Travelers	\$72,116
Airport Liability (\$3,000,000 Hangarkeepers Limit)	Pratt	Catlin	\$4,515
Business Auto	Pratt	Travelers	\$194,440
Law Enforcement Liability	Pratt	Travelers	\$20,079
Umbrella Excess Liability	Pratt	Travelers	\$62,079

Public Officials Liability	Pratt	Ironshore	\$255,250
Estimated Net Cost Total			\$1,975,175

We will discuss the reasoning behind our recommendations, conditions you need to comply with to secure the recommended program, as well as other considerations you may wish to explore to further broaden your coverage or reduce your premium costs, in the remaining sections of this letter.

### **Analysis of Proposals**

The criteria we utilize to evaluate insurance proposals are as follows:

- Scope of Coverage;
- Insurer Financial Ratings;
- Insurer and Producer Services; and
- Reasonably Anticipated Net Cost.

In the following discussions, we will illustrate our evaluation of proposals based on these four criteria, as well as other elements that needed to be contemplated in our analysis.

### **Scope of Coverage**

Please refer to Exhibit II for a detailed review of the proposal form responses. There were alternate proposals for only six coverages, but due to required coverage combinations, the options available to you are limited.

Pratt's Great American (property and inland marine coverages) and Travelers (general liability/medical professional liability, law enforcement liability, business auto and umbrella liability) were proposed as two separate required coverage combinations. The Travelers required combination only permitted substitution of their workers compensation proposal(s). This eliminated consideration of Avery Hall's business auto proposal.

Due to required coverage combinations, there was no property proposal to dovetail with SIP's Mobile Equipment Floater/Property Floater proposal from Chubb. Further, there was no general liability/medical professional liability, law enforcement liability and umbrella liability coverage proposals to match up with Avery Hall's business auto proposal. The following paragraphs will address those coverage options you have and illustrate the basis of our recommendation.

### **Equipment Breakdown**

SIP's proposal did not provide coverage for "sewer treatment facility" nor coverage for electrical or mechanical equipment that is used in the generation, transmission or utilization of energy. These are key elements for this coverage and the imposition of such limitations eliminated them from consideration.

Pratt's and Avery Hall's proposals have some differences, but either provides a reasonable scope of coverage.

### **Pipeline Floater**

We have not received all of the information requested from SIP including forms that provide extra expense and replacement cost coverage indicated in the proposal. The primary coverage benefit of their proposal at this stage is a lower deductible for most perils of \$100,000 versus \$250,000 for Pratt. For the perils of named storm and flood, SIP requires a deductible of \$250,000 versus \$1,000,000 for Pratt. Pratt's primary benefit is providing extra expense limit alternatives of \$1,000,000 and \$10,000,000 versus \$1,000,000 and \$2,000,000 for SIP. While higher extra expense limits are important, being able to access coverage more easily with lower deductibles is also important. This will be discussed further in the Reasonably Anticipated Net Cost Section.

### **Workers Compensation**

SIP's proposal includes Longshore & Harbor Workers' Compensation Act Coverage. Political subdivisions are exempt from the act, but we prefer having the coverage available as a failsafe.

Pratt's umbrella coverage will not apply excess of the employers liability coverage provided by SIP. The limits will decrease from \$9,500,000 to \$1,000,000 unless higher limits are purchased. The claims subject to this coverage are rare, but some additional cost would be needed to increase limits further.

### **Airport Liability**

SIP's proposal did not include non-owned aircraft coverage. They offered hangarkeepers limits of \$2,000,000 with no option to increase. SIP's proposal required \$2,000,000 of primary coverage for the Wings and Wheels event to be held later this year. The excess auto and employers liability coverages afforded \$2,000,000 limits of liability. Their proposal also included an "Airport Parachuting Exclusion".

Pratt's proposal included coverage for the Wings and Wheels with no specified sublimit (event sponsor has historically evidenced \$1,000,000 limits). Their proposal provided \$2,500,000 hangarkeepers limits with an option to increase these limits to \$3,000,000. This proposal includes non-owned aircraft liability and does not include a parachuting exclusion

Based on the foregoing, Pratt provides better coverage.

### **Public Officials Liability**

The IFS proposal excluded claims for land use, including planning and zoning, did not provide any coverage for claims alleging non-monetary damages and statements in the application would be imputed to all insureds. Covered employment practices wrongful acts did not include libel, slander or disparagement and coverage of breach of employment contracts is in doubt. Coverage for limited wage and hour claims is included.

Pratt's proposal covered claims for land use, including planning and zoning (\$3,000,000 sublimit), provided coverage for claims alleging non-monetary damages (\$500,000) and statements in the application are not imputed to all insureds. Covered employment practices wrongful acts did include libel, slander or disparagement and breach of employment contracts. Coverage for wage and hour claims is not included.

With IFS's proposal excluding the type of claim (planning/zoning) that have accounted for two of your largest claims, Pratt's proposal offers superior coverage.

### **Scope of Coverage Summary**

Pratt and Avery Hall each offer good equipment breakdown coverage.

As respects the pipeline floater, SIP's lower deductibles are offset somewhat by lower extra expense limits. Pratt's deductibles make it more difficult to collect on a claim, but once reached, provide more extra expense coverage. Unfortunately, we have not received sufficient information from SIP at this time and cannot recommend it as a result.

The one workers compensation coverage feature offered by SIP would not impact a decision unless everything else is equal and it's not. However, the lower limits of liability resulting from the loss of umbrella coverage may be challenging to restore.

We prefer Pratt's airport liability coverage that has non-owned aircraft coverage and no skydiving exclusion.

IFS' proposal is impaired by its failure to cover planning and zoning claims, the most troubling category of claims for the County. In addition, there was no defense cost coverage for claims seeking non-monetary damages. Pratt's renewal included \$3,000,000 of sub-limited coverage for planning and zoning claims and \$500,000 of defense coverage as respects claims seeking non-monetary damages. Pratt's scope of coverage is better.

### **Insurer Financial Ratings**

The RFP stated that quotations would be accepted from or on behalf of insurers having a Best's Financial Strength Rating of "A-" or better, and a Financial Size Category of "Class VII" or better. All insurers that submitted proposals meet these criteria and have "Excellent" or "Superior" Best's Financial Strength Rating except Amerihealth.

Amerihealth has chosen not to be rated by the A.M. Best company as is the case with the parent, Independence Blue Cross. While the absence of a rating is unusual and we prefer having the independent ratings from Best's, this insurer is a licensed domestic insurer in and regulated by the State of Delaware (and several surrounding states). Reliance on the company and its parent's financial strength combined with regulatory oversight would need to be substituted for the independent A.M. Best rating.

### **Insurer and Producer Services**

We are familiar with the capabilities of all the insurers involved in this process, and feel that each can provide you with a satisfactory level of service. Insurers have agreed to all services requirements outlined in the RFP.

The County will need to affirm the purchase of terrorism coverage with its insurers via the forms provided. There are no mandatory loss control recommendations or other disclosed coverage conditions required by the insurers for the proposed coverages.

Pratt's pipeline floater proposal is conditioned upon getting satisfactory information on when the next pipeline inspection will take place.

We were struck by the difference in completeness and responsiveness of the proposals received. Pratt's was the only producer that provided a complete proposal form, specimen policies and forms lists for all coverages proposed. Despite proposing many fewer coverages than Pratt, the other producers did not approach Pratt's thoroughness. Of particular concern was IFS that did not submit the required Proposal Form, and after four follow up requests, had not provided a complete and signed Proposal Form.

You have expressed a high degree of satisfaction with the overall service provided by Pratt.

### **Reasonably Anticipated Net Cost**

Please refer to Exhibit I for an estimated net cost comparison. In the "Current" column, we have not attempted to account for exposure changes during last year. Needless to say, your payrolls, property values and other exposures to loss continue to increase.

### **Workers Compensation**

The largest premium is associated with workers compensation insurance, where you have three options. You have a guaranteed rate proposal (final cost subject only to final payroll) from Pratt, as well as large deductible options from Pratt (\$100,000 deductible) and SIP (\$350,000 deductible). Both deductible plans have features that limit how much the County's deductible obligations would be for that policy period. Since the losses can and will vary year to year, the ultimate cost of coverage subject to a deductible will not be determined until sometime in the future.

With favorable losses, the cost with deductible rating plans can be significantly less than guaranteed rate plans. As losses increase, savings erode and if incurred losses are large enough, the costs will exceed the guaranteed rate alternative.

Selection of a deductible plan is a long term commitment that will require the County to provide collateral (cash deposit or letter of credit) for anticipated deductible obligations. As additional policy years' deductible obligations are added, the amount of the collateral is expected to increase over time. The collateral requirements would normally continue until all claims have been closed. This can take ten years or more.

In addition, the County would need to deposit with the insurer an initial claim fund amount from which the insurer will pay claims. This fund will need to be replenished as claim payments draw down the initial amount. This deposit, unless an increased requirement was imposed in the future, would only apply in the first year.

In Exhibit I A, we prepared four loss forecasts based on two methods for projecting loss based on:

1. Incurred losses (paid losses plus loss reserves); and
2. Paid losses (without reserves).

With two deductible alternatives with different retentions, we estimated the impact with two forecasts for each method, unlimited and "Limited to \$100,000". Since no claim exceeds \$350,000, the unlimited loss would be reflective of loss amounts you would retain with SIP's \$350,000 deductible. The forecasts Limited to \$100,000 estimate deductible obligations under Pratt's lower deductible. While IBC has an actuary, such services are not included in this engagement. However, these methods provide a framework for projecting future loss activity. These estimates are based on information derived from the Delaware Compensation Rating Bureau and therefore assume you experience mirrors that of other Delaware employers. The actual loss outcome may be very different.

Incurred losses and paid losses have different development patterns. Loss development accounts for how workers compensation claims increase over time as claims approach closure (ultimate losses). Trending adjust claims for inflation and other claim trends. Benefit level factors are intended to address changes in statutory benefit levels. The results are then compared to the exposures (payroll) to adjust for changes in your workforce, to arrive at a loss rate. We then determined what an "Average" year loss rates were and contrasted them with comparable Low and High year loss rates of the period under review – July 1, 2007 to 2013. Because the 2013-2014 year is incomplete and immature, it is not including in these forecasts.

The results are as follows based on the loss rates multiplied by the total estimated payroll for the coming year:

<b>Projected Loss Rates</b>	<b>Paid Loss \$350,000 Limit</b>	<b>Incurred Loss \$350,000 Limit</b>	<b>Paid Loss \$100,000 Limit</b>	<b>Incurred Loss \$100,000 Limit</b>
Low	\$0.41	\$0.35	\$0.41	\$0.35
Average	\$2.70	\$1.89	\$2.00	\$1.63
High	\$6.00	\$4.78	\$4.40	\$3.50

<b>Loss Forecasts</b>	<b>Paid Loss \$350,000 Limit</b>	<b>Incurred Loss \$350,000 Limit</b>	<b>Paid Loss \$100,000 Limit</b>	<b>Incurred Loss \$100,000 Limit</b>
Low	\$100,800	\$86,100	\$100,800	\$86,100
Average	\$664,100	\$464,800	\$491,900	\$400,900
High	\$1,475,700	\$1,175,600	\$1,082,700	\$860,500

As can be seen above, the range in outcomes is rather pronounced.

In Exhibit I B we compare the three different rating plans next to one another. For each, we list the Costs other than Losses. This includes the deposit premium, an estimate of what a letter of credit might cost based on 2% of the amount, and the loss fund deposit. Since the SIP proposal does not have umbrella liability coverage over the employers liability coverage, we estimated what \$9,000,000 employers liability limits would cost based on the DCRB increased limits rate of 2.8% of standard premium and after the deductible credit of 71.5%. It is uncertain whether AmeriHealth will offer limits that high.

The loss fund deposits (net of any deductible payments due) would be refunded when the plan is discontinued and all claims are closed. It may be subject to increase or decrease in subsequent years. These costs were not included in Total Costs of Exhibit I B, although they will be due up front for the first year and returned at an unspecified future date.

The next section lists potential loss amounts in multiples of \$50,000, and how they will be adjusted by the specified Loss Conversion Factor (LCF) and the maximum amounts the County would be obligated for this policy year. The LCF is intended to fund the underwriters' claims operation. The final section titled Total Costs combines Costs other than Losses and Loss Costs. Based on \$100,000 (approximating Low losses), the deductible plans cost less than the guaranteed rate plan by \$312,482 (Pratt) and \$536,106 (SIP). When losses exceed \$397,602, Pratt's deductible plan becomes more expensive than the guaranteed rate plan. At losses of \$596,460 the SIP deductible plan suffers the same fate. The potential penalty for adverse losses would be \$336,578 for Pratt and \$673,894 for SIP.

SIP's plan has higher risks and rewards than either Pratt proposal. This is due to their insurer transferring more of the risk of loss to the County, via a higher deductible. The higher deductible provides for more variability in outcomes as illustrated if the differences in the "Average" and "High" loss forecasts limited to \$100,000 versus \$350,000. As such, a single injury or occupational disease event could influence your total costs more with a higher deductible.

While our forecasts are estimates, the likelihood of claims being closer to "Average" is greater than either extreme. If we examine the average losses, our conclusion was little or no reward. As such, we question assuming the additional risk, added administration and uncertainty of the deductible plans. As additional consideration, unless there are new large losses, the County will see further declines in the workers compensation experience modification next year, when the year effective in 2010 drops out of the rating period. Based on the foregoing, we think Pratt's guaranteed rate alternative is the best.

**Other than Workers Compensation**

The only coverages with available alternatives are equipment breakdown, pipeline floater, airport liability and public officials' liability.

SIP's equipment breakdown coverage had the lowest cost. Due to the impaired scope of coverage, we cannot consider this proposal at any price. Of the remaining equipment breakdown proposals, Pratt's was the lowest cost.

While Pratt offered the lowest premium pipeline floater, it had significantly higher deductibles. On the basis of its lower deductibles, SIP proposal would be more cost effective. Proposed alternatives were as follows:

Coverage Alternative	Pratt	SIP
All Risk \$1MM Extra Expense	\$62,693	\$65,000
All Risk \$2MM Extra Expense	--	\$75,000
All Risk \$10MM Extra Expense	\$90,418	--

Factoring in lower deductibles for all perils, particularly flood and windstorm, the SIP would be superior from a cost standpoint. We cannot recommend it at this time due to outstanding information. We may have a supplement for the Council Meeting.

Pratt's public officials' liability is the lowest premium proposal even though the IFS proposal excludes a major source of prior claim activity.

Pratt's general liability proposal has options for no deductible, a \$10,000 deductible and a \$25,000 deductible. This deductible would apply to paramedics' professional claims as well. Based on your historical general liability losses, under a \$10,000 you would have incurred deductible obligations for the period 2007 to 2013 of \$22,665 or \$3,777 per year. At a \$25,000 deductible, you would have had obligations of \$27,665 or \$4,411 per year. This contrasts with the premium savings of \$8,240 for the \$10,000 deductible and \$13,824 for the \$25,000 deductible. We are recommending the \$10,000 deductible option.

### **Basis of Recommendation**

Based on the four criteria outlined for analyzing proposals, we gave significant weight to:

1. The historically favorable service provided by Pratt;
2. The ability to deliver proposals for all coverages;
3. The completeness of proposals received;
4. The ability to place coverages with one producer to eliminate having:
  - a. To provide information to or request information from multiple producers;
  - b. To submit multiple claims if there is a potential for overlapping coverages;
  - c. Multiple contacts for payments, claims or other notices;
  - d. More than one representative responsible for resolving inter-insurer disputes; and
  - e. Any risk of information or knowledge loss that can happen in transition.
5. An insurer rated by the A.M. Best Company (Travelers) rather than an insurer that is not (Amerihealth).

In consulting with County staff, they have been generally pleased with Pratt's service and involvement with the County's insurance program. This has to some degree been encumbered with some dissatisfaction with responses from public officials insurers employed by Pratt over the last few years. Based on our review, this is a function more of the County's loss activity and the insurer(s) than the representative.

Pratt has consistently been able to produce quotations for all coverages. They were the only producer that delivered on all coverages.

In addition to Pratt having the lower cost equipment breakdown proposal, we prefer to have equipment breakdown placed with the same producer that places the property insurance. This is due to the potential for losses covered to some degree by both forms of insurance. That way you only have to deal with one producer to oversee any disagreements of the two insurers on what portion of the loss they are responsible for.

Regarding the workers compensation coverage, you may have more confidence that your losses will be lower and/or fluctuate less. You may put more weight on the savings than we did and come to a different conclusion.

## Other Considerations

1. Pratt's auto proposal included an Emergency Services – Volunteer Firefighters' and Workers' Injuries Excluded endorsement. This exclusion could come into play if one of the volunteer firefighters that regularly drive paramedic vehicles to the hospital is injured during an accident in a County vehicle and alleges negligence of the County contributed to the accident.
2. The coverage provided by Pratt's pipeline floater is difficult to engage due to the \$250,000 deductible for perils other than flood and named windstorm and \$1,000,000 deductible for those two perils. Further, the perils that affect this property seem to be limited to a vessel or craft sinking on it, earth movement or the effects of tide and wind. Our impression is that the underwriter is not comfortable with water damage loss but as of yet has not excluded water damage. While included in the recommended program for cost reasons, we continue to question the value of this coverage in light of the foregoing. The condition of Pratt's proposal regarding satisfactory information on when the next pipeline inspection will take place is an uncertainty. We may have an update on the SIP proposal at the Council Meeting.
3. The Pratt property coverage will impose more limited coverage on the three vacant locations listed in the specifications within 90 days, unless they inspect and issue a vacancy permit. This should be followed up on to ensure it does not fall through the cracks.
4. During the RFP process, additional exposures have been acquired and/or purchased. We recommend that any unreported exposure changes be consolidated and reported to Pratt as soon as possible so the policies can be adjusted accordingly. There may be some minor additional premiums associated with this.
5. The County has limited sudden and accidental pollution coverage for claims that may arise from chemicals used in water and wastewater treatment, sewer backups and pesticide application. This assumes compliance with regulations, timely reporting and other conditions. This coverage does not extend to underground storage tanks. For this reason, the County should consider obtaining proposals for underground and above ground storage tank pollution coverage before deciding whether to continue to retain this risk. While it was not part of this proposal process and there were no specimen forms provided, there were premium indications for pollution liability in the SIP proposal.
6. The County has not obtained replacement cost appraisals for its properties (with a few exceptions). While some locations were recently constructed with the cost of construction providing a good basis for estimating replacement costs, other location such as the South Coastal Regional Wastewater Facility have been updated and renovated several times. Basing replacement costs on construction plus repeated changes tends to result in distorted valuations. If property underwriters have doubts about property valuations, the insured can pay higher rates as a result.

An independent appraisal will address underwriting doubts, provide a starting point for proof of loss in the event of property loss, address any trending distortion or excessive valuations and in doing so lower property premium costs. We recommend that the County consider seeking proposals for replacement cost appraisals. This could be done a comprehensive basis (all property appraised at once), staggered basis (certain key locations first) or selective basis (higher valued locations, particularly older renovated locations).

7. All of the insurers are monitoring whether the U.S. Congress will renew the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) that is set to expire December 31, 2014. While Great American has committed to providing terrorism coverage for the July 1, 2014 to 2015 period, other insurers are not committing to coverage and/or pricing past that point.

8. There were premium indications for "Cyber" liability in both Pratt's and SIP's proposals. This coverage is designed to address claims alleging failure to prevent unauthorized access to your computer systems and personally identifiable information, private health care information and information you may be obligated to protect under an agreement with a credit card company. It also provides not just coverage for but a service team to assist policy holders with crises management/public relations, data breach notification and forensic investigations. There are a number of optional coverages available as well.

Pratt's indication for \$1,000,000 liability limits only included \$50,000 of notification expense, but was indicated to cost \$3,536. We recommend seeking a firm proposal with higher notification costs. There are a number of insurers in this market that can be approached.

### Summary

We are disappointed that you did not receive more alternatives as a result of this process. Absent alternatives, it is more difficult to secure better terms. You were able to secure coverage from insurers with "Excellent" or "Superior" Best Ratings and preserve to a large degree the level of coverage and service previously maintained along with some coverage enhancements as well. Potential for further improvements may still be secured.

If you have any questions, please advise. Thank you for your confidence in retaining us as your risk management consultant.

Very truly yours,



R. Scott Agar

RSA/wrc

Enclosures

cc: Andrea Wall

## Sussex County

### Exhibit I - Estimated Net Cost

Coverage/Producer	Current	Pratt	SIP	Avery Hall	IFS	Recommended
Property	\$220,850	\$225,843	---	---	---	\$225,843
Equipment Breakdown	\$18,032	\$16,000	\$11,953	\$17,998	---	\$16,000
EDP	incl	incl	---	---	---	incl
Mobile Equipment	incl	incl	\$16,942	---	---	incl
Property Floater	incl	incl	incl	---	---	incl
Pipeline Floater	\$67,833	\$90,418	\$75,000	---	---	\$90,418
Valuable Papers	incl	incl	---	---	---	---
Fine Arts	incl	incl	---	---	---	---
Crime	\$15,000	\$15,000	---	---	---	\$15,000
Business Income	incl	incl	---	---	---	incl
Extra Expense	incl	incl	---	---	---	incl
Workers Compensation (1)	\$902,722	\$1,019,435	\$355,595	---	---	\$1,019,435
General Liability	\$71,782	\$80,356	---	---	---	\$72,116
Airport Liability	\$5,040	\$3,990	\$8,049	---	---	\$4,515
Auto	\$176,874	\$194,440	---	\$159,959	---	\$194,440
Law Enforcement	\$29,820	\$20,079	---	---	---	\$20,079
Umbrella	\$60,284	\$62,079	---	---	---	\$62,079
Public Officials	\$255,250	\$255,250	---	---	\$303,439.80	\$255,250
<b>Total Estimated Cost</b>	<b>\$1,823,487</b>	<b>\$1,982,890</b>	<b>\$467,539</b>	<b>\$177,957</b>	<b>\$303,439.80</b>	<b>\$1,975,175</b>

(1) Deposit premium

Sussex County

Exhibit I A - Workers Compensation Loss Forecasts

**Incurred Loss Estimate (Unlimited)**

Effective	Incurred Loss	LDF	TF	BLF	T&D Ultimate	Payroll	Loss Rate	
7/1/2007	\$469,687	1.170	1.240	1.008	\$686,941	\$21,889,436	\$3.14	
7/1/2008	\$52,977	1.190	1.360	0.914	\$78,397	\$22,361,101	\$0.35	
7/1/2009	\$372,775	1.280	1.130	1.001	\$539,721	\$21,539,742	\$2.51	
7/1/2010	\$690,121	1.330	1.120	0.999	\$1,027,079	\$21,492,981	\$4.78	
7/1/2011	\$145,863	1.450	1.120	0.998	\$236,431	\$22,033,301	\$1.07	
7/1/2012	\$188,530	1.770	1.080	1.005	\$362,196	\$22,776,831	\$1.59	
\$1,919,953					<b>Average</b>	\$2,497,706	\$132,093,392	\$1.89

Projection	Loss Rate	Payroll	Forecast
Average	\$1.89	\$24,594,988	\$464,800
Low	\$0.35	\$24,594,988	\$86,100
High	\$4.78	\$24,594,988	\$1,175,600

**Paid Loss Estimate (Unlimited)**

Effective	Paid Loss	LDF	TF	BLF	T&D Ultimate	Payroll	Loss Rate	
7/1/2007	\$431,956	1.330	1.240	1.008	\$718,152	\$21,889,436	\$0.38	
7/1/2008	\$52,974	1.380	1.360	0.914	\$90,909	\$22,361,101	\$0.41	
7/1/2009	\$372,776	1.530	1.130	1.001	\$645,137	\$21,539,742	\$3.00	
7/1/2010	\$690,123	1.670	1.120	0.999	\$1,289,643	\$21,492,981	\$6.00	
7/1/2011	\$141,274	2.000	1.120	0.998	\$315,853	\$22,033,301	\$1.43	
7/1/2012	\$158,756	2.960	1.080	1.005	\$510,048	\$22,776,831	\$2.24	
\$1,847,859					<b>Average</b>	\$3,569,742	\$132,093,392	\$2.70

Projection	Loss Rate	Payroll	Forecast
Average	\$2.70	\$24,594,988	\$664,100
Low	\$0.41	\$24,594,988	\$100,800
High	\$6.00	\$24,594,988	\$1,475,700

LDF = Loss Development Factor

TF=Trend Factor

BLF=Benefit Level Factor

Sussex County

Exhibit I A - Workers Compensation Loss Forecasts

**Incurred Loss Estimate (Limited to \$100,000)**

Effective	Incurred Loss	LDF	TF	BLF	T&D Ultimate	Payroll	Loss Rate
7/1/2007	\$285,199	1.170	1.240	1.008	\$417,118	\$21,889,436	\$1.91
7/1/2008	\$52,977	1.190	1.360	0.914	\$78,397	\$22,361,101	\$0.35
7/1/2009	\$212,724	1.280	1.130	1.001	\$307,992	\$21,539,742	\$1.43
7/1/2010	\$506,001	1.330	1.120	0.999	\$753,061	\$21,492,981	\$3.50
7/1/2011	\$145,863	1.450	1.120	0.998	\$236,431	\$22,033,301	\$1.07
7/1/2012	\$188,530	1.770	1.080	1.005	\$362,196	\$22,776,831	\$1.59
	\$1,391,295			<b>Average</b>	\$2,155,195	\$132,093,392	\$1.63

Projection	Loss Rate	Payroll	Forecast
Average	\$1.63	\$24,594,988	\$400,900
Low	\$0.35	\$24,594,988	\$86,100
High	\$3.50	\$24,594,988	\$860,800

**Paid Loss Estimate (Limited to \$100,000)**

Effective	Paid Loss	LDF	TF	BLF	T&D Ultimate	Payroll	Loss Rate
7/1/2007	\$247,468	1.330	1.240	1.008	\$411,430	\$21,889,436	\$0.38
7/1/2008	\$52,974	1.380	1.360	0.914	\$90,909	\$22,361,101	\$0.41
7/1/2009	\$212,725	1.530	1.130	1.001	\$368,149	\$21,539,742	\$1.71
7/1/2010	\$506,003	1.670	1.120	0.999	\$945,576	\$21,492,981	\$4.40
7/1/2011	\$141,274	2.000	1.120	0.998	\$315,853	\$22,033,301	\$1.43
7/1/2012	\$158,756	2.960	1.080	1.005	\$510,048	\$22,776,831	\$2.24
				<b>Average</b>	\$2,641,965	\$132,093,392	\$2.00

Projection	Loss Rate	Payroll	Forecast
Average	\$2.00	\$24,594,988	\$491,900
Low	\$0.41	\$24,594,988	\$100,800
High	\$4.40	\$24,594,988	\$1,082,200

LDF = Loss Development Factor

TF=Trend Factor

BLF=Benefit Level Factor

**Sussex County**  
**Exhibit I B - Workers Compensation Cost Estimates**

**Costs Other Than Losses**

<b>Proposer</b>	<b>Pratt</b>	<b>Pratt</b>	<b>SIP</b>
<b>Proposal</b>	<b>Guaranteed Rate</b>	<b>\$100,000 Deductible</b>	<b>\$350,000 Deductible</b>
Loss Fund Deposit	na	\$22,000	\$100,000
Deposit Premium	\$1,019,435	\$594,953	\$355,595
Increased EL Limits	na	na	\$9,734
Letter of Credit (2)	na	\$7,000	\$8,000
<b>Estimated Totals</b>	<b>\$1,019,435</b>	<b>\$601,953</b>	<b>\$373,329</b>

(1) Based on 2% of LOC amount of \$350k (Pratt) and \$400k (SIP)

**Loss Costs**

Loss Conversion Factor	na	1.050	1.100
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<b>Loss Amount</b>	<b>Additional Cost</b>		
\$50,000	\$0	\$52,500	\$55,000
\$100,000	\$0	\$105,000	\$110,000
\$150,000	\$0	\$157,500	\$165,000
\$200,000	\$0	\$210,000	\$220,000
\$250,000	\$0	\$262,500	\$275,000
\$300,000	\$0	\$315,000	\$330,000
\$350,000	\$0	\$367,500	\$385,000
\$400,000	\$0	\$420,000	\$440,000
\$450,000	\$0	\$472,500	\$495,000
\$500,000	\$0	\$525,000	\$550,000
\$550,000	\$0	\$577,500	\$605,000
\$600,000	\$0	\$630,000	\$660,000
\$650,000	\$0	\$682,500	\$715,000
\$700,000	\$0	\$732,060	\$770,000
\$750,000	\$0	\$732,060	\$825,000
\$800,000	\$0	\$732,060	\$880,000
\$850,000	\$0	\$732,060	\$935,000
\$900,000	\$0	\$732,060	\$990,000
\$950,000	\$0	\$732,060	\$1,045,000
\$1,000,000	\$0	\$732,060	\$1,100,000
\$1,050,000	\$0	\$732,060	\$1,155,000
\$1,100,000	\$0	\$732,060	\$1,210,000
\$1,150,000	\$0	\$732,060	\$1,265,000
\$1,200,000	\$0	\$732,060	\$1,320,000

**Sussex County**

**Exhibit I B - Workers Compensation Cost Estimates**

<b>Total Costs</b>				
	<b>Incurred Loss</b>	<b>Estimated Cost</b>		
	\$50,000	\$1,019,435	\$654,453	\$428,329
	\$100,000	\$1,019,435	\$706,953	\$483,329
	\$150,000	\$1,019,435	\$759,453	\$538,329
	\$200,000	\$1,019,435	\$811,953	\$593,329
	\$250,000	\$1,019,435	\$864,453	\$648,329
	\$300,000	\$1,019,435	\$916,953	\$703,329
	\$350,000	\$1,019,435	\$969,453	\$758,329
	\$400,000	\$1,019,435	\$1,021,953	\$813,329
	\$450,000	\$1,019,435	\$1,074,453	\$868,329
	\$500,000	\$1,019,435	\$1,126,953	\$923,329
	\$550,000	\$1,019,435	\$1,179,453	\$978,329
	\$600,000	\$1,019,435	\$1,231,953	\$1,033,329
	\$650,000	\$1,019,435	\$1,284,453	\$1,088,329
	\$700,000	\$1,019,435	\$1,334,013	\$1,143,329
	\$750,000	\$1,019,435	\$1,334,013	\$1,198,329
	\$800,000	\$1,019,435	\$1,334,013	\$1,253,329
	\$850,000	\$1,019,435	\$1,334,013	\$1,308,329
	\$900,000	\$1,019,435	\$1,334,013	\$1,363,329
	\$950,000	\$1,019,435	\$1,334,013	\$1,418,329
	\$1,000,000	\$1,019,435	\$1,334,013	\$1,473,329
	\$1,050,000	\$1,019,435	\$1,334,013	\$1,528,329
	\$1,100,000	\$1,019,435	\$1,334,013	\$1,583,329
	\$1,150,000	\$1,019,435	\$1,334,013	\$1,638,329
	\$1,200,000	\$1,019,435	\$1,334,013	\$1,693,329

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
<b>GENERAL CONDITIONS</b>					
Named insured per RFP	Yes	Yes	Yes	Varies	
All insurers assigned	na	Yes	Yes	Yes	
Insurer eligibility/criteria met – all insurers	Yes	Yes	Yes	Yes	
Insurer and producer services	na	Yes	Yes	Yes	
Specimen policies provided	na	Yes	No	Yes	
Specimen forms list submitted	na	Yes	Yes	No	
90 day notice of:					
Cancellation	Varies	Varies	Yes	Varies	
Non-renewal	Varies	Varies	Yes	Varies	
Reduction in coverage	Varies	Varies	Yes	Varies	
Premium payment plan	Varies	Varies		Varies	
<b>REAL AND PERSONAL PROPERTY</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	na	Yes			
<b>COVERED PROPERTY</b> on described premises:					
1. Owned by the insured	Yes	Yes			
2. In which the insured has interest	Yes	Yes			
3. Of others for which insured is obligated to insure	Yes	Yes			
4. Of others in care, custody or control of insured	Yes (4)	Yes			
5. Of others for which insured is liable	Ltd	No			
<b>PERILS</b> – all risks	Yes	Yes			
<b>VALUATION</b> – replacement cost					
1. At time of replacement	No	No			
2. Replacement at another site permitted	Yes	Yes			
Any coinsurance condition to be waived	Yes	Yes			
<b>SCOPE OF COVERAGE:</b>					
1. Architect’s and engineer’s fees included	Yes	Yes			
2. Blanket additional insureds	No	No			
3. Blanket loss payees	Yes	Yes			
4. Errors and omissions	Yes (2)	Yes (2)			
5. Property within 1,000 feet covered	Yes	Yes			
6. Joint or disputed loss agreement	Yes	Yes			
7. Ordinance or law coverage – undamaged portion - no sublimit	Yes	Yes			
Demolition limit:	\$1,000,000	\$1,000,000			
ICC limit:	\$1,000,000	\$1,000,000			
8. Vacancy permits granted	Ltd	Ltd			
9. Covered property:					
A. Communication equipment including Radio and Television Antennas (all risks basis)	Yes	Yes			

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
B. Glass with no sublimit per pane	Yes	Yes			
C. Signs attached to buildings or not	Yes	Yes			
D. Fences (all risks basis)	Yes	Yes			
E. Light poles	Yes	Yes			
F. Underground, pipes, flues, drains, tanks, connections	Ltd.	Ltd.			
G. Retaining walls that are not part of any building	No	No			
H. Cost of excavations, grading, back-filling or filling, & foundations of Buildings, Structures, machinery or boilers if below lowest basement floor or below Ground level	No	No			
10. Coverage for back-up of sewers and drains	Yes (Excl. Flood)	Yes (Excl. Flood)			
11. Newly acquired or constructed buildings:	90 Days	90 Days			
Real Property – Sublimit:	\$1,000,000	\$1,000,000			
Personal property – Sublimit:	\$500,000	\$500,000			
12. Property in transit – Sublimit:	\$50,000	\$50,000			
13. Unscheduled locations coverage – Sublimit:	\$100,000	\$100,000			
14. Flood & related perils – Sublimit:	\$1,000,000	\$1,000,000			
Deductible:	\$50,000	\$50,000			
Excess of NFIP flood coverage Milton and South Coastal Libraries	Yes	Milton			
15. Earth movement – Sublimit:	\$10,000,000	\$10,000,000			
Deductible:	\$50,000	\$50,000			
16. Cleanup & removal of toxic or hazardous substances:	Yes	Yes			
Limit:	\$500,000 (4)	\$500,000 (4)			
17. Increased cost of loss and related expense - Limit:	No	\$250,000			
18. TRIPRA terrorism coverage included	Yes	Yes			
19. Terrorism for non-certified acts included	Yes	Yes			
Blanket Real & Personal Property Limit:	\$210,963,098	\$222,464,900			
<b>PREMIUM:</b>					
\$25,000 per occurrence deductible	---	---			
\$50,000 per occurrence deductible	\$220,850	\$225,843			
Any special windstorm deductible:	No	No			
<b>OPTIONAL COVERAGES:</b>					
1. Utility services - direct damage - Limit:	Yes (4)	\$500,000 (1)			
2. Changes - fungus, wet rot and bacteria - Limit:	\$15,000	\$50,000			
3. Underground sewer mains throughout County - Limit:	No	No			
<b>EQUIPMENT BREAKDOWN</b>					
Name of insurer:	CNA	CNA	XL Insurance	Hartford Steam	
Can be written separately	Yes	Yes	Yes	Yes	
<b>COVERAGE:</b>					
1. Property damage	Yes	Yes	Yes	Yes	
2. Expediting expense	Yes	Yes	Yes	Yes	

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
3. Defense costs for claims of damage to property of others	Option of Insurer	Option of Insurer	Option of Insurer	Option of Insurer	
4. Business income (including rental value) and Extra expense	Yes	Yes	Yes	\$1,000,000	
<b>COVERED PROPERTY</b> on described premises:					
1. Owned by the insured	Yes	Yes	Yes	Yes	
2. In which the insured has interest	Yes	Yes	Scheduled	Yes	
3. Of others for which insured is obligated to insure	Yes	Yes	Scheduled	Yes	
4. Of others in care, custody or control of insured	Yes	Yes	Yes	Yes	
5. Of others for which insured is liable	Yes	Yes	No	Yes	
Covered locations per RFP	Yes	Yes	No	Yes	
<b>LIMITS:</b>	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000	
1. Expediting Expenses - Sublimit:	\$500,000	\$500,000	\$1,000,000	\$500,000	
2. Data and Media - Sublimit:	\$500,000	\$500,000	\$1,000,000	\$500,000	
3. Hazardous Substances cleanup - Sublimit:	\$100,000	\$100,000	\$250,000	\$100,000	
4. Water Damage - Sublimit:	\$100,000	\$100,000	\$500,000	None	
<b>PERILS</b>					
1. Failure of pressure or vacuum equipment	Yes	Yes	Yes	Yes	
2. Mechanical failure including rupture or bursting	Yes	Yes	Yes	Yes	
3. Electrical failure including arcing	Yes	Yes	Yes	Yes	
<b>COVERED EQUIPMENT</b>					
1. Equipment built to operate under internal pressure or vacuum	Yes	Yes	Yes	Yes	
2. Electrical/mechanical equipment for energy generation/transmission/utilization	Yes	Yes	No	Yes	
3. Communications and computer equipment	Yes	Yes	Yes	Yes	
4. The foregoing equipment owned by public or private utility services	LTD	LTD	LTD	No	
<b>VALUATION:</b>					
1. Direct damage – replacement cost					
A. At time of replacement	Yes (5)	Yes (5)	Yes	Yes	
B. Replacement at another site permitted	Yes	Yes	No	Yes	
2. Time element – actual loss sustained	Yes	Yes	Yes	Yes	
<b>AGREED AMOUNT – TIME ELEMENT</b>	Yes	Yes	Yes	Yes	
<b>SCOPE OF COVERAGE:</b>					
1. Joint or disputed loss agreement	Yes	Yes	TBD	Yes	
2. Blanket additional insureds	No	No	No	No	
3. Blanket loss payees	Yes	Yes	Scheduled	Scheduled	
4. Errors and omissions coverage	Yes	Yes	Yes	No	
5. Ordinance or law coverage:					
Sublimit - \$1,000,000	---	---	---	---	
Sublimit - \$2,500,000	Yes	Yes	---	Yes	
Sublimit - \$25,000,000	---	---	Yes	---	
6. Delete requirement that covered property must be in use or connected ready for	No Requirement	No	TBD	Yes	

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
use					
7. Coverage for newly acquired locations – Sublimit:	Yes (90 Days)	Yes (90 Days)	Yes (\$1MM)	Yes (\$1MM)	
8. Utility interruption coverage to					
A. Water supply service	Yes	Yes	Yes	Yes	
B. Communication supply service	Yes	Yes	Yes	Yes	
C. Power supply service	Yes	Yes	Yes	Yes	
D. Power transmission and distribution lines	Yes	Yes	Yes	Yes	
E. Communication lines	Yes	Yes	Yes	Yes	
Sublimit:	No Sublimit	No Sublimit	No Sublimit	No Sublimit	
9. Waiver of subrogation permitted	Yes	Yes	No	No	
10. Extra expense not limited			No (\$2MM)	No (\$6MM)	
A. To extent that business income loss is reduced	Yes	Yes	Yes	Yes	
B. To a specified monthly amount	Yes	Yes	No	Yes	
11. Increased cost of loss and related expense - Limit:	Yes (125%)	Yes (125%)	\$25,000	Yes (150%)	
12. TRIPRA terrorism coverage included	Yes	Yes	No	Yes	
13. Terrorism for non-certified acts included	Yes	Yes	No	TBD	
<b>PREMIUM:</b>					
\$10,000 deductible	\$18,032	\$16,000	\$11,953	\$17,998	
Other deductible:	---	---	---		
TE deductible:	---	---	---		
<b>OPTIONAL COVERAGES:</b>					
1. Contingent extra expense - limit per location:	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	
2. Limited fungus, wet rot and dry rot coverage - Sublimit:	\$15,000	\$15,000	\$15,000	\$50,000	
Cost of inspections included in premium(s)	Yes	Yes	Yes	Yes	
<b>ELECTRONIC DATA PROCESSING</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	No	No			
<b>COVERED PROPERTY:</b>					
Equipment owned (Including data and media); or	Yes	Yes			
Leased (Including data and media).	Yes	Yes			
<b>LIMITS:</b>					
Blanket equipment limit:	\$11,436,200	\$11,461,113			
Blanket data and media limit:	Included	\$500,000			
Blanket extra expense limit:	None	\$500,000			
Property at unscheduled locations limit	\$100,000	\$100,000			
Property in transit limit	\$50,000	\$50,000			
<b>COVERED LOCATIONS PER RFP</b>	Yes	Yes			
<b>PERILS – ALL RISKS INCLUDING:</b>					
1. Mechanical breakdown	Yes	Yes			
2. Short circuit, blowout or other electrical disturbances	Yes	Yes			
3. Flood and earth movement	Yes	Yes			

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
<b>VALUATION:</b>					
1. Equipment – replacement cost					
A. At time of replacement	No	No			
B. Functional replacement cost	Yes	Yes			
2. Data and media – reproduction cost including research	Yes	Yes			
3. Extra expense – actual expense over normal operating expenses	Yes	Yes			
<b>AGREED VALUE</b>	Yes	Yes			
<b>SCOPE OF COVERAGE:</b>					
1. Blanket additional insureds	No	No			
2. Blanket loss payees	No	No			
3. Errors and omissions	Yes	Yes			
4. Property damage and extra expense caused by interruption of power service	LTD (6)	LTD (6)			
5. No monthly limitation to extra expense recovery	Yes	Yes			
6. Coverage for loss from computer hackers					
Computer viruses	Yes	Yes			
Malicious software	Yes	Yes			
7. TRIPRA terrorism coverage included	Yes	Yes			
8. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
\$1,000 deductible	Included	Included			
Separate Breakdown deductible:	No	No			
<b>MOBILE EQUIPMENT FLOATER</b>					
Name of insurer:	Great American	Great American	Chubb	No Quote	No Quote
Can be written separately	No	No	Yes		
<b>COVERED PROPERTY:</b>					
Scheduled equipment	Yes	Yes	Yes		
Owned	If Scheduled	If Scheduled	If Scheduled		
Of others for which the insured is liable	If Scheduled	If Scheduled	If Scheduled		
Of others the insured is required to insure	If Scheduled	If Scheduled	If Scheduled		
<b>PERILS - All risks including:</b>					
Theft	Yes	Yes	Yes		
Flood	Yes	Yes	Yes		
Earth movement	Yes	Yes	Yes		
<b>TERRITORY – Continental U.S. and Canada</b>	Yes	Yes	Yes		
<b>VALUATION</b>					
1. Stated Value Bases - disaster limit:	\$1,118,723	\$578,151	\$5,647,265		
2. Blanket replacement cost limit:	---	---	TBD		
<b>AGREED VALUE</b>	No (80%)	No (80%)	Yes		
<b>REPORTING</b>					
Automatic coverage of newly acquired equipment	Yes	Yes	Yes		
Sublimit:	\$250,000	\$250,000	No Sublimit		
Reporting requirement – annually	30 Days	30 Days	Yes		

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
Rate:	TBD	TBD	TBD		
<b>SCOPE OF COVERAGE:</b>					
1. Blanket additional insureds	No	No	Yes		
2. Blanket loss payees	Yes	Yes	Yes		
3. Errors and omissions	Yes (2)	Yes (2)	Yes		
4. Coverage for waterborne property	No	No	No		
5. Unscheduled equipment, leased, rented or borrowed equipment			No		
Sublimit per item:	\$75,000	\$75,000	---		
Sublimit per loss :	\$150,000	\$150,000	---		
Replacement cost:	---	---	---		
Audit conditions – Annual	---	---	---		
Audit rate:	---	---	---		
6. Delete exclusion for property rented, loaned or leased to others	No	No	No		
7. Delete exclusion related to exceeding lifting capacity	No	No	No		
8. Loss to booms or cranes covered	LTD	No	No		
9. TRIPRA terrorism coverage included	Yes	Yes	Yes		
10. Terrorism for non-certified acts included	Yes	Yes	Yes		
<b>PREMIUM:</b>					
1. Stated value – disaster limit:	\$1,095,900	\$578,151	\$5,647,265		
\$1,000 deductible	\$43,403	Included	---		
\$2,500 deductible	---	---	\$16,942		
2. Replacement cost blanket limit:	na	na			
\$1,000 deductible	---	---	---		
\$2,500 deductible	---	---	TBD		
Other deductible:	---	---	---		
<b>OPTIONAL COVERAGES:</b>					
1. Rental expense	Yes	Yes	No		
Daily limit/Aggregate limit	\$5,000/\$25,000	\$5,000/\$25,000	---		
2. Cover lease or rental payments that the insured is contractually liable for	No	No	No		
Limit: \$ _____	---	---	---		
<b>PROPERTY FLOATER</b>					
Name of insurer:	Great American	Great American	Chubb	No Quote	No Quote
Can be written separately	No	No	No		
<b>COVERED PROPERTY:</b>					
Scheduled equipment owned by the insured	Yes	Yes	Yes		
Property of others for which insured is liable	If Scheduled	If Scheduled	If Scheduled		
Property which insured is obligated to insure	If Scheduled	If Scheduled	If Scheduled		
<b>LIMIT - Blanket Limit:</b>	\$3,703,900	\$3,267,500	\$5,647,265 (10)		
<b>PERILS - All risks including:</b>					
Theft	Yes	Yes	Yes		
Flood	Yes	Yes	Yes		

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
Earth movement	Yes	Yes	Yes		
<b>VALUATION – Replacement Cost</b>	No (ACV)	Pending	TBD		
Partial loss valued on basis of repair with no deduction for depreciation	No	No	TBD		
<b>AGREED VALUE - Any coinsurance condition to be waived</b>	No (80%)	No (80%)	Yes		
<b>TERRITORY – Continental U.S. and Canada</b>	Yes	Yes	Yes		
<b>REPORTING</b>					
Automatic coverage for newly acquired equipment, leased, rented or borrowed			Acquired Only		
Sublimit:	\$25,000	\$25,000	No Sublimit		
Auditable – Annual	---	No	Yes		
Audit Rate:	---	Na	TBD		
<b>SCOPE OF COVERAGE:</b>					
1. Blanket additional insureds	No	No	Yes		
2. Blanket loss payees	No	Yes	Yes		
3. Errors and omissions	Yes	Yes	Yes		
4. Delete exclusion for property owned by insured and rented, loaned or leased to others	No Exclusion	No Exclusion	No		
5. Coverage for waterborne property	No	No	No		
6. Delete any locked vehicle warranty	Yes	Yes	No Warranty		
7. TRIPRA terrorism coverage included	Yes	Yes	Yes		
8. Terrorism for non-certified acts included	Yes	Yes	Yes		
<b>PREMIUM:</b>					
\$1,000 deductible	Included	Included	Included		
<b>PIPELINE FLOATER INCLUDING EXTRA EXPENSE</b>					
Name of insurer:	ACE	ACE	RSUI	No Quote	No Quote
Can be written separately	Yes	Yes	Yes		
<b>COVERED PROPERTY – per RFP</b>	Yes	Yes	Yes		
<b>LIMITS:</b>					
Property damage:	\$10,000,000	\$10,000,000	\$10,000,000		
Extra expense limit:	\$10,000,000	\$10,000,000	\$2,000,000		
<b>PERILS - All risks including:</b>	Yes	Yes	Yes		
1. Earth movement (If sublimit specify:)	\$5,000,000	\$5,000,000	\$5,000,000		
2. Effects of tide (If sublimit specify:)	\$10,000,000	\$10,000,000	\$10,000,000		
3. Flood (If sublimit specify:)	\$10,000,000	\$10,000,000	\$10,000,000		
<b>VALUATION – Replacement cost</b>	Yes	Yes	Yes		
1. At time of replacement	Time of Loss	Time of Loss	Time of Loss		
2. Replacement at another site permitted including alternative distribution	Yes	Yes	Yes		
Extra Expense – Actual Loss Sustained	Yes	Yes	Yes		
<b>AGREED AMOUNT - Any coinsurance condition to be waived</b>	Yes	Yes	Yes		
<b>SCOPE OF COVERAGE:</b>					
1. Underground or underwater property exclusion deleted	Yes	Yes	Yes		
2. Include coverage for debris removal	25% or \$1MM	25% or \$1MM	\$1MM		

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
3. Salvage expenses provided	Yes	Yes	No		
Sublimit:					
4. TRIPRA terrorism coverage included	Yes	Yes	Yes		
5. Terrorism for non-certified acts included	Yes	Yes	Yes		
<b>PREMIUM:</b>					
\$50,000 per occurrence deductible	---	---	---		
\$100,000 per occurrence deductible	---	---	\$75,000		
\$250,000 per occurrence deductible	\$67,833	\$90,418	Earthquake & Flood		
Deductible for Flood and Named Windstorm	\$1,000,000	\$1,000,000	See Above		
<b>VALUABLE PAPERS AND RECORDS</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	No	No			
<b>COVERED PROPERTY</b> - per RFP	Yes	Yes			
<b>LIMITS</b> - per RFP	\$3,150,000	\$3,150,000			
<b>PERILS</b> - All risks including:					
Flood	Yes	Yes			
Earth movement	Yes	Yes			
<b>VALUATION</b> – replacement cost including cost of research	Yes	Yes			
<b>SCOPE OF COVERAGE:</b>					
1. Covered locations including newly acquired, temporary or unscheduled locations - Sublimit:	\$100,000	\$100,000			
2. Eliminate container warranty	Yes	Yes			
3. Property in transit covered - Sublimit:	\$50,000	\$50,000			
4. TRIPRA terrorism coverage included	Yes	Yes			
5. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
\$1,000 deductible	Included	Included			
<b>FINE ARTS</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	No	No			
<b>COVERED PROPERTY</b> - Miscellaneous, owned and non-owned fine arts in the insured's care, custody or control	Yes	Yes			
<b>LIMIT</b> - Blanket limit:	\$100,000	\$100,000			
<b>PERILS</b> - All risks including:					
Flood	Yes	Yes			
Earth movement	Yes	Yes			
<b>VALUATION</b> - Market value at the time of settlement	Yes (Time of Loss)	Yes (Time of Loss)			
<b>AGREED VALUE</b> - Any coinsurance condition to be waived	No	No			
<b>SCOPE OF COVERAGE:</b>					
1. Blanket additional insureds	No	No			

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
2. Blanket loss payees	Yes	Yes			
3. Errors and omissions	Yes (2)	Yes (2)			
4. Worldwide coverage territory	No	No			
Domestic, foreign and overseas transit	No	No			
5. Pair or set extension	Yes	Yes			
6. TRIPRA terrorism coverage included	Yes	Yes			
7. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
\$2,500 deductible	---	--			
Combined with property:	Included	Included			
<b>OPTIONAL COVERAGES:</b>					
1. Cover loss by marring or scratching	Yes	Yes			
Additional premium:	Included	Included			
2. Breakage exclusion deleted	Yes	Yes			
Additional premium:	Included	Included			
<b>CRIME</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	Yes	Yes			
<b>NAMED INSURED</b> - per RFP	Yes	Yes			
Benefit plan per RFP	Yes	Yes			
<b>COVERAGE</b>					
Employee Theft – Per Loss Coverage (Discovery Form)	Yes	Yes			
Forgery of Alteration	Yes	Yes			
Computer Fraud	Yes	Yes			
Funds Transfer Fraud	Yes	Yes			
Theft of Money and Securities	Yes	Yes			
Inside The Premises	Yes	Yes			
Outside The Premises	Yes	Yes			
<b>SCOPE OF COVERAGE:</b>					
1. Add faithful performance of duty coverage for government employees	Yes	Yes			
2. Amend definition of “Employee Dishonesty” if older forms used	No	Yes			
3. Provide employee theft coverage excess over a statutory bond requirement	Yes	Yes			
4. Include treasurers or tax collectors as employees endorsement	Yes	Yes			
5. Definition of employee amended to include:					
A. Terminated employees – 90 days	Yes	Yes			
B. Non-compensated officers/officials	Yes	Yes			
C. Employee benefit plan trustees	Yes	Yes			
D. Volunteer workers	Yes	Yes			
6. Cancellation under prior bond extension	Yes	No			
7. Include expense incurred to establish amount of covered loss	Yes (\$10,000)	Yes (\$10,000)			

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
8. Property other than money & securities to be valued at replacement cost	Yes	Yes			
9. TRIPRA terrorism coverage included	Yes	Yes			
10. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
Limits					
Employee Theft – Per Loss Coverage \$15,000,000	Yes	Yes			
Add Faithful Performance of Duty \$1,000,000	Yes	Yes			
Forgery of Alteration \$15,000,000	Yes	Yes			
Computer Fraud \$15,000,000	Yes	Yes			
Funds Transfer Fraud \$15,000,000	Yes	Yes			
Theft of Money and Securities	Yes	Yes			
Inside The Premises \$5,000,000	Yes	Yes			
Outside The Premises \$5,000,000	Yes	Yes			
\$50,000 deductible	\$15,000	\$15,000			
<b>OPTIONAL COVERAGES</b>					
1. Destruction Of Electronic Data Or Computer Programs	Yes	Yes			
2. Unauthorized Reproduction Of Computer Software By Employees	No	No			
<b>BUSINESS INCOME INCLUDING RENTAL VALUE</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	No	No			
LIMIT – Blanket limit of \$ _____	\$469,536	\$339,223			
PERILS – all risks, including theft	Yes	Yes			
VALUATION – actual loss sustained	Yes	Yes			
AGREED VALUE - Any coinsurance condition to be waived	Yes	Yes			
<b>SCOPE OF COVERAGE:</b>					
1. Errors and omissions	Yes (2)	Yes (2)			
2. Ordinance or law – increased period of restoration	Yes	Yes			
3. Radio or television antennas	Yes	Yes			
4. Rental income includes gross rental income and all charges	Yes	Yes			
5. Flood – Limit Included under Real & Personal Property	Yes	Yes			
Deductible - combined with property deductible	Yes	Yes			
6. Earth movement – Limit - Included under Real & Personal Property	Yes	Yes			
Deductible - combined with property deductible	Yes	Yes			
7. TRIPRA terrorism coverage included	Yes	Yes			
8. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
Deductibles - None	--	--			
Deductibles - combined with property deductible	Included	Included			
<b>OPTIONAL COVERAGE</b>					
90 day extended period of indemnity	Included	Included			

Sussex County  
**Exhibit II – Scope of Coverage**

	Current	Pratt	SIP	Avery Hall	IFS
<b>EXTRA EXPENSE</b>					
Name of insurer:	Great American	Great American	No Quote	No Quote	No Quote
Can be written separately	No	No			
<b>LIMITS</b>					
Blanket limit all insured premises:	\$6,000,000	\$6,000,000			
Limits per the Extra Expense Limit and Location Schedule	No	No			
<b>PERILS</b> – all risks including theft	Yes	Yes			
<b>RECOVERY</b> – no monthly limit	Yes	Yes			
<b>SCOPE OF COVERAGE:</b>					
1. Errors and omissions	Yes (2)	Yes (2)			
2. Ordinance or law – increased period of restoration	Yes	Yes			
3. Radio or television antennas	Yes	Yes			
4. Utility services - time element coverage following damage to:	No	Yes			
A. Water supply services	--	Yes			
B. Communication supply services	--	Yes			
C. Power supply services	--	Yes			
D. Power transmission and distribution lines	--	Yes			
E. Communication lines	--	Yes			
Sublimit:	--	\$500,000 (1)			
5. Newly acquired or constructed buildings	Yes	Yes			
6. Include coverage for lack of egress or ingress	Yes	Yes			
7. Flood – Limit Included under Real & Personal Property	Yes	Yes			
Deductible - combined with property deductible	Yes	Yes			
8. Earth movement – Limit - Included under Real & Personal Property	Yes	Yes			
Deductible - combined with property deductible	Yes	Yes			
9. TRIPRA terrorism coverage included	Yes	Yes			
10. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
Blanket limit all insured premises:	\$6,000,000	\$6,000,000			
No Deductible	--	--			
Combined with property	Included	Included			
Limits per the Extra Expense Limit and Location Schedule	--	--			
No Deductible	--	--			
Combined with property	--	--			
<b>OPTIONAL COVERAGE:</b>					
Extra expense from dependent properties - limit per location:	\$100,000	\$100,000			
<b>WORKERS COMPENSATION AND EMPLOYERS LIABILITY</b>					
Name of insurer:	Travelers	Travelers	Amerihealth	No Quote	No Quote
Can be written separately	No	No	Yes		
<b>LIMITS</b> - Employers liability limits:	\$500/\$500/\$500	\$500/\$500/\$500	\$100/\$100/\$500		
<b>COVERED STATE:</b> Delaware	Yes	Yes	Yes		

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
<b>SCOPE OF COVERAGE:</b>					
1. Other states coverage	Yes	Yes	Yes		
2. Voluntary compensation and employers liability	No	No	No		
3. USL&H coverage	No	No	Yes		
<b>RATING PLANS</b>					
1. Guarantee cost with dividend	No	No	No		
2. Loss Ratio dividend plan	No	No	No		
3. One year retention plan	No	No	No		
Premium worksheets attached	Yes	Yes	Yes		
<b>PAYROLL - per RFP</b>	No	Yes	Yes		
<b>PREMIUM:</b>	\$902,722	\$1,019,435	\$352,814		
<b>COMMERCIAL GENERAL LIABILITY</b>					
Name of insurer:	Travelers	Travelers	No Quote	No Quote	No Quote
Can be written separately	No	No			
<b>COVERAGE - Occurrence form</b>	Yes	Yes			
<b>LIMITS:</b>					
\$1,000,000 each occurrence	\$1,000,000	\$1,000,000			
\$1,000,000 personal and advertising injury	\$1,000,000	\$1,000,000			
\$2,000,000 general aggregate per location	\$3,000,000	\$3,000,000			
\$2,000,000 products/completed operations aggregate	\$3,000,000	\$3,000,000			
\$50,000 fire legal liability	Yes	Yes			
\$5,000 medical payments	No	No			
<b>SCOPE OF COVERAGE:</b>					
1. Errors and omissions	Yes	Yes			
2. Notice of occurrence	Yes	Yes			
3. Additional insured	Yes	Yes			
4. General aggregate per location	No	No			
5. Government subdivisions endorsement	Yes	Yes			
6. Volunteers as insureds	Yes	Yes			
7. Waiver of governmental immunity	No	No			
8. Boats coverage	Yes	Yes			
9. Employee benefits liability	No	No			
Limits:	\$1M/\$3M	\$1M/\$3M			
Occurrence form (no retro date to apply)	Yes	Yes			
Deductible:	\$1,000	\$1,000			
10. Provide ISO CG 00 01 pollution liability coverages					
A. Heat, smoke or fumes from a hostile fire;	Yes	Yes			
B. Mobile equipment operating fluids;	Yes	Yes			
C. Gases, fumes or vapors from materials brought into a building;	Yes	Yes			
D. Smoke, fumes, vapor or soot produced by or originating from equipment	Yes	Yes			

Sussex County  
**Exhibit II – Scope of Coverage**

	Current	Pratt	SIP	Avery Hall	IFS
that is used to heat, cool or dehumidify a building, or equipment that is used to heat water					
11. Coverage for pollution claims from sewerage system	Yes	Yes			
Including explosions within sewerage pipes, disruption or backup	LTD	LTD			
Specify any sublimits:	\$1,000,000	\$1,000,000			
Deductible:	None	None			
12. Pesticide or herbicide applicator coverage	Yes	Yes			
13. Coverage for 911 dispatch operations	Yes	Yes			
14. Delete injury to volunteer firefighters exclusion	No	No			
15. Provide engineers professional liability for employed engineers					
A. All County projects, including supervision of contracted design professionals	No exclusion	No exclusion			
B. Non-County projects up to \$500,000 when design work is in the scope of employment by the County	No exclusion	No exclusion			
16. Flat premium is preferred	Yes	Yes			
17. Provide coverage for Habitat for Humanity owned warehouse location	Yes	Yes			
18. Additional Insured – Sussex County Return Day, Inc.	Yes	Yes			
19. Additional Insured – Norfolk Southern	Yes	Yes			
20. TRIPRA terrorism coverage included	Yes	Yes			
21. Terrorism for non-certified acts included	No	No			
<b>PREMIUM:</b>					
Premium subject to audit	No	No			
Premium worksheet attached	--	--			
No Deductible	\$71,782	\$80,356			
\$10,000 per occurrence deductible	--	\$72,116			
\$25,000 per occurrence deductible	--	\$66,532			
<b>OPTIONAL COVERAGES:</b>					
1. Fellow employee and/or volunteer limitations to be deleted	No	No			
2. Delete exclusion for personal and advertising injury assumed under contract	Yes	Yes			
3. Include electronic data liability coverage	No	No			
4. Amend definition of personal injury to include:	No	No			
Humiliation	--	--			
Non-employment discrimination	--	--			
Sexual harassment	--	--			
Other injury to feelings/reputation	--	--			
5. Amend definition of bodily injury to include:	LTD	LTD			
Shock	No	No			
Mental anguish	Yes	Yes			
Mental injury	Yes	Yes			
<b>MEDICAL PROFESSIONAL LIABILITY</b>					
Name of insurer:	Travelers	Travelers	No Quote	No Quote	No Quote

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
Can be written separately	No	No			
<b>COVERAGE</b>					
Occurrence form	Yes	Yes			
Claims made form	No	No			
<b>SCOPE OF COVERAGE:</b>					
1. Insureds include:					
Officials	Yes	Yes			
Members of boards, commissions, councils and agencies	Yes	Yes			
Employees	Yes	Yes			
Students	Yes	Yes			
Volunteers	Yes	Yes			
2. Defense costs in addition to limit of liability	Yes	Yes			
3. Treatment of employees on the job to be covered	Yes	Yes			
4. Paramedic operations at airports	No	No			
5. Good Samaritan coverage	Yes	Yes			
6. Governmental immunity provision	No	No			
7. Punitive or exemplary damage covered	No	No			
8. Include coverage for liability assumed under mutual aid agreements	Yes	Yes			
9. Coverage for EMD conducted by EOC dispatch personnel	Yes	Yes			
10. TRIPRA terrorism coverage included	Yes	Yes			
11. Terrorism for non-certified acts included	No	No			
<b>PREMIUM:</b>					
\$1,000,000 each occurrence and aggregate					
No Deductible	Included	Included in GL			
\$10,000 per occurrence deductible	---	Included in GL			
\$25,000 per occurrence deductible	---	Included in GL			
<b>AIRPORT LIABILITY</b>					
Name of insurer:	Catlin	Catlin	Old Republic	No Quote	No Quote
Can be written separately	Yes	Yes	Yes		
<b>LIMITS:</b>					
Each occurrence:	\$20,000,000	\$20,000,000	\$20,000,000		
Personal and advertising injury:	\$20,000,000	\$20,000,000	\$20,000,000		
General aggregate:	\$20,000,000	\$20,000,000	\$20,000,000		
Products/completed operations aggregate:	\$20,000,000	\$20,000,000	\$20,000,000		
Hangarkeepers liability: Any one aircraft	\$2,500,000	\$2,500,000	\$2,000,000		
Any one occurrence	\$2,500,000	\$2,500,000	\$2,000,000		
Fire legal liability:	\$50,000	\$50,000	\$50,000		
Medical payments:	\$5,000	\$5,000	\$5,000		
<b>SCOPE OF COVERAGE:</b>					
1. Errors and omissions	Yes	Yes	No		
2. Additional insureds	Yes	Yes	Scheduled		

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
3. Elected and appointed officials, board committee members as insureds	Yes	Yes	Yes		
4. Government subdivisions endorsement	Yes	Yes	Yes		
5. Employees and volunteers as Insureds	No	No	No		
6. Waiver of governmental immunity	Yes	Yes	Yes		
7. Provide ISO CG 00 01 pollution liability coverages					
A. Heat, smoke or fumes from a hostile fire;	Ltd	Ltd	Ltd		
B. Mobile equipment operating fluids;	Ltd	Ltd	Ltd		
C. Gases, fumes or vapors from materials brought into a building;	Ltd	Ltd	Ltd		
D. Smoke, fumes, vapor or soot produced by or originating from equipment that is used to heat, cool or dehumidify a building, or equipment that is used to heat water	Ltd	Ltd	Ltd		
8. Excess auto liability coverage – Limit:	\$19,000,000	\$19,000,000	\$2,000,000		
9. Excess employers liability coverage – Limit:	\$19,000,000	\$19,000,000	\$2,000,000		
10. Delete exclusion(s) for airmeets, contests or exhibitions - Wings & Wheels	Yes	Yes	No		
11. UNICOM services coverage	Yes	Yes	Yes		
12. Include War, Hijacking and Other Perils Coverage	Yes	Yes	Yes		
No sublimit	Yes	Yes	Yes		
13. Flat premium	Yes	Yes	Yes		
14. TRIPRA terrorism coverage included	Yes	Yes	Yes		
15. Terrorism for non-certified acts included	Yes	Yes	Yes		
<b>PREMIUM:</b>					
Airport Liability Deductible:					
None	\$5,040	\$3,990	\$8,049		
Hangarkeepers Liability Deductible:					
None	Included	Included	Included		
<b>OPTIONAL COVERAGE:</b>					
1. Increase hangarkeepers liability limit to \$3,000,000	na	\$525	No		
2. Fellow employee and/or volunteer limitations to be deleted	Yes	Yes	No		
3. Delete exclusion for personal and advertising injury assumed under contract	Yes	Yes	No		
4. Include electronic data liability coverage	Ltd	Ltd	No		
5. Amend definition of personal injury to include:	Yes	Yes	No		
Humiliation	Yes	Yes	---		
Non-employment discrimination	Yes	Yes	---		
Sexual harassment	No	No	---		
Other injury to feelings/reputation	No	No	---		
6. Amend definition of bodily injury to include:	Yes	Yes	Yes		
Shock	Yes	Yes	Yes		
Mental anguish	Yes	Yes	Yes		
Mental injury	No	No	No		

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
<b>BUSINESS AUTO LIABILITY AND PHYSICAL DAMAGE</b>					
Name of insurer:	Travelers	Travelers	No Quote	Selective	No Quote
Can be written separately	No	No		Yes	
<b>COVERAGE AND LIMITS:</b>					
Coverage:      Symbol:      Limit:					
Liability            1            \$1,000,000	Yes	Yes		Yes	
PIP                    5            Statutory	Yes	Yes		Yes	
UM                    6            \$1,000,000	Symbol 2	Yes		Yes	
Comprehensive    2 & 8      ACV	Yes (9)	Yes (9)		7 & 8	
Collision            2 & 8      ACV	Yes (9)	Yes (9)		7 & 8	
Hired auto physical damage limit: \$50,000	Yes	Yes		\$75,000	
<b>SCOPE OF COVERAGE:</b>					
1. Notice of accident	Yes	Yes		Yes	
2. Additional insureds	No	No		Yes	
3. Loss payees	Yes	Yes		No	
4. Delete emergency vehicles – volunteer firefighters & workers injuries exclusion	No	No		No Exclusion	
A. Volunteer firefighter driving paramedic unit to hospital	--	--		TBD	
B. Volunteer firefighters interaction with HAZMAT unit	--	--		TBD	
5. Government bodies amendatory endorsement	Yes	Yes		Yes	
6. Audio, visual and data electronic equipment coverage	Yes	Yes		Yes	
7. Employees as insureds	Yes	Yes		Yes	
8. Employee hired autos	Yes	Yes		Yes	
9. Fellow employee coverage endorsement	No	No		Yes	
10. Volunteers as insureds	Yes	Yes		Yes	
11. Pollution liability – broadened coverage for covered autos	No	No		No	
12. Governmental immunity endorsement	No	No		No	
13. Terrorism coverage included	Yes	Yes		Yes	
<b>PREMIUM:</b>					
Liability/PIP/UM	\$147,962	\$168,639		\$145,658	
Comprehensive					
\$1,000 deductible	\$13,117	\$25,801		\$14,301	
\$2,500 deductible	---	---		---	
Collision					
\$1,000 deductible	\$15,795	Included		Included	
\$2,500 deductible	---	---		---	
<b>OPTIONAL COVERAGES:</b>					
1. Loss of use expenses - Per day \$_____ Maximum limit \$_____	Yes \$50/\$1,000	Yes \$50/\$1,000		Yes \$20/\$600	
2. Replacement cost auto physical damage - paramedic autos	---	---		---	
<b>LAW ENFORCEMENT PROFESSIONAL LIABILITY</b>					
Name of insurer:	Travelers	Travelers	No Quote	No Quote	No Quote

Sussex County  
**Exhibit II – Scope of Coverage**

	Current	Pratt	SIP	Avery Hall	IFS
Can be written separately	No	No			
<b>COVERAGE</b> per RFP	Yes	Yes			
<b>LIMITS:</b>					
\$1,000,000 each occurrence and aggregate:	Yes	Yes			
If umbrella excess does not apply excess over Law Enforcement Professional Liability then increase limits to match CGL & UL combined	N/A	N/A			
<b>SCOPE OF COVERAGE:</b>					
1. Insured per RFP	Yes	Yes			
2. Coverage for fellow employee suits	No	No			
3. Defense costs in addition to limit	Yes	Yes			
4. Prior knowledge of one insured not imputed to other insureds	Yes	Yes			
5. Punitive and exemplary damages covered	Yes	Yes			
6. Include coverage for authorized moonlighting	Yes	Yes			
7. Include coverage for liability assumed under mutual aid agreements	Yes	Yes			
8. Defense coverage for fraudulent, dishonest or criminal acts	Yes	Yes			
Coverage for defense and damage for innocent insureds	Yes	Yes			
9. Governmental immunity provision	No	Yes			
10. TRIPRA terrorism coverage included	Yes	Yes			
11. Terrorism for non-certified acts included	Yes	Yes			
<b>PREMIUM:</b>					
\$1,000,000 each occurrence/aggregate	Yes	Yes			
\$10,000 deductible per occurrence	\$29,820	\$20,079			
\$15,000 deductible per occurrence	---	\$19,363			
<b>UMBRELLA EXCESS LIABILITY</b>					
Name of insurer:	Travelers	Travelers	No Quote	No Quote	No Quote
Can be written separately	No	No			
General aggregate limits per location	No	No			
<b>RETENTION:</b>	\$10,000	\$10,000			
<b>SCOPE OF COVERAGE:</b>					
1. First dollar defense	Yes	Yes			
2. Defense costs in addition to limits	Yes	Yes			
3. All underlying insureds covered	Yes	Yes			
4. Flat premium	Yes	Yes			
5. Follow form pollution coverage:					
A. Heat, smoke or fumes from a hostile fire;	Yes	Yes			
B. Operating fluids needed to perform the electrical, hydraulic or mechanical functions of mobile equipment;	Yes	Yes			
C. Gases, fumes or vapors from materials brought into a building;	Yes	Yes			
D. Smoke, fumes, vapor or soot produced by or originating from equipment that is used to heat, cool or dehumidify a building, or equipment that is used	Yes	Yes			

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
to heat water					
E. Auto accident, upset or overturn	Yes	Yes			
F. Herbicide or Pesticide Applicator Coverage	Yes	Yes			
G. Sewer backup liability	No	No			
to extent of underlying coverage	---	---			
6. Occurrence based coverage trigger	Yes	Yes			
7. Extended reporting provision:	No	No			
A. Can be purchased if insured terminates	--	--			
B. Cost:	--	--			
C. Duration:	--	--			
D. Period to notify insurer of intent to purchase:	--	--			
8. Governmental immunity endorsement	No	No			
9. Aggregate not exhausted by auto liability losses	Yes	Yes			
10. Follow form coverage for injuries to volunteer firefighters	Yes	No			
11. Follow form medical professional liability - treatment of employees	No	No			
12. Follow form medical professional liability - airport operations	No	No			
13. TRIPRA terrorism coverage included	Yes	Yes			
14. Terrorism for non-certified acts included	Yes	Yes			
<b>UNDERLYING INSURANCE - per RFP</b>	Yes	Yes			
<b>PREMIUM:</b>					
\$10,000,000 each occurrence and aggregate limits	---	---			
\$9,000,000 each occurrence and aggregate limits	\$60,284	\$62,079			
<b>OPTIONAL COVERAGES:</b>	No	No			
1. Fellow employee exclusion deleted	No	No			
2. Follow form limited employed engineer's professional coverage	No	No			
<b>PUBLIC OFFICIALS AND EMPLOYEES LIABILITY</b>					
Name of insurer	Ironshore	Ironshore	No Quote	No Quote	XL/RSUI
Can be written separately	Yes	Yes			Yes
<b>COVERED AS INSUREDS – per specifications</b>	Yes	Yes			Yes
<b>SCOPE OF COVERAGE:</b>					
1. Policy will "pay on behalf" of the insured	Yes	Yes			Yes
2. Defense costs in addition to limit	No	No			No
3. "Wrongful acts" per RFP	Ltd	Ltd			Yes
4. Covers claims for improper planning and zoning	Yes (3)	Yes (8)			No
5. Coverage for prior acts with no retroactive date	Prior and Pending	Prior and Pending			Yes
If no, specify retroactive date:	7/1/2010	7/1/2010			---
6. Defense for allegations of fraudulent, dishonest & criminal acts	Reimburse	Reimburse			TBD
Defense and damages coverage for innocent insureds	Reimburse	Reimburse			TBD
7. Employment Practices Claims					
A. Wrongful termination	Yes	Yes			Yes

Sussex County  
Exhibit II – Scope of Coverage

	Current	Pratt	SIP	Avery Hall	IFS
B. Constructive termination	Yes	Yes			Yes
C. Wrongful failure to employ or promote	Yes	Yes			Yes
D. Discrimination	Yes	Yes			Yes
E. Sexual harassment	Yes	Yes			Yes
F. Breach of employment contract	Yes	Yes			TBD
G. Reductions in workforce	Yes	Yes			Yes
H. Negligent evaluations	Yes	Yes			Yes
I. Failure to provide adequate workplace	Yes	Yes			Yes
J. Americans with Disabilities Act claims	Yes	Yes			Yes
K. Wage and hour claims	No	No			Ltd
L. Equal Employment Opportunity Act claims	Yes	Yes			Yes
M. Violation of other employment laws	Yes	Yes			Yes
8. Administrative proceedings	Yes	Yes			Yes
9. Mental anguish or emotional distress from employment related practices	Yes	Yes			Yes
10. Knowledge of claim prior to effective date not imputed to other insureds	Yes	Yes			No
11. Delete exclusion for failure to effect or maintain insurance	No	No			No
12. Defense cost coverage for claims seeking non-monetary damages	Yes	Yes			No
Sublimit:	\$250,000	\$500,000			---
13. If fact or circumstance reported during policy period, resulting claim covered	Yes	Yes			Yes
14. Extended reporting provision:					
A. Can be purchased if insured terminates	Yes	Yes			Yes
B. Cost:	100%	100%			Up to 150%
C. Duration:	1 Year	1 Year			Up to 3 Years
D. Period to notify insurer of intent to purchase: _	30 Days	30 Days			60 Days
15. Coverage for claims arising from:					
A. County airport	No	Yes			Yes (EPL Only)
B. Wastewater and water utilities	No	Yes			Yes (EPL Only)
C. 911 Dispatch		Yes (EPL Only)			Yes (EPL Only)
D. Paramedics		Yes (EPL Only)			Yes (EPL Only)
16. TRIPRA terrorism coverage included		Yes			Yes
17. Terrorism for non-certified acts included		No			Yes
<b>PREMIUM:</b>					
\$10,000,000 each wrongful act & aggregate					
\$100,000 retention	---	---			---
\$500,000 retention	\$255,250	\$255,250			\$303,439.80
<b>OPTIONAL COVERAGES</b>					
1. Soft hammer 50/50	Yes (60/40)	Yes (60/40)			No
2. Punitive or exemplary damages - sublimit:	Yes (\$50,000)	Yes (\$50,000)			TBD
3. Cover claims seeking back wages - sublimit:	Yes (\$500,000)	Yes (\$500,000)			No
4. Delete Fiduciary Liability exclusion - sublimit:	No	No			No

Notes



**Exhibit II – Scope of Coverage**

1. Combined property damage and extra expense sublimit.
2. \$1,000,000 sublimit applies.
3. Subject to a \$2,000,000 sublimit.
4. Part of ancillary coverage sublimit of \$500,000 per location.
5. If within 24 months of loss.
6. If interruption is to equipment w/in 100 feet of premises.
7. Subject to a 10% copayment.
8. Subject to a \$3,000,000 sublimit.
9. Any auto with a cost new over \$40,000 or model year 2003 (current) or 2005 (proposed) or newer.
10. Combined limit for both mobile equipment and property floater.

**Sussex County Council  
Insurance RFP Analysis  
Policy Period - 7/1/14-7/1/17**

**Real and Personal Property**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	15	N/A	N/A	N/A
Total	100	84	0	0	0

Only one bid was received for this line of insurance.

**Electronic Data Processing (EDP)**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60		N/A	N/A	N/A
Insurer Financial Ratings	10		N/A	N/A	N/A
Insurer and Producer Services	10		N/A	N/A	N/A
Reasonably Anticipated Net Costs	20		N/A	N/A	N/A
Total	100	0	0	0	0

The Real and Personal Property coverage offered by Pratt includes EDP as well in the premium. There were no other bids on this line of insurance. EDP is evaluated with R&P Property above.

**Mobile Equipment**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60		N/A	N/A	N/A
Insurer Financial Ratings	10		N/A	N/A	N/A
Insurer and Producer Services	10		N/A	N/A	N/A
Reasonably Anticipated Net Costs	20		N/A	N/A	N/A
Total	100	0	0	0	0

The Real and Personal Property coverage offered by Pratt requires the purchase of Mobile Equipment as well and is included in the premium for R&P Property. SIP did not bid on R&P Property and there is no other option for R&P Property coverage if the SIP Mobile Equipment option were to be selected. Therefore, the SIP Mobile Equipment quote is not a viable option. Mobile Equipment is evaluated with R&P Property above.

**Property Floater**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60		N/A	N/A	N/A
Insurer Financial Ratings	10		N/A	N/A	N/A
Insurer and Producer Services	10		N/A	N/A	N/A
Reasonably Anticipated Net Costs	20		N/A	N/A	N/A
Total	100	0	0	0	0

The Real and Personal Property coverage offered by Pratt requires the purchase of the Property Floater as well and is included in the premium for R&P Property. SIP did not bid on R&P Property and there is no other option for R&P Property coverage if the SIP Property Floater option were to be selected. Therefore, the SIP Property Floater quote is not a viable option. Property Floater is evaluated with R&P Property above.

**Sussex County Council  
Insurance RFP Analysis  
Policy Period - 7/1/14-7/1/17**

**Valuable Papers**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60		N/A	N/A	N/A
Insurer Financial Ratings	10		N/A	N/A	N/A
Insurer and Producer Services	10		N/A	N/A	N/A
Reasonably Anticipated Net Costs	20		N/A	N/A	N/A
Total	100	0	0	0	0

The Real and Personal Property coverage offered by Pratt includes Valuable Papers as well in the premium. There were no other bids on this line of insurance. Valuable Papers is evaluated with R&P Property above.

**Fine Arts**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60		N/A	N/A	N/A
Insurer Financial Ratings	10		N/A	N/A	N/A
Insurer and Producer Services	10		N/A	N/A	N/A
Reasonably Anticipated Net Costs	20		N/A	N/A	N/A
Total	100	0	0	0	0

The Real and Personal Property coverage offered by Pratt includes Fine Arts as well in the premium. There were no other bids on this line of insurance. Fine Arts is evaluated with R&P Property above.

**Equipment Breakdown**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	30	50	N/A
Insurer Financial Ratings	10	10	10	10	N/A
Insurer and Producer Services	10	9	5	7	N/A
Reasonably Anticipated Net Costs	20	15	18	12	N/A
Total	100	84	63	79	0

The policy proposed by SIP excluded coverage for "sewer treatment facility" which resulted in a low scope of coverage score. Avery Hall and Pratt's proposals offered similar coverage but Pratt offered a lower premium.

**Pipeline**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	40	N/A	N/A
Insurer Financial Ratings	10	10	10	N/A	N/A
Insurer and Producer Services	10	9	5	N/A	N/A
Reasonably Anticipated Net Costs	20	10	15	N/A	N/A
Total	100	79	70	0	0

SIP has not been able to provide all of the information requested regarding the coverage offered. The County feels that its exposure with the pipeline warrants "extra expense" coverage. If there were to be a claim, the greatest cost may be in alternative methods for transporting treated effluent. SIP's proposal offered a maximum of \$2,000,000 in extra expense while Pratt's proposal offered \$10,000,000 in extra expense coverage.

**Sussex County Council  
Insurance RFP Analysis  
Policy Period - 7/1/14-7/1/17**

**Crime**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	18	N/A	N/A	N/A
Total	100	87	0	0	0

Only one bid was received for this line of insurance.

**Workers Compensation**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	10	N/A	N/A	N/A
Total	100	79	0	0	0

SIP and Pratt provided a high deductible plan option. Pratt also provided a fixed cost plan, as we've been utilizing. We feel that a high deductible plan needs to be explored as a separate RFP due to the costs and complexity. We feel that the fixed cost plan is the County's best option for the upcoming year due to the uncertainty regarding claims forecasting and claim longevity.

**General Liability**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	15	N/A	N/A	N/A
Total	100	84	0	0	0

Only one bid was received for this line of insurance.

**Auto**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	15	N/A	N/A	N/A
Total	100	84	0	0	0

Pratt and Avery Hall submitted bids for the Auto coverage. However, due to required coverage combinations, Avery Hall's proposal could not be considered as there was no alternative for General Liability, Law Enforcement or Umbrella.

**Sussex County Council  
Insurance RFP Analysis  
Policy Period - 7/1/14-7/1/17**

**Law Enforcement**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	15	N/A	N/A	N/A
Total	100	84	0	0	0

Only one bid was received for this line of insurance.

**Umbrella**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	N/A	N/A	N/A
Insurer Financial Ratings	10	10	N/A	N/A	N/A
Insurer and Producer Services	10	9	N/A	N/A	N/A
Reasonably Anticipated Net Costs	20	15	N/A	N/A	N/A
Total	100	84	0	0	0

Only one bid was received for this line of insurance.

Total of Package	336	0	0	0
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The General Liability, Auto, Law Enforcement and Umbrella lines must be considered as a bundle. The Pratt quote requires all four to remain together. Therefore, the rating above summarizes the four lines included in the bundle. Avery Hall provided a quote for Auto but there was no General Liability, Umbrella, etc. coverage to match with it. Therefore, the Avery Hall Auto quote is not a viable option.

**Airport Liability**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	50	40	N/A	N/A
Insurer Financial Ratings	10	10	10	N/A	N/A
Insurer and Producer Services	10	9	5	N/A	N/A
Reasonably Anticipated Net Costs	20	18	10	N/A	N/A
Total	100	87	65	0	0

SIP's proposal had several exclusions and lower limits than the proposal offered by Pratt. In addition, the cost of Pratt's proposal was less than half the cost of SIP's.

**Public Officials**

		Pratt	SIP	Avery Hall	IFS
Scope of Coverage	60	45	N/A	N/A	25
Insurer Financial Ratings	10	10	N/A	N/A	10
Insurer and Producer Services	10	9	N/A	N/A	5
Reasonably Anticipated Net Costs	20	13	N/A	N/A	10
Total	100	77	0	0	50

**Sussex County Council  
Insurance RFP Analysis  
Policy Period - 7/1/14-7/1/17**

The IFS proposal excluded land use claims (including planning and zoning) and excluded non-monetary damages. In addition, the premium was higher than Pratt's proposal.

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**Sussex County**  
DELAWARE  
sussexcountyde.gov

## Memorandum

TO: Sussex County Council  
The Honorable Michael H. Vincent, President  
The Honorable Samuel R. Wilson, Jr., Vice President  
The Honorable George B. Cole  
The Honorable Joan R. Deaver  
The Honorable Vance Phillips

FROM: Gina A. Jennings  
Finance Director 

DATE: June 18, 2014

RE: **SUSSEX COUNTY PENSION UPDATE**

On Tuesday, I will be discussing the County's pension performance, the Pension Investment Policy Statement, and the 2014 actuarial reports. Attached for your review are the draft minutes of the May 22, 2014 Pension Committee meeting and the Investment Performance Report as of March 31, 2014.

### Pension Performance

#### Summary of the Pension Investment Analysis

- Market value was \$71,322,869 as of March 31, 2014
- Year-to-date gain of \$8.5 million, or 14.3 percent
- The fund's performance ranked in the top 3 percent for pension funds tracked by Peirce Park Group

#### Summary of the OPEB Investment Analysis

- Market value was \$31,198,313 as of March 31, 2014
- Year-to-date return of \$2.89 million, or 11.0 percent, net of investment fees
- The fund's performance ranked below average for OPEB funds. However, changes were made in January that are showing better returns.
- Next quarter, the committee will be discussing the benefits and cons of taking on more risk to obtain a higher return. The current allocation is 40 percent fixed income and 60 percent equities.



Pension Investment Policy Statement

The Pension Committee has recommended changes to the County's Pension Investment Policy Statement. A copy of the Investment Policy Statement is included in the packet with all of the changes. There are also notations in the columns as to why the change is being recommended. The Investment Policy Statement was last updated in 2007. There have been no addendums or amendments to the policy since its adoption in 2007. The recommended changes are all housekeeping items. Each of the recommended changes will accomplish one of the following:

1. Fix grammatical errors;
2. Add clarification;
3. Update language to reflect industry standards;
4. Bring the Pension IPS more in line with the OPEB IPS that was adopted in 2010 and amended in 2012.

The committee was given the investment policy to review between quarterly meetings. At the last meeting we discussed the changes and they unanimously voted to approve the changes.

I will be presenting a motion on Tuesday for Council to adopt these changes.

2014 Actuarial Reports

Each year our actuary, AON, is required to report an actuarial valuation of the County's two pension funds. The purpose of the annual actuarial valuation are to determine the financial condition of the plans and the recommended contribution, as well as, provide information for use in satisfying the requirements of application standards of the Governmental Accounting Standards Board (GASB).

I have summarized the reports for your convenience. The summary is included in the Council packet.

Please contact me if you have any questions or concerns.

Attachments

pc: Mr. Todd F. Lawson



# SUSSEX COUNTY

## Investment Performance Report

### March 31, 2014



PEIRCE PARK GROUP

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I. Market Environment

II. Pension

III. OPEB



# PEIRCE PARK GROUP

## PERFORMANCE EVALUATION AND REPORTING SERVICES INFORMATION DISCLAIMER

Peirce Park Group has exercised reasonable professional care in the preparation of this performance report. Depending on the specific client's account, Peirce Park Group may rely on the investment managers to provide individual security holdings, or it may rely on the client's custodian for market values and transaction dates. Custodial information may differ from investment manager records. When we rely on the client's custodian values, **returns are calculated using the custodian's statements. Every effort is made to identify and reconcile discrepancies.** There may be discrepancies in asset values and returns with managers due to different values or methodologies used by the managers and/or custodians. When the manager(s) and the custodian are one and the same, we have no ability to determine the accuracy of the asset values put forth. Information in this report on market indices, security characteristics, and universe comparisons is received from external sources.

**Total fund returns are calculated using the modified-dietz method of return, utilizing market values and cash flows from the custodian statements.** Time weighted method of calculating returns may be utilized for individual managers if a significant cash flow occurs during the measurement period. There may be discrepancies in asset values and returns with managers, due to different values or methodologies used by the managers and custodians. Information in this report on market indices, security characteristics, and universe comparisons is received from third party vendors. Therefore, we can make no guarantee as to the completeness or accuracy of the report.

Where we use the InvestorForce database, total fund universes are generally comprised using gross of management fee return calculations. When clients have investment managers that provide net of fee return calculations or asset values (e.g. mutual funds), we increase (gross-up) the total fund return by an amount that reflects, as accurately as possible, the internal costs of the manager or fund (internal costs include, but are not limited to, management fees, advisory/sub-advisory fees, administrative fees, interest expenses and fee reimbursements). In determining a manager or fund's cost, we attempt to obtain accurate information that is readily available. Our results may differ from other reported sources such as Morningstar. As such, we can make no guarantee as to the accuracy of fee calculations.

Depending on the client, we may use attribution on segments of the portfolio to help explain sources of return. It is important to note that total fund attribution is calculated using the total fund's policy index. When attribution is used, we analyze each segment and then combine the results to calculate total fund effects. Although the sum of segment benchmarks is very close to the total fund policy index, there may not be an exact match.

The value of securities held by mutual fund investment companies is the market value when market quotations are readily available. When market quotations are not readily available, a fund must use "fair values", as determined in good faith by the fund's board of directors or Fair Valuation Committee. Mutual funds that hold international securities value these holdings using Fair Market Valuation. International markets are closed when U.S. markets are open and trading. Once the international market is closed, there is a static value to the security in that particular market, while the value of that security on the U.S. market may fluctuate, due to supply and demand for the security. Therefore, the valuation of the security in the U.S. market is based on the fluctuations that take place in the U.S. market during the hours that the international market was closed. Benchmarks do not use Fair Market Valuation. Therefore, the difference in returns between benchmarks and mutual funds may be attributable to this phenomenon.

**2014-04-24**

**Information Disclaimer**

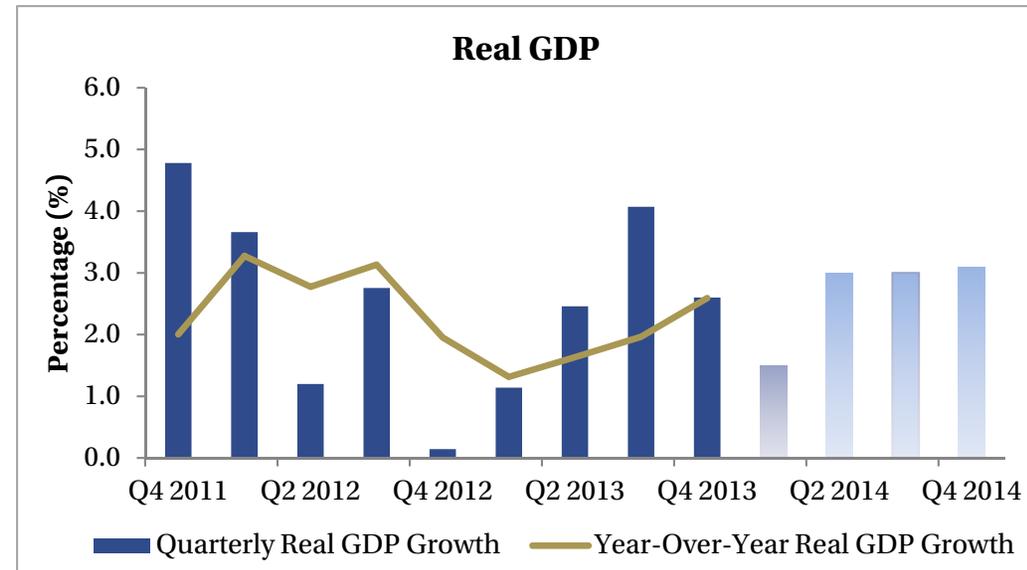
# MARKET ENVIRONMENT

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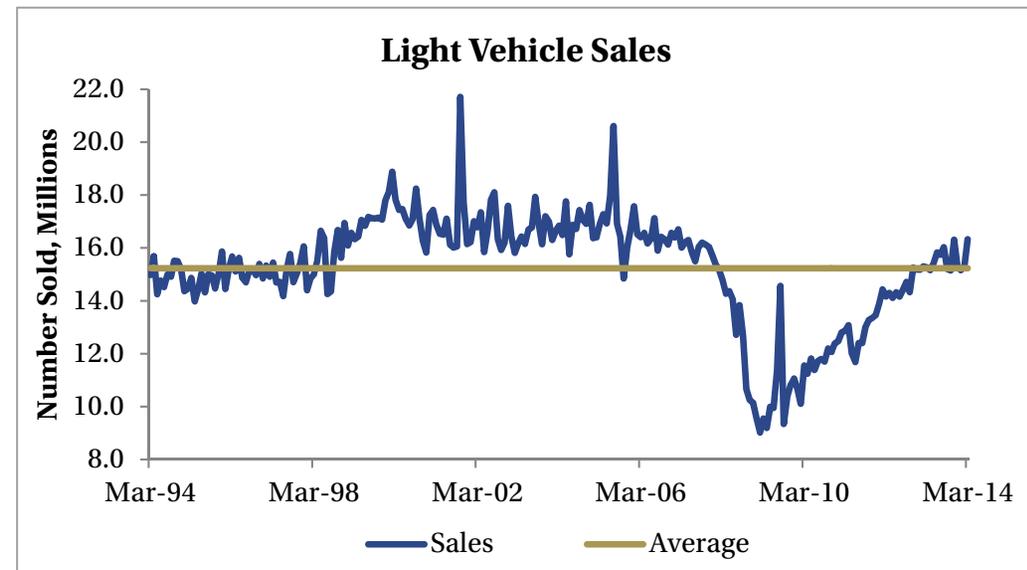


# ECONOMIC SUMMARY

- U.S. economic growth appears to have slowed in Q1, with economists forecasting real GDP growth of just 1.5%. Most analysts attribute the slowdown to a harsh winter across much of the U.S.
- Recent data indicate that the economy may be reaccelerating amid the arrival of spring. Light vehicle sales increased 5.7% in March to an annual rate of 16.3 million, above the 20-year average.
- The economy also saw an improvement in factory orders during March. The Institute for Supply Management Manufacturing Index increased to 53.7 from 53.2 a month earlier, indicating some economic momentum heading into the second quarter.



Source: Board of Governors of the Federal Reserve System/FRED. Light bars reflect analyst estimates.

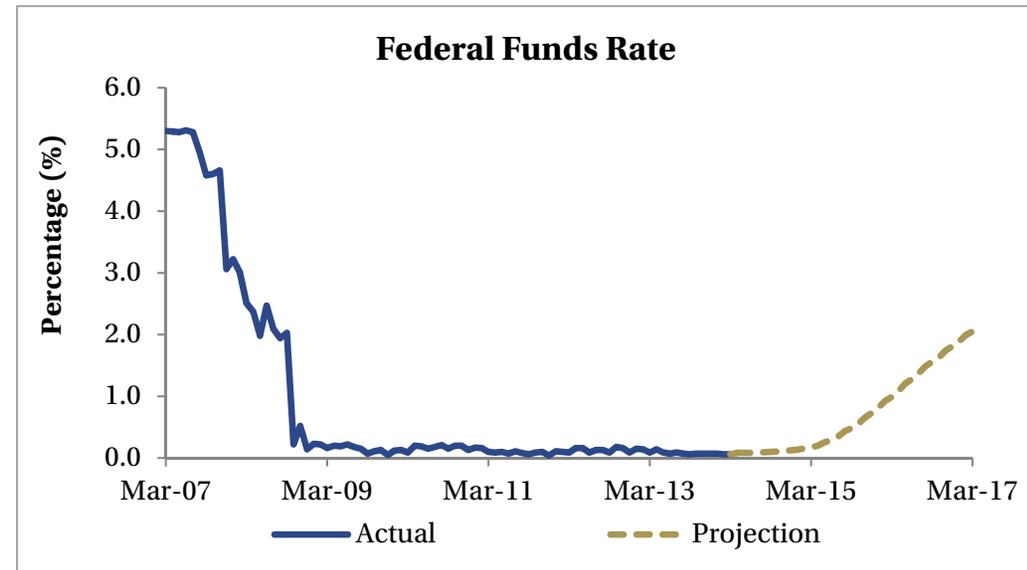


Source: Board of Governors of the Federal Reserve System/FRED.

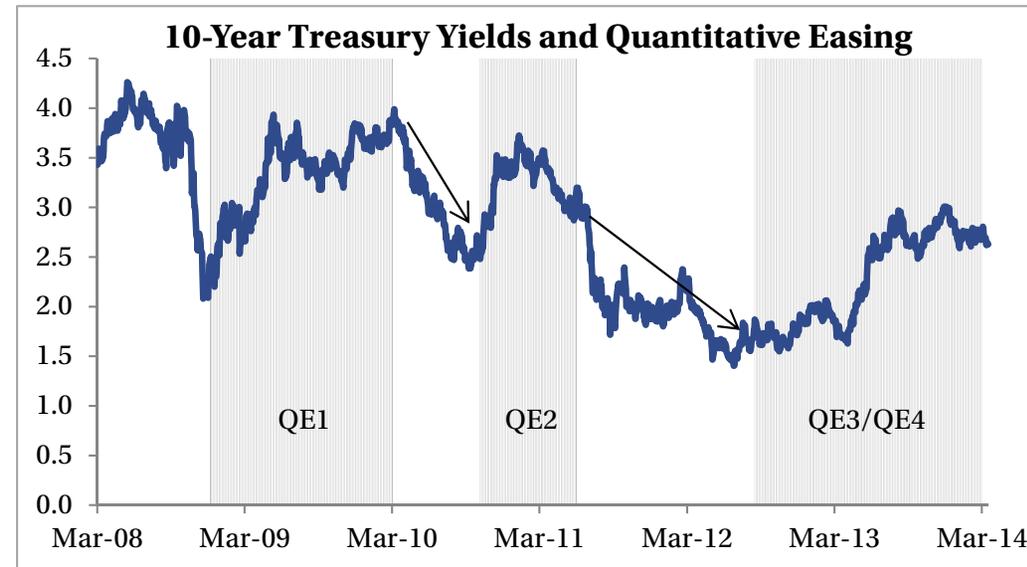


# ECONOMIC SUMMARY

- The Fed continued on the policy path that it laid out in December, lowering its bond purchases. While the pace of reduction implies the current program would end later this year, the futures market currently projects that short-term rates will remain near zero until the latter half of 2015.
- The bond market's reaction to Fed policy announcements has confounded some market participants, as yields on long-term Treasuries fell notably during Q1. Many analysts had predicted higher yields amid decreased Fed purchases.
- Interestingly, the move in yields is fairly consistent with previous bond purchase programs. Treasury yields have tended to rise during such interventions, but decrease in their absence.



Source: Thomson Reuters Datastream.

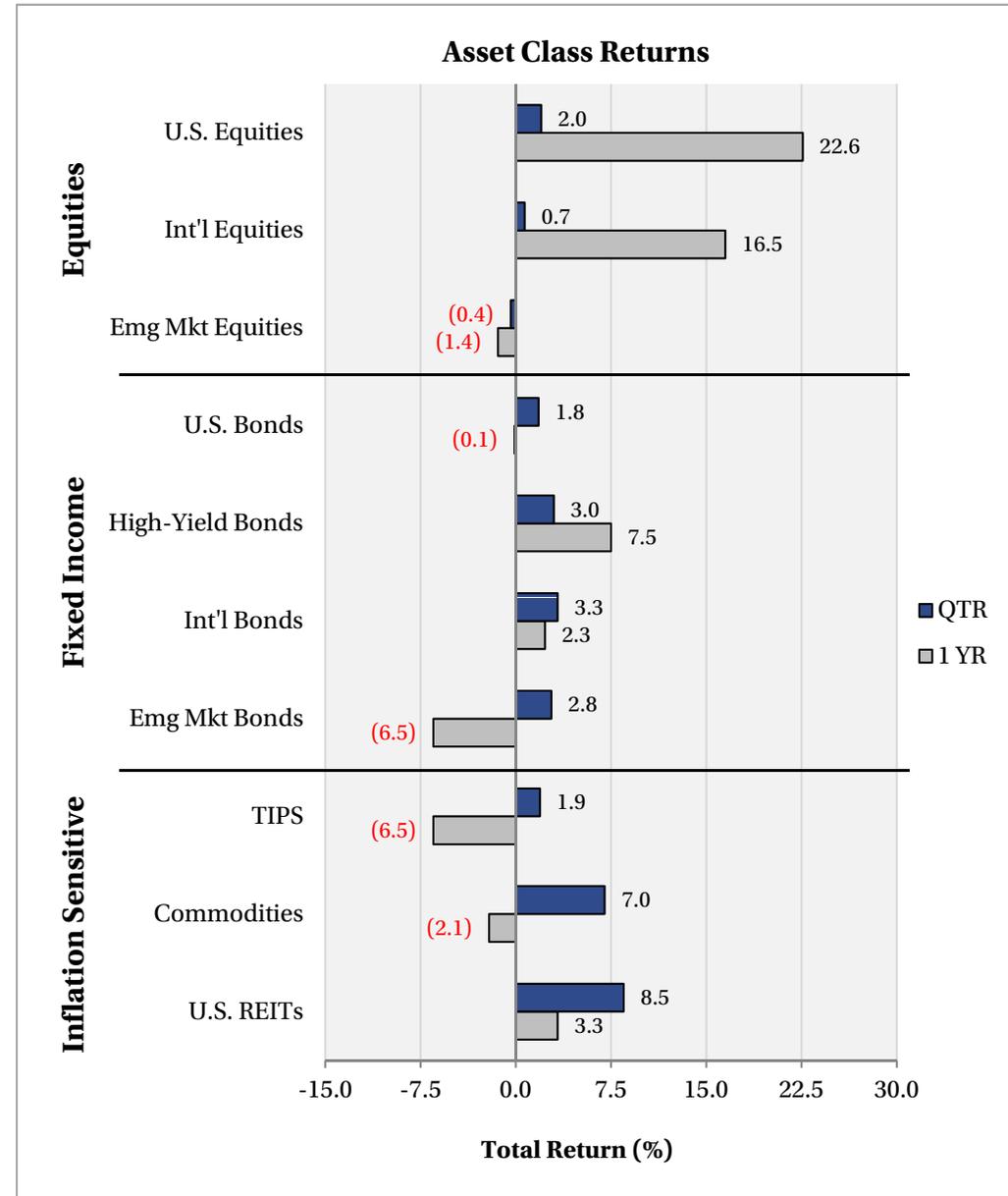


Source: Thomson Reuters Datastream.



# GLOBAL ASSET CLASS PERFORMANCE

- Developed markets equities posted modest gains to start 2014, while emerging markets lagged once again. Emerging markets equities have now underperformed developed markets equities for six consecutive quarters.
- Fixed income rebounded from a poor showing in 2013, generating solid returns across sectors. Longer-dated bonds performed best amid a flattening yield curve, while credit also did well.
- Inflation-sensitive assets also reversed course from a disappointing 2013, despite shaky economic data. U.S. REITs posted strong gains in the quarter, benefiting from the decline in interest rates.

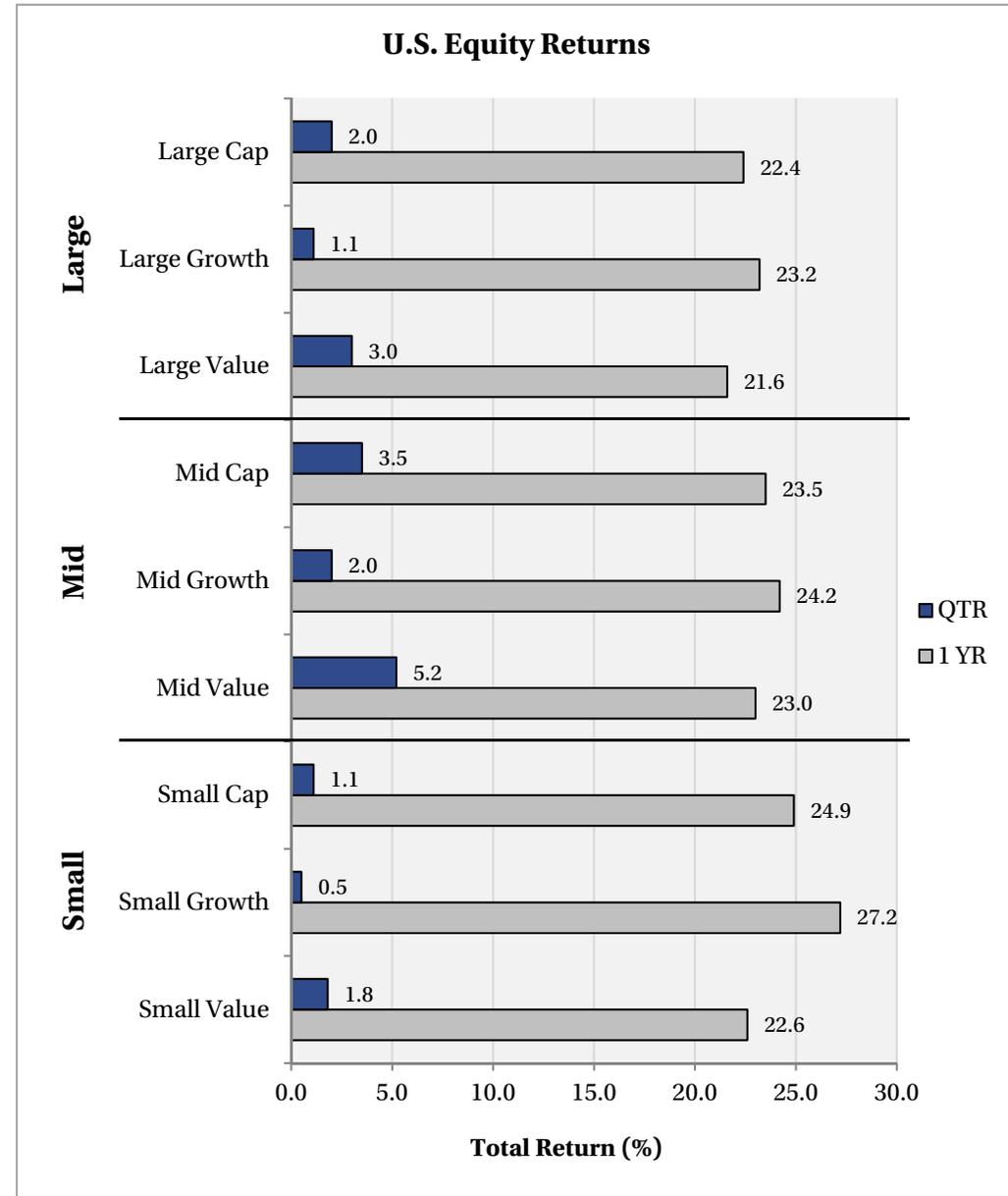


Source: Morningstar



# U.S. EQUITIES

- U.S. equity markets posted another positive quarter, albeit a much smaller advance than witnessed in the latter half of 2013.
- While Q1 marked the seventh consecutive quarterly positive return for equities, there were some notable divergences within the market. Most notably, momentum and higher-beta stocks (e.g., biotechnology companies) saw considerable selling late in the quarter (and into early April).
- From a market capitalization perspective, gains for the quarter were broad-based. Mid caps were the best performers, followed by large caps and small caps, respectively. Among styles, value bested growth across the capitalization spectrum.

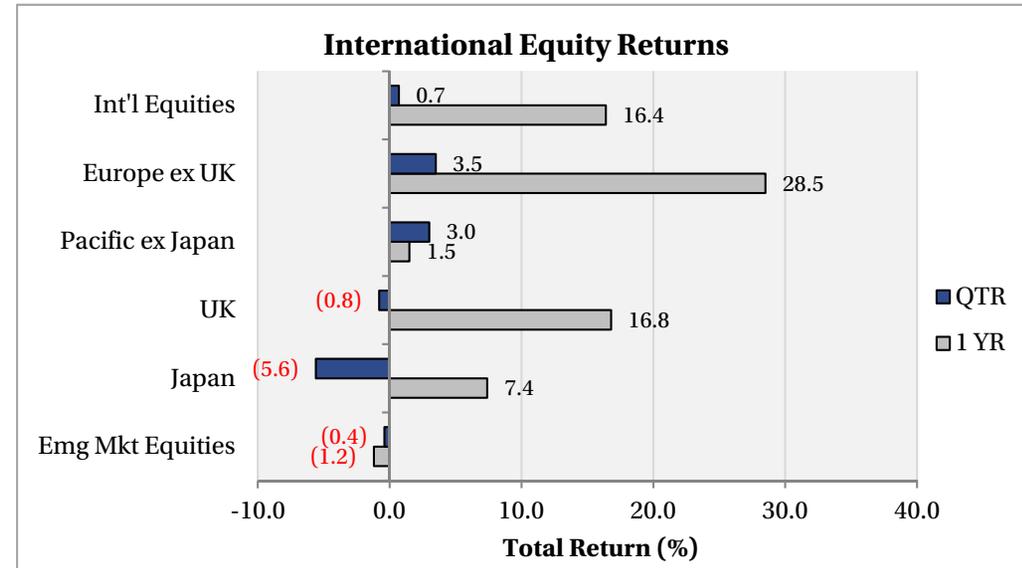


Source: Russell

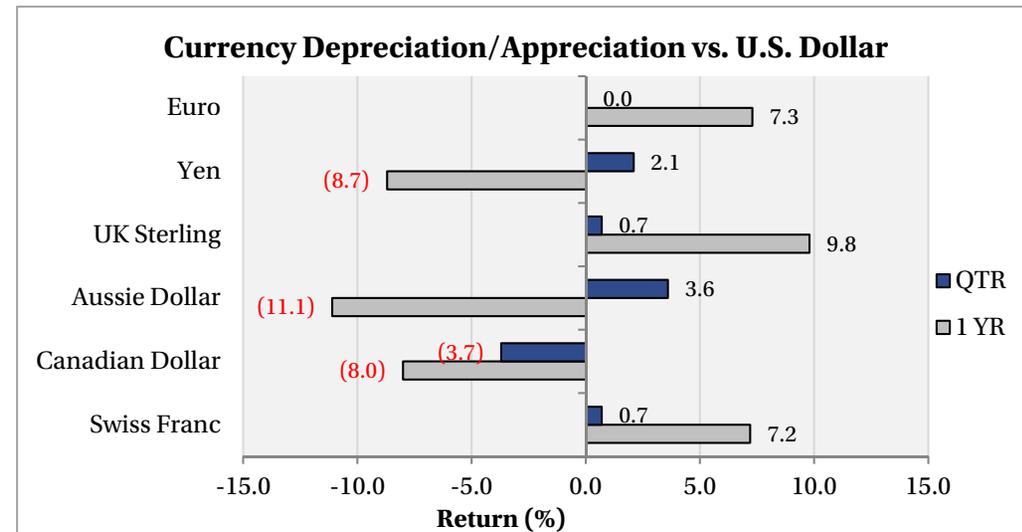


# INTERNATIONAL EQUITIES

- Non-U.S. developed markets generated a slight gain in Q1. Continental Europe led the way, while Japanese equities underperformed. The Japanese market suffered amid poor economic data and a stronger Yen.
- Emerging markets stocks finished essentially flat. While these markets endured a tough start to 2014 (including a 10% decline in Russian equities in the wake of its annexation of Crimea), they recouped much of their earlier losses in late March.
- The U.S. dollar was mixed in Q1 against both developed and emerging markets currencies. All told, currency movements had little affect on aggregate non-U.S. indices for the quarter.



Source: MSCI Net total return indices reinvest dividends after deducting withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.



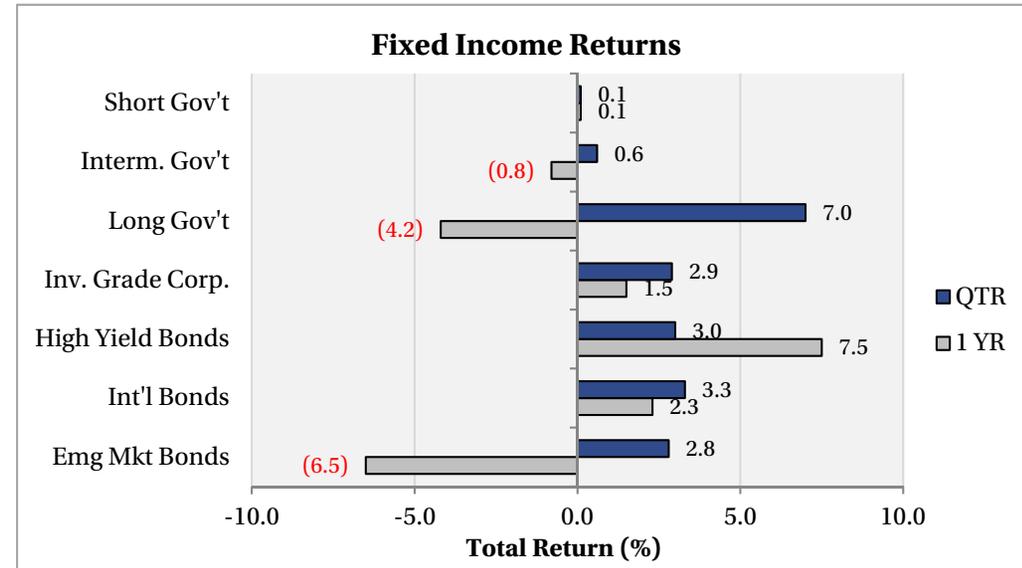
Source: Markov Processes International

Note: Negative returns reflect depreciation against the U.S. dollar and vice versa.

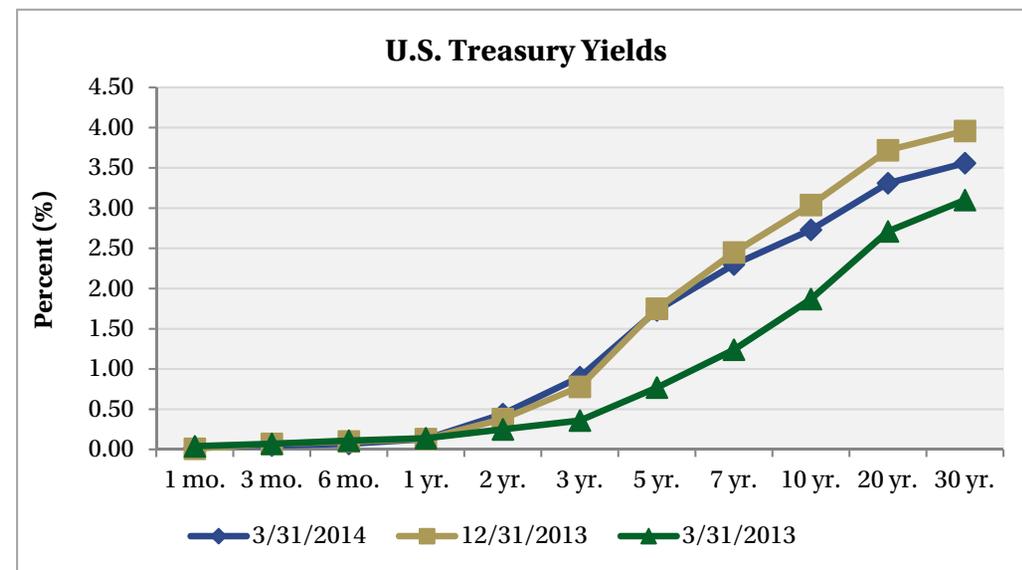


# FIXED INCOME

- U.S. core fixed income posted a solid return in Q1, with the Barclays Aggregate Bond Index returning 1.8%—its best return since Q2 2012.
- Longer-dated government bonds performed best given a flattening in the yield curve.
- Credit also did well. CCC-rated bonds, for instance, returned 3.3% in Q1 and now trade at option-adjusted spreads of just 546 basis points—the lowest level since mid-2007.
- Most major non-U.S. government bond yields declined. Weak inflation left investors expecting the European Central Bank to maintain its accommodative stance. Emerging markets debt spreads tightened against U.S. treasuries.



Source: Morningstar



Source: U.S. Department of the Treasury

# U.S. SIZE, STYLE, AND SECTOR PERFORMANCE

<b>DOMESTIC EQUITY</b>	<b><u>QTR</u></b>	<b><u>1 Year</u></b>	<b><u>3 Year</u></b>	<b><u>5 Year</u></b>	<b><u>10 Year</u></b>
S&P 500 Index	1.8	21.9	14.7	21.2	7.4
Russell 3000 Index	2.0	22.6	14.6	21.9	7.9
Russell 3000 Growth Index	1.1	23.5	14.5	21.9	7.9
Russell 3000 Value Index	2.9	21.7	14.6	21.9	7.6
Russell TOP 200 Index	1.4	21.9	14.9	20.2	6.9
Russell TOP 200 Growth Index	0.7	22.8	15.2	20.6	7.3
Russell TOP 200 Value Index	2.1	21.1	14.6	19.9	6.5
Russell 1000 Index	2.0	22.4	14.7	21.7	7.8
Russell 1000 Growth Index	1.1	23.2	14.6	21.7	7.9
Russell 1000 Value Index	3.0	21.6	14.8	21.8	7.6
Russell Mid-Cap Index	3.5	23.5	14.4	25.6	10.1
Russell Mid-Cap Growth Index	2.0	24.2	13.5	24.7	9.5
Russell Mid-Cap Value Index	5.2	23.0	15.2	26.4	10.2
Russell 2000 Index	1.1	24.9	13.2	24.3	8.5
Russell 2000 Growth Index	0.5	27.2	13.6	25.2	8.9
Russell 2000 Value Index	1.8	22.6	12.7	23.3	8.1
<b>DOMESTIC EQUITY BY SECTOR (MSCI)</b>					
Consumer Discretionary	(2.0)	26.0	20.4	30.2	9.2
Consumer Staples	0.6	11.9	16.3	19.0	9.8
Energy	1.5	15.4	5.4	17.2	13.2
Financials	2.7	22.1	12.8	21.7	1.2
Health Care	5.8	30.6	23.2	22.7	9.9
Industrials	0.6	27.5	14.7	26.4	9.7
Information Technology	2.2	27.1	13.9	22.2	8.0
Materials	3.0	22.3	9.0	21.8	9.9
Telecommunication Services	0.3	5.9	10.9	15.1	7.9
Utilities	9.5	11.0	13.8	15.7	9.9

# REGIONAL PERFORMANCE ACROSS MARKETS

<b>INTERNATIONAL/GLOBAL EQUITY</b>	<b>QTR</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>
MSCI EAFE (Net)	0.7	17.6	7.2	16.0	6.5
MSCI EAFE Growth (Net)	0.1	14.9	7.2	15.9	6.6
MSCI EAFE Value (Net)	1.2	20.2	7.2	16.1	6.4
MSCI EAFE Small Cap (Net)	3.4	23.3	9.4	21.7	8.6
MSCI AC World Index (Net)	1.1	16.6	8.6	17.8	7.0
MSCI AC World Index Growth (Net)	0.4	16.1	9.0	17.9	7.0
MSCI AC World Index Value (Net)	1.7	17.1	8.1	17.7	6.8
MSCI Europe ex UK (Net)	3.5	28.5	8.0	16.9	7.7
MSCI United Kingdom (Net)	(0.8)	16.8	9.0	18.6	6.8
MSCI Pacific ex Japan (Net)	3.0	1.5	4.7	19.5	10.9
MSCI Japan (Net)	(5.6)	7.5	5.4	10.4	2.2
MSCI Emerging Markets (Net)	(0.4)	(1.4)	(2.9)	14.5	10.1
<b>FIXED INCOME</b>					
Merrill Lynch 3-month T-Bill	0.0	0.1	0.1	0.1	1.7
Barclays Intermediate Government/Credit	1.0	(0.1)	3.1	4.2	3.9
Barclays Aggregate Bond	1.8	(0.1)	3.7	4.8	4.5
Barclays Short Government	0.1	0.1	0.4	0.8	2.2
Barclays Intermediate Government	0.6	(0.8)	2.4	2.3	3.6
Barclays Long Government	7.0	(4.2)	8.2	5.0	6.1
Barclays Investment Grade Corporates	2.9	1.5	6.1	9.7	5.3
Barclays High Yield Corporate Bond	3.0	7.5	9.0	18.2	8.7
JPMorgan Global ex US Bond	3.3	2.3	1.3	4.3	4.4
JPMorgan Emerging Market Bond	2.8	(6.5)	1.1	9.4	8.7
<b>INFLATION SENSITIVE</b>					
Consumer Price Index	1.4	1.5	1.9	2.1	2.3
BC TIPS	1.9	(6.5)	3.5	4.9	4.5
Commodities	7.0	(2.1)	(7.4)	4.2	0.4
Gold	6.7	(19.8)	(4.3)	6.1	10.7
REITs	10.0	4.2	10.7	28.2	8.2
FTSE EPRA/NAREIT Global REITs	4.0	0.4	7.5	22.2	-

Source: Russell, S&P, MSCI, Merrill Lynch, Barclays Capital, FTSE

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# PENSION

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# OBSERVATIONS FOR SUSSEX COUNTY PENSION

- 1<sup>st</sup> quarter gain – \$1.69 million(net)      1<sup>st</sup> quarter return: 2.5% (gross)
- 1 year gain – \$8.5 million (net)      1 year return:      14.3% (gross)
- Very strong performance
  - DuPont – strong returns for quarter, 1 and 3 years
  - State -
    - Private equity /venture capital and hedge funds lead their 1<sup>st</sup> quarter performance (gave back some gains in April)
      - 19.5% of their portfolio
    - Fixed income is 25% of portfolio
  - Fidelity – typically do better in down markets, not as well in up markets



# LOOKING AHEAD FOR SUSSEX COUNTY PENSION

- Need to adjust IPS and policy index to reflect cash
- Cash flow management – can the County make monthly ARC contributions?



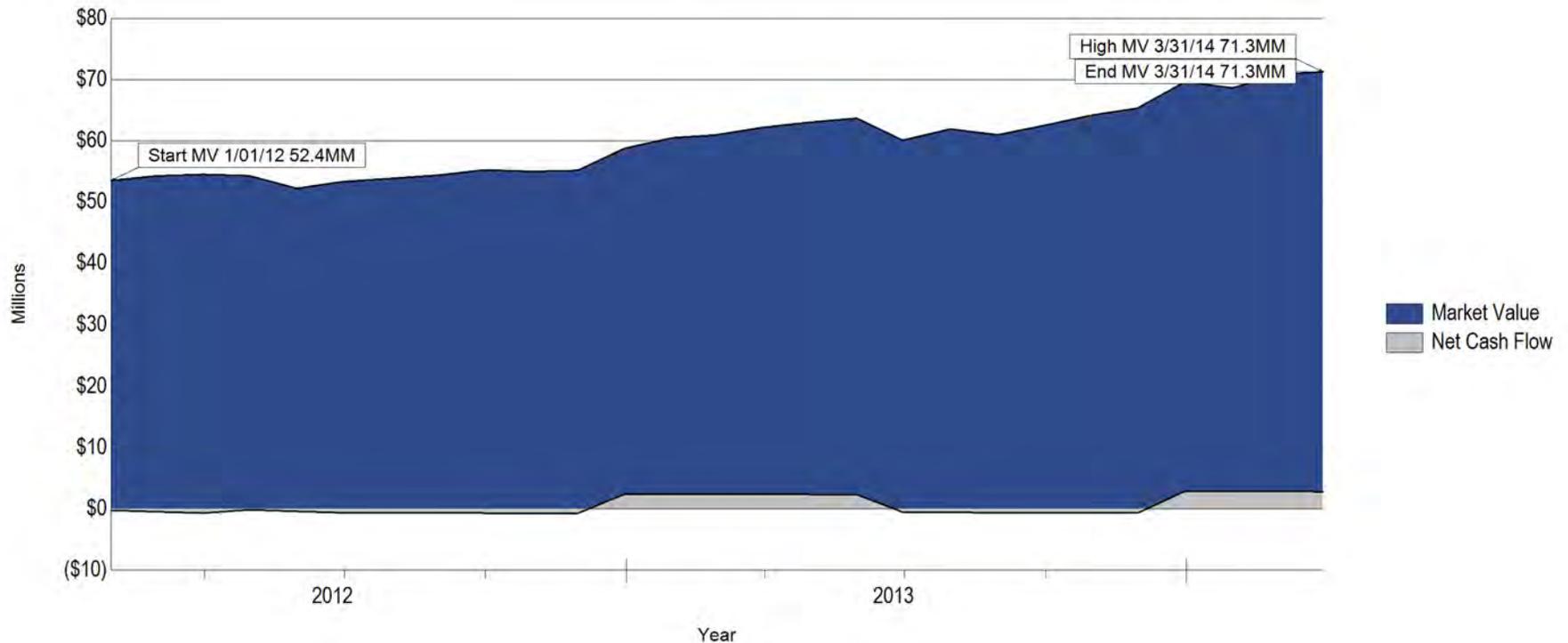
Sussex County Pension  
Total Fund Composite

Summary of Cash Flows

As of March 31, 2014

	First Quarter	One Year	Two Years
<b>Beginning Market Value</b>	<b>\$69,649,238.6</b>	<b>\$62,209,232.3</b>	<b>\$54,521,415.1</b>
Net Additions/Withdrawals	-\$18,065.8	\$613,867.3	\$3,082,131.0
Investment Earnings	\$1,691,695.8	\$8,499,769.0	\$13,719,322.5
<b>Ending Market Value</b>	<b>\$71,322,868.6</b>	<b>\$71,322,868.6</b>	<b>\$71,322,868.6</b>
Time Weighted Return	2.4%	14.0%	11.6%

Market Value History  
2 Years 3 Months Ending 3/31/14



As of March 31, 2014

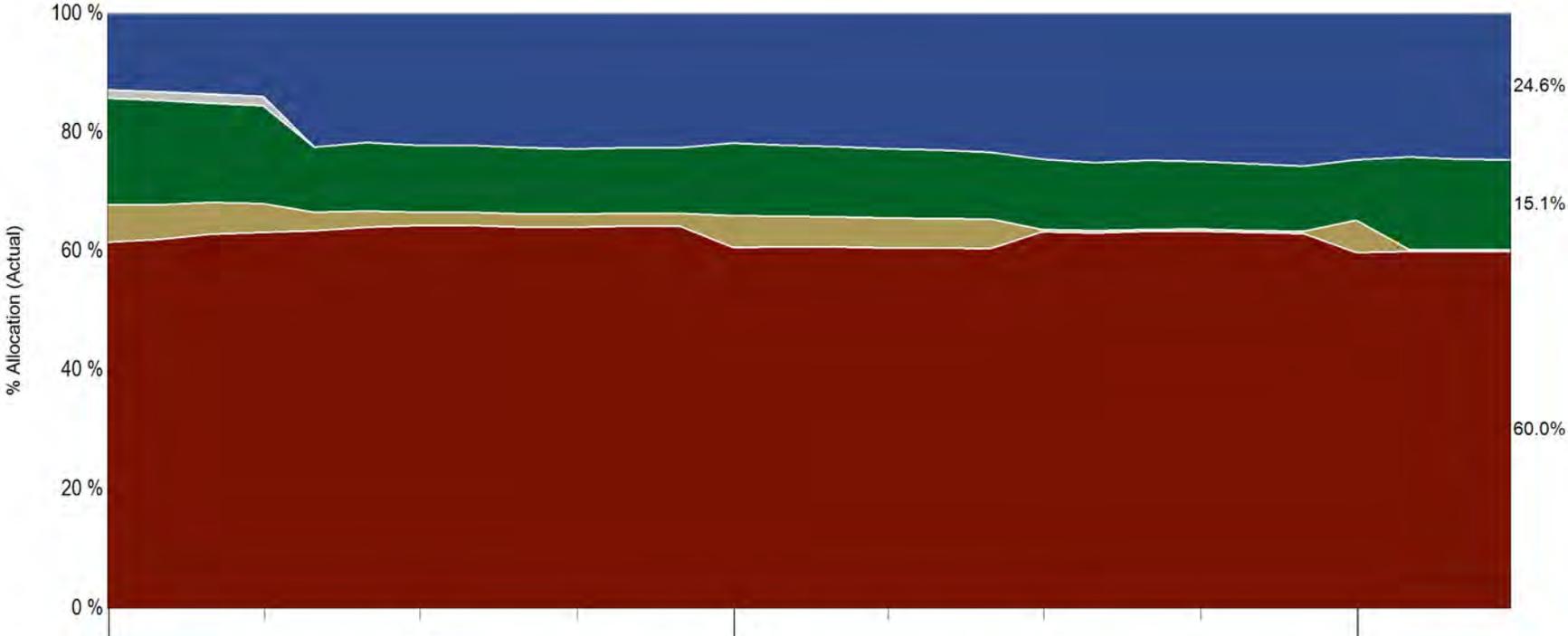
## Quarter Ending March 31, 2014

	Beginning Market Value	Net Cash Flow	Net Investment Change	Ending Market Value
Dupont Capital Investment	\$12,158,709	-\$2,251	\$337,288	\$12,493,746
Fidelity Low Price Stock	\$4,986,326	\$0	\$100,815	\$5,087,141
Operating Account	\$3,781,046	-\$3,587,012	\$65	\$194,098
State of Delaware Investment Pool	\$41,603,867	-\$12,292	\$1,201,431	\$42,793,005
Wilmington Trust Bonds	\$7,119,292	-\$3,523	\$51,162	\$7,166,931
Wilmington Trust Short Term	\$0	\$3,587,012	\$935	\$3,587,947
<b>Total</b>	<b>\$69,649,239</b>	<b>-\$18,066</b>	<b>\$1,691,696</b>	<b>\$71,322,869</b>

Sussex County Pension  
Total Fund Composite

As of March 31, 2014

Asset Allocation History  
2 Years 3 Months Ending March 31, 2014



	2012				2013				
Domestic Equity	13.9	22.2	22.8	21.8	22.8	24.6	24.9	24.6	24.6
Global Equity	1.5	--	--	--	--	--	--	--	--
Domestic Fixed Income	16.5	11.3	11.0	12.3	11.6	11.8	11.4	10.2	15.1
Cash	4.9	2.3	2.2	5.3	5.0	0.4	0.3	5.4	0.3
State of Delaware Investment Pool	63.2	64.3	64.1	60.7	60.6	63.2	63.4	59.7	60.0

■ Domestic Equity    
 ■ Global Equity    
 ■ Domestic Fixed Income    
 ■ Cash    
 ■ State of Delaware Investment Pool

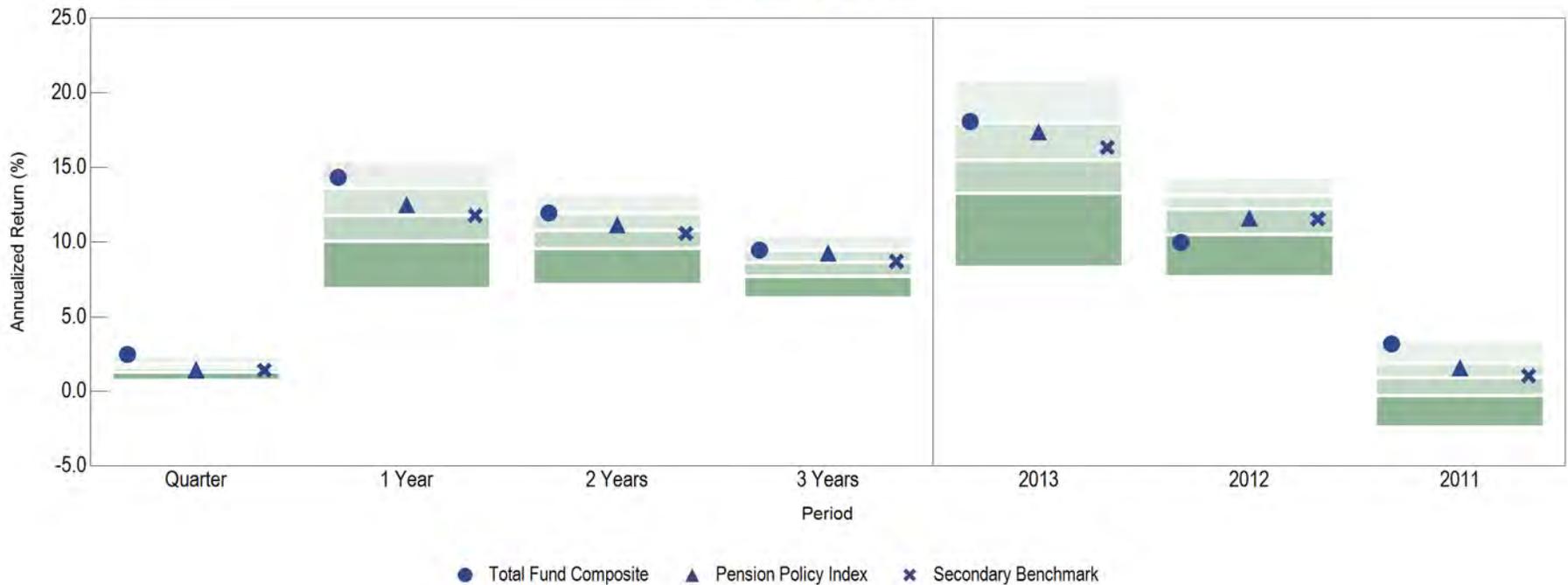
Sussex County Pension  
Total Fund Composite

Total Plan Performance

As of March 31, 2014

	Ending March 31, 2014								Inception					
	2014 Q1 Rank	1 Yr Rank	2 Yrs Rank	3 Yrs Rank	2013 Rank	2012 Rank	Return	Since	2013 Rank	2012 Rank	Return	Since		
<b>Total Fund Composite</b>	<b>2.5%</b>	<b>3</b>	<b>14.3%</b>	<b>15</b>	<b>11.9%</b>	<b>25</b>	<b>9.4%</b>	<b>26</b>	<b>18.1%</b>	<b>24</b>	<b>10.0%</b>	<b>82</b>	<b>12.0%</b>	<b>Jan-09</b>
<i>Pension Policy Index</i>	1.4%	65	12.5%	41	11.1%	40	9.2%	31	17.4%	33	11.6%	64	12.4%	Jan-09
<i>Secondary Benchmark</i>	1.4%	66	11.8%	51	10.6%	54	8.7%	47	16.3%	44	11.5%	66	11.9%	Jan-09

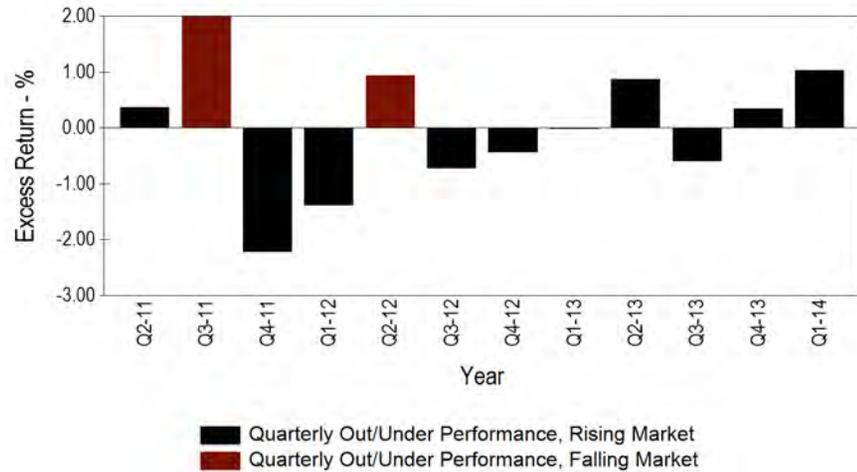
InvestorForce Public DB Gross Accounts  
Ending March 31, 2014



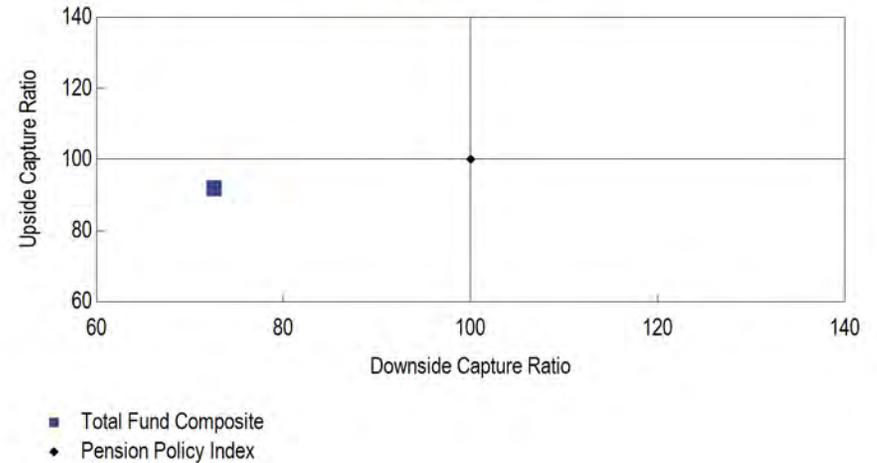
Current Policy Index: 46% Russell 3000 / 40% Barclays Intermediate Gov't/Credit / 14% MSCI EAFE (Net)

Current Secondary Benchmark: 46% Russell 3000 / 40% Barclays Intermediate Gov't/Credit / 14% MSCI ACWI ex US (Net)

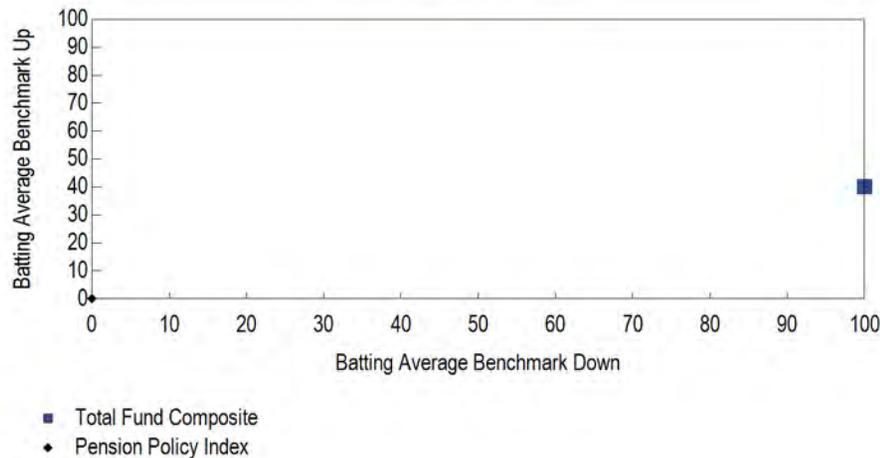
Quarterly Excess Performance



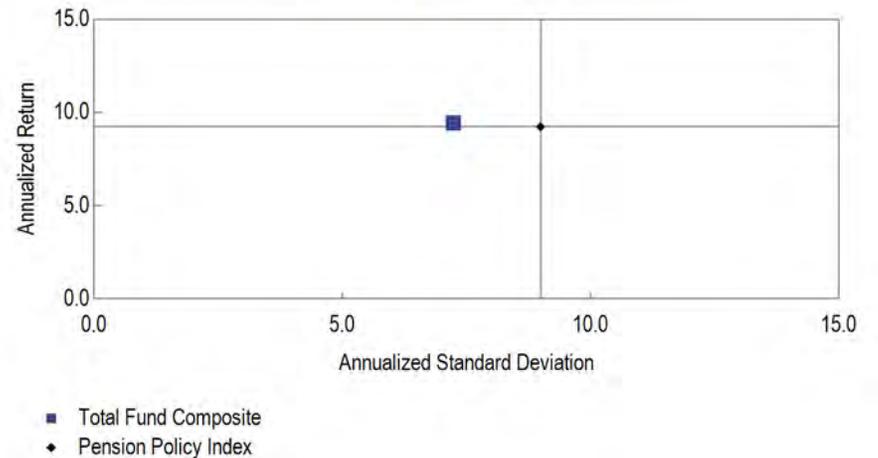
Upside Capture Ratio vs. Downside Capture Ratio  
3 Years Ending March 31, 2014



Batting Average Benchmark Up vs. Batting Average Benchmark Down  
3 Years Ending March 31, 2014



Annualized Return vs. Annualized Standard Deviation  
3 Years Ending March 31, 2014



Sussex County Pension  
Total Fund Composite

Performance Summary

As of March 31, 2014

	% of Portfolio	Ending March 31, 2014						Inception					
		2014 Q1 Rank	1 Yr Rank	3 Yrs Rank	2013 Rank	2012 Rank	Return	Since					
<b>Total Fund Composite</b>	<b>100.0%</b>	<b>2.5%</b>	<b>3</b>	<b>14.3%</b>	<b>15</b>	<b>9.4%</b>	<b>26</b>	<b>18.1%</b>	<b>24</b>	<b>10.0%</b>	<b>82</b>	<b>12.0%</b>	<b>Jan-09</b>
<i>Pension Policy Index</i>		1.4%	65	12.5%	41	9.2%	31	17.4%	33	11.6%	64	12.4%	Jan-09
<i>Secondary Benchmark</i>		1.4%	66	11.8%	51	8.7%	47	16.3%	44	11.5%	66	11.9%	Jan-09
Dupont Capital Investment	17.5%	2.8%	24	24.0%	34	15.8%	22	33.8%	40	15.4%	52	--	Apr-10
<i>S&amp;P 500</i>		1.8%	53	21.9%	59	14.7%	43	32.4%	56	16.0%	44	--	Apr-10
Fidelity Low Price Stock	7.1%	2.2%	22	25.2%	41	16.1%	12	35.4%	79	19.5%	12	16.0%	Sep-08
<i>Russell 2000</i>		1.1%	59	24.9%	47	13.2%	54	38.8%	41	16.3%	39	12.0%	Sep-08
Wilmington Trust Bonds	10.0%	0.7%	--	-0.8%	--	2.5%	--	-1.3%	--	2.6%	--	1.8%	Sep-10
<i>Barclays Int Govt.</i>		0.6%	--	-0.8%	--	2.4%	--	-1.2%	--	1.7%	--	1.6%	Sep-10
Wilmington Trust Short Term	5.0%	0.0%	--	--	--	--	--	--	--	--	--	0.0%	Jan-14
<i>BofA Merrill Lynch 91-Day T-Bill</i>		0.0%	--	--	--	--	--	--	--	--	--	0.0%	Jan-14
Operating Account	0.3%	0.0%	--	0.1%	--	--	--	0.1%	--	0.0%	--	0.1%	Sep-11
<i>91 Day T-Bills</i>		0.0%	--	0.0%	--	--	--	0.0%	--	0.1%	--	0.1%	Sep-11
State of Delaware Investment Pool	60.0%	3.0%	--	14.0%	--	9.2%	--	17.0%	--	11.2%	--	--	--
<i>Balanced Pooled Fund Policy Index</i>		1.7%	--	10.9%	--	8.3%	--	14.3%	--	12.0%	--	--	--

Current Policy Index: 46% Russell 3000 / 40% Barclays Intermediate Gov't/Credit / 14% MSCI EAFE (Net)

Please note: All returns shown are gross of fees, including mutual funds. Mutual fund rankings are calculated using gross of fee returns. It is important to note the mutual fund universes use net of fee returns. Therefore rankings will be higher due to this fee advantage. All returns over one year are annualized.

Please note: All returns shown are gross of fees, including mutual funds. All returns over one year are annualized.

Sussex County Pension  
Total Fund Composite

As of March 31, 2014

Account	Fee Schedule	Market Value As of 3/31/2014	% of Portfolio	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
Dupont Capital Investment	0.35% of First \$25.0 Mil, 0.30% of Next \$25.0 Mil, 0.25% Thereafter	\$12,493,746	17.5%	\$43,728	0.35%
Fidelity Low Price Stock	0.83% of Assets	\$5,087,141	7.1%	\$42,223	0.83%
Wilmington Trust Bonds	0.20% of Assets	\$7,166,931	10.0%	\$14,334	0.20%
Wilmington Trust Short Term	No Fee	\$3,587,947	5.0%	--	--
Operating Account	No Fee	\$194,098	0.3%	--	--
State of Delaware Investment Pool	0.70% of Assets	\$42,793,005	60.0%	\$298,695	0.70%
<b>Investment Management Fee</b>		<b>\$71,322,869</b>	<b>100.0%</b>	<b>\$398,980</b>	<b>0.56%</b>

Please note: Expense Ratio of 0.70% was provided to Peirce Park Group by the Delaware Public Employees' Retirement System.

# U.S. EQUITIES

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As of March 31, 2014

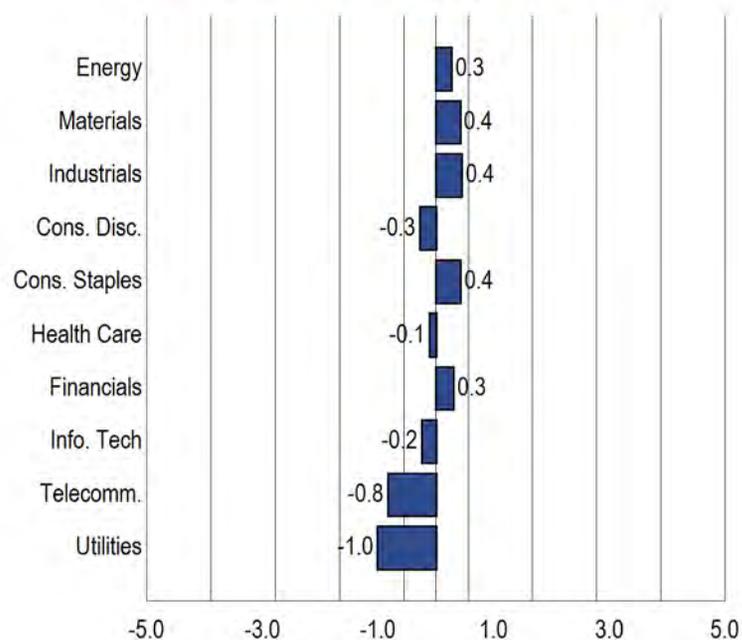
**Manager Summary**

- Strategy seeks to systematically identify companies with sustainable earnings power trading at reasonable valuations.
- Quantitative approach looks for companies with the strongest relative value within their industries through a combination of valuation, quality and momentum characteristics.
- Focuses on companies that are under-priced relative to their long-term intrinsic value and supported by sustainable, high quality earnings and realistic cash flows expectations.
- Enhanced index portfolio of 100 to 200 securities, targets a tracking error between 1.5% and 2.25 relative to the S&P 500.

**Portfolio Information**

	Portfolio	S&P 500
Number of Holdings	168	500
Weighted Avg. Market Cap. (\$B)	111.58	115.09
Median Market Cap. (\$B)	33.57	16.91
Price To Earnings	18.74	19.90
Price To Book	3.23	3.72
Price To Sales	2.49	2.65
Return on Equity (%)	18.42	18.33
Yield (%)	2.02	2.02
Beta	1.00	1.00

**Sector Over/Under Allocation (%) vs S&P 500**

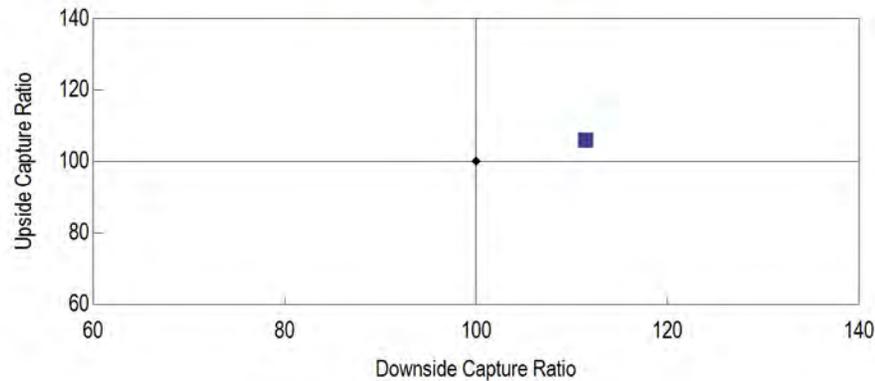


**Top Ten Holdings**

APPLE	3.2%
EXXON MOBIL	2.2%
PFIZER	2.1%
WELLS FARGO & CO	2.0%
JP MORGAN CHASE & CO.	1.8%
MICROSOFT	1.6%
QUALCOMM	1.6%
GOOGLE 'A'	1.6%
CHEVRON	1.5%
CITIGROUP	1.4%
<b>Total For Top Ten Holdings</b>	<b>19.0%</b>

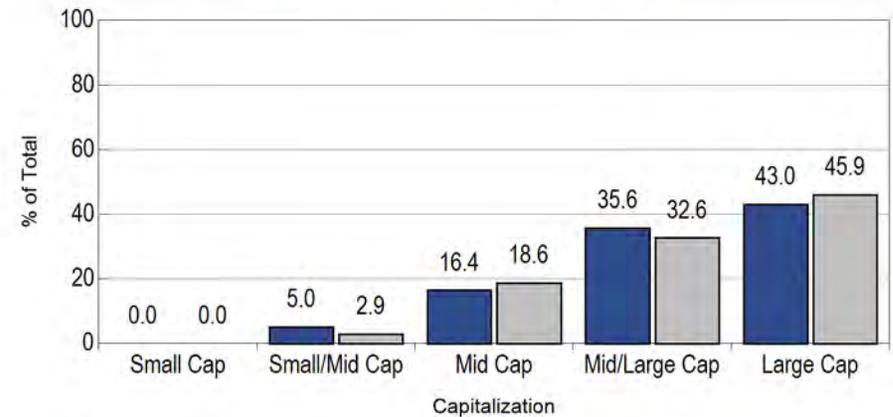
As of March 31, 2014

Upside Capture Ratio vs. Downside Capture Ratio  
 2 Years Ending March 31, 2014



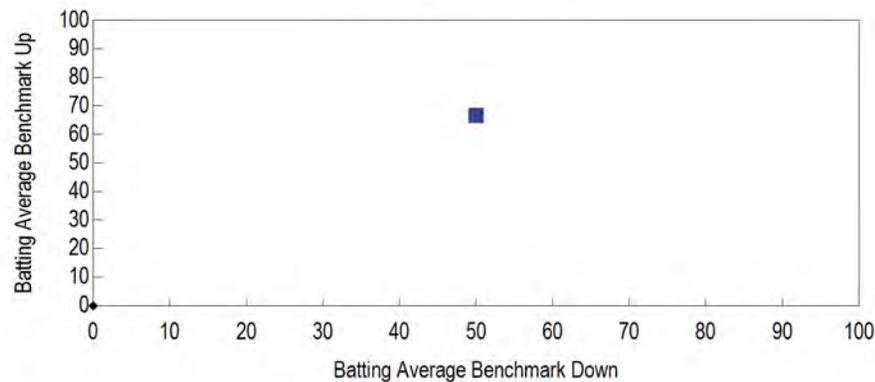
- Dupont Capital Investment
- ◆ S&P 500

Market Capitalization As Of March 31, 2014



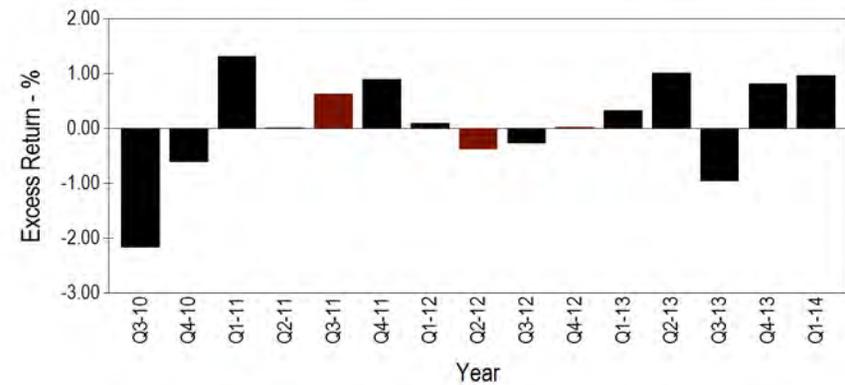
- Dupont Capital Investment
- S&P 500

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
 2 Years Ending March 31, 2014



- Dupont Capital Investment
- ◆ S&P 500

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

As of March 31, 2014

**Manager Summary**

- Strategy focuses on stocks that are priced at or below \$35 per share.
- Premise of the strategy is that low-priced stocks may offer significant growth potential because they are often overlooked by many investors.
- Fund will invest globally in both value and growth stocks, predominantly small and mid capitalization companies.

**Top Holdings as of 01/31/2014**

NEXT PLC	3.7%
UNITEDHEALTH GROUP INC	3.5%
SEAGATE TECHNOLOGY PLC	3.4%
MICROSOFT CORPORATION	2.6%
BEST BUY CO INC	1.7%
ROSS STORES, INC.	1.5%
METRO INC.	1.4%
BARRATT DEVELOPMENTS PLC	1.1%
UNUM GROUP	1.1%
ORACLE CORPORATION	1.1%

**Fund Characteristics as of 01/31/2014**  
 Versus Russell 2000

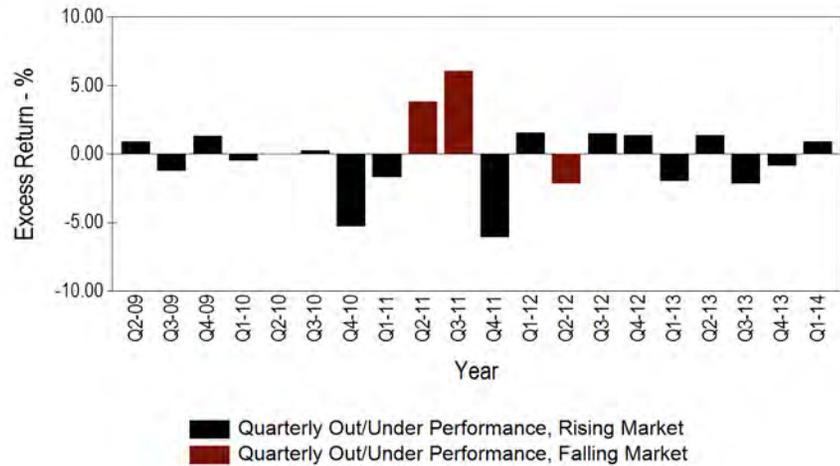
Sharpe Ratio (3 Year)	1.10
Average Market Cap (\$mm)	5,149.36
Price/Earnings	12.68
Price/Book	1.57
Price/Sales	0.59
Price/Cash Flow	6.93
Dividend Yield	1.82
Number of Equity Holdings	895
R-Squared (3 Year)	0.90
Alpha (3 Year)	0.36%

**Sector Allocation as of 01/31/2014**

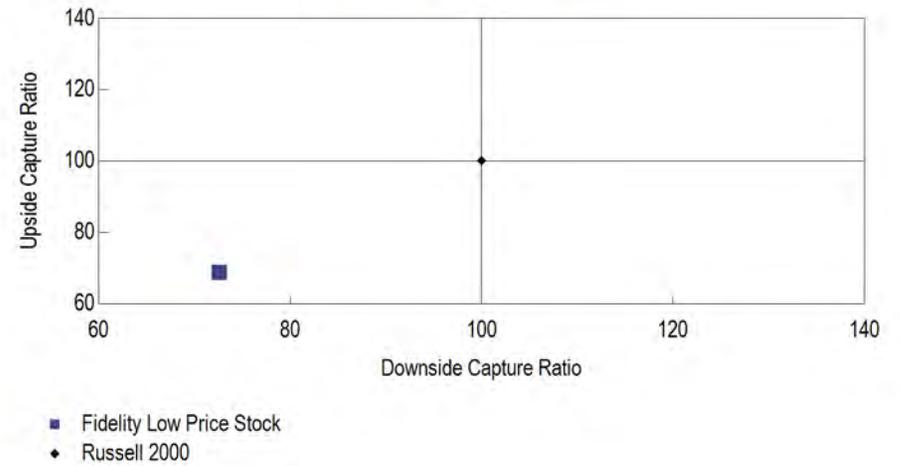
BASIC MATERIALS	2.9%
COMMUNICATION SERVICES	0.2%
CONSUMER CYCLICAL	23.7%
CONSUMER DEFENSIVE	8.6%
ENERGY	4.2%
FINANCIAL SERVICES	11.0%
HEALTHCARE	8.3%
INDUSTRIALS	8.6%
REAL ESTATE	0.5%
TECHNOLOGY	17.3%
UTILITIES	0.2%

As of March 31, 2014

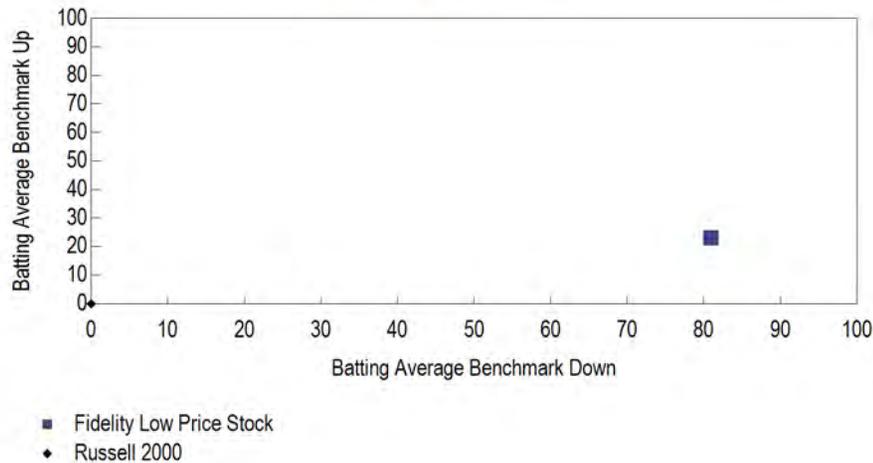
**Quarterly Excess Performance**



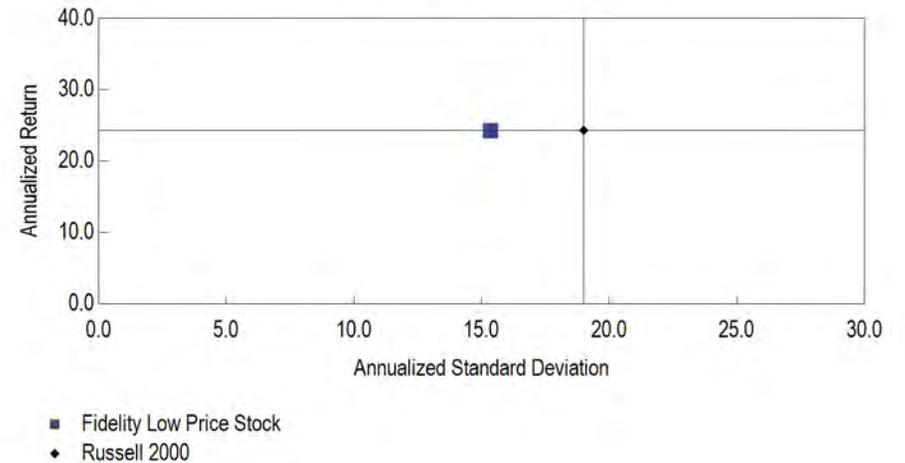
**Upside Capture Ratio vs. Downside Capture Ratio  
 5 Years Ending March 31, 2014**



**Batting Average Benchmark Up vs. Batting Average Benchmark Down  
 5 Years Ending March 31, 2014**



**Annualized Return vs. Annualized Standard Deviation  
 5 Years Ending March 31, 2014**



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# U.S. FIXED INCOME

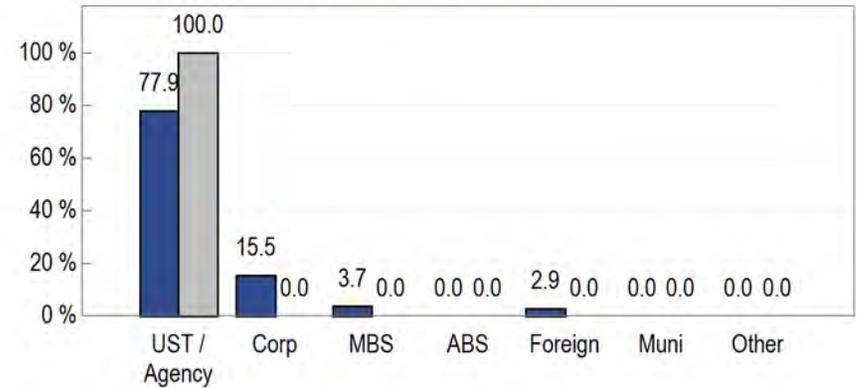
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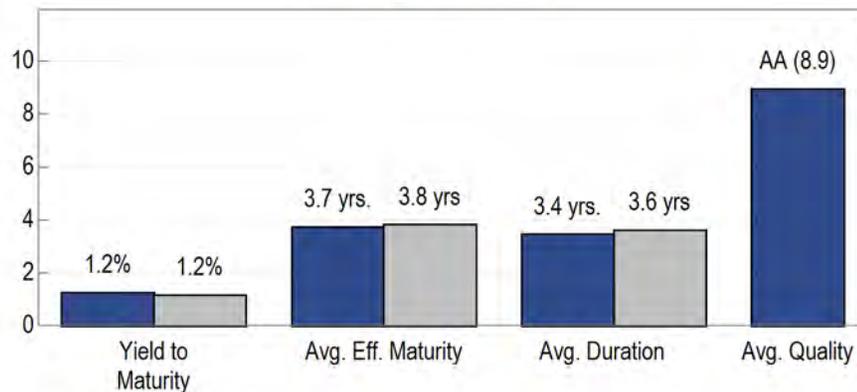
**Manager Summary**

- Strategy focuses equally on duration management, sector selection and yield curve exposure.
- Assess overall market environment and position portfolio to benefit from realistic expectations.
- Will actively trade, including analysis of technical factors, price momentum, interest rate outlook and yield curve movement.

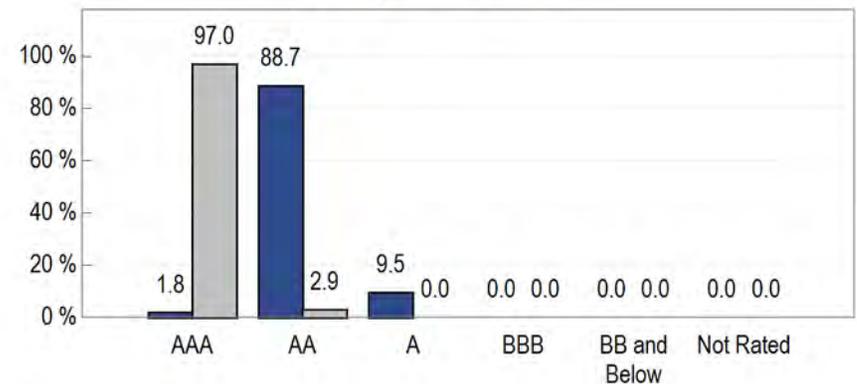
**Sectors**  
**Wilmington Trust Bonds**



**Characteristics**  
**Wilmington Trust Bonds**



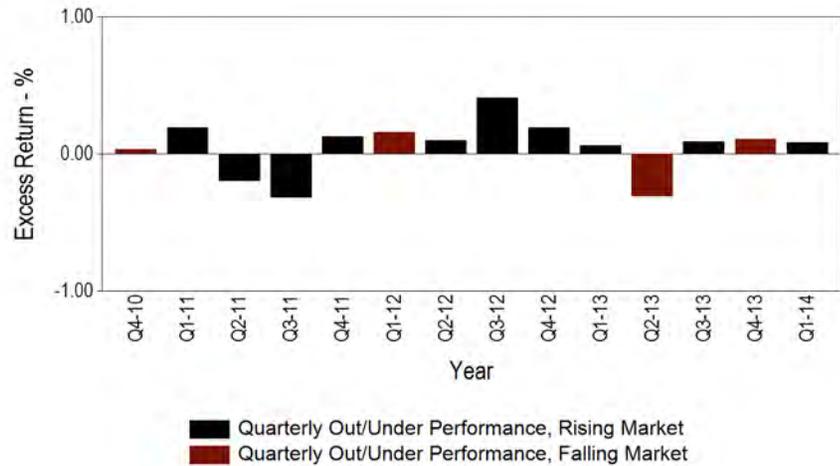
**Quality Ratings**  
**Wilmington Trust Bonds**



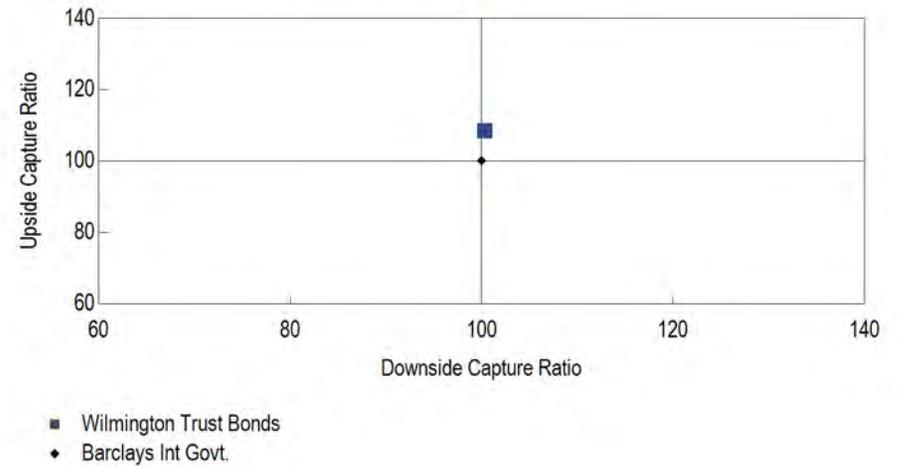
■ Wilmington Trust Bonds    ■ Barclays Int Govt.

Actual holdings use S&P rankings whereas the Barclays Index uses the median of the three ratings agencies.

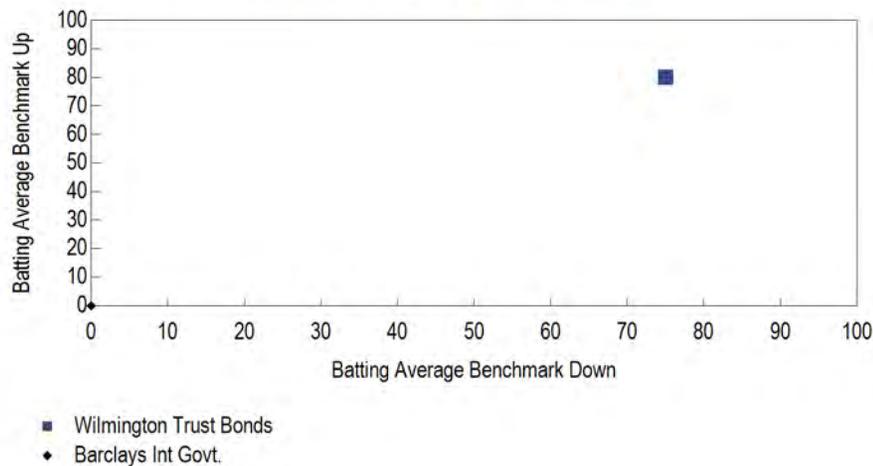
Quarterly Excess Performance



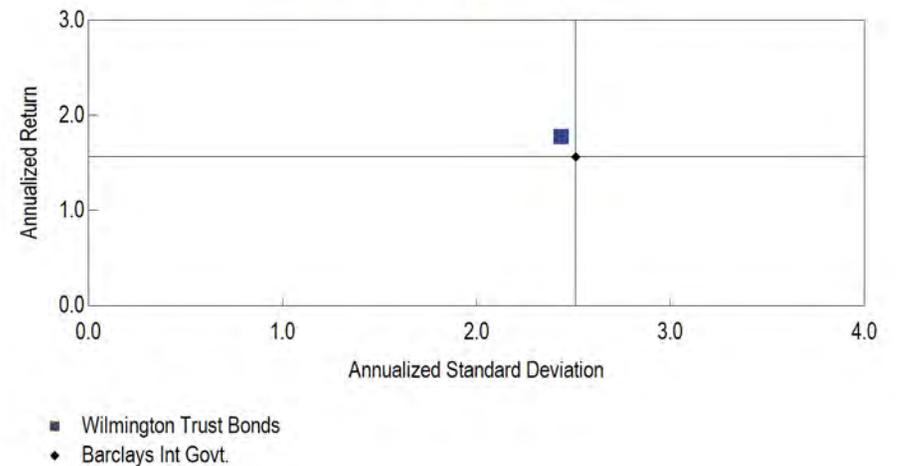
Upside Capture Ratio vs. Downside Capture Ratio  
 3 Years 6 Months Ending March 31, 2014



Batting Average Benchmark Up vs. Batting Average Benchmark Down  
 3 Years 6 Months Ending March 31, 2014



Annualized Return vs. Annualized Standard Deviation  
 3 Years 6 Months Ending March 31, 2014



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BALANCED

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◆ Copy of Allocation Schedule - Market Value

		-704- Sussex County DELRIP	PLAN TOTALS
<b>Beginning Totals</b>	Balance	<b>42,435,062.63</b>	<b>42,435,062.63</b>
<b>Earnings</b>	Interest	36,352.91	36,352.91
	Dividends	26,700.51	26,700.51
	Securities Lending Income	254.33	254.33
	Net Change Accrued Income	(8,340.76)	(8,340.76)
	Unrealized Gain/Loss Change	10,340.33	10,340.33
	Realized Gain/Loss	311,916.72	311,916.72
	Custodian Fees	(100.87)	(100.87)
	Accrued Expense Change	(16,421.68)	(16,421.68)
	Securities Lending Fees/Expenses	(38.15)	(38.15)
	Investment Manager/Advisory Fees	(2,834.20)	(2,834.20)
	Transaction Fees	(1,013.17)	(1,013.17)
		<b>356,815.97</b>	<b>356,815.97</b>
<b>Miscellaneous</b>	Miscellaneous	1,126.51	1,126.51
		<b>1,126.51</b>	<b>1,126.51</b>
<b>Ending Totals</b>	Balance	<b>42,793,005.11</b>	<b>42,793,005.11</b>
	Percent	<b>0.48073%</b>	<b>0.48073%</b>

Although this report has been prepared using information believed to be reliable, it may contain information provided by third parties or derived from third party information, and/or information that may have been obtained from, categorized or otherwise reported based upon client direction. The Northern Trust Company does not guarantee the accuracy, timeliness or completeness of any such information. The information included in this report is intended to assist clients with their financial reporting needs, but you must consult with your accountants, auditors and/or legal counsel to ensure your accounting and financial reporting complies with applicable laws, regulations and accounting guidance. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

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## Policy Tree

April 21, 2014

Trust : Delaware Retirement System

Reference Date : 03/31/14

Asset Class : Total Fund Gross of Fees

Current View : Policy Hierarchy

Group/Account	03/31/14 Market Value	% of Total	% Rate of Return				
			1 Mo.	3 Mos.	YTD	1 Yr.	3 Yrs.
Delaware Retirement System	8,919,184,026	100.00%	0.85	2.91	2.91	13.85	9.10
<i>Delaware Benchmark</i>			<i>0.21</i>	<i>1.68</i>	<i>1.68</i>	<i>10.89</i>	<i>8.26</i>
DPERS w/o Vol. Firemen Fund	8,901,739,466	99.80%	0.85	2.92	2.92	13.85	9.10
Volunteer Firemen Fund	17,444,560	0.20%	0.19	1.54	1.54	10.63	8.01

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# OPEB

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# LOOKING AHEAD FOR SUSSEX COUNTY OPEB

- Cash flow management
  - Can County make ARC payments on a monthly basis instead of once a year?
- IPS

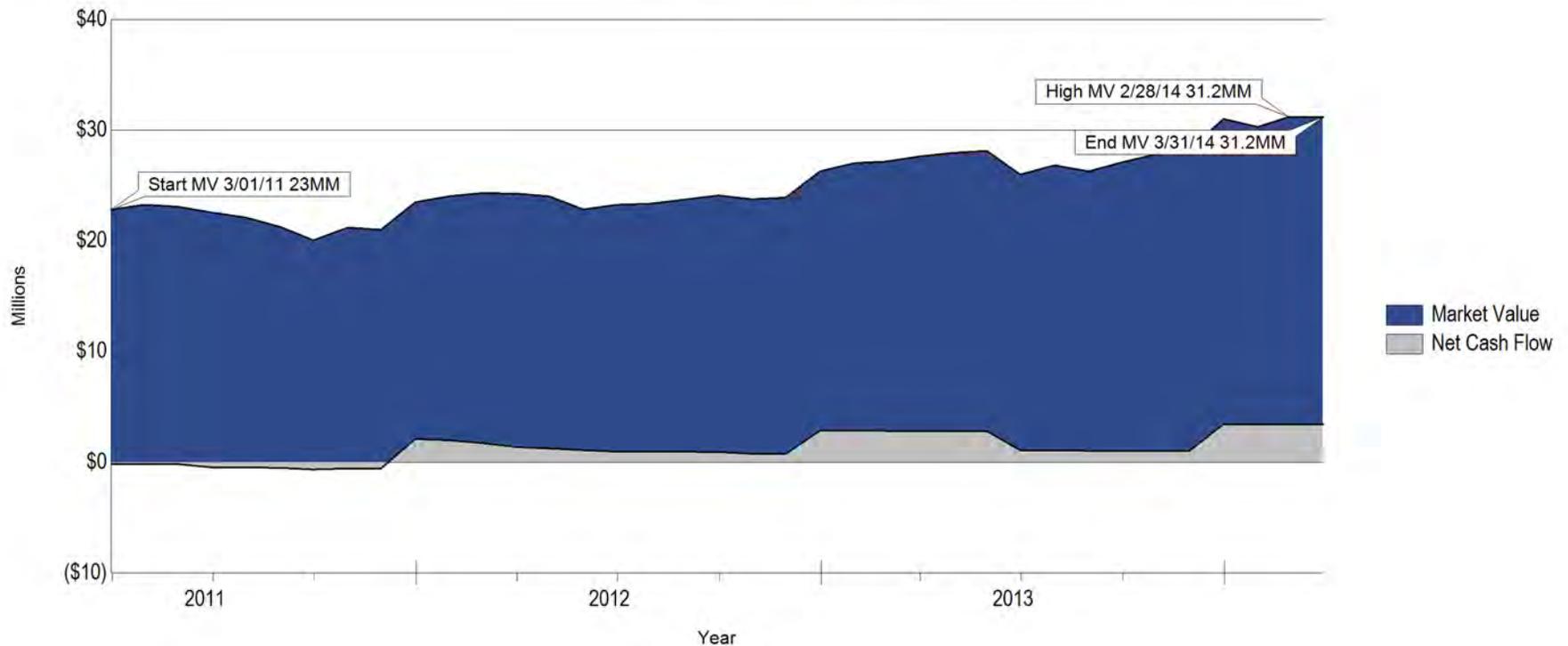


Summary of Cash Flows

As of March 31, 2014

	First Quarter	One Year	Two Years	Three Years	Inception 3/1/11
<b>Beginning Market Value</b>	<b>\$31,028,917.7</b>	<b>\$27,638,534.3</b>	<b>\$24,284,540.0</b>	<b>\$22,827,320.8</b>	<b>\$23,985,446.9</b>
Net Additions/Withdrawals	-\$6,616.4	\$666,488.8	\$2,224,385.0	\$3,787,940.1	\$2,784,145.9
Investment Earnings	\$176,011.9	\$2,893,290.1	\$4,689,388.2	\$4,583,052.4	\$4,428,720.4
<b>Ending Market Value</b>	<b>\$31,198,313.2</b>	<b>\$31,198,313.2</b>	<b>\$31,198,313.2</b>	<b>\$31,198,313.2</b>	<b>\$31,198,313.2</b>
Time Weighted Return	0.6%	11.3%	9.4%	6.3%	6.1%

Market Value History  
3 Years 1 Month Ending 3/31/14



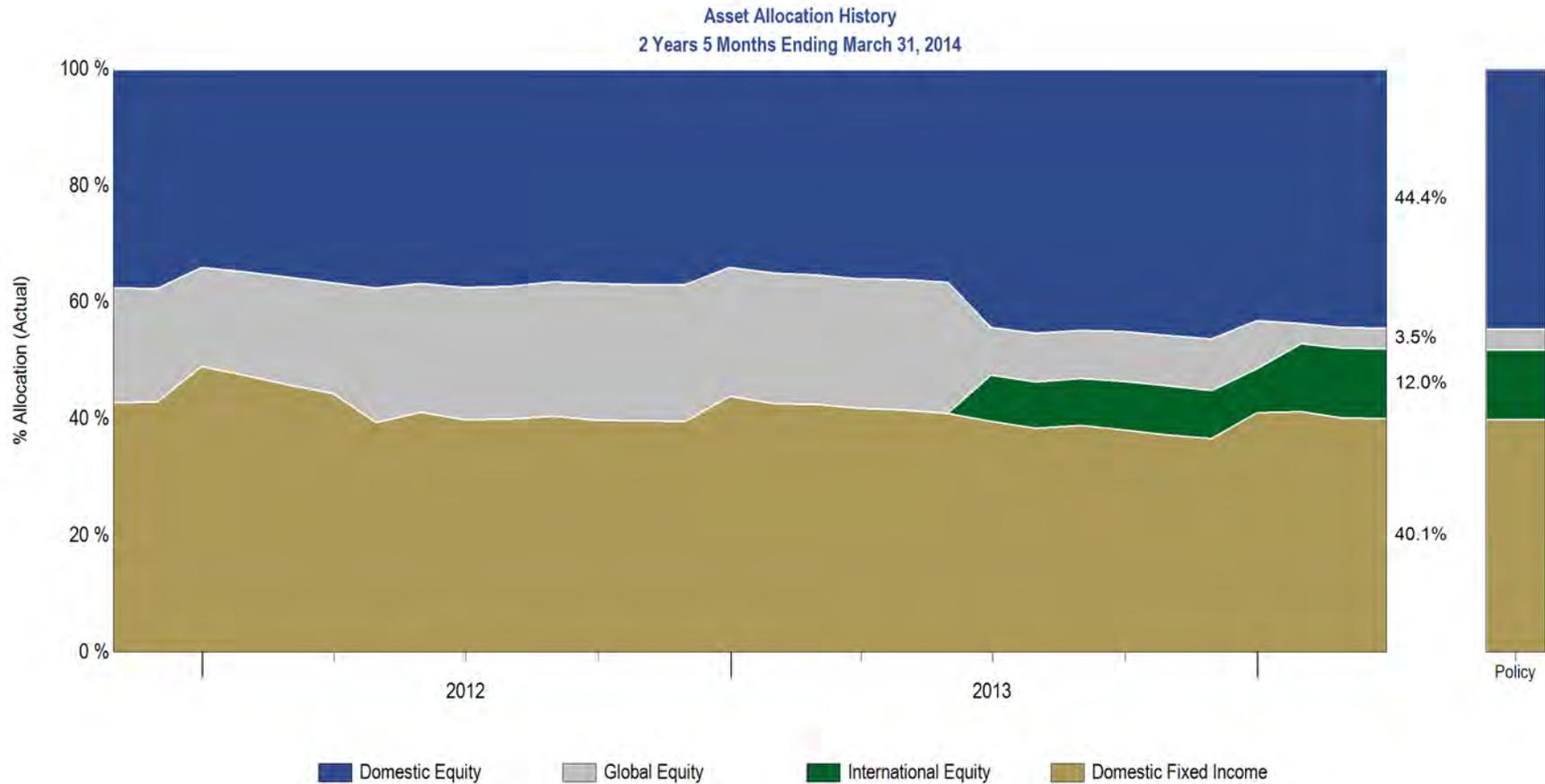
As of March 31, 2014

	Quarter Ending March 31, 2014			
	Beginning Market Value	Net Cash Flow	Net Investment Change	Ending Market Value
American Funds Washington Mutual	\$0	\$1,850,000	\$45,257	\$1,895,257
Vanguard Institutional Index	\$0	\$5,335,000	\$110,816	\$5,445,816
Vanguard Dividend Growth	\$2,513,947	-\$960,000	\$24,164	\$1,578,111
T. Rowe Price Inst'l Large Cap Core Growth	\$0	\$1,550,000	-\$22,076	\$1,527,924
Vanguard Mid Cap Value	\$0	\$925,000	\$31,900	\$956,900
Eaton Vance Atlanta Capital SMID	\$0	\$1,540,000	-\$33,546	\$1,506,454
Target Small Capitalization Value	\$0	\$925,000	\$16,623	\$941,623
Thornburg Global Opportunities	\$0	\$1,085,000	\$16,860	\$1,101,860
American Funds Int'l Growth & Income	\$0	\$1,705,000	\$39,883	\$1,744,883
MFS International Value	\$0	\$1,090,000	\$16,191	\$1,106,191
Harding Loevner International Equity	\$2,370,116	-\$1,435,000	-\$50,041	\$885,076
Vanguard Russell 1000 Index	\$7,733,287	-\$7,699,059	-\$34,228	--
Vanguard Mid Cap Index	\$1,551,113	-\$1,549,669	-\$1,444	--
Ridgeworth Small Cap Value	\$1,596,259	-\$1,570,355	-\$25,905	--
Dodge & Cox Global	\$2,531,310	-\$2,504,850	-\$26,460	--
Wilmington Trust Fixed Income	\$9,634,335	\$0	\$67,263	\$9,701,598
Wilmington Trust Short Term	\$0	\$2,433,752	\$634	\$2,434,386
Operating Account	\$2,805,114	-\$2,433,752	\$106	\$371,468
Mutual Fund Cash	\$293,435	-\$292,683	\$16	\$767
<b>Total</b>	<b>\$31,028,918</b>	<b>-\$6,616</b>	<b>\$176,012</b>	<b>\$31,198,313</b>

Asset Allocation vs. Target

As of March 31, 2014

	Policy	Policy Range	Current	Within Range
Domestic Equity	44.5%	39.5% - 49.5%	44.4%	<b>Yes</b>
Global Equity	3.5%	0.0% - 8.5%	3.5%	<b>Yes</b>
International Equity	12.0%	7.0% - 17.0%	12.0%	<b>Yes</b>
Domestic Fixed Income	40.0%	35.0% - 50.0%	40.1%	<b>Yes</b>
<b>Total</b>	<b>100.0%</b>		<b>100.0%</b>	

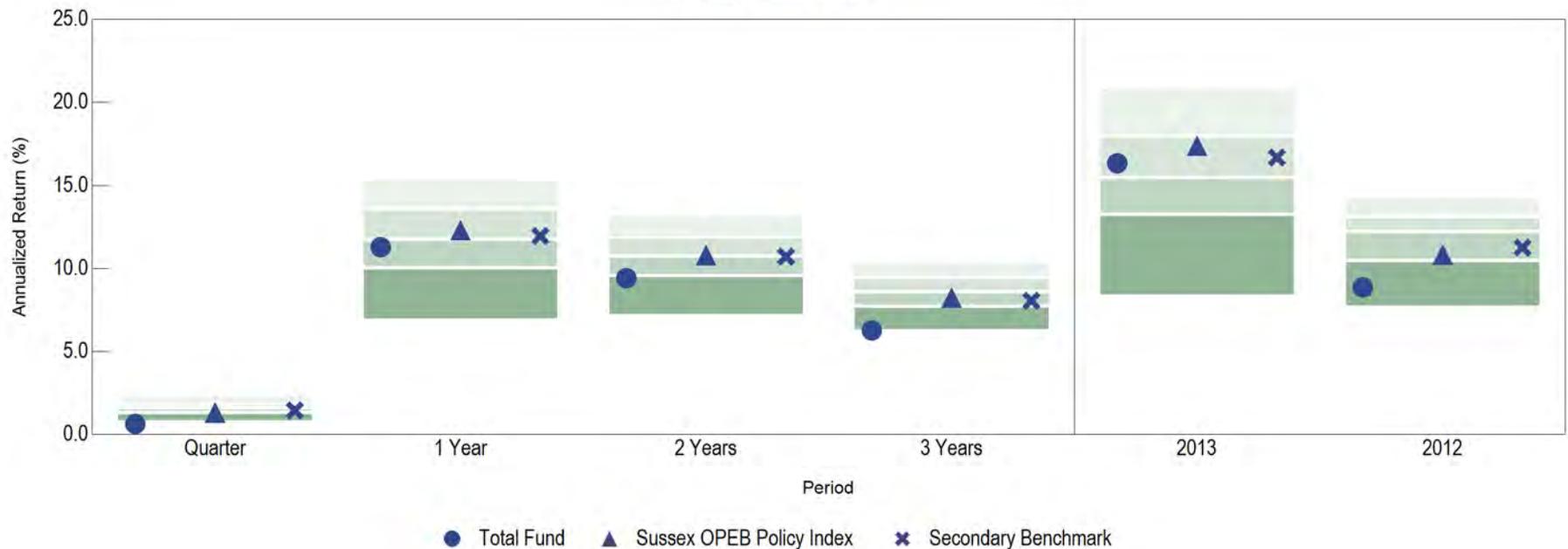


Total Plan Performance

As of March 31, 2014

	Ending March 31, 2014									Inception				
	2014 Q1 Rank	1 Yr Rank	2 Yrs Rank	3 Yrs Rank	2013 Rank	2012 Rank	Return	Since						
<b>Total Fund</b>	<b>0.6%</b>	<b>98</b>	<b>11.3%</b>	<b>58</b>	<b>9.4%</b>	<b>81</b>	<b>6.3%</b>	<b>96</b>	<b>16.3%</b>	<b>44</b>	<b>8.9%</b>	<b>93</b>	<b>6.1%</b>	<b>Mar-11</b>
Sussex OPEB Policy Index	1.3%	78	12.3%	44	10.8%	50	8.2%	61	17.4%	32	10.8%	72	8.0%	Mar-11
Secondary Benchmark	1.5%	64	12.0%	47	10.7%	51	8.1%	66	16.7%	41	11.3%	69	7.9%	Mar-11

InvestorForce Public DB Gross Accounts  
Ending March 31, 2014



Policy Index (as of 4/1/2012): 48% Russell 3000 / 12% MSCI EAFE (Net) / 40% Barclays Intermediate Government.

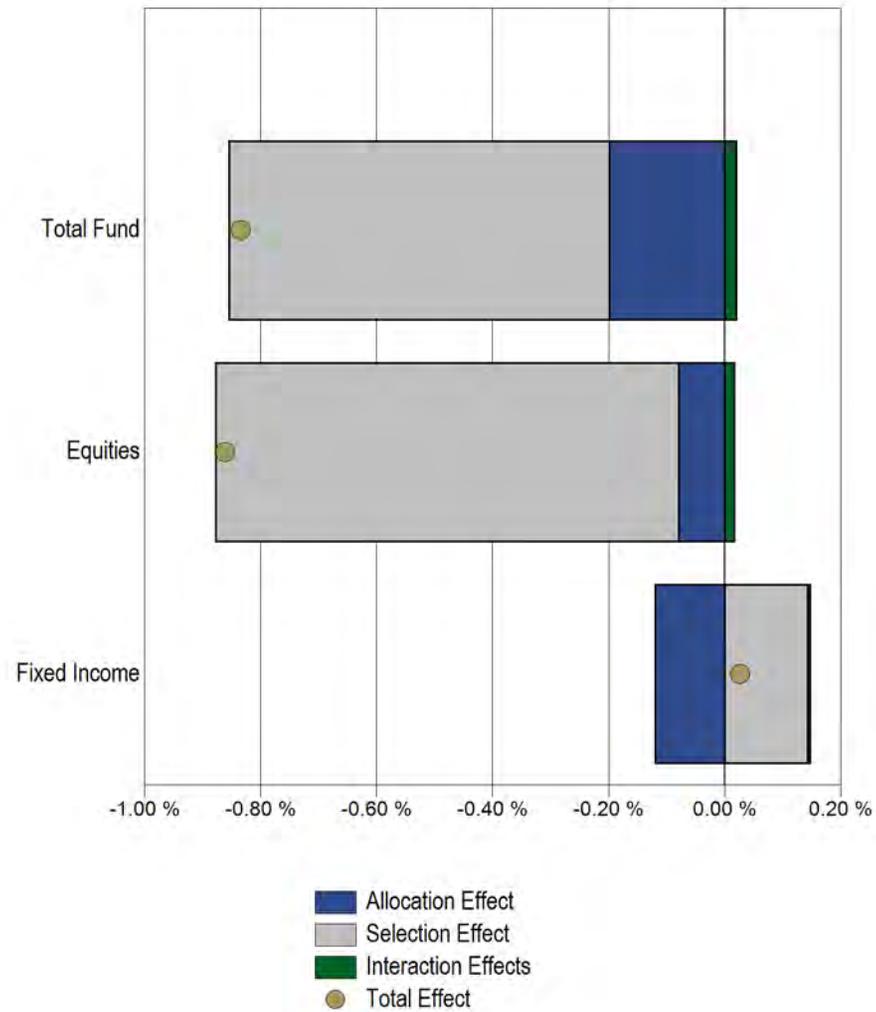
Secondary Benchmark (as of 4/1/2012): 48% Russell 3000 / 12% MSCI ACWI ex US (Net) / 40% Barclays Intermediate Government.

Please note: All returns shown are gross of fees. All returns over one year are annualized.

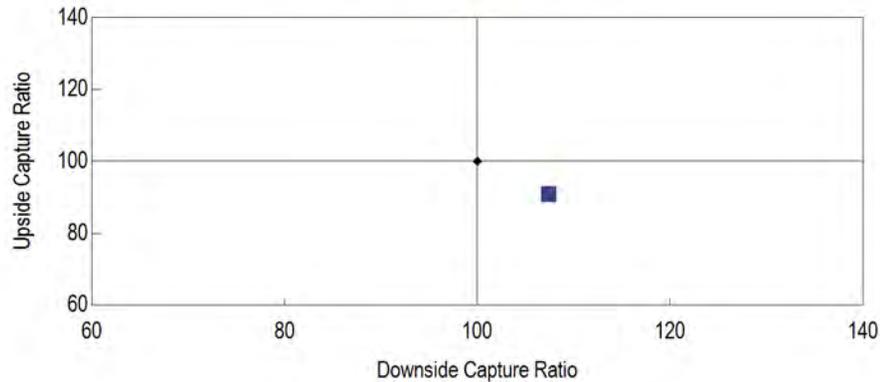
Attribution Analysis

As of March 31, 2014

Attribution Effects  
1 Year Ending March 31, 2014

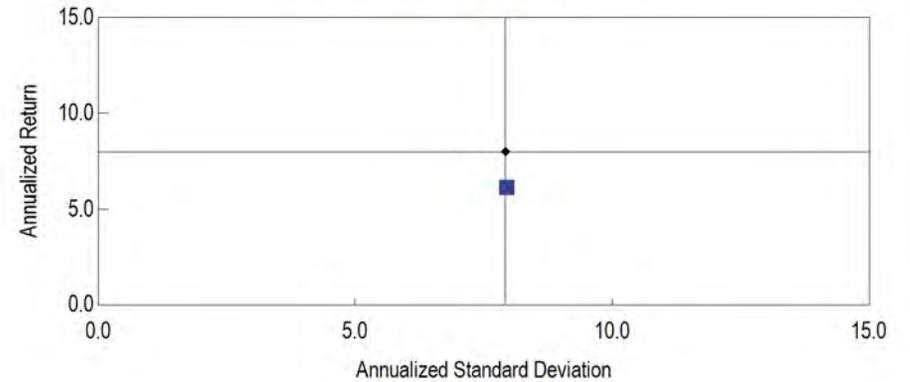


Upside Capture Ratio vs. Downside Capture Ratio  
3 Years 1 Month Ending March 31, 2014



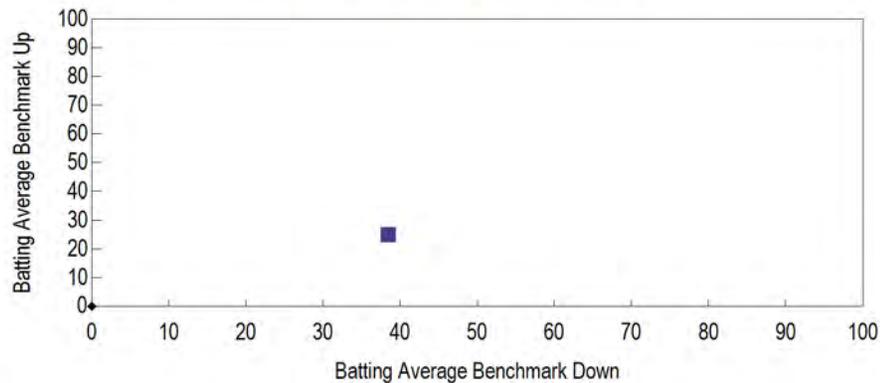
- Total Fund
- ◆ Sussex OPEB Policy Index

Annualized Return vs. Annualized Standard Deviation  
3 Years 1 Month Ending March 31, 2014



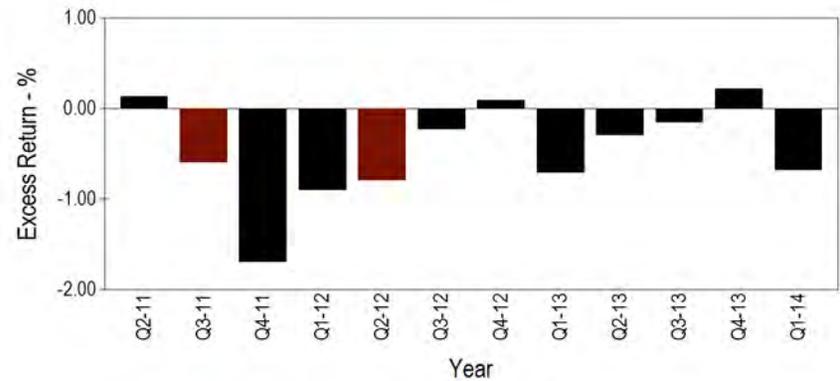
- Total Fund
- ◆ Sussex OPEB Policy Index

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
3 Years 1 Month Ending March 31, 2014



- Total Fund
- ◆ Sussex OPEB Policy Index

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

## Performance Summary

As of March 31, 2014

	% of Portfolio	Policy %	2014 Q1	Rank	Ending March 31, 2014					Inception		
					1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>Equities</b>	<b>59.9</b>	<b>60.0</b>										
American Funds Washington Mutual <i>Russell Top 200 Value</i>	6.1		2.0	69	23.0	33	15.4	16	20.6	46	2.0	Jan-14
			2.1	62	21.1	60	14.6	33	19.9	61	2.1	Jan-14
Vanguard Institutional Index <i>S&amp;P 500</i>	17.5		1.8	45	21.8	45	14.6	30	21.2	29	1.8	Jan-14
			1.8	44	21.9	45	14.7	29	21.2	29	1.8	Jan-14
Vanguard Dividend Growth <i>S&amp;P 500</i>	5.1		1.9	42	21.0	65	15.7	13	19.1	76	21.4	Aug-12
			1.8	44	21.9	45	14.7	29	21.2	29	22.8	Aug-12
T. Rowe Price Inst'l Large Cap Core Growth <i>Russell Top 200 Growth</i>	4.9		-1.1	86	29.4	8	16.7	5	23.0	14	-1.1	Jan-14
			0.7	44	22.8	57	15.2	19	20.6	43	0.7	Jan-14
Vanguard Mid Cap Value <i>Spliced Mid Cap Value Index</i>	3.1		3.9	32	25.1	35	15.4	19	26.2	21	3.9	Jan-14
			3.9	32	25.1	35	15.5	19	26.2	20	3.9	Jan-14
Eaton Vance Atlanta Capital SMID <i>Russell 2500</i>	4.8		-1.8	99	18.0	96	14.0	39	23.5	63	-1.8	Jan-14
			2.3	36	24.0	54	13.9	39	25.3	29	2.3	Jan-14
Target Small Capitalization Value <i>Russell 2000 Value</i>	3.0		1.3	72	22.5	66	13.0	51	23.3	68	1.3	Jan-14
			1.8	55	22.6	63	12.7	53	23.3	68	1.8	Jan-14
Thornburg Global Opportunities <i>MSCI ACWI</i>	3.5		4.0	9	23.9	16	12.5	13	24.6	5	4.0	Jan-14
			1.1	60	16.6	64	8.6	75	17.8	62	1.1	Jan-14
American Funds Int'l Growth & Income <i>MSCI ACWI ex USA</i>	5.6		1.8	14	17.5	28	8.5	13	16.2	39	1.8	Jan-14
			0.5	44	12.3	82	4.1	84	15.5	60	0.5	Jan-14
MFS International Value <i>MSCI EAFE Value</i>	3.5		1.0	60	19.4	55	12.9	1	18.7	4	1.0	Jan-14
			1.2	46	20.2	47	7.2	37	16.1	47	1.2	Jan-14
Harding Loevner International Equity <i>MSCI ACWI ex USA</i>	2.8		-0.8	82	10.8	92	5.8	62	17.2	21	13.7	Jun-13
			0.5	44	12.3	82	4.1	84	15.5	60	15.9	Jun-13

Please see footnotes &amp; disclosures on the second page of the performance summary.

## Performance Summary

As of March 31, 2014

	% of Portfolio	Policy %	Ending March 31, 2014								Inception	
			2014 Q1	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	Return	Since
<b>Fixed Income</b>	<b>40.1</b>	<b>40.0</b>										
Wilmington Trust Fixed Income	31.1		0.6	--	-0.8	--	--	--	--	--	0.8	Mar-12
<i>Barclays Int Govt.</i>			0.6	--	-0.8	--	--	--	--	--	0.7	Mar-12
Wilmington Trust Short Term	7.8		0.0	--	--	--	--	--	--	--	0.0	Jan-14
<i>BofA Merrill Lynch 91-Day T-Bill</i>			0.0	--	--	--	--	--	--	--	0.0	Jan-14
Operating Account	1.2		0.0	--	0.1	--	--	--	--	--	0.1	Sep-11
Mutual Fund Cash	0.0		0.0	--	0.0	--	--	--	--	--	0.0	Jul-12
<i>BofA Merrill Lynch 91-Day T-Bill</i>			0.0	--	0.1	--	--	--	--	--	0.1	Jul-12

Please note: All returns shown are net of fees. All returns over one year are annualized.

Please note: Returns prior to inception are reported by the mutual funds and are for informational purposes only. They are not the returns realized by the plan.

Spliced Mid Cap Index: MSCI US Mid Cap 450 through January 31, 2013; CRSP US Mid Cap Index thereafter.

## Fee Schedule

As of March 31, 2014

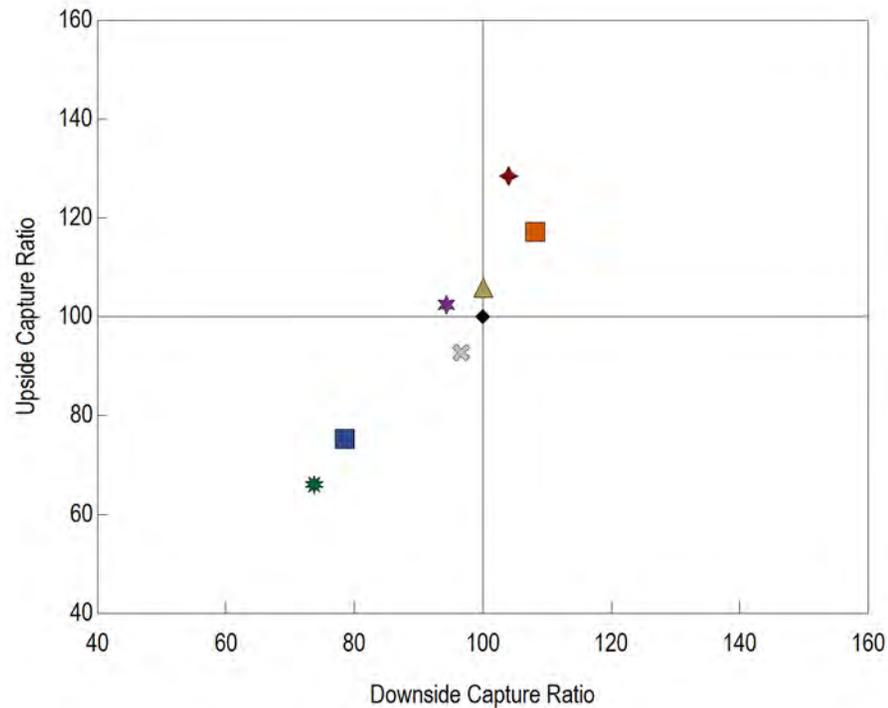
Account	Fee Schedule	Market Value As of 3/31/2014	% of Portfolio	Estimated Annual Fee (\$)	Estimated Annual Fee (%)
American Funds Washington Mutual	0.30% of Assets	\$1,895,257	6.1%	\$5,686	0.30%
Vanguard Institutional Index	0.04% of Assets	\$5,445,816	17.5%	\$2,178	0.04%
Vanguard Dividend Growth	0.29% of Assets	\$1,578,111	5.1%	\$4,577	0.29%
T. Rowe Price Inst'l Large Cap Core Growth	0.65% of Assets	\$1,527,924	4.9%	\$9,932	0.65%
Vanguard Mid Cap Value	0.10% of Assets	\$956,900	3.1%	\$957	0.10%
Eaton Vance Atlanta Capital SMID	1.00% of Assets	\$1,506,454	4.8%	\$15,065	1.00%
Target Small Capitalization Value	0.68% of Assets	\$941,623	3.0%	\$6,403	0.68%
Thornburg Global Opportunities	1.10% of Assets	\$1,101,860	3.5%	\$12,120	1.10%
American Funds Int'l Growth & Income	0.61% of Assets	\$1,744,883	5.6%	\$10,644	0.61%
MFS International Value	0.82% of Assets	\$1,106,191	3.5%	\$9,071	0.82%
Harding Loevner International Equity	0.86% of Assets	\$885,076	2.8%	\$7,612	0.86%
Wilmington Trust Fixed Income	0.20% of Assets	\$9,701,598	31.1%	\$19,403	0.20%
Wilmington Trust Short Term	No Fee	\$2,434,386	7.8%	--	--
Operating Account	No Fee	\$371,468	1.2%	--	--
Mutual Fund Cash	No Fee	\$767	0.0%	--	--
<b>Investment Management Fee</b>		<b>\$31,198,313</b>	<b>100.0%</b>	<b>\$103,646</b>	<b>0.33%</b>

# U.S. EQUITIES

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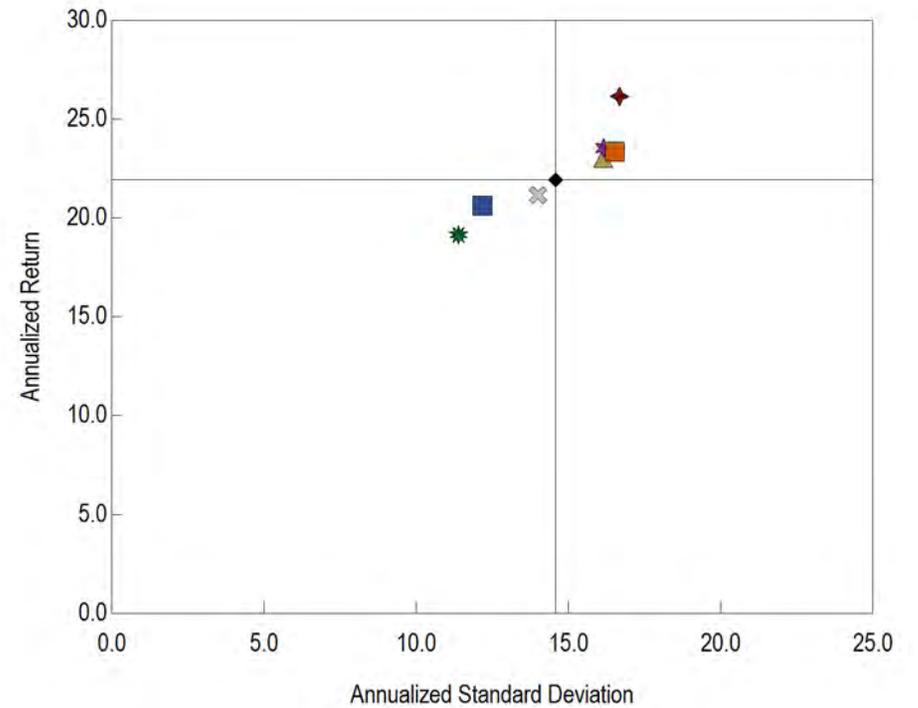


Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



- American Funds Washington Mutual
- ⊗ Vanguard Institutional Index
- ✱ Vanguard Dividend Growth
- ▲ T. Rowe Price Inst'l Large Cap Core Growth
- ◆ Vanguard Mid Cap Value
- ✳ Eaton Vance Atlanta Capital SMID
- Target Small Capitalization Value
- ◆ Russell 3000

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending March 31, 2014



- American Funds Washington Mutual
- ⊗ Vanguard Institutional Index
- ✱ Vanguard Dividend Growth
- ▲ T. Rowe Price Inst'l Large Cap Core Growth
- ◆ Vanguard Mid Cap Value
- ✳ Eaton Vance Atlanta Capital SMID
- Target Small Capitalization Value
- ◆ Russell 3000

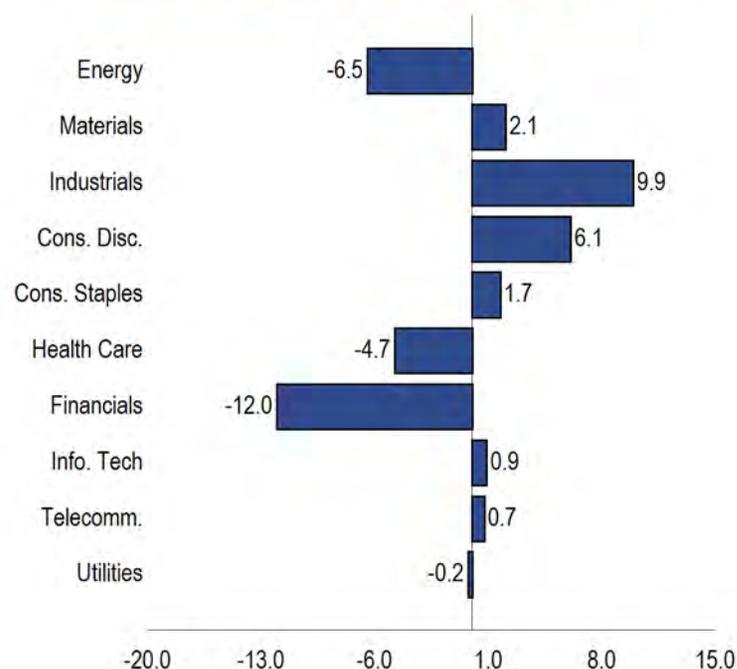
As of March 31, 2014

**Manager Summary**

- Focus on investing in high quality, blue-chip companies.
- Emphasis on companies that pay dividends and fully earn the income passed on to shareholders.
- Most companies based in the U.S. with high quality balance sheets and strong cash flows.
- Strategy mostly invests in large capitalization companies that tend to offer resiliency in down markets.

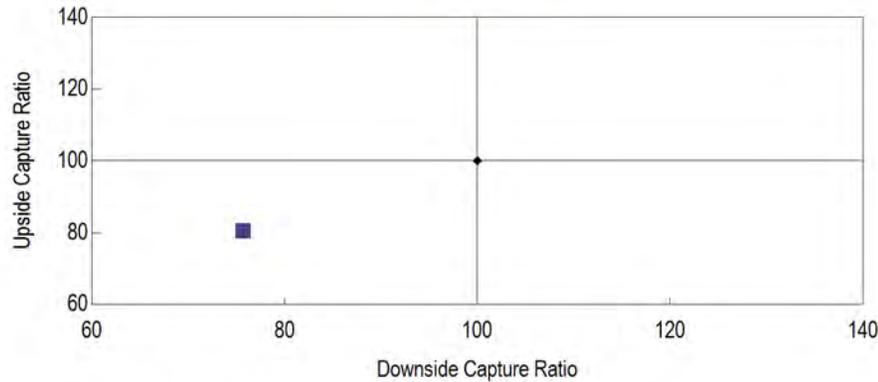
**Portfolio Information**

	Portfolio	Russell Top 200 Value
Number of Holdings	145	129
Weighted Avg. Market Cap. (\$B)	126.72	149.14
Median Market Cap. (\$B)	50.35	37.48
Price To Earnings	19.53	17.03
Price To Book	4.19	2.22
Price To Sales	2.42	2.13
Return on Equity (%)	22.13	14.37
Yield (%)	2.56	2.35
Beta	0.78	1.00

**Sector Over/Under Allocation (%) vs Russell Top 200 Value****Top Ten Holdings**

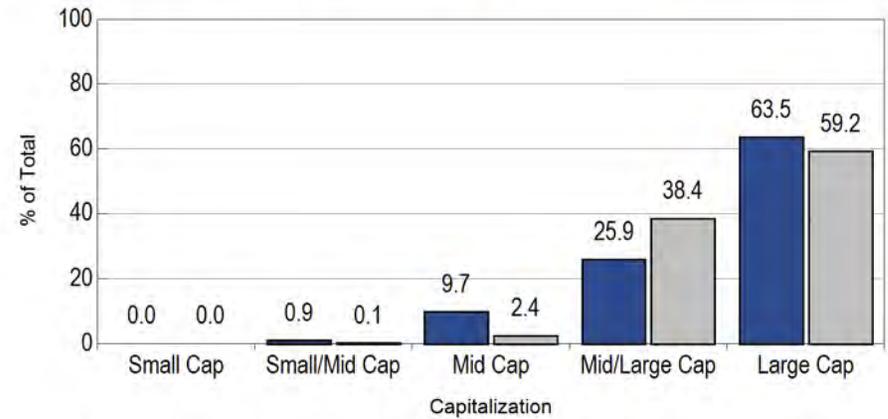
MICROSOFT	5.1%
BOEING	4.4%
HOME DEPOT	4.2%
MERCK & CO.	3.9%
WELLS FARGO & CO	3.6%
ROYAL DUTCH SHELL B ADR 1:2	3.3%
LOCKHEED MARTIN	2.9%
UNION PACIFIC	2.9%
CHEVRON	2.9%
AMERICAN EXPRESS	2.8%
<b>Total For Top Ten Holdings</b>	<b>36.0%</b>

Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



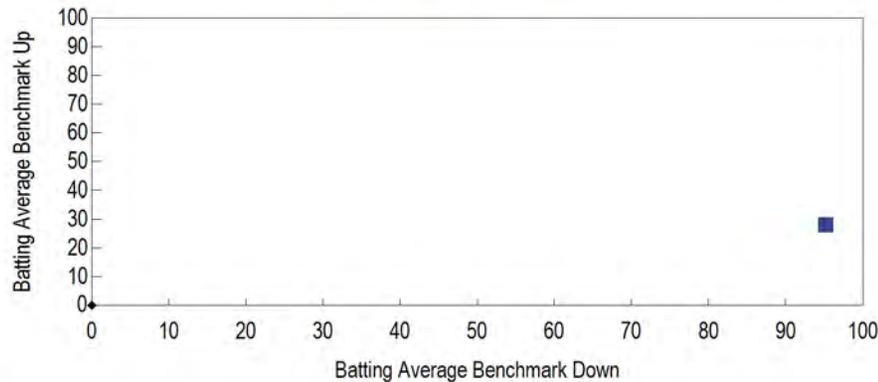
- American Funds Washington Mutual
- ◆ Russell Top 200 Value

Market Capitalization As Of March 31, 2014



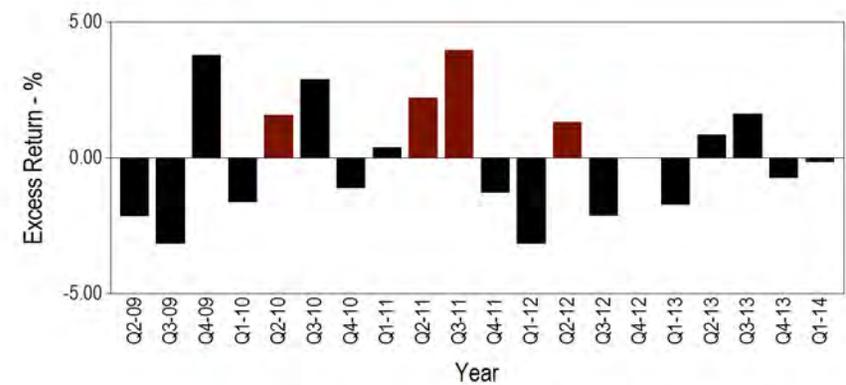
- American Funds Washington Mutual
- Russell Top 200 Value

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



- American Funds Washington Mutual
- ◆ Russell Top 200 Value

Quarterly Excess Performance



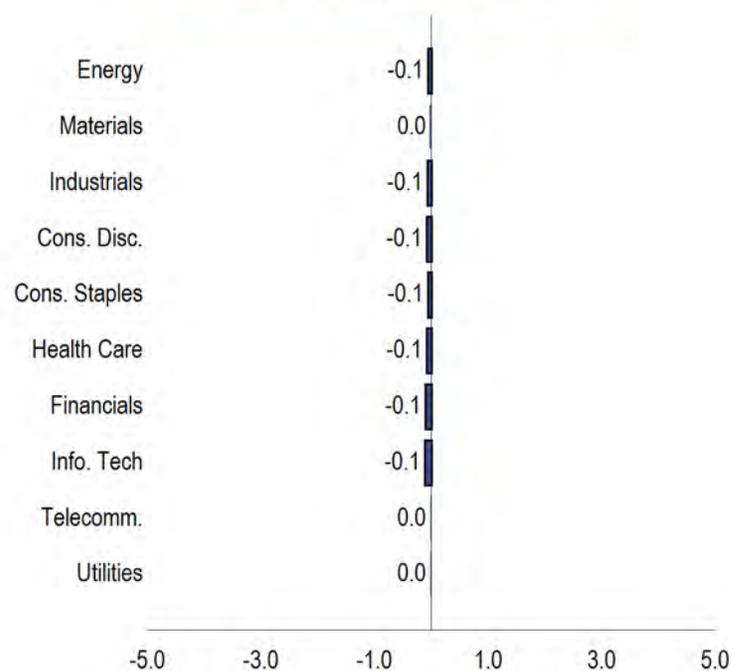
- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

As of March 31, 2014

### Manager Summary

- Passively-managed.
- Seeks to track the performance of the S&P 500 Index.
- Invests in large-cap U.S. equities diversified among growth and value styles.
- Fund remains fully invested.

### Sector Over/Under Allocation (%) vs S&P 500



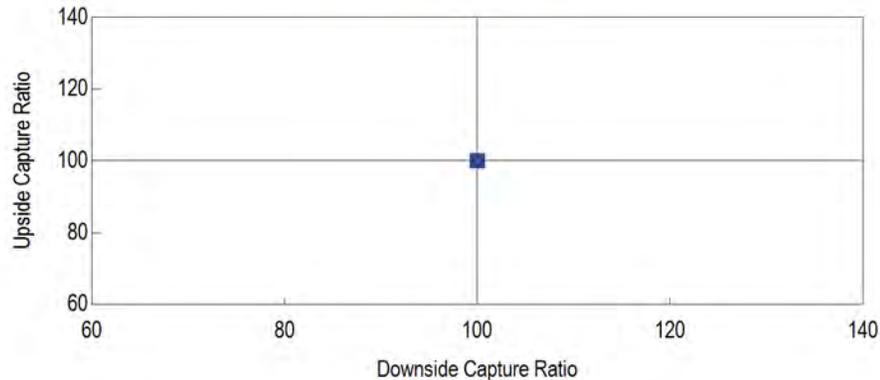
### Portfolio Information

	Portfolio	S&P 500
Number of Holdings	509	500
Weighted Avg. Market Cap. (\$B)	115.07	115.09
Median Market Cap. (\$B)	16.94	16.91
Price To Earnings	20.54	19.90
Price To Book	3.93	3.72
Price To Sales	2.98	2.65
Return on Equity (%)	19.28	18.33
Yield (%)	2.02	2.02
Beta	1.00	1.00

### Top Ten Holdings

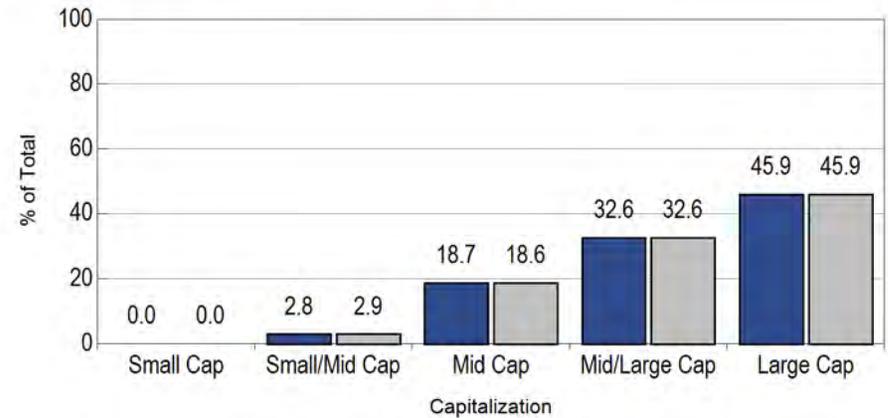
APPLE	2.8%
EXXON MOBIL	2.5%
GOOGLE 'A'	1.9%
MICROSOFT	1.8%
JOHNSON & JOHNSON	1.7%
GENERAL ELECTRIC	1.5%
WELLS FARGO & CO	1.4%
JP MORGAN CHASE & CO.	1.4%
CHEVRON	1.4%
PROCTER & GAMBLE	1.3%
<b>Total For Top Ten Holdings</b>	<b>17.7%</b>

Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



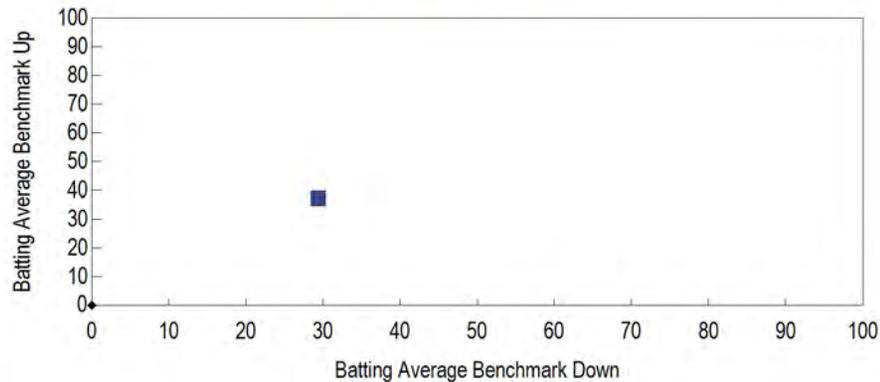
- Vanguard Institutional Index
- ◆ S&P 500

Market Capitalization As Of March 31, 2014



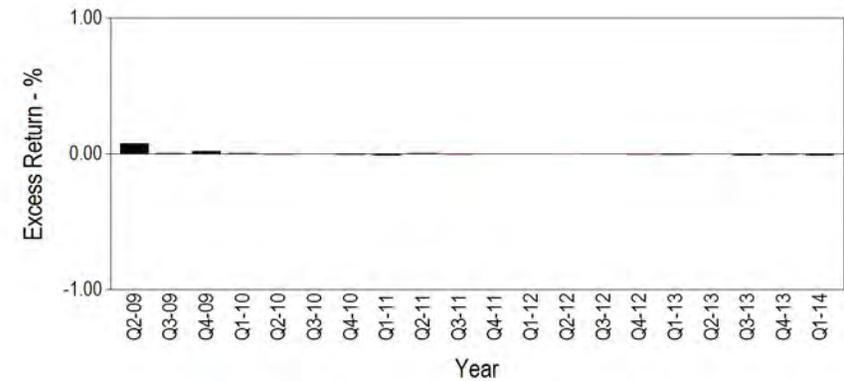
- Vanguard Institutional Index
- S&P 500

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



- Vanguard Institutional Index
- ◆ S&P 500

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

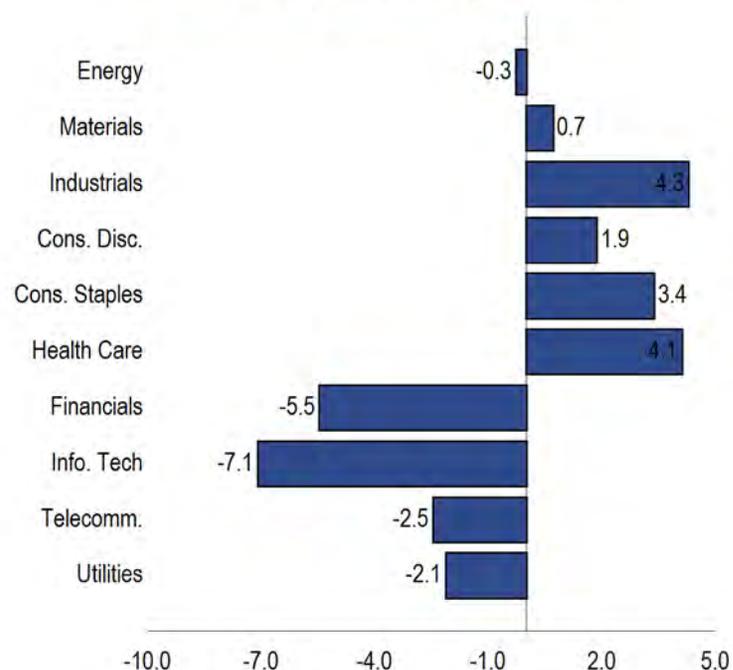
As of March 31, 2014

**Manager Summary**

- Invest in large cap equities, emphasizing dividend-paying stocks of high quality companies.
- Sub-advised by Wellington Management Company.
- Seeks companies with strong operating characteristics, including confidence to sustainably grow dividends.
- Concentrated strategy. Tends to do well in defensive markets.

**Portfolio Information**

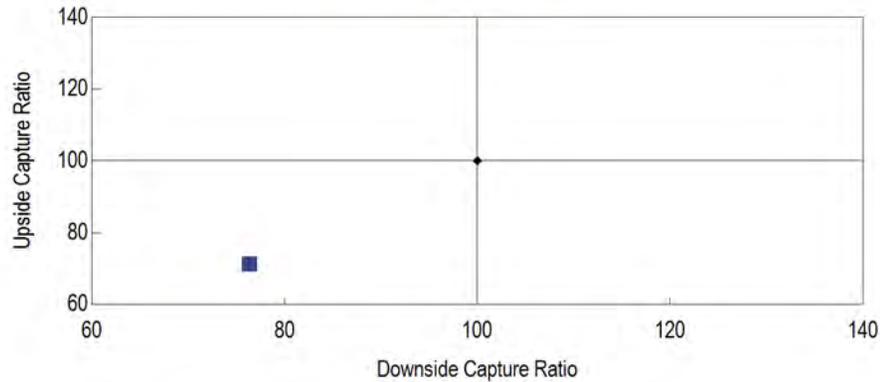
	Portfolio	S&P 500
Number of Holdings	51	500
Weighted Avg. Market Cap. (\$B)	113.04	115.09
Median Market Cap. (\$B)	62.55	16.91
Price To Earnings	20.71	19.90
Price To Book	4.85	3.72
Price To Sales	2.64	2.65
Return on Equity (%)	23.94	18.33
Yield (%)	2.33	2.02
Beta	0.78	1.00

**Sector Over/Under Allocation (%) vs S&P 500****Top Ten Holdings**

CASH - USD	3.0%
MICROSOFT	3.0%
MCDONALDS	3.0%
UNITED PARCEL SER.'B'	3.0%
WAL MART STORES	2.7%
BG GROUP	2.6%
MERCK & CO.	2.5%
JOHNSON & JOHNSON	2.5%
PRAXAIR	2.5%
UNITEDHEALTH GP.	2.5%
<b>Total For Top Ten Holdings</b>	<b>27.2%</b>

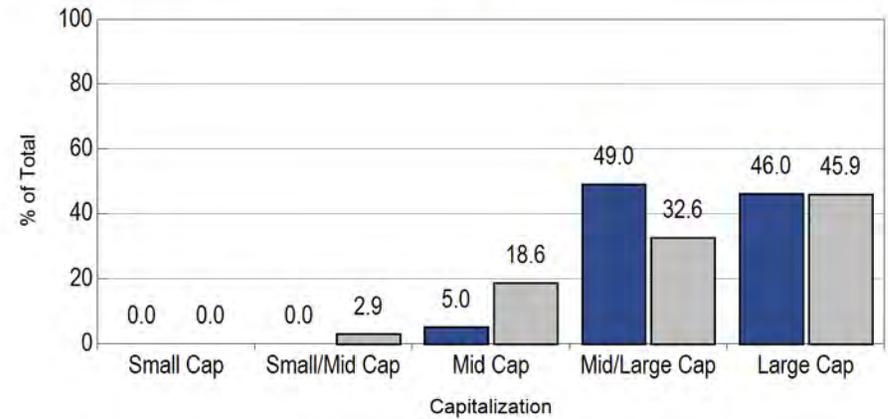
As of March 31, 2014

**Upside Capture Ratio vs. Downside Capture Ratio  
 5 Years Ending March 31, 2014**



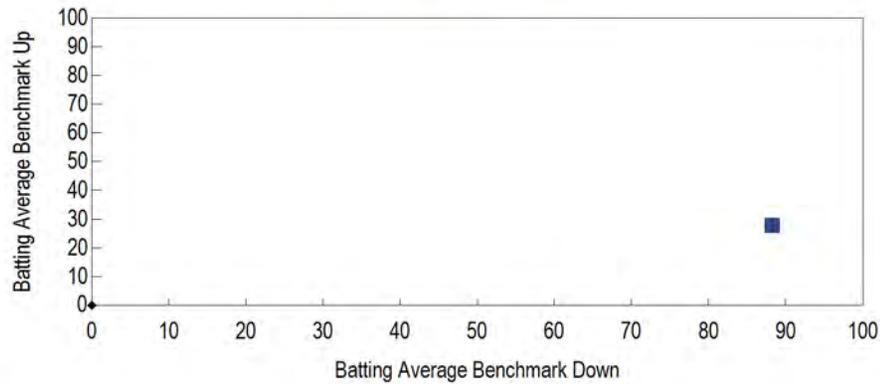
- Vanguard Dividend Growth
- ◆ S&P 500

**Market Capitalization As Of March 31, 2014**



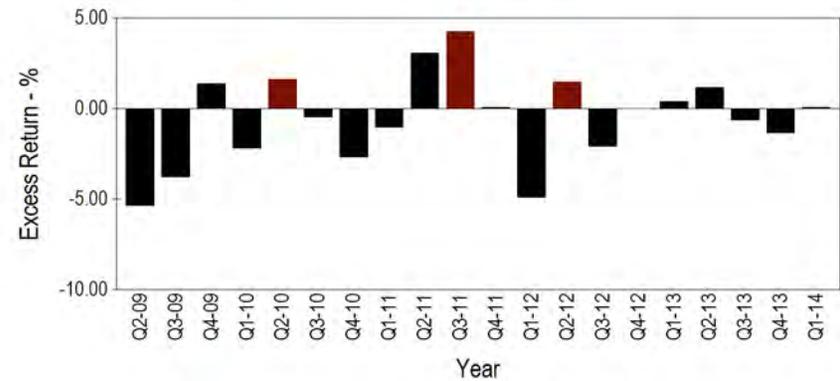
- Vanguard Dividend Growth
- S&P 500

**Batting Average Benchmark Up vs. Batting Average Benchmark Down  
 5 Years Ending March 31, 2014**



- Vanguard Dividend Growth
- ◆ S&P 500

**Quarterly Excess Performance**



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

## T. Rowe Price Inst'l Large Cap Core Growth

As of March 31, 2014

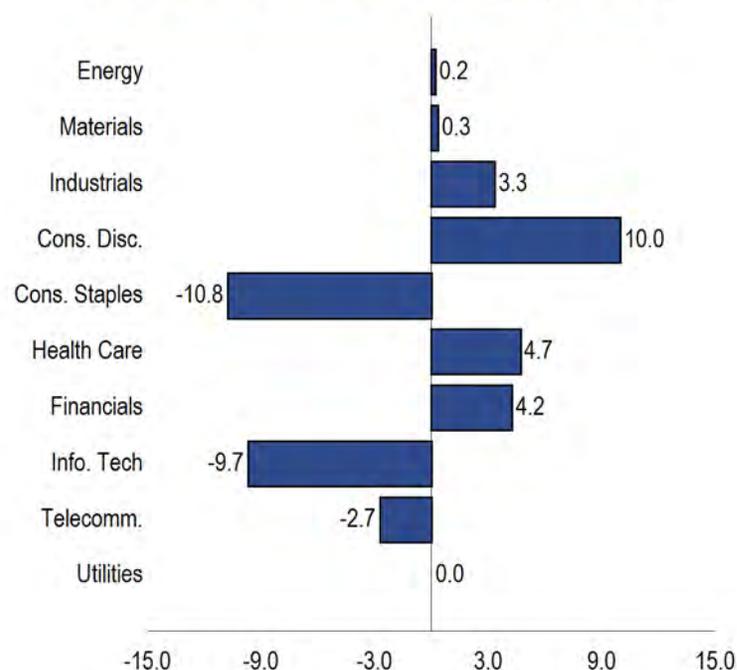
## Manager Summary

- The team believes that high-quality, large-cap companies (>\$5 billion in market cap) with sustainable competitive advantages will produce attractive returns with moderate risk.
- Strategy focuses on companies operating in growth sectors of the economy that possess attractive business models, operational and financial flexibility, and seasoned management.
- Investment process emphasizes fundamental research and active, bottom-up stock selection, though macro views may modestly influence sector management.
- Portfolio consists of 75 to 100 companies, with annual turnover as just 20-25%.

## Portfolio Information

	Portfolio	Russell Top 200 Growth
Number of Holdings	147	124
Weighted Avg. Market Cap. (\$B)	74.45	137.78
Median Market Cap. (\$B)	22.92	49.13
Price To Earnings	29.76	21.03
Price To Book	6.98	5.47
Price To Sales	5.60	3.61
Return on Equity (%)	22.13	24.93
Yield (%)	0.71	1.88
Beta	1.20	1.00

## Sector Over/Under Allocation (%) vs Russell Top 200 Growth



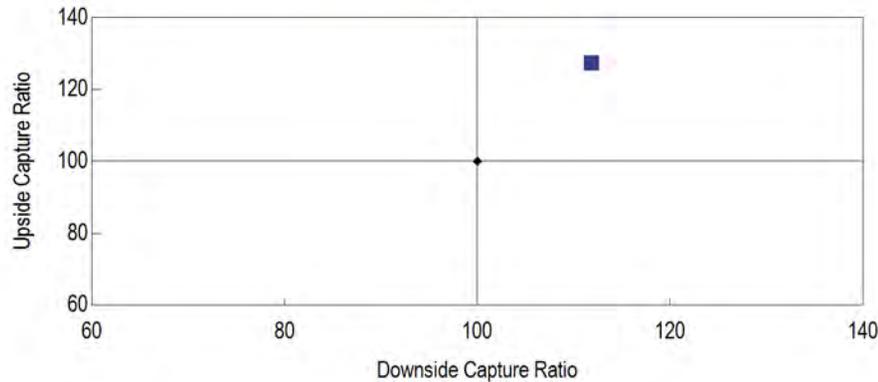
## Top Ten Holdings

GOOGLE 'A'	5.7%
AMAZON.COM	4.4%
PRICELINE GROUP	3.3%
GILEAD SCIENCES	3.1%
MASTERCARD	2.7%
DANAHER	2.6%
MCKESSON	2.4%
BIOGEN IDEC	2.2%
VISA 'A'	2.2%
PREC.CASTPARTS	2.1%
<b>Total For Top Ten Holdings</b>	<b>30.8%</b>

T. Rowe Price Inst'l Large Cap Core Growth

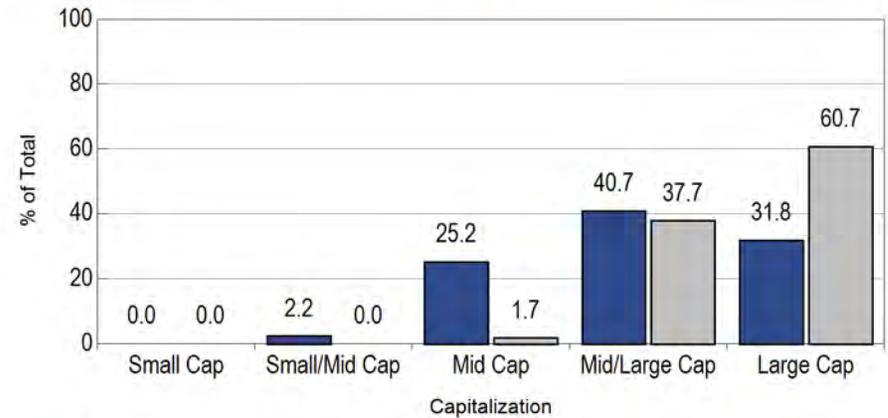
As of March 31, 2014

Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



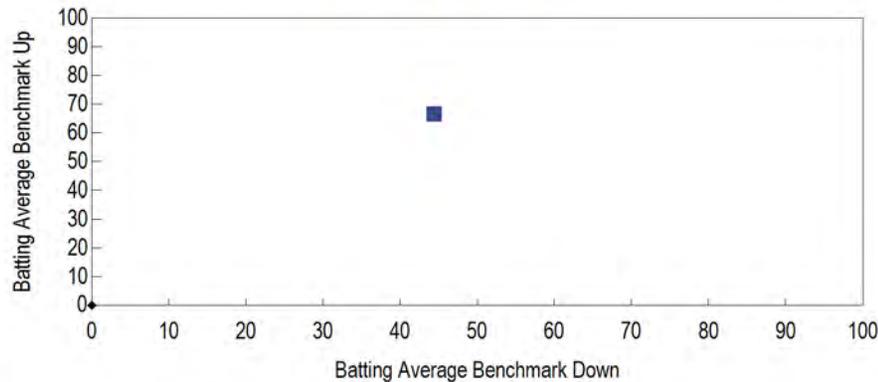
- T. Rowe Price Inst'l Large Cap Core Growth
- ◆ Russell Top 200 Growth

Market Capitalization As Of March 31, 2014



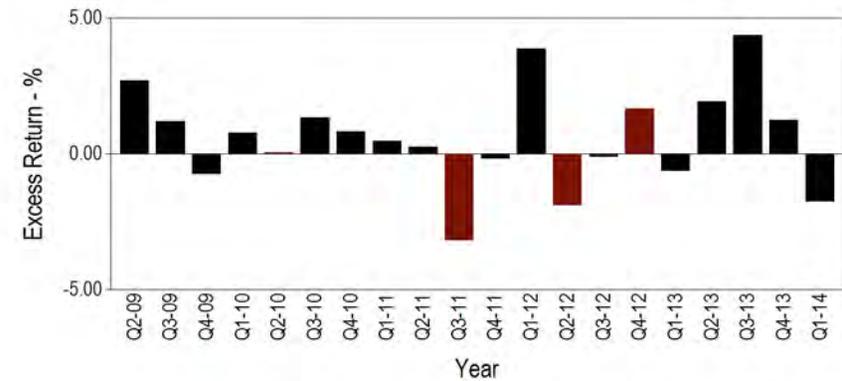
- T. Rowe Price Inst'l Large Cap Core Growth
- Russell Top 200 Growth

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



- T. Rowe Price Inst'l Large Cap Core Growth
- ◆ Russell Top 200 Growth

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

As of March 31, 2014

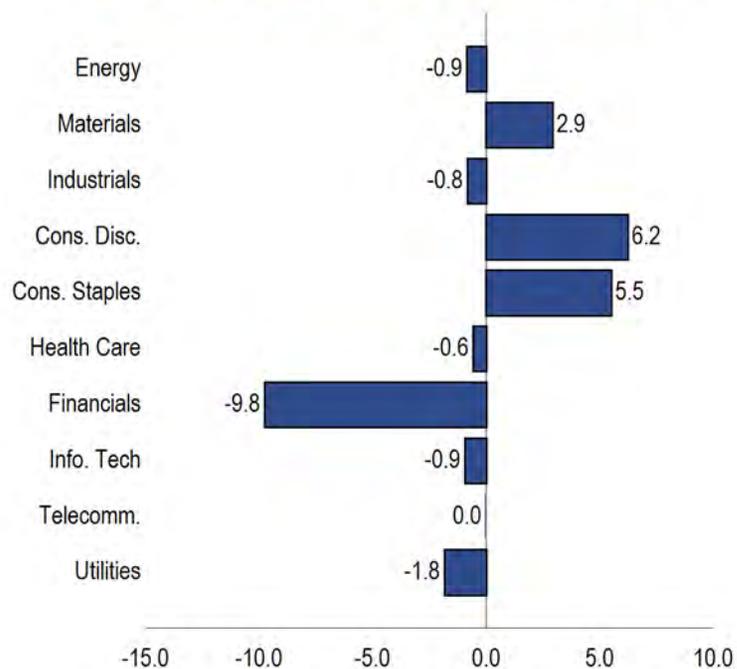
**Manager Summary**

- Passively-managed.
- Seeks to track the performance of the CRSP US Mid Cap Value Index.
- Invests in value stocks of medium-size U.S. companies.
- Fund remains fully invested.

**Portfolio Information**

	Portfolio	Russell MidCap Value
Number of Holdings	204	535
Weighted Avg. Market Cap. (\$B)	10.31	11.11
Median Market Cap. (\$B)	8.11	5.38
Price To Earnings	21.23	20.27
Price To Book	2.77	2.11
Price To Sales	1.84	2.31
Return on Equity (%)	15.02	10.26
Yield (%)	1.90	1.91
Beta	1.00	1.00

**Sector Over/Under Allocation (%) vs Russell MidCap Value**

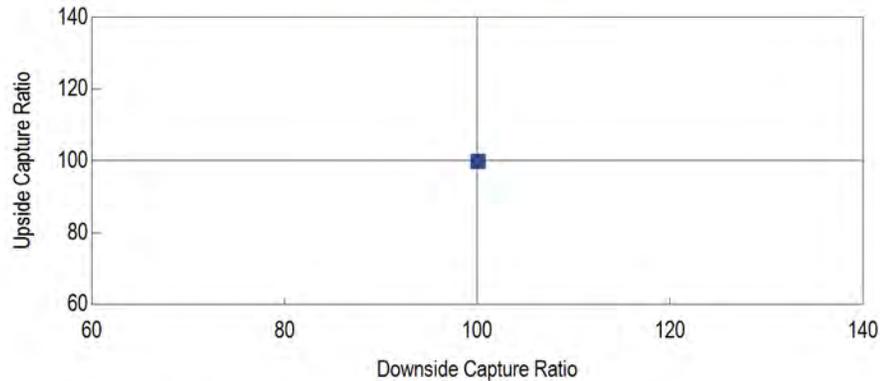


**Top Ten Holdings**

DELPHI AUTOMOTIVE	1.3%
WESTERN DIGITAL	1.3%
MYLAN	1.2%
BOSTON SCIENTIFIC	1.2%
SEAGATE TECH.	1.1%
UNITED CONTINENTAL HDG.	1.1%
REGIONS FINL.NEW	1.0%
HARTFORD FINL.SVS.GP.	1.0%
AMERISOURCEBERGEN	1.0%
CF INDUSTRIES HDG.	0.9%
<b>Total For Top Ten Holdings</b>	<b>11.2%</b>

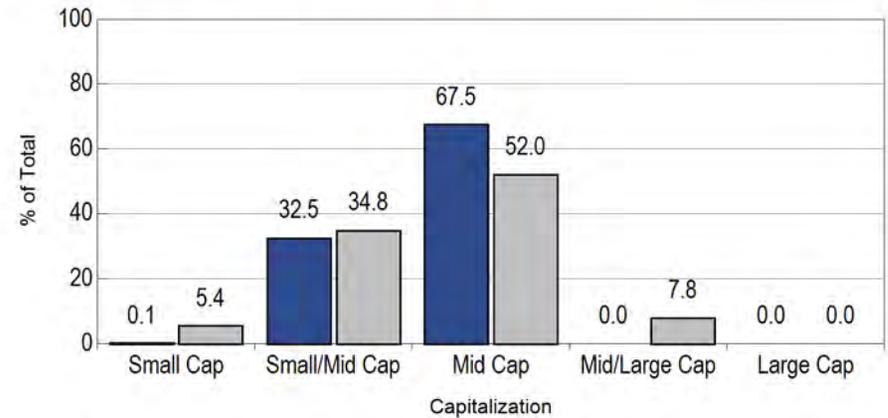
As of March 31, 2014

**Upside Capture Ratio vs. Downside Capture Ratio  
 5 Years Ending March 31, 2014**



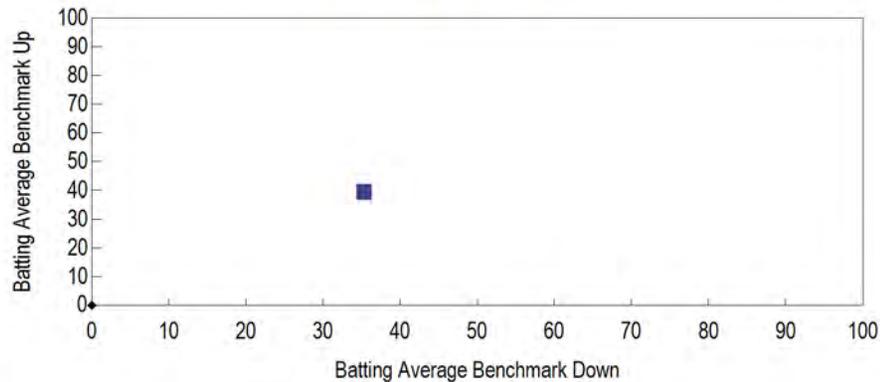
- Vanguard Mid Cap Value
- ◆ Spliced Mid Cap Value Index

**Market Capitalization As Of March 31, 2014**



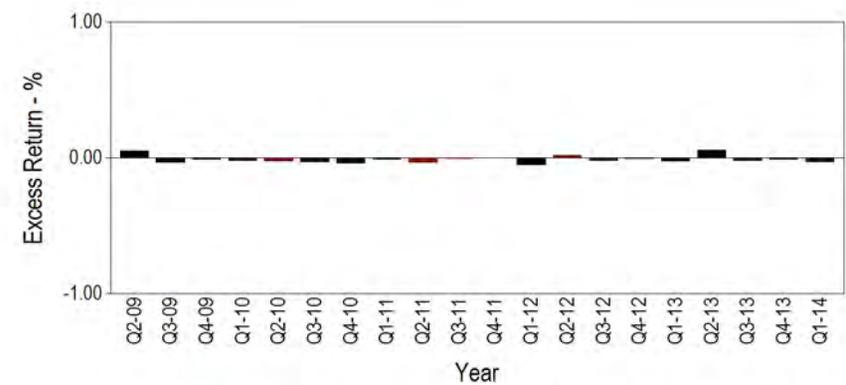
- Vanguard Mid Cap Value
- Russell MidCap Value

**Batting Average Benchmark Up vs. Batting Average Benchmark Down  
 5 Years Ending March 31, 2014**



- Vanguard Mid Cap Value
- ◆ Spliced Mid Cap Value Index

**Quarterly Excess Performance**



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

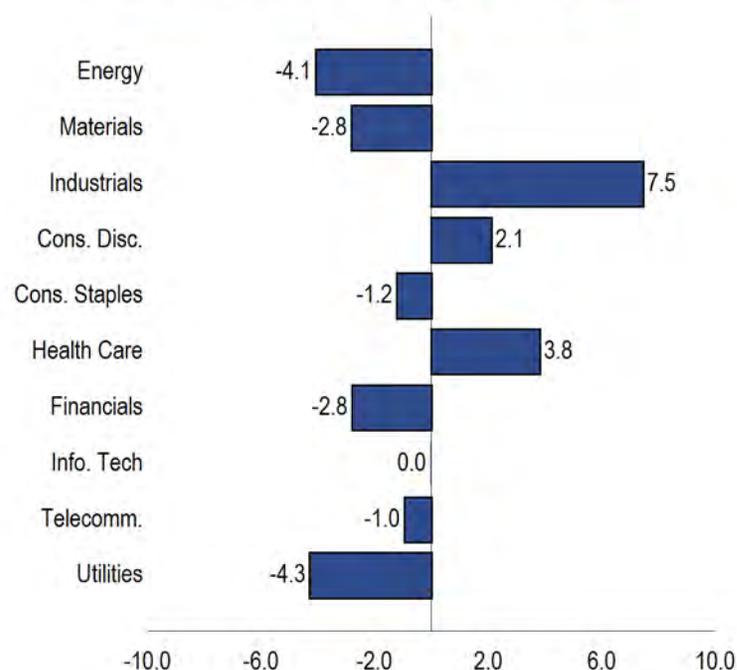
As of March 31, 2014

**Manager Summary**

- Focus on investing in high-quality companies with a history of stable and consistent earnings.
- Emphasize innovative business models, shareholder-friendly managements and companies with limited Wall Street coverage.
- Seek high levels of free cash flow with low volatility over time.
- Portfolio comprised of companies with high credit ratings - tends to outperform when quality is in favor.

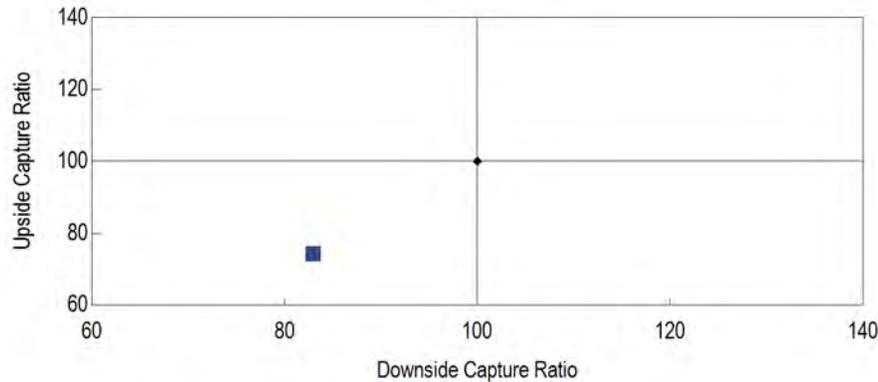
**Portfolio Information**

	Portfolio	Russell 2500
Number of Holdings	51	2,495
Weighted Avg. Market Cap. (\$B)	5.91	3.90
Median Market Cap. (\$B)	5.71	1.03
Price To Earnings	26.04	23.59
Price To Book	4.27	3.09
Price To Sales	3.03	2.67
Return on Equity (%)	17.39	12.73
Yield (%)	0.79	1.22
Beta	0.81	1.00

**Sector Over/Under Allocation (%) vs Russell 2500****Top Ten Holdings**

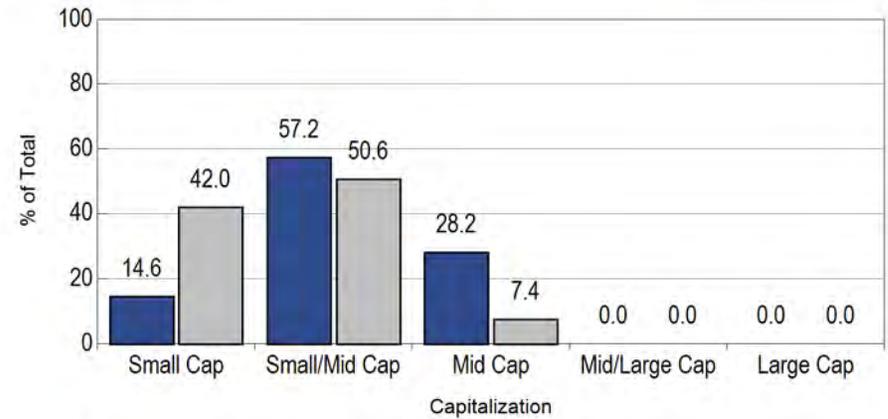
MARKEL	5.1%
DENTSPLY INTL.	4.3%
HCC INSURANCE HDG.	3.9%
BIO-RAD LABORATORIES 'A'	3.7%
MORNINGSTAR	3.6%
LKQ	2.9%
SALLY BEAUTY HOLDINGS	2.9%
GENTEX	2.9%
CASH - USD	2.8%
AFFILIATED MANAGERS	2.6%
<b>Total For Top Ten Holdings</b>	<b>34.5%</b>

Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



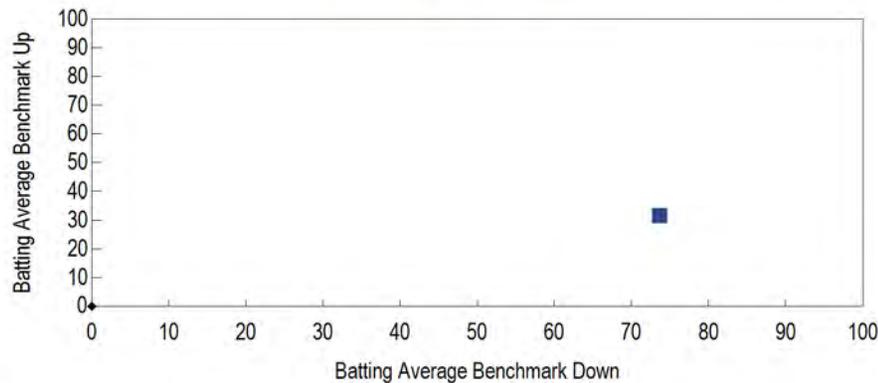
- Eaton Vance Atlanta Capital SMID
- ◆ Russell 2500

Market Capitalization As Of March 31, 2014



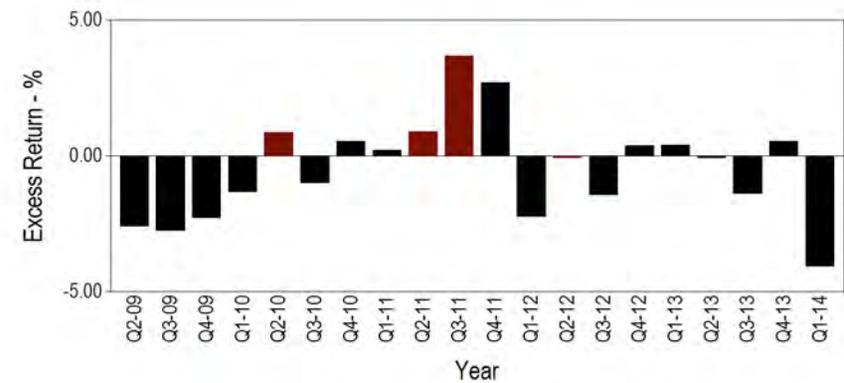
- Eaton Vance Atlanta Capital SMID
- Russell 2500

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



- Eaton Vance Atlanta Capital SMID
- ◆ Russell 2500

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

## Target Small Capitalization Value

As of March 31, 2014

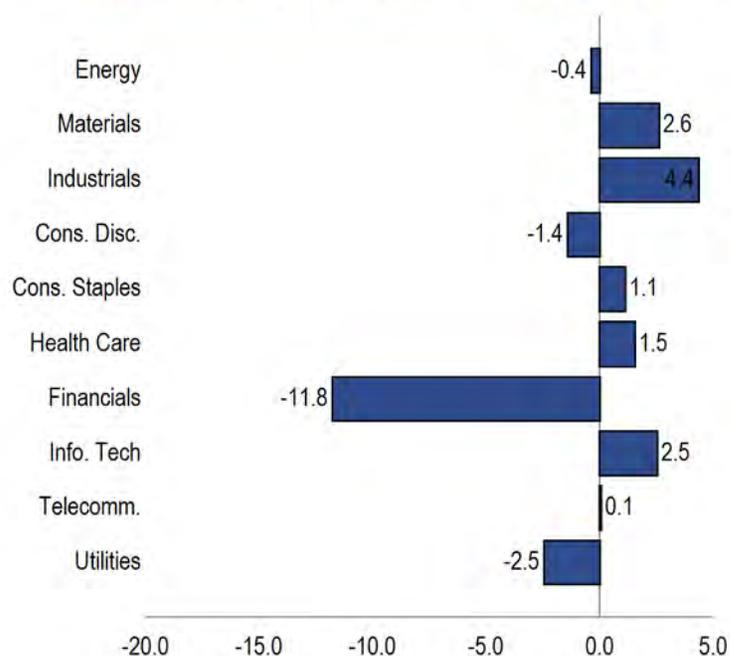
## Manager Summary

- Multiple manager approach:
  - Earnest Partners - relative value
  - NFJ Investment Group - deep value with a dividend focus
  - Lee Munder Capital Group - traditional value with a quality bias
  - Vaughn Nelson Investment Mgmt - traditional value with an absolute return focus
  - JPMorgan Asset Management - index structured product
  - Sterling Capital Management - quantitative deep value
- Prudential's Strategic Investment Research Group is the advisor to the Fund.
- Complementary styles seek small capitalization companies that are believed to be undervalued.

## Portfolio Information

	Portfolio	Russell 2000 Value
Number of Holdings	836	1,374
Weighted Avg. Market Cap. (\$B)	2.78	1.66
Median Market Cap. (\$B)	1.32	0.62
Price To Earnings	20.74	20.32
Price To Book	2.38	1.81
Price To Sales	2.13	2.35
Return on Equity (%)	12.98	7.67
Yield (%)	1.75	1.65
Beta	0.91	1.00

Sector Over/Under Allocation (%) vs Russell 2000 Value



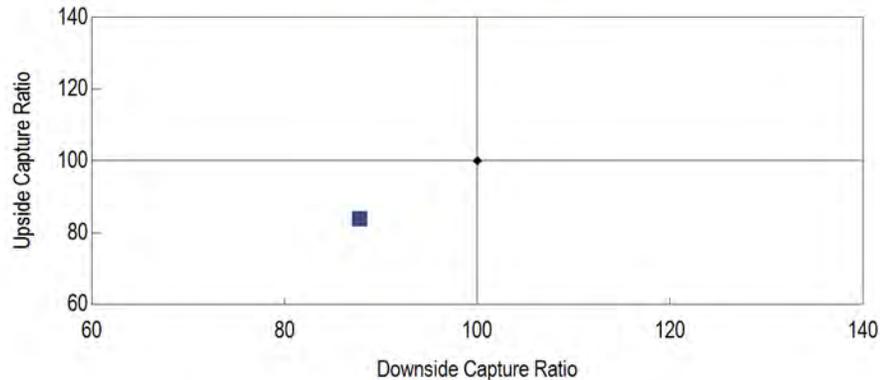
## Top Ten Holdings

CASH - USD	3.8%
FIRSTMERIT	0.9%
BRISTOW GROUP	0.8%
TELEFLEX	0.8%
GATX	0.7%
AMERICAN EQ.INV.LF.HLDG.	0.7%
LITTELFUSE	0.7%
ENERSYS	0.7%
PROTECTIVE LIFE	0.7%
SILGAN HDG.	0.7%
<b>Total For Top Ten Holdings</b>	<b>10.4%</b>

Target Small Capitalization Value

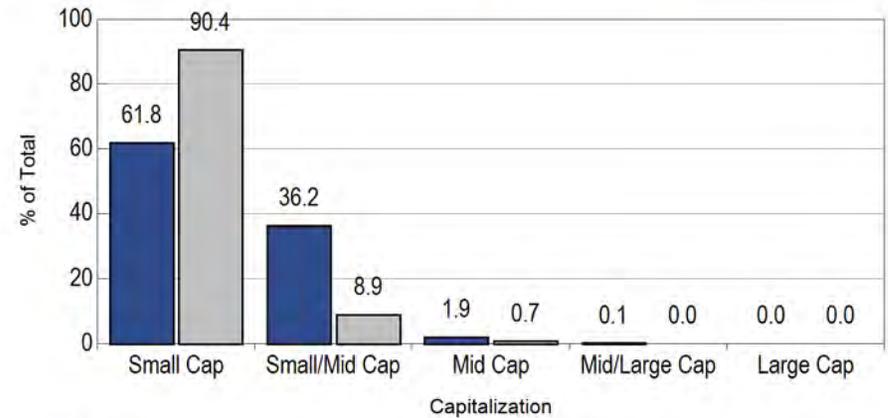
As of March 31, 2014

Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



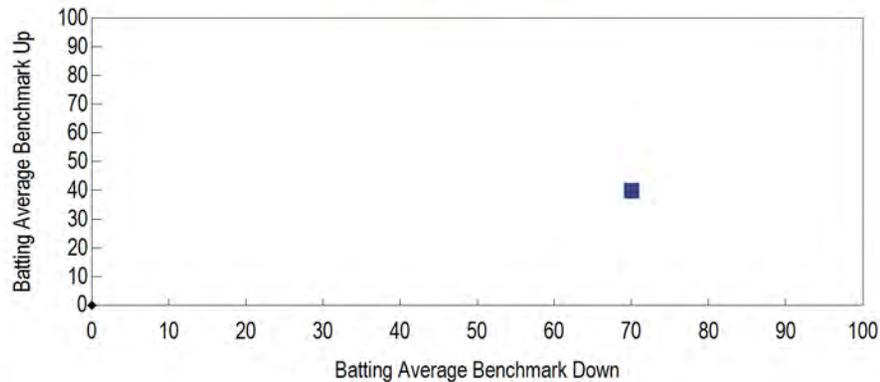
- Target Small Capitalization Value
- ◆ Russell 2000 Value

Market Capitalization As Of March 31, 2014



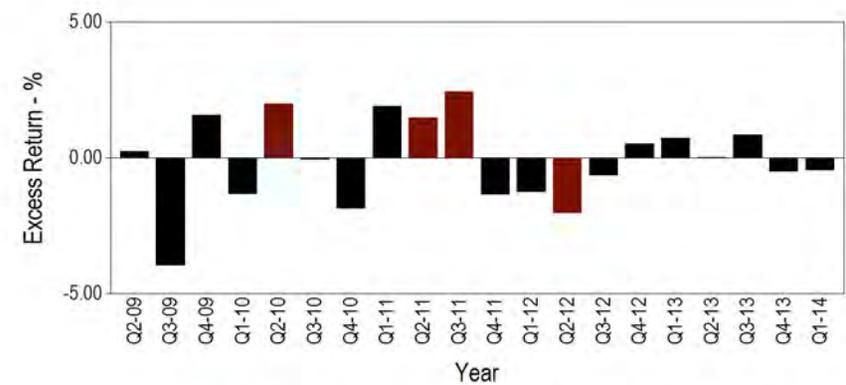
- Target Small Capitalization Value
- Russell 2000 Value

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



- Target Small Capitalization Value
- ◆ Russell 2000 Value

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

# GLOBAL EQUITIES

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As of March 31, 2014

**Manager Summary**

- Focus on investing in companies trading at a discount to their intrinsic value.
- Emphasizes good management, strong corporate culture and easy to understand business models.
- Portfolio tends to hold 30-40 stocks and will typically experience higher than average volatility.
- Will invest opportunistically across the globe in small, medium and large companies.

**Country Allocation****Versus MSCI ACWI - Quarter Ending March 31, 2014**

	Manager Ending Allocation (USD)	Index Ending Allocation (USD)
<b>Top 5 Largest Countries</b>		
United States	51.7%	49.0%
Canada	8.5%	3.7%
Cash	8.4%	0.0%
Korea*	5.6%	1.7%
Netherlands	5.0%	1.0%
<b>Total-Top 5 Largest Countries</b>	<b>79.1%</b>	<b>55.4%</b>
<b>Totals</b>		
Developed	79.3%	89.5%
Emerging*	12.2%	10.5%
Cash	8.4%	

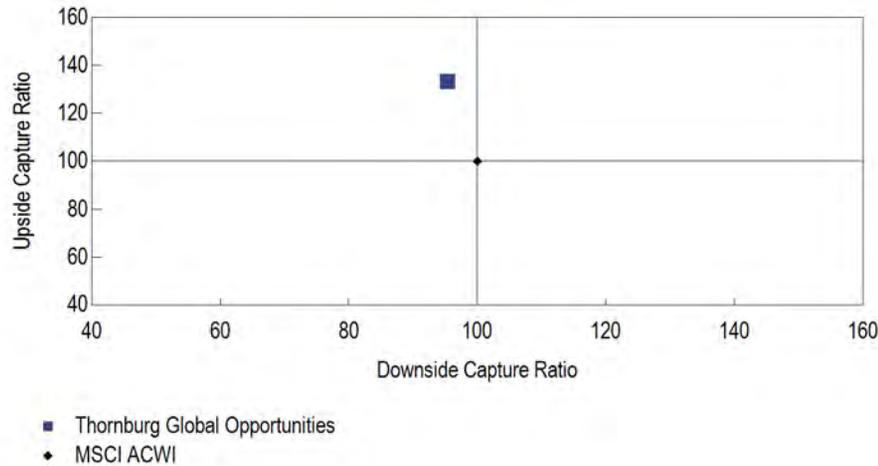
**Portfolio Information**

	Portfolio	MSCI ACWI
Number of Holdings	35	2,433
Weighted Avg. Market Cap. (\$B)	59.77	81.56
Median Market Cap. (\$B)	17.39	8.51
Price To Earnings	20.85	18.92
Price To Book	3.23	2.95
Price To Sales	2.30	2.31
Return on Equity (%)	13.48	16.45
Yield (%)	1.43	2.46
Beta	1.08	1.00

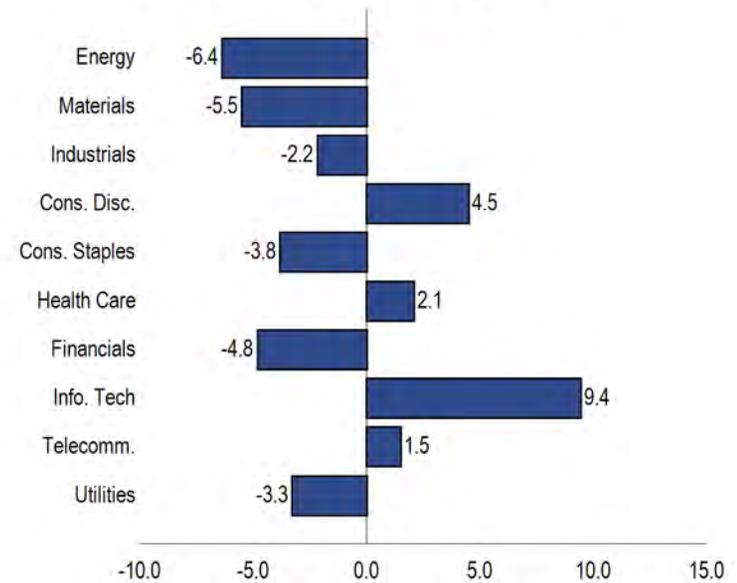
**Top Ten Holdings**

CASH - USD	8.4%
LEVEL 3 COMMS.	5.4%
VALEANT PHARMS. (NYS) INTL.	5.2%
INTERXION HOLDING	5.2%
ECHOSTAR	4.3%
NUMERICABLE GROUP	4.1%
RYMAN HOSPITALITY PROPS.	3.9%
EXPRESS SCRIPTS HOLDING	3.9%
CITIGROUP	3.9%
BRF FOODS ON	3.8%
<b>Total For Top Ten Holdings</b>	<b>48.2%</b>

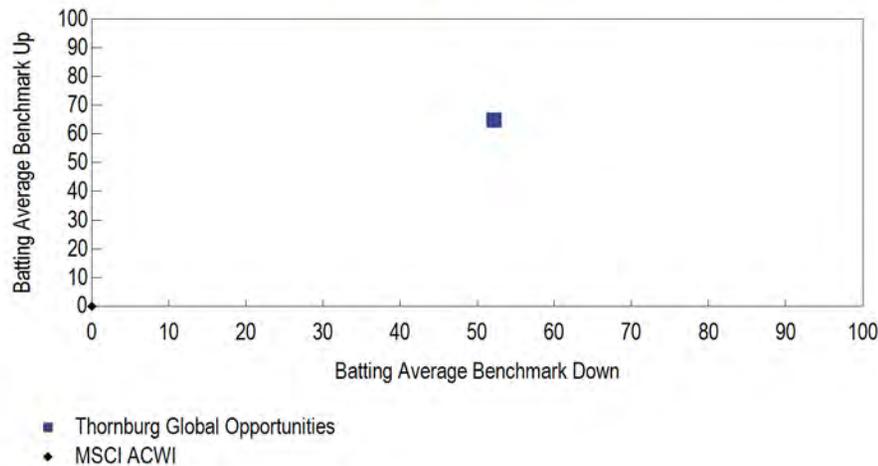
Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



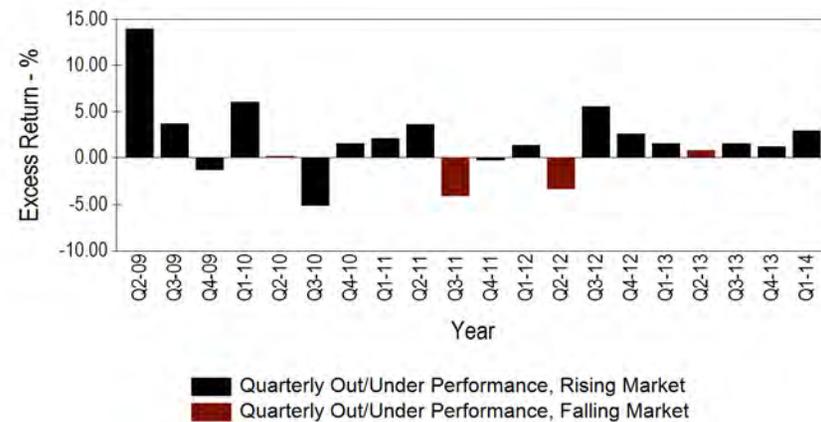
Sector Over/Under Allocation (%) vs MSCI ACWI



Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



Quarterly Excess Performance



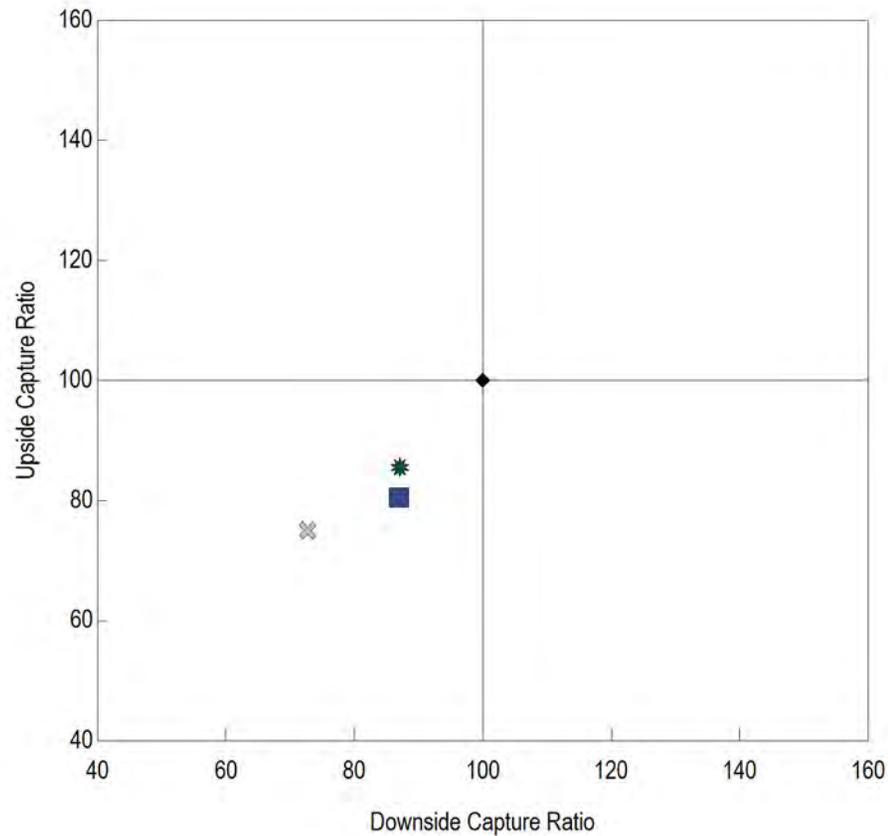
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# INTERNATIONAL EQUITIES

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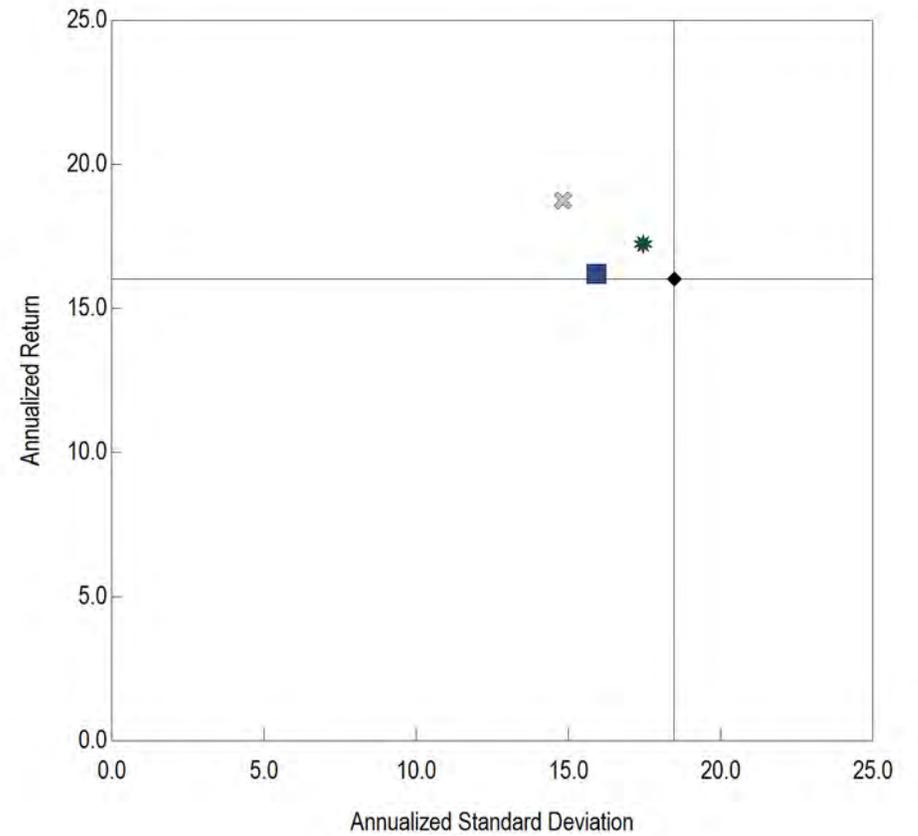


Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



- American Funds Int'l Growth & Income
- ⊗ MFS International Value
- \* Harding Loevner International Equity
- ◆ MSCI EAFE

Annualized Return vs. Annualized Standard Deviation  
5 Years Ending March 31, 2014



- American Funds Int'l Growth & Income
- ⊗ MFS International Value
- \* Harding Loevner International Equity
- ◆ MSCI EAFE

## American Funds Int'l Growth &amp; Income

As of March 31, 2014

## Manager Summary

- Focuses on investing in established companies that pay dividends.
- Emphasis on companies that may be relatively resilient during economic hardship.
- Multiple portfolio managers provide complementary investment styles of contrarian value, relative value and capital appreciation.
- Strategy tends to have dividend yield higher than the benchmark.

## Country Allocation

## Versus MSCI ACWI ex USA - Quarter Ending March 31, 2014

	Manager Ending Allocation (USD)	Index Ending Allocation (USD)
<b>Top 5 Largest Countries</b>		
United Kingdom	20.1%	15.2%
France	15.6%	7.5%
Japan	9.0%	14.2%
Hong Kong	7.6%	2.0%
United States	5.7%	0.0%
<b>Total-Top 5 Largest Countries</b>	<b>58.4%</b>	<b>38.9%</b>
<b>Totals</b>		
Developed	88.3%	79.4%
Emerging*	11.4%	20.6%
Cash	0.3%	

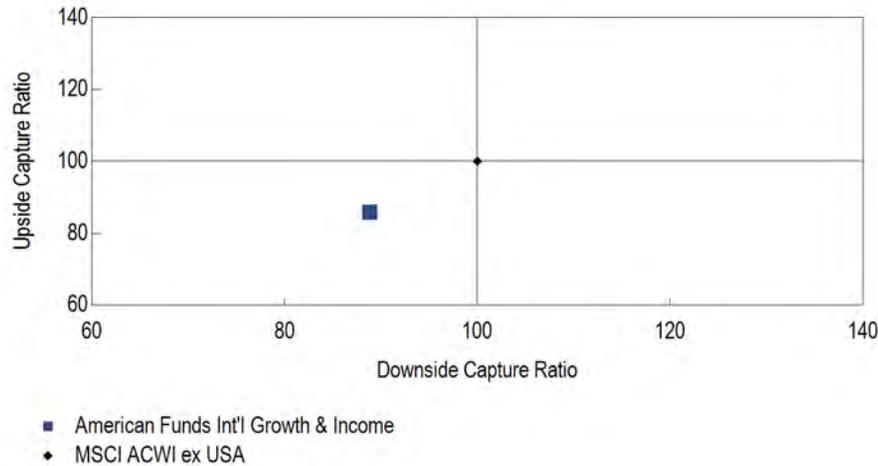
## Portfolio Information

	Portfolio	MSCI ACWI ex USA
Number of Holdings	168	1,824
Weighted Avg. Market Cap. (\$B)	53.59	54.16
Median Market Cap. (\$B)	24.08	6.84
Price To Earnings	19.03	17.62
Price To Book	2.83	2.32
Price To Sales	2.37	1.93
Return on Equity (%)	15.27	14.74
Yield (%)	3.53	2.94
Beta	0.83	1.00

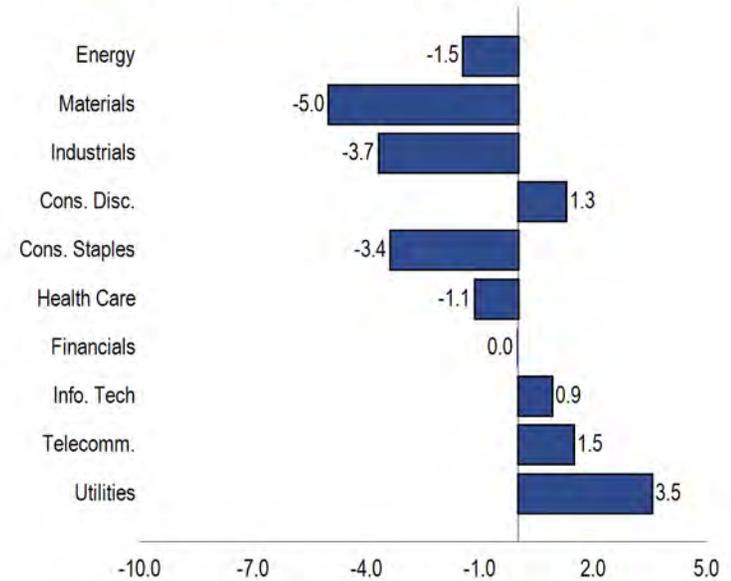
## Top Ten Holdings

AXA	2.9%
NOVARTIS 'R'	2.6%
NATIONAL GRID	2.4%
ASTRAZENECA	2.4%
TOTAL	2.3%
TAIWAN SEMICON.MNFG.	2.2%
STMICROELECTRONICS (PAR)	2.1%
EDP ENERGIAS DE PORTUGAL	2.0%
PRUDENTIAL	2.0%
ROYAL DUTCH SHELL B	2.0%
<b>Total For Top Ten Holdings</b>	<b>23.0%</b>

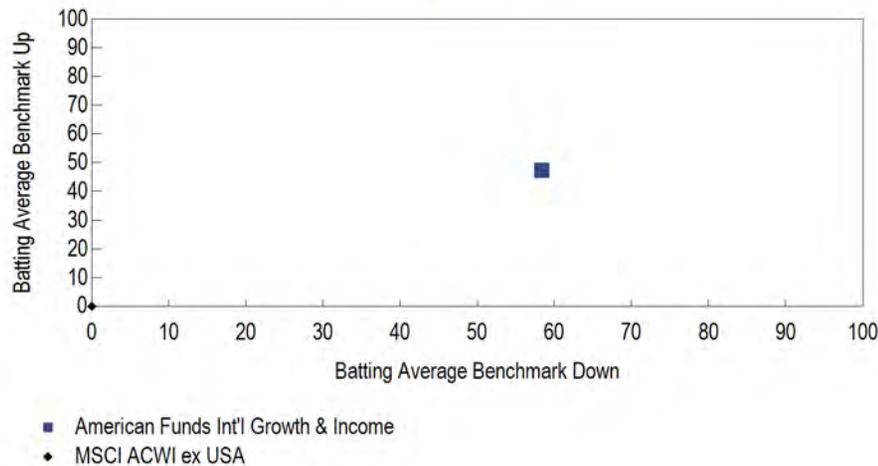
Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



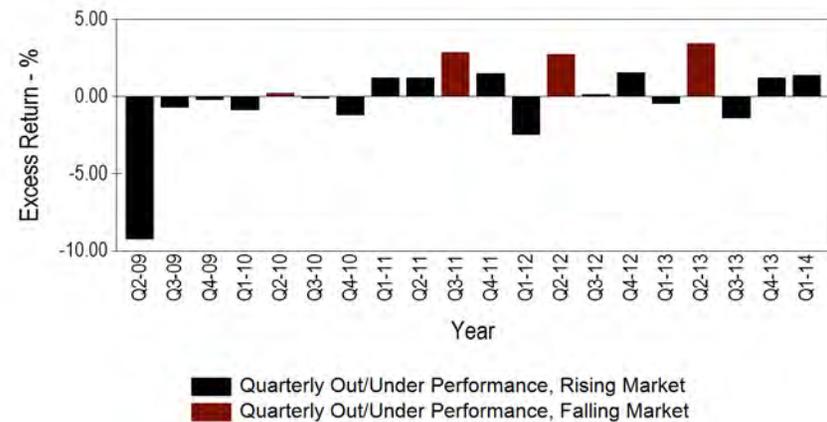
Sector Over/Under Allocation (%) vs MSCI ACWI ex USA



Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



Quarterly Excess Performance



As of March 31, 2014

**Manager Summary**

- The strategy seeks sustainable returns in various market environments.
- Team focuses on the durability of returns and intrinsic value:
  - Quality - company's ability to generate returns above its cost of capital on a sustainable basis.
  - Valuation - stocks that are cheap on a wide range of valuation metrics.
  - Improvement potential - potential value from improving structural conditions.
- Portfolio construction process is based on bottom-up, fundamental research. Sector, industry, country, and regional weightings are generally the residual of this process.
- Portfolio consists of 85 to 100 companies and is fully invested at all times.

**Country Allocation****Versus MSCI EAFE Value - Quarter Ending March 31, 2014**

	Manager Ending Allocation (USD)	Index Ending Allocation (USD)
<b>Top 5 Largest Countries</b>		
Japan	24.8%	19.5%
United Kingdom	22.9%	25.1%
Switzerland	12.8%	4.8%
Germany	10.5%	10.6%
France	6.3%	11.3%
<b>Total-Top 5 Largest Countries</b>	<b>77.4%</b>	<b>71.3%</b>
<b>Totals</b>		
Developed	94.8%	100.0%
Emerging*	1.3%	0.0%
Cash	3.9%	

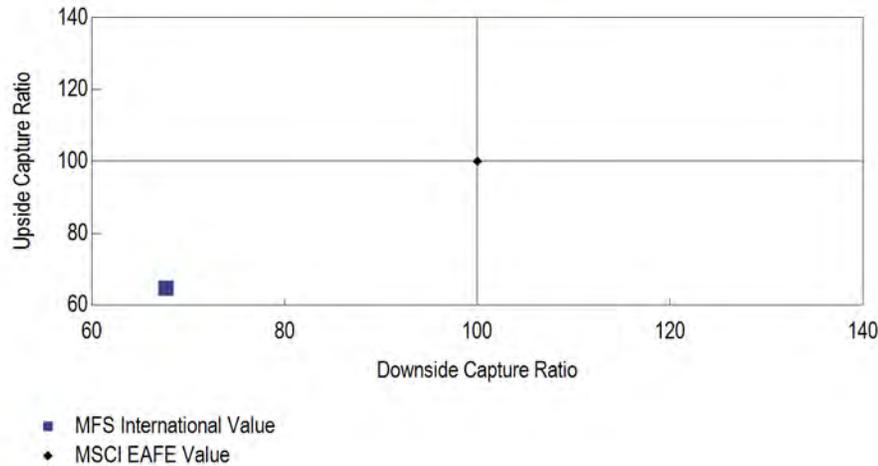
**Portfolio Information**

	Portfolio	MSCI EAFE Value
Number of Holdings	94	488
Weighted Avg. Market Cap. (\$B)	52.70	64.84
Median Market Cap. (\$B)	7.11	8.64
Price To Earnings	18.97	14.78
Price To Book	3.23	1.61
Price To Sales	2.11	1.38
Return on Equity (%)	17.63	11.23
Yield (%)	2.68	3.80
Beta	0.67	1.00

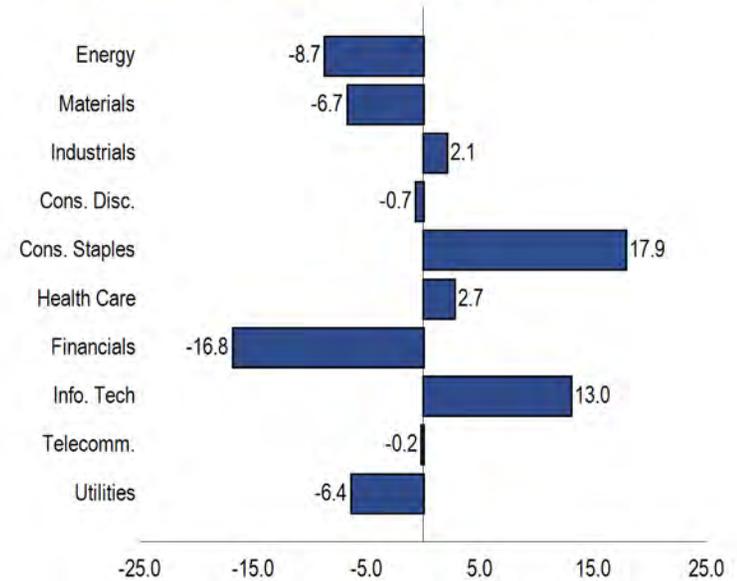
**Top Ten Holdings**

CASH - USD	3.9%
DANONE	3.4%
NESTLE 'R'	3.2%
KDDI	3.2%
KAO	3.0%
GLAXOSMITHKLINE	3.0%
RECKITT BENCKISER GROUP	2.9%
COMPASS GROUP	2.7%
NOVARTIS 'R'	2.7%
ERICSSON 'B'	2.4%
<b>Total For Top Ten Holdings</b>	<b>30.2%</b>

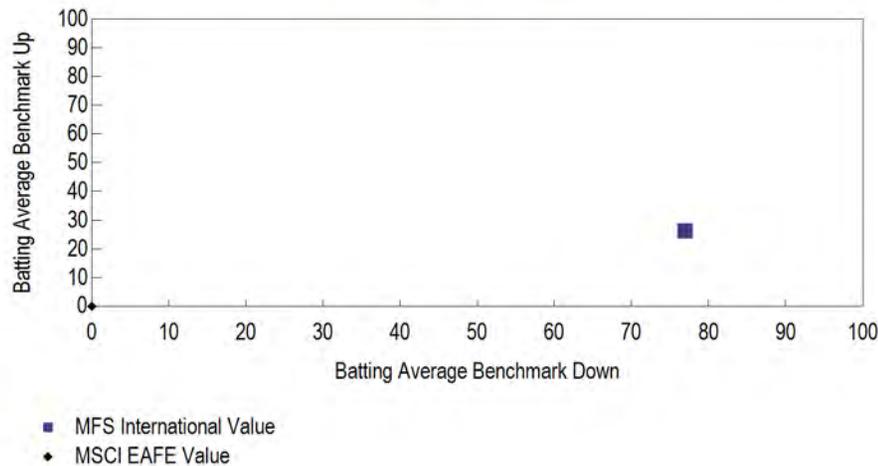
Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



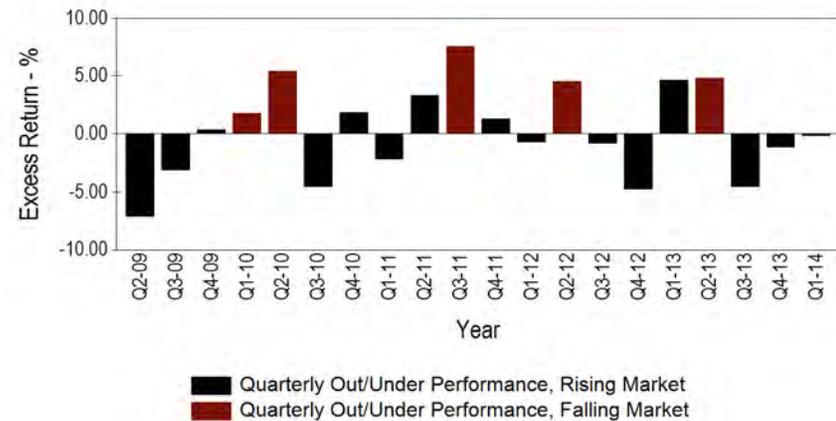
Sector Over/Under Allocation (%) vs MSCI EAFE Value



Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



Quarterly Excess Performance



## Harding Loevner International Equity

As of March 31, 2014

## Manager Summary

- Focuses on investing in high quality, growing companies that can be purchased at reasonable prices.
- Emphasizes four critical characteristics before a company is considered for purchase:
  - Capable management
  - Competitive advantages
  - Durable growth
  - Financial strength
- Seeks to understand companies from a fundamental perspective (bottom-up) and from an industry perspective (relative to peers).

## Country Allocation

## Versus MSCI ACWI ex USA - Quarter Ending March 31, 2014

	Manager Ending Allocation (USD)	Index Ending Allocation (USD)
<b>Top 5 Largest Countries</b>		
Japan	14.5%	14.2%
France	12.5%	7.5%
Germany	12.4%	6.8%
Switzerland	9.6%	6.7%
United Kingdom	8.9%	15.2%
<b>Total-Top 5 Largest Countries</b>	<b>57.9%</b>	<b>50.4%</b>
<b>Totals</b>		
Developed	83.6%	79.4%
Emerging*	16.4%	20.6%

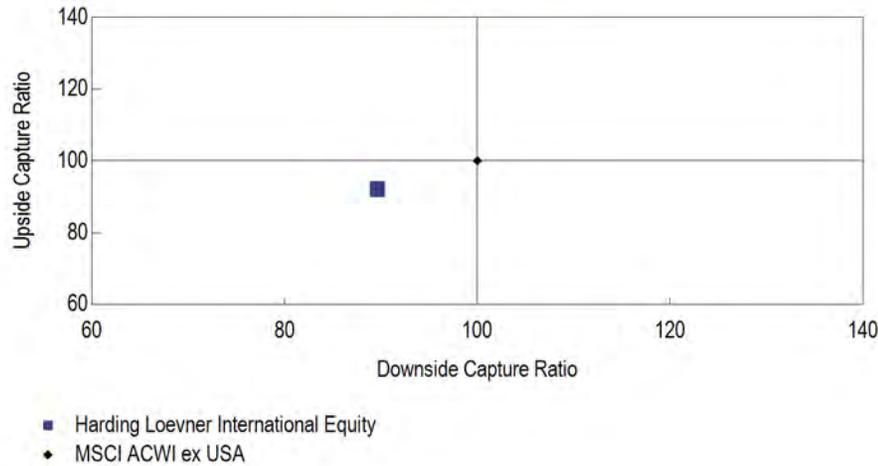
## Portfolio Information

	Portfolio	MSCI ACWI ex USA
Number of Holdings	56	1,824
Weighted Avg. Market Cap. (\$B)	60.79	54.16
Median Market Cap. (\$B)	33.02	6.84
Price To Earnings	22.41	17.62
Price To Book	4.37	2.32
Price To Sales	3.38	1.93
Return on Equity (%)	20.56	14.74
Yield (%)	2.08	2.94
Beta	0.92	1.00

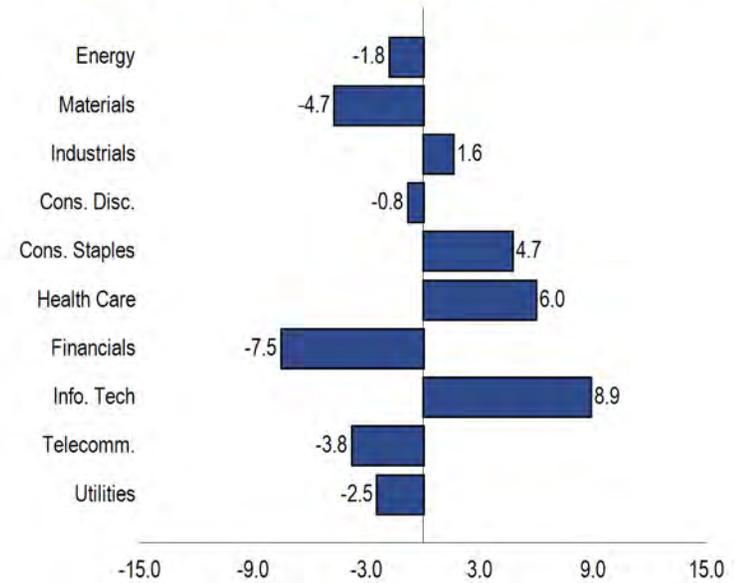
## Top Ten Holdings

SAP ADR 1:1	3.8%
NESTLE SPN.ADR.REGD.SH.S. ADR 1:1	3.6%
ROCHE HOLDING	3.3%
DASSAULT SYSTEMES	3.3%
WPP	3.2%
ALLIANZ	3.1%
AIR LIQUIDE	3.0%
ITAU UNIBANCO BANCO HLDG.ADR 1:1	2.8%
BMW	2.7%
AIA GROUP	2.7%
<b>Total For Top Ten Holdings</b>	<b>31.5%</b>

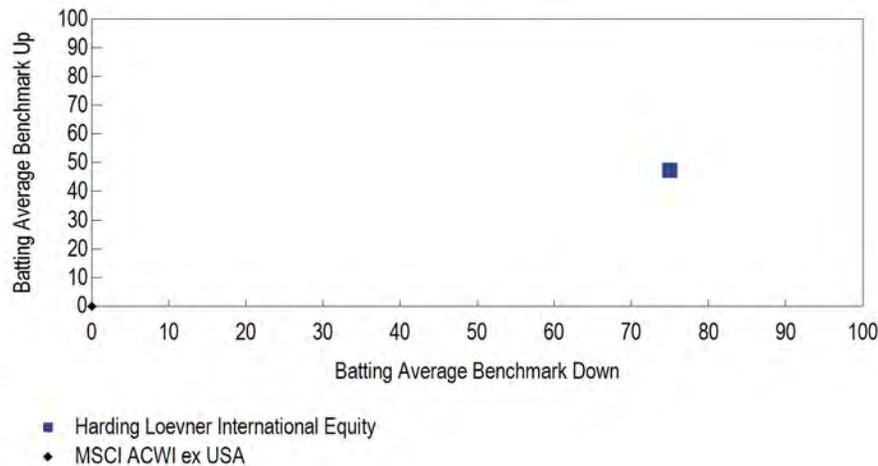
Upside Capture Ratio vs. Downside Capture Ratio  
5 Years Ending March 31, 2014



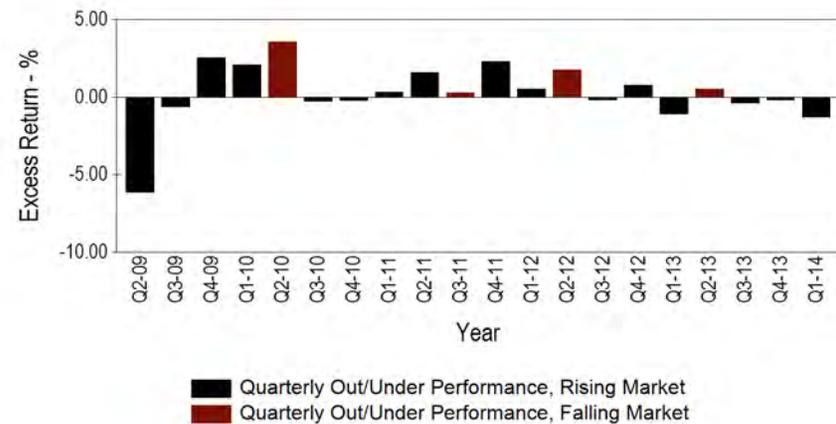
Sector Over/Under Allocation (%) vs MSCI ACWI ex USA



Batting Average Benchmark Up vs. Batting Average Benchmark Down  
5 Years Ending March 31, 2014



Quarterly Excess Performance



# U.S. FIXED INCOME

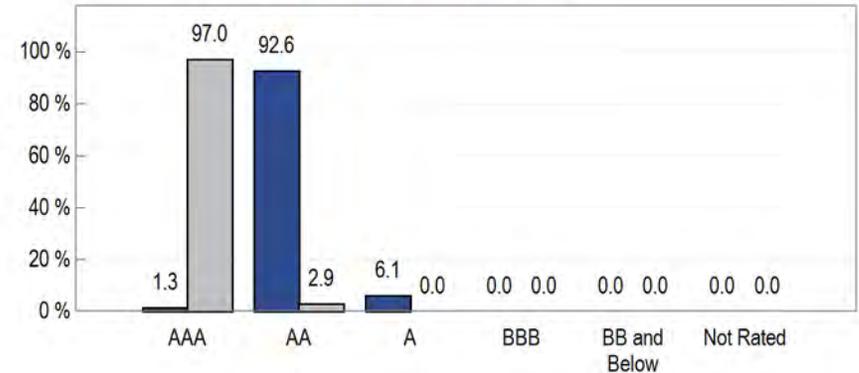
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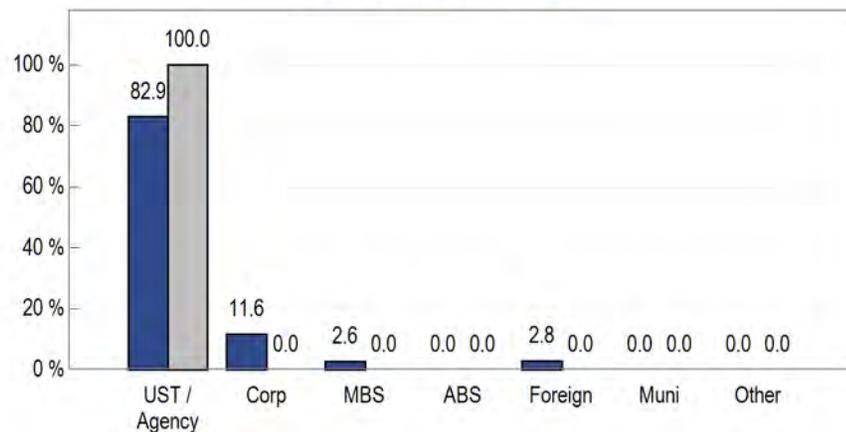
**Manager Summary**

- Strategy focuses equally on duration management, sector selection and yield curve exposure.
- Assess overall market environment and position portfolio to benefit from realistic expectations.
- Will actively trade, including analysis of technical factors, price momentum, interest rate outlook and yield curve movement.

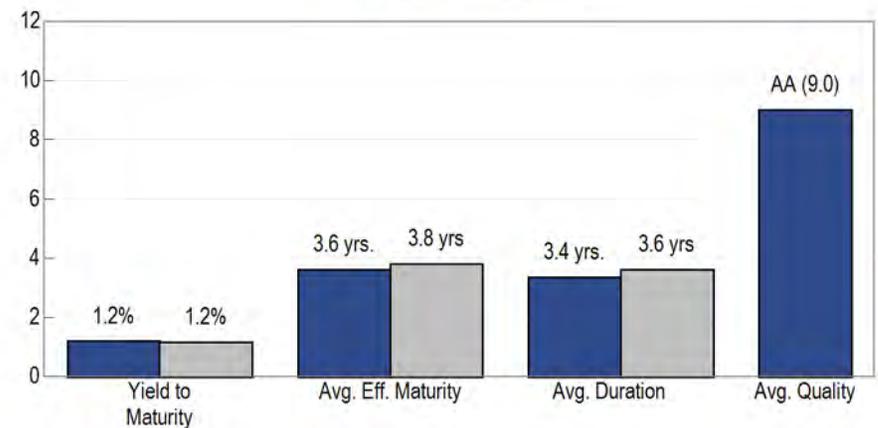
**Quality Ratings**  
Wilmington Trust Fixed Income



**Sectors**  
Wilmington Trust Fixed Income



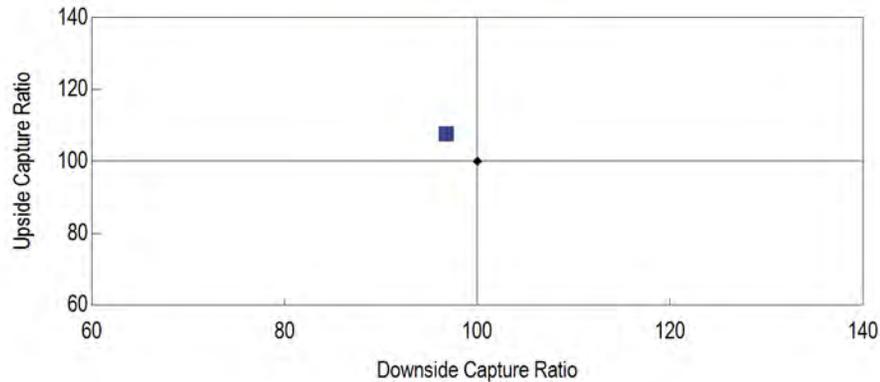
**Characteristics**  
Wilmington Trust Fixed Income



■ Wilmington Trust Fixed Income    ■ Barclays Int Govt.

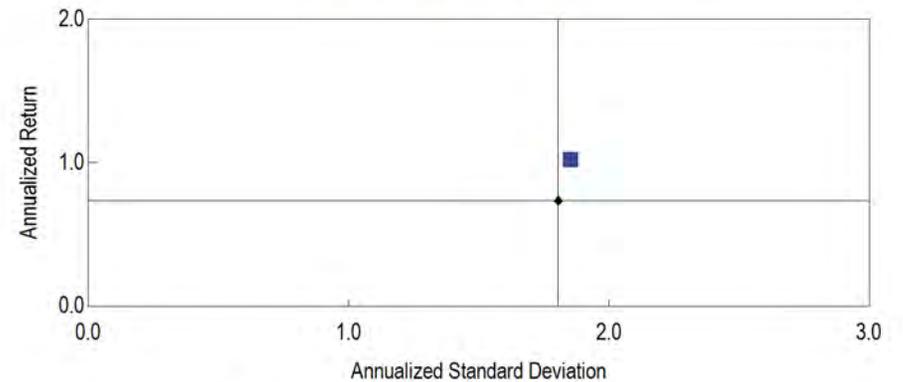
Actual holdings use S&P rankings whereas the Barclays Index uses the median of the three ratings agencies.

Upside Capture Ratio vs. Downside Capture Ratio  
2 Years Ending March 31, 2014



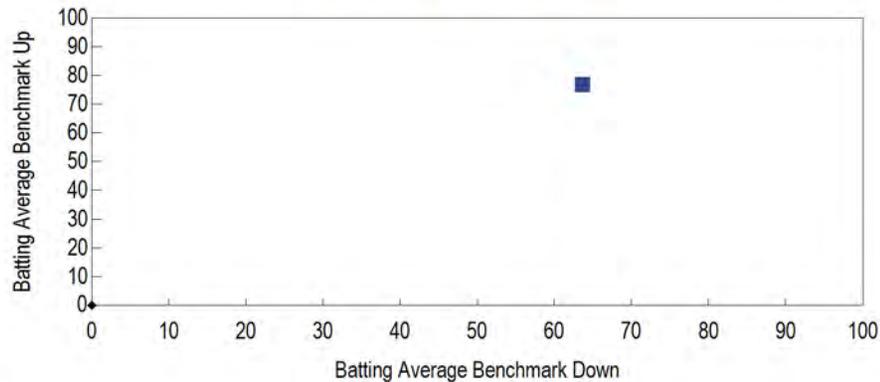
- Wilmington Trust Fixed Income
- ◆ Barclays Int Govt.

Annualized Return vs. Annualized Standard Deviation  
2 Years Ending March 31, 2014



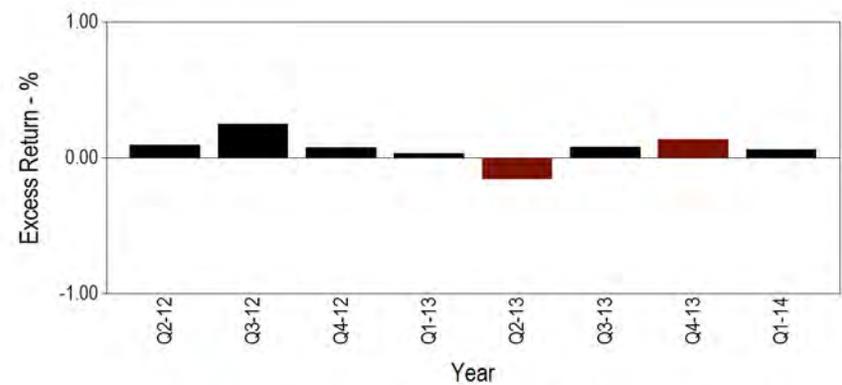
- Wilmington Trust Fixed Income
- ◆ Barclays Int Govt.

Batting Average Benchmark Up vs. Batting Average Benchmark Down  
2 Years Ending March 31, 2014



- Wilmington Trust Fixed Income
- ◆ Barclays Int Govt.

Quarterly Excess Performance



- Quarterly Out/Under Performance, Rising Market
- Quarterly Out/Under Performance, Falling Market

~~Sussex County Employee Pension Plan~~  
**Investment Policy Statement**

Sussex County, Delaware  
Employee Pension Plan

2013<sup>4</sup>

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- Commented [LG1]: When there is no comment, the changes are generally just grammatical or basic clarification
- Commented [LG2]: Throughout the document you'll see changes to "fund" and "plan". This is to clarify the difference between the overall pension plan ("plan") and the "fund" - which refers to the assets in the plan.



## INTRODUCTION

### PURPOSE OF THE STATEMENT

Based upon and in keeping with requirements of Sussex County officials and ~~E~~mployees' Pension Plan participants serving as members of the ~~Employee~~ Pension Committee of ~~the~~ Sussex County ("Committee") under ~~of~~ the Sussex County Code of Ordinances, this Investment Policy Statement (~~"Statement"~~) presents ~~investment~~ objectives, policies, guidelines, monitoring and review procedures relating to ~~financial~~ assets (~~the~~ "Fund") of the Sussex County Employees' Pension Plan (~~collectively, the~~ "Plan"). ~~The Statement's purposes are to:~~ Plan's investment program shall be operated in conformance with federal, state, and all other legal requirements.

**Commented [LG3]:** clarification

The Statement's purpose is to:

- 1) Present appropriate goals and objectives relating to ~~investment management of the Fund.~~
- 2) Recognize and/or specify liquidity and diversification requirements and identify any legal constraints affecting investment management of the Fund.
- 3) Promulgate guidelines, consistent with any Committee-selected investment time horizon(s), Investment ~~management~~Manager classifications, and/or Investment ~~management~~Manager styles; to which any Committee-appointed Investment Manager (~~IM(s)~~) shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the Fund.
- 4) Establish standards and procedures for monitoring, measuring, reviewing, and evaluating ~~Many Investment Manager(s) and/or Fund Custodian's investment performance, along with similar standards and procedures for assuring conformity and/or safekeeping of assets in accordance~~ with investment policies, goals, objectives, guidelines, and/or constraints.
- 5) Foster understanding and effective ~~communications~~communication between ~~the~~ Committee, ~~Staff and staff,~~ and any persons appointed, employed, designated or in any way called upon by the Committee or staff to serve the ~~Plan~~Fund and its participants and/or beneficiaries.

**Commented [LG4]:** Makes it more expansive than just the investment management of the fund

**Commented [LG5]:** moved liquidity to stress its importance

### PLAN DESCRIPTION

The Plan is a public employee retirement plan governed by the Sussex County Code of Ordinances as cited within "Purposes of the Statement"; above.

### PORTFOLIO MANAGEMENT PRECEPTS

The Committee ~~recommends/endorse~~s contemporary investment practices, based upon the construction of well diversified multi-asset-class portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns. ~~The monitoring and investment performance measurement requires comparisons among peers and to chosen benchmarks and measures the financial progress of the Plan itself.~~

**Commented [LG6]:** Better word choice for the responsibility of the committee

**Commented [LG7]:** Redundant to other areas of IPS

## PRUDENCE IN INVESTMENT

### STANDARD OF CARE

#### *1. Prudence*

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

Guidelines respecting prudence have been developed in light of investment objectives related solely to the Plan’s varied and dynamic obligations to its participants and beneficiaries. Actuarial, economic, investment, and socio-political events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Committees and staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

#### *2. Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

#### *3. Delegation of Authority*

Authority to manage the investment assets is granted to the Investment Manager(s). Responsibility for the operation of the investment program is hereby delegated to the Investment Manager(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Statement. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Manager(s). The Investment Manager(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

### RESPONSIBILITIES OF THE COMMITTEE AND STAFF

The Committee is charged under Section 26 of the Code of Ordinances with overall responsibility for investment of the Fund. To assist the Committee in this function, the Committee is authorized to appoint Investment Manager(s), including but not limited to for this purpose: banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) the Fund. Any appointed Investment Manager(s) must agree to act in accordance with all applicable Sussex County Ordinances.

The Committee must also develop policies and guidelines regarding Fund investments. Policies and guidelines are inclusive of, but not restricted to:

**Commented [LG8]:** More detail to better reflect industry standards

**Commented [LG9]:** Moved from page 6

- 1) Establishment of Investment Objectives, Investment Policy, Investment Guidelines, and Review procedures, as set forth herein.
- 2) Establishment of standards for measuring, monitoring, evaluating and comparing investment performance of the Fund to assure that investment returns are reviewed on a regular basis.
- 3) Establishment of authorization, reporting, control, review and general governance procedures to assure that Fund investment policies and guidelines are reviewed on a regular basis. All modifications of policies and/or guidelines shall be in writing, signed by appropriate Committee signatories, and delivered forthwith to any Investment Manager(s) and/or Custodian(s) affected by such changes.
- 4) Establishment of, through contractual relationships with professional organizations, or by alternative means satisfactory to the Committee, a Fund management structure which will assure appropriate investment management, custody, and compliance procedures to attempt to meet objectives in conformity with the Committee's stated investment policies and guidelines.
- 5) The Committee shall examine this Statement from time to time and make appropriate revisions.
- 6) The Committee may consult with legal counsel as necessary.

**RESPONSIBILITIES OF ANY INVESTMENT MANAGER(S)**

The management of the Fund and the responsibilities for investment decisions are delegated to the appointed Investment Manager(s). Any Investment Manager(s) shall exercise complete discretion within the limits established by this Statement. Accordingly, the Investment Manager shall use its best efforts to comply with all Federal, State, and Local regulations in effect during the term of this agreement. Particular attention should be given to the fiduciary duties established by the prudent person doctrine.

Applicable terms, conditions, limitations and restrictions ~~of applicable law upon Delaware fiduciaries~~ notwithstanding, any ~~IM~~ Investment Manager(s) serving the Fund shall discharge any duties relating to the Fund solely in the interest of Plan participants and beneficiaries, shall demonstrate appropriate knowledge of the ~~Plan's~~ Fund's purpose ~~&and~~ contemporary operations, and shall diversify the investments of any Fund ~~investment~~ portfolio(s) so as to minimize the risk of substantial loss.

When contemplating any investment, investment strategy or investment ~~program, course of action, and/or~~ any ~~IM~~ securities transaction, any Investment Manager managing any ~~part of the~~ Fund portfolio shall consider all relevant factual and circumstantial information and the impact of such information ~~on~~ upon a particular investment, strategy, or program, and ~~on~~ upon any investment portfolio of the ~~Total~~ Fund.

Further, respecting investment strategies, ~~programs~~ and/or ~~specific investment actions~~ courses of action for the Fund, any ~~IM~~ Investment Manager shall also consider:

- 1) Potential losses and gains;
- 2) The composition of ~~any IM assigned~~ the Investment Manager's portfolio, ~~and the Total Fund(s)~~ with regard to:
  - a) ~~diversification~~

**Commented [LG10]:** Moved section from page 7

**Commented [LG11]:** Addressed in purpose of fund, page 1

- a) Diversification.
- b) Liquidity and current return relative to the ~~Fund's~~Plan's cash flow requirements.
- c) Projected total return relative to the ~~Plan's~~Plan's funding objectives.

~~Guidelines respecting Prudence have been developed in light of investment objectives related solely to the Plan's varied and dynamic obligations to its participants and beneficiaries. Actuarial, economic, investment, and even socio-political events and trends are fluid factors affecting the funding of those obligations. Accordingly, these guidelines respecting Prudence are, as a part of this Statement, intended singularly to present broad and balanced considerations to guide incumbent and successor Committee and Staff, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.~~

Commented [LG12]: redundant

#### ~~RESPONSIBILITIES OF THE COMMITTEE AND STAFF~~

Commented [LG13]: moved to page 4

~~The Committee is charged under Section 26 of the Code of Ordinances with overall responsibility for investment of the Fund. To assist the Committee in this function, it is authorized and permitted by said Ordinances to appoint an IM or IM(s), including for this purpose: banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) Plan assets. Any appointed IM must agree to conduct itself in accordance with all applicable Sussex County Ordinances.~~

~~The Committee must also develop prudent management policies and guidelines intended to assure that the Plan will fulfill its objectives. Policies and guidelines are inclusive of, but not restricted to:~~

- ~~1. Establishment of investment objectives, investment policy, investment guidelines, monitoring, and reviewing procedures.~~
- ~~2. Establishment of standards for measuring, monitoring, evaluating and comparing absolute and relative All investment performance to assure that investment returns are reviewed data submitted to the Committee or to any designee thereof directly or indirectly by or on a regular basis and investment return objectives are met during acceptable periods of time.~~
- ~~3. Establishment of authorization, reporting, control, review and general governance procedures to assure that investment policies and guidelines are reviewed on a regular basis and conformed to at all times. All modifications of policies and/or guidelines shall be in writing, signed by the President of Sussex County Council, and delivered on a timely basis to behalf of any IM and/or Custodian affected by such changes.~~

~~Establishment of, through contractual relationships with recognized and carefully selected professional organizations, or by alternative means satisfactory to the Committee, a retirement plan management structure insuring appropriate investment management, custody, and surveillance or compliance procedures to meet investment objectives. Investment Manager(s) shall, as applicable, be submitted in conformity with the Committee's stated investment policies and guidelines. Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the CFA Institute.~~

~~The Committee and/or designated staff shall examine this Statement from time to time and recommend appropriate revisions. At least annually the Statement shall be reviewed and communicate any material changes to any persons affected by them.~~

## RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

### Fund management

The delegation of discretion for the management of the Fund and responsibilities for investment decisions are delegated to any appointed IM. Any IM shall exercise complete discretion within be limited by the clear limits established by provisions of this Statement. Accordingly, The Committee requires adherence, when appointing an Investment Manager(s), shall require the Investment Manager(s) to covenant that it shall adhere to Delaware Fiduciary Standards and/or any other Delaware or other pertinent laws as now apply, or may apply in the future, with particular attention to the standards established by applicable rules of law.

Investment Managers Professional Liability (errors and omissions) insurance and insurance for loss caused by dishonest acts of employees including employee theft and others in amounts satisfactory to the Sussex County Council.

Fiduciary insurance, and officer liability and omissions and errors insurance coverage, of any Investment Manager(s), must meet standards set by the Committee from time to time.

Commented [LG14]: Clarification

If, at any time a manager, an Investment Manager(s) believes that this Investment Policy Statement inhibits its investment performance, it is the Investment Manager's responsibility to communicate this view to the Pension Committee and the Investment Consultant. In addition, the Investment Manager will promptly (within 30 days) notify the Pension Committee and Investment Consultant, in writing, regarding all material or significant matters that change pertaining to the investments of the retirement fund assets, changes including but not limited to:

- 1) Changes in investment strategy, portfolio structure, tactical approaches, and market value of managed assets;
- 2) Changes in ownership, organizational structure, financial condition, and/or professional staff of the investment firm; and
- 3) All material legal, SEC, and other regulatory proceedings affecting the firm.

## RESPONSIBILITIES OF THE PLAN FUND CUSTODIAN(S)

Any Custodian(s) appointed by the Committee shall be responsible for safekeeping of the Fund, including all security transaction settlements and deliveries, and for comprehensive recordkeeping and reporting, which shall include any custom recordkeeping, record retention, or reporting reasonably required by the Committee or staff. Ready access to information by the Committee and staff shall be a prime requisite of recordkeeping and reporting services. Transaction records shall be maintained on a trade date basis. Nationally accepted asset pricing should be daily and reported not less often than monthly.

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Safety and continuity of operations shall be the primary objectives of any Custodian. Timely, accurate, and complete recordkeeping and reporting, arising from superior state of the art information systems and committed staff, shall be the primary benchmarks for month-to-month evaluation of Custodian performance.

Commented [LG16]: Dealt with in custodian contract

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). The Plan's Fund's beneficial ownership of all assets shall be inviolate and in all circumstances perfected.

Commented [LG17]: Dealt with in custodian contract

Commented [LG18]:

Commented [LG19]:

Committee or designated ~~44~~Investment Managers(s) authority to direct all investment transactions shall similarly be protected.

~~Ready access to information by the Committee and Staff shall be a prime requisite of recordkeeping and reporting services, with no bar as to frequency of access, nor any delay greater than one day acceptable. Transaction records shall be maintained on a trade date basis and shall remain immediately available for at least two years. Nationally accepted asset pricing should be daily and reported not less often than monthly, and "non trade" transaction records (e.g., stock splits, etc.) should be both available immediately and properly carried into monthly transaction and asset value reports.~~

RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

~~The Committee may utilize the services of an investment consultant for the purpose of performance review, asset allocation studies, manager screening and selection and topical studies, or any other service deemed necessary and agreed upon by the Committee and Investment Consultant. The comments and recommendations of the consultant will be considered by the Committee in conjunction with other available information for the purpose of making an informed and prudent decision.~~

**Commented [LG20]:** Some of this section was moved to previous page. Other part deleted because it belongs in contract with custodian, not in policy.

**Commented [LG21]:** New section to include consultant (Peirce Park Group)

## INVESTMENT OBJECTIVES

Investment objectives ~~for the Plan~~ represent anticipated results and are long-term in nature. Given the ~~Committee~~ Committee's assumptions respecting current and projected Plan and capital market conditions, the ~~following Objectives have been delineated~~ Fund objectives are:

- 1) ~~All Plan~~ Fund fiduciaries shall discharge their responsibilities and ~~the Fund~~ assets shall be invested in a manner consistent with ~~relevant law~~ this Statement, and generally accepted fiduciary standards. Further: (a) all transactions undertaken on behalf of ~~the Plan~~ this Fund shall be solely in the interest of Plan participants and ~~their~~ beneficiaries, and (b) with reference to prudence in ~~Investment (page 4)~~ Investments, set forth earlier in this Statement, safeguards and diversification to which a prudent investor ~~is familiar with~~ and managing the Fund of this Plan Fund under known or foreseeable circumstances would adhere, and (c) liquidity and current return ~~should be~~ consistent with rationally anticipated cash flow requirements of the Fund, shall be governing factors in all investment considerations.
- 2) Consideration shall be given to suitable long-term Fund investment intended to provide Fund capital and income growth ~~which may be utilized to increase future benefits and thus maintain the purchasing power of Plan participants and their beneficiaries;~~ The Committee anticipates that such capital and income growth will be achieved during each economic and/or securities market cycle and/or within its selected three to five (3-5) year investment time horizon.
- 3) Consideration shall also be given, granting conformity with the objectives of 2~~7~~, above, to providing adequate and timely Fund cash flows to meet anticipated Plan benefit payments, with sufficient reserves to meet ~~relatively smaller flows for~~ unanticipated benefit payments; Adequate emphasis, consistent with the foregoing, shall be placed upon current investment return; Any Fund ~~IM should expect to receive~~ Investment Manager(s) shall be responsible for seeking periodic projections of Fund liquidity requirements ~~but, in the absence of such projections, shall be responsible for seeking necessary information~~ from the Committee or any party designated by the Committee for this purpose.
- 4) While professional managers may strive to record positive rates of investment return during all measurement periods, securities markets are unlikely to provide a consistently favorable climate, on a shorter-term basis, for longer-term investments. Therefore, ~~considering usual multi-year economic and/or the Committee set forth the following investment eyes, and the three to five (3-5) year investment time horizon selected by the Committee, requisite but not exclusive objectives for~~ comparative or benchmark measures of Fund investment return, and of risk or volatility, are delineated as follows:
  - a) ~~Commensurate with preserving participant~~ Based upon current and beneficiary purchasing power through the projected Plan, it is desired to achieve a positive real (post-inflation) rate and capital market conditions, the Committee desires net returns meeting or exceeding the Plan's actuarial rate of return during any assumption as the multi-year period and over the life of the Plan. return target.
  - a)b) ~~Consistent with anticipated real returns (above) and separate asset class returns (below), annualized Total Fund investment performance, for periods of three to five (3-5) years or more, is expected to meet or exceed the Plan's assumed actuarial rate and to 4 a) above, multiyear (5 year) return is desired to meet or exceed the annualized investment performance of a Fund "policy index" comprised of a weighted average of relevant~~

**Commented [LG22]:** A full cycle may not necessarily be 3-5 years

**Commented [LG23]:** Clarification

~~asset-class indexes matched with policy or "target" asset allocations in effect on average for the Fund during the period considered.~~

Commented [LG24]: Dealt with elsewhere

~~a. Consistent with a., above, the Total Fund's investment return volatility, as measured by the standard deviation of quarterly investment returns, is not expected to exceed the volatility of the policy index during any three to five (3-5) year measurement period.~~

~~b. Also consistent with a., above, Total Fund domestic equity investment returns are expected to meet or exceed similar annualized returns of the Russell 3000 Stock Index during periods of three to five (3-5) years or more; equity investment returns of any specific IM, annualized, are expected to meet or exceed returns of any index or benchmark cited in writing by the Committee as appropriate to the investment process or "style" of any specific IM.~~

~~e. Also consistent with a., above, Total Fund domestic fixed income investment returns, annualized, are expected to meet or exceed similar returns of the Lehman Brothers Intermediate Government/Credit Bond Index during periods of three to five (3-5) years or more; as in d., above, any index or benchmark may be chosen by the Committee as appropriate to the investment process, "style", or time horizon of any specific IM.~~

~~d. All investment performance data submitted to the Committee or its designees directly or indirectly by or on behalf of any IM shall, as applicable, be submitted in conformity with the North American Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the Association for Investment Management and Research.~~

5) Investment performance objectives ~~effor~~ for the Fund are, as stated initially under *Investment Objectives*, above, long-term in nature. Concern respecting market value or Fund investment return volatility and other measures reflecting investment uncertainty, will be addressed ~~in part~~ by functional constraints imposed by the Committee through asset (class) allocations, investment management processes or ~~"styles"~~ chosen, portfolio diversification requirements, and other investment management guidelines and/or limitations.

## INVESTMENT POLICY

Investment Policy delineates controls and the associated monitoring intended to enhance the likelihood of meeting Investment Objectives ~~during acceptable periods of time.~~

### ASSET ALLOCATION

Asset class allocation, resulting in so-called asset mix ~~or investment ratios~~, is intended to afford an ~~optimum~~ appropriate approach toward Fund Investment Objectives while limiting investment risk by ~~assuring~~ providing basic diversification. The ~~variable~~ percentages of asset classes delineated ~~below~~ in Attachment I provide a framework through which the ~~Fund~~ Fund's investments may be adjusted to meet economic and/or investment market conditions while remaining centered on the allocation target deemed ~~most~~ appropriate to the ~~Fund's~~ Fund's long-term Investment Objectives.

<u>In</u> <u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>	<u>Benchmark</u>
	%	%	%	
Domestic Equity	50	55	60	Russell 3000
International Equity	10	15	20	MSCIEAFE
Fixed Income Gov't/Credit	25	30	35	Lehman Intermediate

~~In the the event an~~ Investment Manager invests in more than one asset class, for example, a balance manager or global equity manager, the manager's benchmark allocation to each asset class will be attributed to that particular asset class. For example, if a global equity manager's benchmark is allocated ten percent of the total fund and its benchmark is invested sixty percent of their allocation in international equities, sixty percent of their allocations will be attributed to international equities and therefore, six percent of the total fund allocated to international equities.

### ALLOCATION MONITORING/REBALANCING

The Committee ~~or their designee(s)~~ shall review asset allocation quarterly to monitor ~~Total Fund~~ asset allocation targets. In the event that asset allocations ~~because of cash flows or market value changes~~ fall moderately outside the ranges in the tables ~~above, any in Attachment I, the~~ appointed Custodian(s) may be notified and instructed by the Committee to adjust ~~contribution~~ cash flows to ~~any specific IM and thus~~ return the ~~Total Fund~~ to appropriate asset allocation levels. Should an allowable range be breached substantially, ~~i.e., by ten (10) percent of per portfolio per IM assets or five (5) percent of Total Fund Assets, any IM~~ the Investment Manager(s) involved may be required by the Committee to adjust assets immediately. The Committee may set asset allocation ranges for ~~any specific IM~~ individual Investment Manager(s) different from ranges for the ~~Total Fund-Fund~~.

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## LIQUIDITY

Emphasis shall, per Investment ~~Objectives~~Objective, 3-, P.8, above, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Committee ~~endeavors~~endeavor to meet ~~all of the Plan's~~Fund's multiple Investment Objectives through asset allocation and ~~constructive~~Investment Guidelines. Nevertheless, any ~~IM~~Investment Manager(s) appointed by the Committee shall be responsible for seeking from the Committee or ~~its~~their designee(s) current information respecting Fund cash flow requirements and for assisting in meeting said requirements.

## PROXY VOTING

~~While matters of public interest as well as corporate governance have long been a part of publicly owned corporations' Annual Meetings and proxy voting activity in the United States, the Committee continues to believe that the Fund's proxy voting must be based upon the long-term economic value of the securities represented in each case and thus solely in the interests of Plan participants and their beneficiaries.~~

~~The Committee delegates timely and complete proxy voting to any IM to assure that the interests cited immediately above have been met. Delegation as stated precludes Committee interference with or exercise of proxy voting, but does not preclude any IM request for and independent consideration of Committee views officially determined and expressed.~~

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## DIVERSIFICATION

Total

### DIVERSIFICATION

Fund investments must be diversified broadly to minimize the risk of substantial ~~losses~~loss. The Committee recognizes that significant diversification is accomplished through asset allocation and the selection of investment management organizations. Nevertheless, the Investment Guidelines provided herewith include certain ~~provisions~~constraints intended to optimize investment diversification.

PROXY VOTING

Matters of political and public interest as well as corporate governance have long been a part of Annual Meetings and proxy activity in the United States. The Committee adheres to a policy of proxy voting intended to protect the long-term value of the equity securities represented in each vote, provided said vote, when exercised, would be solely in the interest of Plan participants and their beneficiaries. The Committee, when delegating proxy voting authority to any Investment Manager(s), may provide general guidance as to the Committee's proxy voting standards, but shall provide proxy matter viewpoints only if and as requested, by any Investment Manager(s).

Commented [LG29]: Updated/clarification

MUTUAL &AND OTHER COMMINGLED FUNDS

Given the nature of mutual and other commingled funds, it is recognized that there may be deviations between the objectives, intent or specific requirement of this Investment Policy Statement and the stated objectives, intent or content of any mutual or other commingled fund. However, every effort shall be made, to the extent practical, prudent and appropriate, to select mutual or other commingled funds that have investment objectives and policies that are consistent with this Investment Policy Statement.

DELAWARE LOCAL GOVERNMENT INVESTMENT POOL

Fund assets may be invested in the Delaware Local Government Investment Pool (DELGIP). The Committee recognizes that the DELGIP has its own investment guidelines and invests substantially different than the Sussex County Investment Policy permits. However, the Fund may be invested in the DELGIP due to the broad diversification and low loss. If the Committee invests in the DELGIP, it will attempt to make the overall investments of the Fund as consistent as possible with the Investment Policy Statement.

Commented [LG30]: Don't know why this was in original.

## INVESTMENT GUIDELINES

Investment Guidelines describe for ~~any IM~~ the guidance of Fund Investment Manager(s) and for the information of ~~any the Fund Custodian or interested person(s)~~ a wide range of permissible investment activities and choices while also delineating, specifically or by broader proscription, those which are not permissible. Investment Guidelines for the Fund appear below. Different guidelines and benchmarks may be assigned to individual Investment Managers by written authority of the Committee.

Commented [LG31]: clarification

### GENERAL GUIDELINES

Subject to the asset allocation ranges set forth ~~on page 10 of the Investment Policy as a table in Attachment I~~, or separate asset allocation ranges assigned specifically to any ~~IM~~ Investment Manager(s) by the Committee, any ~~IM~~ Investment Manager is expected to undertake ~~flexible~~ discretionary management of any Fund assets portfolio. Nevertheless, when responsible for any Fund investment portfolio, ~~an IM~~ the Investment Manager(s) shall report immediately to the Committee or ~~its designee(s)~~ their designees any shift between or ~~change~~ decrease in market value of asset classes during any calendar quarter which equals or exceeds ten (10) percent of the market value of the assets assigned to the ~~specific IM~~ Investment Manager(s). For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

~~The Committee has determined that the following investments and investment practices, are not suitable for the Fund:~~

Commented [LG32]: Moved to page 15-16

- ~~1. Buying or (short) selling securities on margin, and/or the use of any other form of leverage, except the lending of securities if approved in writing by the Committee.~~
- ~~2. Privately placed or otherwise unregistered securities excepting fixed income securities, issued under SEC Rule 144(a).~~
- ~~3. Investment in commodities or in any type of commodities contracts, forward or futures trading activities, and all forms of portfolio hedging, except the limited use of stock options and/or currency hedges; (see Domestic Equity and International Equity Investment Guidelines, below).~~
- ~~4. Fixed income investments that include deep discount or zero coupon (excepting U.S. Treasury securities, tax exempt, indirectly asset backed or spread dependent, and stripped or otherwise derivative or synthetic securities. Certain exceptions are delineated below.~~

## DOMESTIC EQUITY INVESTMENT GUIDELINES

~~The Committee and/or designated staff shall review the Fund regularly, no less often than annually, to assure that the domestic equity limit of 60% (sixty) percent of Fund market value is not exceeded; as necessary, any Custodian will be instructed to redirect cash flows to or from any IM or to accommodate immediate Committee directed IM asset allocation revision to restore the Asset Allocation currently approved by the Committee.~~

~~Permissible equity investments shall include convertible securities, which shall be limited to ten (10) percent of Fund assets at market value, as well as American Depositary Receipts (ADRs), equally limited.~~

~~Any IM retained for this mandate~~Manager(s) shall conform to the ~~Domestic Equity~~ Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Committee for prior approval, as must any change in the ~~“style”~~ or investment philosophy, process, or practices approved by the Committee at the time any ~~IM~~Investment Manager was retained to serve the Fund.

### Specific Guidelines, Domestic Equity

- 1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each ~~IM~~Investment Manager retained to manage ~~domestic equity~~ securities.
- 2) Each ~~IM retained for this mandate~~Investment Manager shall select ~~domestic equity~~ investments in conformity with criteria normally applied in its decision making process and ~~that have been~~ previously reviewed and approved by the Committee.
- 3) ~~No IM shall invest on a market value basis more than five (5) percent of the domestic~~The total annualized investment return from all investments of the Fund and each asset class of the Fund is expected to meet or exceed the total annualized return of the appropriate benchmark designated for rolling five (5) year periods.
- 4) Any security purchased in compliance with the quality, maturity, and/or diversification standards cited above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Committee with background information and an intended future course of action by any Investment Manager(s). The Committee may, upon review, approve temporary or indefinite retention or, in the Committee’s best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. For any individual Investment Manager(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of securities (5 percent “basket clause”).
- 5) Any Investment Manager(s) managing active portfolios may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Committee; as a general expectation those managers should exceed their assigned benchmarks, net of fees, on an annualized basis over periods of five (5) years or more.

The Committee has determined, except as noted in the Mutual Funds and Other Commingled Funds guidelines that the following investments and investment practices are **not suitable** for the Fund. (Certain exceptions are delineated below, see Fixed Income Guidelines)

**Commented [LG33]:** The changes on the following 3 pages, for the most part, reflect combining domestic and international equities into one category - Equity Guidelines.

Some of the guidelines were moved to general guidelines to lessen redundancy.

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- 1) Buying or (short) selling securities on margin, and/or the use of any other form of leverage, including the lending of securities, unless approved in writing by the Committee.
- 2) Privately placed or otherwise unregistered securities excepting fixed income securities, issued under SEC Rule 144(a), which are demonstrably marketable and otherwise within guidelines.
- 3) Direct Investment in commodities or in any type of commodities contracts, forward, or futures trading activities, and all forms of portfolio hedging, excepting the limited use of stock options and/or currency hedges. Investments in mutual funds that invest in commodities are not considered direct investments.
- 4) Fixed income investments may not include deep discount or zero coupon (excepting U.S. Treasury) securities, tax exempt, derivative or synthetic securities, such as collateralized debt obligation (CDOs), credit default swaps (CDS), interest rate swaps and any total return swaps.

#### EQUITY INVESTMENT GUIDELINES

- 1) Permissible equity investments shall include convertible securities and publically traded REITS, which shall be limited to five (5) percent of Fund at market value, as well as American Depository Receipts (ADRs), equally limited.
- ~~2) \_\_\_\_\_~~ No Investment Manager shall invest on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity security(ies) of a single corporation or group of directly affiliated corporations, nor maintain an investment of more than eight (8) percent similarly calculated. Exceptions may be granted to this limitation only if provided for in writing with the Investment Manager or in the investment guidelines of the Investment Manager contract.
- ~~2)3) \_\_\_\_\_~~ No ~~IM~~Investment Manager may make or maintain an investment equaling or exceeding ~~four and nine tenths (4.9)ten (10)~~ percent ownership of the outstanding ~~domestic~~ equity security(ies) of a single corporation, or group of directly affiliated corporations, without the written consent of the Committee.
- ~~3)4) \_\_\_\_\_~~ Each ~~IM~~Investment Manager(s) are expected to purchase marketable ~~domestic~~ equity securities listed on national securities exchanges or actively traded within the national NASDAQ framework; ~~domestic~~ U.S. equity securities, purchased outside the channels cited, or purchased without regard to necessary market liquidity as demonstrated through weekly trading statistics, place upon ~~any IM~~the Investment Manager(s) a special burden respecting ~~Committee~~the Committee's tolerance of unacceptable risk and/or losses which might ensue.
- ~~4)5) \_\_\_\_\_~~ As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by ~~each IM~~an Investment Manager(s) managing ~~domestic~~U.S. equity securities in "covered" or hedging postures; but not in "naked" or speculative postures.
- ~~1. \_\_\_\_\_~~ Again the total annualized investment return of all domestic U.S. equity investments of the Fund is expected to meet or exceed the total annualized return of the Russell 3000 Stock Index for cumulative periods of three to five (3-5) years or more.
- ~~2. \_\_\_\_\_~~ Any IM serving as an active domestic U.S. equity manager will be assigned an index or other type of benchmark deemed suitable for it and agreed upon with the Committee; as a general

expectation any IM should exceed its assigned benchmark, post fees, on annualized bases during periods of three to five (3-5) years or more.

#### **INTERNATIONAL EQUITY INVESTMENT GUIDELINES**

The Committee and/or designated staff shall review the Fund regularly, no less often than annually, to assure that the International Equity limit of 20% (twenty) percent of Fund market value is not exceeded; as necessary, the Custodian(s) will be instructed to redirect cash flows to the DA(s) or to accommodate immediate Committee-directed DA(s)' asset allocation revisions to restore the asset allocation currently approved by the Committee/Trustees. Stated percentages may include foreign equity securities admitted to trading on U.S. Stock Exchanges or NASDAQ; American Depositary Receipts (ADRs) shall be designated as domestic equities.

#### **Specific Guidelines, International Equity**

5)6) ~~Investment in International Equity, is permissible up to the maximum stated in asset allocation (page 10). Each IM retained as an International Equity Manager must receive specific Committee authorization to invest in International Equity. Investing in emerging market equity securities is permissible subject to a maximum of fifteen (15) percent of any international equity portfolio at market value. Appropriate~~ Proper global, regional, national, industry and individual security diversification ~~must~~ should be maintained at all times.

1. Any IM retained for this mandate is expected to select International Equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Committee.
2. No IM shall invest more than five (5) percent of the equity portion of any International Equity portfolio in the equity security(ies) of a single corporation or group of directly affiliated corporations; no IM may maintain an investment equaling or exceeding eight (8) percent ownership in the equity security(ies) of any corporation, or group of directly affiliated corporations, without the written consent of the Committee, nor may any International Equity IM exceed four (4) percent ownership of the outstanding equity of any company or group of affiliated companies.
3. Any IM retained for this mandate shall purchase marketable foreign stocks traded on regulated foreign or U.S. stock exchanges for which trading activity is published on a daily basis and for which any IM can demonstrate necessary liquidity as well as acceptable investment quality standards.
4. The annualized total investment return from any portfolio of International Equity investments of the Fund is expected to meet or exceed after fees the annualized total return of an appropriate benchmark, to be agreed upon by any IM and the Committee, for periods of three to five (3-5) years or more. In the absence of another selected benchmark, the Morgan Stanley C.I. "EAFE" Index shall serve as benchmark.

6)7) Because an active currency hedging strategy may reduce risk of loss and/or enhance ~~IM~~ International Equity manager investment performance, hedging to protect against currency impact upon a security position ~~may be in the best interest of the Fund~~ is permissible. Nevertheless, the purchase of speculative or "naked" currency contracts (i.e., "currency trading"<sup>22</sup>

or related risk taking), undertaken without a demonstrable exposed investment position to be hedged in a specific currency), is prohibited.

#### ~~DOMESTIC FIXED INCOME INVESTMENT GUIDELINES~~

**Commented [LG34]:** More detailed guidelines are provided in Investment Manager contract

~~The Committee and/or designated staff shall review the Fund portfolio regularly, no less often than annually, to assure that the domestic fixed income securities market value limit of 35% (thirty five) percent is not exceeded. As necessary, any Custodian will be instructed by the Committee to redirect investment and/or contribution cash flows to or from any IM or to accommodate immediate Committee ordered portfolio revisions to restore the asset allocation currently approved.~~

~~Any IM retained for this mandate shall conform to the Domestic Fixed Income Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Committee for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Committee at the time any IM was retained to manage domestic fixed income securities of the Fund.~~

#### ~~Specific Guidelines, Domestic Intermediate Term Fixed Income~~

- ~~1. Full discretion, consistent with the Investment Objectives, Policies, and Guidelines set forth in this Statement, is granted to each IM retained to manage domestic intermediate term fixed income securities.~~
- ~~2. Any IM retained for this mandate is expected to select domestic intermediate term fixed income investments in conformity with the criteria normally applied in its decision making process and previously reviewed and approved by the Committee.~~
- 1) Suitable ~~domestic intermediate term~~ fixed income investments include, but are not limited to, U.S. Treasury and Agency ~~securities, taxable municipal~~ securities, marketable debt securities of U.S. corporations, U.S. certificates of deposit and ~~bankers~~banker's acceptances, and commercial paper or other generally utilized money market or cash equivalent investments, ~~including~~ money market mutual funds meeting the quality standards, ~~preferred stocks and privately placed issue under SEC rule 144(a) are also permitted subject to limitations delineated on page 16, below.~~
- ~~3. Foreign fixed income securities, if rated Baa or above, including Canadian securities, denominated in U.S. dollars (i.e., foreign "Yankee" and Canadian U.S. pay securities) may be purchased to a limit of fifteen (15) percent.~~
- ~~4. Permissible private placement (Rule 144a) securities, per General Guidelines, 2., p. 12 above, shall not exceed twenty (20) percent of the market value of any domestic intermediate term fixed income portfolio. Fixed income investments may not otherwise include unregistered, deep discount or zero coupon securities (excepting U.S. Treasury, see 11., p. 16, below), tax exempt, indirectly asset backed, spread dependent, stripped, or otherwise derivative or synthetic securities. (See also 13., p. 17, below).~~

2) Investment Managers are given latitude in security selection subject to the following restrictions:

- a) ~~No issuer, other than the U.S. Government or other Federal agencies, may represent more than five (5) percent of the total market value of the fixed income portfolio managed by any Investment Manager(s).~~
- b) ~~At no time shall margin or other leveraged transactions, short sales, forward or futures trading, or any form of portfolio hedging be employed in the management of domestic intermediate term fixed income investments without prior written approval of the Committee.~~
5. ~~The total annualized investment return of all domestic fixed income investments of the Fund is expected to meet or exceed the total annualized return of the Lehman Intermediate Government Credit Index for periods of three to five (3-5) years or more.~~
- b)c) ~~The average quality of the domestic intermediate term fixed income portfolio securities purchased by any Investment Manager(s) shall equal or exceed "A", the third broad investment grade as determined by Moody's, Standard & Poor's, Fitch, Duff & Phelps, Thompson's Bank Watch. If commercial paper is purchased, acceptable quality shall be A1 or P1 or "Prime", with no second level considered.~~
6. ~~The minimum quality of any single fixed income investment shall be investment grade, as defined by two out of three of the following rating agencies; Moody's, Standard and Pools, or Fitch. If an investment is made in commercial paper, the single standard shall be A1 or P1 or "Prime".~~
- d) ~~The average So called non-investment non-investment grade bonds (below Baa) are permissible but may not constitute more than twenty (20) percent of the fixed income portfolio.~~
- e) ~~The effective duration of domestic fixed income portfolio securities, said average including any investments considered to be reserve or cash equivalent assets specific to any fixed income portfolio, shall never be no more than nine (9) months 25 percent greater or less than the most recently published average or effective duration of the fixed income policy benchmark.~~
- f) ~~There shall be no limit upon investment in U.S. Treasury securities as a percentage of domestic intermediate term fixed income investments at cost or market value, except that any single coupon issue thereof may constitute at purchase no more than thirty (30) percent of domestic any Investment Manager(s)' fixed income portfolio investments at market value, nor and any single Treasury zero coupon issue ten (10) percent at market value, with a per portfolio collective limit for Treasury or Agency zero coupon securities of thirty (30) percent at market value and an eight (8) year effective duration limit for any zero coupon security. Federal Agency securities are hereby limited to fifty (50) percent of any domestic fixed income investment portfolio investments at market value, twenty-five (25) percent per agency, and to ten (10) percent, at market value, with a per-issue limit of ten (10) percent at market value, excepting zero coupon Agency securities which shall be limited to five (5) percent per issue at market value. Permissible Rule 144a securities shall also be limited to twenty (20) percent of the market value of the portfolio. Lower limits are set for other types of securities. Without prior written Committee approval, with exception to Treasury and Agency securities, any single security issue shall not constitute more than five (5) percent Federal Agency issue.~~

~~12. Any domestic fixed income security purchased in compliance with the quality, maturity, and/or diversification standards cited in 3., through 12., above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing non-compliance (e.g., fixed income portfolio decline to sub-standard average quality), may in lieu of immediate sale, be reported to the Committee, with background information and an intended future course of action, by any IM. The Committee may approve temporary or indefinite retention or, in the Committee's best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. Securities retained under such circumstances shall constitute no more than five (5) percent of the market value of domestic intermediate term fixed income securities (5% "basket clause").~~

~~13. AAA rated asset backed securities and AAA rated agency and private label mortgage backed securities, including collateralized mortgage obligations limited to five (5) percent per issue and ten (10) percent of the market value of any domestic intermediate term fixed income portfolio at the time of purchase, are suitable fixed income investments, provided said obligations afford no features which would increase volatility beyond that of the underlying collateral. (E.g., C.M.O. "floaters" indexed to the London Interbank Offering Rate or LIBOR would not be suitable investments.)~~

## REVIEW PROCEDURES

All *Investment Policies, Objectives and Guidelines* contained in this Statement shall be reviewed by the Committee annually, or whenever circumstances change to the extent that the earlier representations are ineffective or inappropriate. All concerned parties shall be notified, in writing, of any changes and/or additions to this Investment Policy.

- 1) Investment performance ~~shall~~will be reviewed quarterly.
- 2) ~~Total Fund~~ asset class (e.g., ~~domestic~~ equity, ~~international equity~~, ~~domestic~~ fixed income), and asset sub-class and/or “style” returns, shall be compared to ~~universes of~~ returns of comparable professionally managed tax-exempt balanced, equity and fixed income portfolios or collective or mutual funds as well as to benchmark indices or index composites.
- 3) It is expected that the investment performance of ~~an IM~~any Investment Manager(s) will rank above ~~any~~ agreed upon ~~universe median or index~~peer group medians over periods of ~~three to five (3-5) or more~~ years and will meet or exceed the Investment Objectives previously identified in this Statement. Any Investment Manager(s) failing to keep pace with stated performance norms may be placed on probation and evaluated as to whether it is in the best interest of the Fund to have the Committee retain the services of said Investment Manager(s).
- 4) The Committee reserves the right to terminate a relationship with any ~~IM~~Investment Manager(s) at any time, subject to the terms of any investment advisory agreement, if the Committee determines that said action is warranted. In addition, the Committee reserves the right to remove assets, in part, at any time, provided that ~~any~~ contracted asset and/or ~~fee minimum~~minimums of any ~~IM~~Investment Manager(s) are met ~~or a change is negotiated~~.
- 5) ~~Any IM~~Investment Manager(s) shall provide statements of assets under management to the ~~County~~Committee quarterly, and shall also comply with reasonable additional ~~information~~ requests from the Committee, including details of any/all securities transactions and /or “soft dollar” payments if said payments are made at official Committee request and/or arise from transactions involving the ~~Fund~~Fund’s assets.
- 6) ~~Any IM~~Investment Managers shall meet at least annually, if requested by the Committee, to review the ~~Total~~ Fund and any respective portfolio(s) with the Committee, and to discuss investment results in the context of all of the goals, Investment Objectives, ~~Policies~~ and Investment Guidelines set forth in this Statement.

Commented [LG35]: clarification

**SIGNATURES**

The effective date of this Investment Policy Statement ~~is~~ 20124.

Adopted by The Sussex County Council, ~~is~~ \_\_\_\_\_, ~~2007~~ on  
20124.

\_\_\_\_\_  
Sussex County Council President

ATTACHMENT I

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Delaware State Pool	0	60	0	38% Russell 3000 20% MSCI ACWI ex USA (net) 38.5% Barclays U.S. Universal 1.5% Barclays U.S. TIPS 2% BofA ML 3 Month Tbill
Equities	19	24	29	
Domestic	19	24	29	Russell 3000
International	0	0	5	MSCI EAFE (net)
Fixed Income	11	16	21	
Bonds		14		Barclay's Intermediate Government Index
Cash	0	2	5	ML 90 Day T-Bill

**Commented [GJ36]:** Added Cash at 2% since pensions are paid out of the pension fund and funds are needed to pay these expenses.

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**The Committee intends to maintain an overall, targeted allocation of 60% equities and 40% fixed income. If changes to the Delaware State Pool benchmark occur, the Committee will review the target allocations listed above and may adjust accordingly.**

**Commented [GJ37]:** Since 60% of the funds are in the State of Delaware's pool it is important to note the intent of the entire allocation

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**Investment Policy Statement**

**Sussex County, Delaware  
Employee Pension Plan**

**June 24, 2014**

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## INTRODUCTION

### *PURPOSE OF THE STATEMENT*

Based upon and in keeping with requirements of Sussex County officials and employees serving as members of the Pension Committee of Sussex County (“Committee”) under the Sussex County Code of Ordinances, this Investment Policy Statement (“Statement”) presents objectives, policies, guidelines, monitoring and review procedures relating to all assets (“Fund”) of the Sussex County Employees’ Pension Plan (collectively, the “Plan”). The Plan’s investment program shall be operated in conformance with federal, state, and all other legal requirements.

The Statement's purpose is to:

- 1) Present appropriate goals and objectives relating to the Fund.
- 2) Recognize and/or specify liquidity and diversification requirements and identify any legal constraints affecting investment management of the Fund.
- 3) Promulgate guidelines, consistent with any Committee-selected investment time horizon(s), Investment Manager classifications, and/or Investment Manager styles to which any Committee-appointed Investment Manager(s) shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the Fund.
- 4) Establish standards and procedures for monitoring, measuring, reviewing, and evaluating any Investment Manager(s) and/or Fund Custodian’s investment performance and/or safekeeping of assets in accordance with investment policies, goals, objectives, guidelines, and/or constraints.
- 5) Foster understanding and effective communication between Committee and staff, and any persons appointed, employed, designated or in any way called upon by the Committee or staff to serve the Fund and its participants and/or beneficiaries.

### *PLAN DESCRIPTION*

The Plan is a public employee retirement plan governed by the Sussex County Code of Ordinances as cited within “Purposes of the Statement”, above.

### *PORTFOLIO MANAGEMENT PRECEPTS*

The Committee endorses contemporary investment practices, based upon the construction of well-diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns.

### *STANDARD OF CARE*

#### *1. Prudence*

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances then prevailing, which persons

of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

Guidelines respecting prudence have been developed in light of investment objectives related solely to the Plan’s varied and dynamic obligations to its participants and beneficiaries. Actuarial, economic, investment, and socio-political events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Committees and staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

## *2. Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

## *3. Delegation of Authority*

Authority to manage the investment assets is granted to the Investment Manager(s). Responsibility for the operation of the investment program is hereby delegated to the Investment Manager(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Statement. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Manager(s). The Investment Manager(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## *RESPONSIBILITIES OF THE COMMITTEE AND STAFF*

The Committee is charged under Section 26 of the Code of Ordinances with overall responsibility for investment of the Fund. To assist the Committee in this function, the Committee is authorized to appoint Investment Manager(s), including but not limited to for this purpose: banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) the Fund. Any appointed Investment Manager(s) must agree to act in accordance with all applicable Sussex County Ordinances.

The Committee must also develop policies and guidelines regarding Fund investments. Policies and guidelines are inclusive of, but not restricted to:

- 1) Establishment of Investment Objectives, Investment Policy, Investment Guidelines, and Review procedures, as set forth herein.
- 2) Establishment of standards for measuring, monitoring, evaluating and comparing investment performance of the Fund to assure that investment returns are reviewed on a regular basis.
- 3) Establishment of authorization, reporting, control, review and general governance procedures to assure that Fund investment policies and guidelines are reviewed on a regular basis. All modifications of policies and/or guidelines shall be in writing, signed by appropriate

Committee signatories, and delivered forthwith to any Investment Manager(s) and/or Custodian(s) affected by such changes.

- 4) Establishment of, through contractual relationships with professional organizations, or by alternative means satisfactory to the Committee, a Fund management structure which will assure appropriate investment management, custody, and compliance procedures to attempt to meet objectives in conformity with the Committee's stated investment policies and guidelines.
- 5) The Committee shall examine this Statement from time to time and make appropriate revisions.
- 6) The Committee may consult with legal counsel as necessary.

#### *RESPONSIBILITIES OF ANY INVESTMENT MANAGER(S)*

The management of the Fund and the responsibilities for investment decisions are delegated to the appointed Investment Manager(s). Any Investment Manager(s) shall exercise complete discretion within the limits established by this Statement. Accordingly, the Investment Manager shall use its best efforts to comply with all Federal, State, and Local regulations in effect during the term of this agreement. Particular attention should be given to the fiduciary duties established by the prudent person doctrine.

Applicable terms, conditions, limitations and restrictions notwithstanding, any Investment Manager(s) serving the Fund shall discharge any duties relating to the Fund solely in the interest of Plan participants and beneficiaries, shall demonstrate appropriate knowledge of the Fund's purpose and contemporary operations, and shall diversify the investments of any Fund portfolio(s) so as to minimize the risk of substantial loss.

When contemplating any investment, investment strategy or investment course of action, and/or any securities transaction, any Investment Manager managing any Fund portfolio shall consider all relevant factual and circumstantial information and the impact of such information upon a particular investment, strategy, or program, and upon any investment portfolio of the Fund.

Further, respecting investment strategies, and/or courses of action for the Fund, any Investment Manager shall also consider:

- 1) Potential losses and gains
- 2) The composition of the Investment Manager's portfolio(s) with regard to:
  - a) Diversification.
  - b) Liquidity and current return relative to the Plan's cash flow requirements.
  - c) Projected total return relative to the Plan's funding objectives.

All investment performance data submitted to the Committee or to any designee thereof directly or indirectly by or on behalf of any Investment Manager(s) shall, as applicable, be submitted in conformity with the Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the CFA Institute.

The delegation of discretion for the management of the Fund and responsibilities for investment decisions shall be limited by the provisions of this Statement. The Committee, when appointing an Investment Manager(s), shall require the Investment Manager(s) to covenant that it shall adhere to Delaware Fiduciary Standards and/or any other Delaware laws as now apply or may apply in the future.

Fiduciary insurance, and officer liability and omissions and errors insurance coverage, of any Investment Manager(s), must meet standards set by the Committee from time to time.

If, at any time, an Investment Manager(s) believes that this Statement inhibits its investment performance, it is the Investment Manager's responsibility to communicate this view to the Committee and the Investment Consultant. In addition, the Investment Manager will promptly notify the Committee and Investment Consultant, in writing, regarding all material or significant matters that changes including but not limited to:

- 1) Changes in investment strategy, portfolio structure, tactical approaches, and market value of managed assets.
- 2) Changes in ownership, organizational structure, financial condition, and/or professional staff of investment firm.
- 3) All material legal, SEC, and other regulatory proceedings affecting the firm.

#### *RESPONSIBILITIES OF THE FUND CUSTODIAN(S)*

Any Custodian(s) appointed by the Committee shall be responsible for safekeeping of the Fund, including all security transaction settlements and deliveries, and for comprehensive recordkeeping and reporting, which shall include any custom recordkeeping, record retention, or reporting reasonably required by the Committee or staff. Ready access to information by the Committee and staff shall be a prime requisite of recordkeeping and reporting services. Transaction records shall be maintained on a trade date basis. Nationally accepted asset pricing should be daily and reported not less often than monthly.

Safety and continuity of operations shall be the primary objectives of any Custodian. Timely, accurate, and complete recordkeeping and reporting shall be the primary benchmarks for evaluation of Custodian performance.

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). The Fund's beneficial ownership of all assets shall be inviolate. Committee or designated Investment Managers(s) authority to direct all investment transactions shall similarly be protected.

#### *RESPONSIBILITIES OF THE INVESTMENT CONSULTANT*

The Committee may utilize the services of an investment consultant for the purpose of performance review, asset allocation studies, manager screening and selection and topical studies, or any other service deemed necessary and agreed upon by the Committee and Investment Consultant. The comments and recommendations of the consultant will be considered by the Committee in conjunction with other available information for the purpose of making an informed and prudent decision.

## INVESTMENT OBJECTIVES

Investment objectives represent anticipated results and are long-term in nature. Given the Committee's assumptions respecting current and projected Plan and capital market conditions, the Fund objectives are:

- 1) Fund fiduciaries shall discharge their responsibilities and assets shall be invested in a manner consistent with this Statement, and generally accepted fiduciary standards. Further: (a) all transactions undertaken on behalf of this Fund shall be solely in the interest of Plan participants and their beneficiaries, and (b) with reference to prudence in Investments, set forth earlier in this Statement, safeguards and diversification to which a prudent investor familiar with and managing this Fund under known or foreseeable circumstances would adhere, and (c) liquidity and current return consistent with rationally anticipated cash flow requirements of the Fund, shall be governing factors in all investment considerations.
- 2) Consideration shall be given to suitable long-term Fund investment intended to provide capital and income growth. The Committee anticipates that such capital and income growth will be achieved during each economic and/or securities market cycle.
- 3) Consideration shall also be given, granting conformity with the objectives of 2, above, to providing adequate and timely Fund cash flows to meet anticipated Plan benefit payments, with sufficient reserves to meet unanticipated benefit payments. Adequate emphasis, consistent with the foregoing, shall be placed upon current investment return. Any Fund Investment Manager(s) shall be responsible for seeking periodic projections of Fund liquidity requirements from the Committee or any party designated by the Committee.
- 4) While professional managers may strive to record positive rates of investment return during all measurement periods, securities markets are unlikely to provide a consistently favorable climate, on a shorter-term basis, for longer-term investments. Therefore, the Committee set forth the following investment objectives for comparative or benchmark measures of Fund investment return delineated as follows:
  - a. Based upon current and projected Plan and capital market conditions, the Committee desires net returns meeting or exceeding the Plan's actuarial rate of return assumption as the multi-year return target.
  - b. Consistent with 4 a), above, multiyear (5 year) return is desired to meet or exceed the annualized investment performance of a Fund "policy index" comprised of a weighted average of relevant asset-class indexes.
- 5) Investment performance objectives for the Fund are, as stated initially under *Investment Objectives*, above, long-term in nature. Concern respecting market value or Fund investment return volatility and other measures reflecting investment uncertainty, will be addressed by functional constraints imposed by the Committee through asset (class) allocations, investment management processes or "styles" chosen, portfolio diversification requirements, and other investment management guidelines and/or limitations.

## INVESTMENT POLICY

Investment Policy delineates controls and the associated monitoring intended to enhance the likelihood of meeting Investment Objectives:

### *ASSET ALLOCATION*

Asset class allocation, resulting in so-called asset mix, is intended to afford an appropriate approach toward Fund Investment Objectives while limiting investment risk by providing basic diversification. The percentages of asset classes delineated in **Attachment I** provide a framework through which the Fund's investments may be adjusted to meet economic and/or investment market conditions while remaining centered on the allocation target deemed appropriate to the Fund's long-term Investment Objectives.

In the event an Investment Manager invests in more than one asset class, for example, a balance manager or global equity manager, the manager's benchmark allocation to each asset class will be attributed to that particular asset class. For example, if a global equity manager's benchmark is allocated ten percent of the *total fund* and its benchmark is invested sixty percent of their allocation in international equities, sixty percent of their allocations will be attributed to international equities and therefore, six percent of the *total fund* allocated to international equities.

### *ALLOCATION MONITORING/REBALANCING*

The Committee or their designee(s) shall review asset allocation quarterly to monitor Fund asset allocation targets. In the event that asset allocations fall moderately outside the ranges in the tables in **Attachment I**, the appointed Custodian(s) may be notified and instructed by the Committee to adjust cash flows to return the Fund to appropriate asset allocation levels. Should an allowable range be breached substantially, the Investment Manager(s) involved may be required by the Committee to adjust assets immediately. The Committee may set asset allocation ranges for individual Investment Manager(s) different from ranges for the Fund.

## *LIQUIDITY*

Emphasis shall, per Investment Objective, 3, above, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Committee endeavor to meet the Fund's multiple Investment Objectives through asset allocation and Investment Guidelines. Nevertheless, any Investment Manager(s) appointed by the Committee shall be responsible for seeking from the Committee or their designee(s) current information respecting Fund cash flow requirements and for assisting in meeting said requirements.

## *DIVERSIFICATION*

Fund investments must be diversified broadly to minimize the risk of substantial loss. The Committee recognizes that significant diversification is accomplished through asset allocation and the selection of investment management organizations. Nevertheless, the Investment Guidelines provided herewith include certain constraints intended to optimize investment diversification.

## *PROXY VOTING*

Matters of political and public interest as well as corporate governance have long been a part of Annual Meetings and proxy activity in the United States. The Committee adheres to a policy of proxy voting intended to protect the **long-term value** of the equity securities represented in each vote, provided said vote, when exercised, would be solely in the interest of Plan participants and their beneficiaries. The Committee, when delegating proxy voting authority to any Investment Manager(s), may provide general guidance as to the Committee's proxy voting standards, but shall provide proxy matter viewpoints only if, and as requested, by any Investment Manager(s).

## *MUTUAL AND OTHER COMMINGLED FUNDS*

Given the nature of mutual and other commingled funds, it is recognized that there may be deviations between the objectives, intent or specific requirement of this Statement and the stated objectives, intent or content of any mutual or other commingled fund. However, every effort shall be made, to the extent practical, prudent and appropriate, to select mutual or other commingled funds that have investment objectives and policies that are consistent with this Statement.

## *DELAWARE LOCAL GOVERNMENT INVESTMENT POOL*

Fund assets may be invested in the Delaware Local Government Investment Pool (DELGIP). The Committee recognizes that the DELGIP has its own investment guidelines and invests substantially different than the Sussex County Investment Policy permits. If the Committee invests in the DELGIP, it will attempt to make the overall investments of the Fund as consistent as possible with the Investment Policy Statement.

## INVESTMENT GUIDELINES

Investment Guidelines describe for the guidance of Fund Investment Manager(s) and for the information of the Fund Custodian(s) a range of permissible investment activities and choices while also delineating, specifically or by broader proscription, those which are not permissible. Investment Guidelines for the Fund appear below. Different guidelines and benchmarks may be assigned to individual Investment Managers by written authority of the Committee.

### *GENERAL GUIDELINES*

Subject to the asset allocation ranges set forth as a table in **Attachment I** or separate asset allocation ranges assigned specifically to any Investment Manager(s) by the Committee, any Investment Manager is expected to undertake discretionary management of any Fund portfolio. Nevertheless, when responsible for any Fund investment portfolio, the Investment Manager(s) shall report immediately to the Committee or their designees any shift between or decrease in market value of asset classes during any calendar quarter which equals or exceeds ten (10) percent of the market value of the assets assigned to the Investment Manager(s). For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

The Investment Manager(s) shall conform to the Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Committee for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Committee at the time any Investment Manager was retained to serve the Fund.

- 1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Investment Manager retained to manage securities.
- 2) Each Investment Manager shall select investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Committee.
- 3) The total annualized investment return from all investments of the Fund and each asset class of the Fund is expected to meet or exceed the total annualized return of the appropriate benchmark designated for rolling five (5) year periods.
- 4) Any security purchased in compliance with the quality, maturity, and/or diversification standards cited above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Committee with background information and an intended future course of action by any Investment Manager(s). The Committee may, upon review, approve temporary or indefinite retention or, in the Committee's best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. For any individual Investment Manager(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of securities (5 percent "basket clause").
- 5) Any Investment Manager(s) managing active portfolios may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Committee; as a general expectation those managers should exceed their assigned benchmarks, net of fees, on an annualized basis over periods of five (5) years or more.

The Committee has determined, except as noted in the Mutual Funds and Other Commingled Funds guidelines that the following investments and investment practices are **not suitable** for the Fund. (Certain exceptions are delineated below, see Fixed Income Guidelines)

- 1) Buying or (short) selling securities on margin, and/or the use of any other form of leverage, including the lending of securities, unless approved in writing by the Committee.
- 2) Privately placed or otherwise unregistered securities excepting fixed income securities, issued under SEC Rule 144(a), which are demonstrably marketable and otherwise within guidelines.
- 3) Direct Investment in commodities or in any type of commodities contracts, forward, or futures trading activities, and all forms of portfolio hedging, excepting the limited use of stock options and/or currency hedges. Investments in mutual funds that invest in commodities are not considered direct investments.
- 4) Fixed income investments may not include deep discount or zero coupon (excepting U.S. Treasury) securities, tax exempt, derivative or synthetic securities, such as collateralized debt obligation (CDOs), credit default swaps (CDS), interest rate swaps and any total return swaps.

#### *EQUITY INVESTMENT GUIDELINES*

- 1) Permissible equity investments shall include convertible securities and publically traded REITS, which shall be limited to five (5) percent of Fund at market value, as well as American Depositary Receipts (ADRs), equally limited.
- 2) No Investment Manager shall invest on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity security(ies) of a single corporation or group of directly affiliated corporations. Exceptions may be granted to this limitation only if provided for in writing with the Investment Manager or in the investment guidelines of the Investment Manager contract.
- 3) No Investment Manager may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity security(ies) of a single corporation, or group of directly affiliated corporations, without the written consent of the Committee.
- 4) Investment Manager(s) are expected to purchase marketable equity securities listed on national securities exchanges or actively traded within the national NASDAQ framework; U.S. equity securities, purchased outside the channels cited, or purchased without regard to necessary market liquidity as demonstrated through weekly trading statistics, place upon the Investment Manager(s) a special burden respecting the Committee's tolerance of unacceptable risk and/or losses which might ensue.
- 5) As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by an Investment Manager(s) managing U.S. equity securities in "covered" or hedging postures but not in "naked" or speculative postures.

- 6) Proper global, regional, national, industry and individual security diversification should be maintained at all times.
- 7) Because an active currency hedging strategy may reduce risk of loss and/or enhance manager investment performance, hedging to protect against currency impact upon a security position is permissible. Nevertheless, the purchase of speculative or “naked” currency contracts (i.e., currency trading or related risk taking), undertaken without a demonstrable exposed investment position to be hedged in a specific currency, is prohibited.

#### *FIXED INCOME INVESTMENT GUIDELINES*

- 1) Suitable fixed income investments include, but are not limited to, U.S. Treasury and Agency securities, taxable municipal securities, marketable debt securities of U.S. corporations, U.S. certificates of deposit and banker’s acceptances, and commercial paper or other generally utilized money market or cash equivalent investments, including money market mutual funds meeting the quality standards delineated below.
- 2) Investment Managers are given latitude in security selection subject to the following restrictions:
  - a) No issuer, other than the U.S. Government or other Federal agencies, may represent more than five (5) percent of the total market value of the fixed income portfolio managed by any Investment Manager(s).
  - b) At no time shall margin or other leveraged transactions, short sales, forward or futures trading, or any form of portfolio hedging be employed in the management of fixed income investments without prior written approval of the Committee.
  - c) The average quality of fixed income securities purchased by any Investment Manager(s) shall equal or exceed A<sub>2</sub>, the third broad investment grade as determined by Moody's.
  - d) So called non investment grade bonds (below Baa) are permissible but may not constitute more than twenty (20) percent of the fixed income portfolio.
  - e) The effective duration of fixed income securities, said average including any investments considered to be reserve or cash equivalent assets specific to any fixed income portfolio, shall be no more than 25 percent greater or less than the effective duration of the policy benchmark.
  - f) There shall be no limit upon investment in U.S. Treasury securities as a percentage of fixed income investments at cost or market value, except that any single coupon issue thereof may constitute no more than thirty (30) percent of any Investment Manager(s)’ fixed income investments at market value and any single Treasury zero coupon issue ten (10) percent at market value. Federal Agency securities are hereby limited to fifty (50) percent of fixed income investments at market value, twenty-five (25) percent per agency, and to ten (10) percent, at market value, per any single Federal Agency issue.

## REVIEW PROCEDURES

All *Investment Policies, Objectives and Guidelines* contained in this Statement shall be reviewed by the Committee annually, or whenever circumstances change to the extent that the earlier representations are ineffective or inappropriate. All concerned parties shall be notified, in writing, of any changes and/or additions to this Investment Policy.

- 1) Investment performance will be reviewed quarterly.
- 2) Fund asset class (e.g. equity, fixed income), and asset sub-class and/or “style” returns shall be compared to returns of comparable professionally managed tax-exempt balanced, equity and fixed income portfolios or collective or mutual funds as well as to benchmark indices or index composites.
- 3) It is expected that the investment performance of any Investment Manager(s) will rank above agreed upon peer group medians over periods of five (5) or more years and will meet or exceed the Investment Objectives previously identified in this Statement. Any Investment Manager(s) failing to keep pace with stated performance norms may be placed on probation and evaluated as to whether it is in the best interest of the Fund to have the Committee retain the services of said Investment Manager(s).
- 4) The Committee reserves the right to terminate a relationship with any Investment Manager(s) at any time, subject to the terms of any investment advisory agreement, if the Committee determines that said action is warranted. In addition, the Committee reserves the right to remove assets, in part, at any time, provided that contracted asset and/or minimums of any Investment Manager(s) are met.
- 5) Investment Manager(s) shall provide statements of assets under management to the Committee quarterly, and shall also comply with reasonable additional requests from the Committee, including details of any/all securities transactions and /or “soft dollar” payments if said payments are made at official Committee request and/or arise from transactions involving the Fund’s assets.
- 6) Investment Managers shall meet at least annually, if requested by the Committee, to review the Fund and any respective portfolio(s) with the Committee, and to discuss investment results in the context of all of the goals Investment Objectives, and Investment Guidelines set forth in this Statement.

***SIGNATURES***

The effective date of this Investment Policy Statement is June 24, 2014.

Adopted by The Sussex County Council on June 24, 2014.

\_\_\_\_\_  
Sussex County Council President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Finance Director

\_\_\_\_\_  
Date

**ATTACHMENT I**

<b>Asset Class</b>	<b>Minimum %</b>	<b>Target %</b>	<b>Maximum%</b>	<b>Benchmark</b>
Delaware State Pool	0	60	0	38% Russell 3000 20% MSCI ACWI ex USA (net) 38.5% Barclays U.S. Universal 1.5% Barclays U.S. TIPS 2% BofA ML 3 Month Tbill
Equities	19	24	29	
Domestic	19	24	29	Russell 3000
International	0	0	5	MSCI EAFE (net)
Fixed Income	11	16	21	
Bonds		14		Barclay's Intermediate Government Index
Cash	0	2	5	ML 90 Day T-Bill

**The Committee intends to maintain an overall, targeted allocation of 60% equities and 40% fixed income. If changes to the Delaware State Pool benchmark occur, the Committee will review the target allocations listed above and may adjust accordingly.**

**2014 Actuarial Report  
As of January 1, 2014**

Description	2013	2014	Change
Market Value of Pension Assets	\$ 57,641,924.00	\$ 68,147,606.00	\$ 10,505,682.00
Pension Funded Percentage	83.8%	87.7%	4%
Pension Annual Required Contribution (ARC)	\$ 2,868,624.00	\$ 2,757,068.00	\$ (111,556.00)
Pension Actuarial Liability	\$ 12,891,124.00	\$ 8,239,626.00	\$ (4,651,498.00)
Market Value of OPEB Assets	\$ 26,289,375.00	\$ 30,120,575.00	\$ 3,831,200.00
OPEB Funded Percentage	70.6%	78.2%	8%
OPEB Annual Required Contribution (ARC)	\$ 1,744,289.00	\$ 1,723,687.00	\$ (20,602.00)
OPEB Actuarial Liability	\$ 12,585,421.00	\$ 10,945,590.00	\$ (1,639,831.00)
Average Compensation	\$ 41,930	\$ 42,557	\$ 627
Average Age	46.4	47.0	0.6
Average Service	11.7	11.9	0.2
Number of Retirees	180	185	5

**Pension Trust Fund**

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	2,036,037.00	2,738,014.00	134%
2011	2,169,173.00	2,370,522.00	109%
2012	2,342,663.00	3,668,932.00	157%
2013	2,798,351.00	3,198,312.00	114%
2014	2,868,624.00	3,587,012.00	125%
2015 Budget	2,757,068.00	3,287,217.78	119%

**OPEB Trust Fund**

Fiscal Year	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	2,932,734.00	2,747,989.00	94%
2011	1,278,049.00	1,356,683.00	106%
2012	1,488,338.00	2,661,772.00	179%
2013	1,863,189.00	2,106,808.00	113%
2014	1,744,289.00	2,433,752.00	140%
2015 Budget	1,723,687.00	2,055,130.51	119%

## **PENSION FUND COMMITTEE**

### ***Minutes of Meeting***

**May 22, 2014**

The Sussex County Pension Fund Committee met on May 22, 2014, at 10:00 a.m. in the County Council Chambers, Georgetown, Delaware. Those in attendance included members: Gina Jennings, Todd Lawson, Karen Brewington, Jeffrey James, David Baker, Hugh Leahy, and Kit Ryan. Also in attendance was Michael Shone of Peirce Park Group, the County's Pension Investment Consultant.

On March 14, 2014, the Agenda for today's meeting was posted in the County's locked bulletin board located in the lobby of the County Administrative Office, as well as posted on the County's website.

Ms. Jennings called the meeting to order.

1. **Approval of Minutes**

The minutes of the February 20, 2014 meeting were approved by consent.

2. **Welcome New Pension Committee Member**

Ms. Jennings welcomed newly appointed member Kathleen (Kit) Ryan. Ms. Ryan is a certified financial planner and is the President of KMR Financial Network in Georgetown. Ms. Ryan was approved by the Sussex County Council at their May 6, 2014 meeting to replace Ms. Lynda Messick (community member) whose term was set to expire January 2016.

3. **Investment Analysis for the Quarter Ended March 31, 2014**

Mr. Shone distributed copies of a booklet entitled, "Sussex County Investment Performance Report, March 31, 2014". The report includes information regarding the market environment for the first quarter of 2014, as well as quarterly and annual performances of the Pension and OPEB

Plans. Although the report should be referenced for a more detailed analysis, discussion highlights include:

Mr. Shone referred members to Market Environment – 1<sup>st</sup> Quarter of 2014 (Tab 1). He noted that the Pension Plan had experienced an exceptional quarter, with the one, three and five-year periods having good returns as well. Due to changes implemented to the OPEB Plan in mid to late January, those returns have outperformed the Pension Fund.

The economy is moving along very positively, but at a relatively slow pace due to concerns as to events in Russia and its impact on Europe, as well as the United States. During the first quarter of 2014, interest rates decreased, and the Fed lowered its bond purchases resulting in decreased yields on long-term treasuries. Light vehicle sales (cars and small trucks) have steadily increased since 2009. For the past year year, U. S. Equities were up 22.6 percent and realized a positive first quarter of 2.0 percent. Since the end of February, International Equities have significantly outperformed U. S. Equities, and Emerging Markets performed significantly worse. In comparison, the Pension Plan has a higher allocation in Emerging Markets than does the OPEB Fund due to the State. It had been a very good first quarter for fixed income, with bonds up 1.8 percent. Inflation sensitive investments reversed course from a disappointing 2013; U. S. REITs (real estate investment trusts) posted strong returns in quarter one, benefitting from the decline in interest rates. The U. S. Equity Markets posted a positive quarter; Mid Cap Value were the best performers; and Value stocks outperformed Growth for the first quarter. The County's OPEB Fund has a slight tilt toward Value and Mid Cap stocks. Impacting U. S. Treasury Yields, interest rates rose significantly from March to December 2013.

Mr. Shone referred members to the Pension Fund Performance Report (Tab II).

#### Observations for the Sussex County Pension Fund:

- The Pension Fund realized a first quarter gain of \$1.69 million (net of all investment management fees); a one year gain of \$8.5 million (net); a first quarter return of 2.5 percent (gross); and one year return of 14.3 percent (gross).
- Very strong performance/returns
  - DuPont Capital – strong returns for the first quarter, as well as years 1 and 3

- State (private equity/venture capital and hedge funds had a very strong first quarter performance – 19.5 percent of their portfolio; with fixed income at 25 percent of portfolio).

Mr. Shone noted that almost 20 percent of the State's monies is in private equity/venture capital and hedge funds; 60 percent of the County's money is with the State. The County's IPS calls for 60 percent equities and 40 percent fixed income. Although the State has similar benchmarks, those targets are presently closer to 75/25, which results in the County having a higher equity allocation (65 percent). The State's plan is more aggressively managed than the County's.

- Fidelity – had a very good quarter; typically does better in down markets, not as well in up markets

### **Looking Ahead**

- Need to adjust IPS (Investment Policy Statement) and policy index to reflect cash
- Cash flow management – can the County make monthly ARC contributions?

Discussion was held regarding the Pension Fund's \$3.6 million in cash (Wilmington Trust Short Term Bond). These funds cover the actual pension costs for the year that are paid out in June. Mr. Shone also discussed the possibility of monthly ARC contributions instead of on a one-time yearly basis. Mr. Shone noted if, operationally, a yearly contribution is preferred, he would like the Investment Policy Statement to reflect that a portion of the fixed income is to include cash (a target of 2 or 3 percent).

The ending market value of the Sussex County Pension Plan as of March 31, 2014 was \$71,322,869, which included DuPont Capital Investment - \$12,493,746, Fidelity Low Price Stock - \$5,087,141, Operating Account - \$194,098, State of Delaware Investment Pool - \$42,793,005, Wilmington Trust Bonds - \$7,166,931, and Wilmington Trust Short Term - \$3,587,947.

As of March 31, 2014, Sussex County's Pension Asset Allocation included: State of Delaware Investment Pool – 60.0 percent; Cash – .3 percent; Domestic Fixed income – 15.1 percent; and Domestic Equity – 24.6 percent.

For the first quarter of 2014, the County's Pension Fund was up 2.5 percent and ranked in the top 3 percent nationwide (out of approximately 200 public plans), 15 percent for the year, 25 percent for two years, and in the top 26

percent for the past three years. The average Peirce Park plan is more aggressively invested in equities. Since its inception in January 2009, the County's Pension Plan has realized an average return of 12 percent per year. Due to the rate of growth over the next 5 to 10 years, Mr. Shone feels the County will find it difficult to realize returns of 7.5 percent, which is the County's assumed investment rate of return.

Over the past three years, the total Pension Fund realized returns of 9.4 percent, the State of Delaware - 9.2 percent, DuPont Capital - 15.8 percent, Fidelity - 16.1 percent, and Wilmington Trust Bonds - 2.5 percent. For the first quarter, the County realized returns of 2.5 percent versus 3 percent for the State.

Mr. Shone reported that the County's overall Investment Management Fee of .56 percent is much higher than Peirce Park's other clients. The County's higher fees are a result of the State's expense ratios for their private equities and hedge funds.

Ms. Ryan noted that Fidelity also has very high management fees. She inquired as to the County's contract with Fidelity and if index funds had been considered in place of small cap. Although index funds would offer lower fees, Fidelity typically performs better in down markets. It was noted that the County does have the option of discontinuing its relationship with Fidelity, as a manager, at any time. After discussion, it was the consensus of the Committee for Mr. Shone to report back at the next meeting as to the tradeoff between small cap and index funds, as well as their expected return.

Mr. Shone referred members to a separate handout regarding the total Pension Fund composite as of April 30, 2014. The total fund increased by an additional .3 percent for a total year-to-date of 2.8 percent. Although down (-1.1), Fidelity was down significantly less than their index (-3.9).

Mr. Shone referred members to the OPEB Fund Performance Report (Tab III). The OPEB Fund realized a first quarter gain of \$176,000 (net of all investment management fees); a one year gain of \$2.89 million (net); a first quarter return of .6 percent (gross); and a one-year return of 11.3 percent (gross).

Mr. Shone noted that portfolio changes were implemented in mid-January; as a result, February and March realized returns of 3.0 percent. Hindrances on performance include large cash holdings, prechange returns, and Wilmington Trust trades.

Mr. Shone noted that the following items should be considered by the Committee: Cash Flow Management (can the County make ARC payments on a monthly basis instead of once a year?), as well as the Investment Policy Statement. Currently, the County has a target of 12 percent in international equities, but Mr. Shone has made the recommendation to increase this target to 14 percent.

The ending market value of the OPEB Fund as of March 31, 2014, was \$31,198,313.

As of March 31, 2014, Sussex County's OPEB's Asset Allocation included: Domestic Equity – 44.4 percent; Global Equity – 3.5 percent; International Equity – 12.0 percent; and Domestic Fixed Income – 40.1 percent; all are within their targets.

Mr. Shone noted that the rankings for the OPEB Plan are not as desired and was the impetus behind the County's recent changes.

Mr. Shone referred members to a separate two-page handout for the OPEB Trust. For the period February 1 through April 30, 2014, the OPEB Fund realized a 3.4 percent return, with an ending market value of \$31,325,657. A Mutual Fund Performance Summary – through May 16, 2014 – was also included.

The report also includes a detailed summary of the actual holdings within both the Pension and OPEB Plans. The County has a separate contract with Wilmington Trust, which contains investment guidelines.

Wilmington Trust's fixed income bonds include treasuries, government agency bonds, and corporates (short term duration). In remaining with very high credit quality investments, the tradeoff is lower returns. After discussion by the Committee regarding the possibility of taking on more risk to realize higher returns, Mr. Shone report will back to the Committee – from an educational perspective – regarding the types of investments available for the County's consideration.

4. **Employee Pension Plan – Investment Policy Statement (IPS)**

Ms. Jennings reported that the Investment Policy Statement for the Employee Pension Plan had not been updated since 2007. The proposed changes include grammatical corrections, clarification, updated language to reflect industry standards, and to bring the document more in line with the OPEB Investment Policy Statement (amended in 2012).

Mr. Shone briefly reviewed the recommended revisions, which included: “Standard of Care” provisions to include Prudence, Ethics, Delegation of Authority, and Responsibilities of the Committee and Staff. In essence, the IPS now states that the County has delegated authority to the Investment Managers (State of Delaware, DuPont, and other mutual fund companies) to select individual securities. The asset allocations and targets are now included as Attachment 1. Attachment 1 now also includes an allocation for ‘cash’. Investment targets remain the same: 60 percent equities/40 percent fixed income.

Mr. Leahy inquired as to the overall intention of the investment policy regarding its target allocation of 60 percent equities/40 percent fixed income and the need for clarification to be contained in the IPS. After discussion, it was the consensus of the Committee for Mr. Shone to prepare the appropriate wording to be included in Attachment 1 to reflect these targets.

A Motion was made by Mr. Leahy, seconded by Mr. Baker, that the Sussex County Pension Fund Committee recommend to the Sussex County Council to adopt the Investment Policy Statement for the Sussex County, Delaware Employee Pension Plan, with the recommended changes as presented by Mr. Shone, including the additional clarification in Attachment 1 as to the overall intent for a 60 percent equities and 40 percent fixed income asset allocation mix.

Motion Adopted: 7 Yea.

Vote by Roll Call: Mr. James, Yea; Ms. Brewington, Yea; Ms. Ryan, Yea; Mr. Leahy, Yea; Mr. Baker, Yea; Mr. Lawson, Yea; Ms. Jennings, Yea

5. **Additional Business**

Mr. Leahy inquired as to the timeframe in which new financial reporting guidelines go into effect. Ms. Jennings noted that the changes will take effect with Fiscal 2014 for the Pension Fund and 2017 for the OPEB. Ms. Jennings is currently working with the County’s actuary regarding these changes and plans to bring the actuary’s report to the Pension Committee at the meeting in August. The report will include the new assumptions that have been put in place and their impact, including improvements realized to the overall funding level of the Pension and OPEB Plans. Mr. Shone reiterated that the County has the best funded pension plan of all his clients and, categorically, the best funded for the OPEB.

Mr. Leahy expressed concern regarding how the funding levels for the Pension and OPEB Plans are relayed to the public and their interpretation if the Plans are not 100 percent funded.

Ms. Jennings reported that a proposed pension contribution of \$5.3 million is included in the Fiscal 2015 Budget, which is above the required contribution of slightly less than \$5 million. Due to the recent assumption changes, the actual required contribution has decreased.

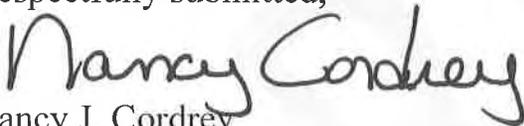
Ms. Jennings thanked everyone for their attendance.

At 11:21 a.m., a Motion was made by Mr. Lawson, seconded by Mr. Baker, to adjourn.

Motion Adopted: 7 Yea.

Vote by Roll Call: Mr. James, Yea; Ms. Brewington, Yea; Ms. Ryan, Yea;  
Mr. Leahy, Yea; Mr. Baker, Yea; Mr. Lawson, Yea; Ms. Jennings, Yea

Respectfully submitted,

  
Nancy J. Cordrey  
Administrative Secretary

## ENGINEERING DEPARTMENT

ADMINISTRATION	(302) 855-7718
AIRPORT & INDUSTRIAL PARK	(302) 855-7774
ENVIRONMENTAL SERVICES	(302) 855-7730
PUBLIC WORKS	(302) 855-7703
RECORDS MANAGEMENT	(302) 854-5033
UTILITY ENGINEERING	(302) 855-7717
UTILITY PERMITS	(302) 855-7719
UTILITY PLANNING	(302) 855-1299
FAX	(302) 855-7799



# Sussex County

DELAWARE  
sussexcountype.gov

MICHAEL A. IZZO, P.E.  
COUNTY ENGINEER

BRAD HAWKES  
DIRECTOR OF UTILITY ENGINEERING

June 11, 2014

### FACT SHEET

SUSSEX COUNTY PROJECT 81-04  
BAY FOREST CLUB - PHASE 3.1  
AGREEMENT NO. 918 - 6

#### DEVELOPER:

Mr. Thomas Natelli  
Bay Forest, LLC  
506 Main Street  
3rd Floor  
Gaithersburg,, MD 20878

#### LOCATION:

East side of Whites Neck Road and North of Old  
Mill Road.

#### SANITARY SEWER DISTRICT:

Millville Expansion of the Bethany Beach Sanitary Sewer District

#### TYPE AND SIZE DEVELOPMENT:

#### SYSTEM CONNECTION CHARGES:

\$611,488.00

#### SANITARY SEWER APPROVAL:

Sussex County Engineering Department Plan Approval  
05/16/14

Department Of Natural Resources Plan Approval  
06/05/14

#### SANITARY SEWER CONSTRUCTION DATA:

Construction Days – 110

Construction Admin And Construction Inspection Cost – \$103,233.30

Proposed Construction Cost – \$688,222.00

## ENGINEERING DEPARTMENT

ADMINISTRATION	(302) 855-7718
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# Sussex County

DELAWARE  
sussexcountyde.gov

MICHAEL A. IZZO, P.E.  
COUNTY ENGINEER

BRAD HAWKES  
DIRECTOR OF UTILITY ENGINEERING

**June 24, 2014**

## **PROPOSED MOTION**

BE IT MOVED THAT BASED UPON THE RECOMMENDATION OF THE SUSSEX COUNTY ENGINEERING DEPARTMENT, FOR SUSSEX COUNTY PROJECT NO. 81-04, AGREEMENT NO. 918-6 THAT THE SUSSEX COUNTY COUNCIL EXECUTE A CONSTRUCTION ADMINISTRATION AND CONSTRUCTION INSPECTION AGREEMENT BETWEEN SUSSEX COUNTY COUNCIL AND "BAY FOREST L.L.C.", FOR WASTEWATER FACILITIES TO BE CONSTRUCTED IN "BAY FOREST CLUB – PHASE 3.1", LOCATED IN MILLVILLE EXPANSION OF THE BETHANY BEACH SANITARY SEWER DISTRICT.

ORDINANCE NO. 38  
AGREEMENT NO. 918-6

TODD LAWSON  
COUNTY ADMINISTRATOR



# Sussex County Council

## Delaware General Assembly Legislative Report

*Prepared by:*

Hal Godwin, Deputy County Administrator  
June 24, 2014

Bill No.	Description and Purpose	Action
<b>2013-2014 BILLS</b>		
HB 14	This bill provides that any income and/or capital gain received from easements preserving agricultural land shall not be taxed for purposes of Delaware personal income taxes.	Assigned to the House Appropriations Committee 1/24/13, no further action. Tabled in Committee
HB 27	This bill allows school taxes and property taxes to be collected by tax intercept. The current law specifically prohibits school taxes from being collected by tax intercept. Currently millions of dollars of property taxes are owed to school districts and local governments and such taxes are difficult to collect. Tax intercept programs have been successful in collecting child support and other obligations owed the State and will help collections for education and other taxes.	6/11/13 passed the House Assigned to Senate Finance Committee 6/13/13 I have contacted Senator McDowell the Committee Chair explaining our support. I am assembling a group to apply pressure on Committee Chair McDowell
HB No. 63	This bill is the first leg of a constitutional amendment that forever guarantees the right of farmers to engage in modern farming and ranching practices.	On House Ready List
SB No. 58	This Bill allows Delaware residents 65 years of age and older to qualify for the "Senior School Property Tax Credit Program" upon entering into a payment plan for the taxes due.	Stricken – 5/23/14

<p>HB No. 74</p>	<p>This Delaware Health Security Act will provide a cost effective single payer health care system for the State of Delaware. The Act will provide comprehensive health care coverage to all Delawareans without any extra health insurance or out-of-pocket-expense. The system will save money currently wasted on administrative/overhead costs and will provide a stable funding structure.</p> <p>This Act creates the Delaware Health Security Authority. The authority will be governed by a 15-member Delaware Health Security Board comprised as follows: the Secretary of Health and Social Services, two members from both the State House of Representatives and State Senate Committees concerned with health care issues, five members from state health professional organizations, and five members from eligible consumer organizations in our state.</p> <p>Funding for the new health care system will be as follows:</p> <ol style="list-style-type: none"> <li>1. All state and federal funds available for health and health care costs in Delaware.</li> <li>2. Employer and employee graduated payroll tax from 4 percent for employers with less than ten employees to 9 percent for employers with 50 or more employees.</li> <li>3. A Health Security tax of 2.5 percent on net taxable income (after deductions) for all heads of households and persons subject to Delaware's income tax; and</li> <li>4. An additional Health Security income surtax on net taxable income of 2.5 percent for persons filing a Delaware income tax return in excess of \$250,000. Married couples filing a joint Delaware income tax return shall pay an additional income surtax of 2.5 percent on net taxable income in excess of \$500,000.</li> </ol>	<p>This bill has been assigned to the House Health &amp; Human Development Committee</p> <p>This bill has not yet been scheduled for a Committee hearing.</p> <p>I will be certain to alert you of this date and time.</p> <p><b>Committee Members:</b></p> <p>Chairman: Michael a. Barbieri (302) 368-7257 <a href="mailto:Michael.barbieri@state.de.us">Michael.barbieri@state.de.us</a></p> <p>Vice-Chairman: Rebecca Walker (302) 293-2356 <a href="mailto:Rebecca.walker@state.de.us">Rebecca.walker@state.de.us</a></p> <p><b>Members:</b></p> <p>Donald A. Blakey (302) 697-6723 <a href="mailto:Donald.Blakey@state.de.us">Donald.Blakey@state.de.us</a> Ruth Briggs-King (302) 856-2772 <a href="mailto:ruth.briggsking@state.de.us">ruth.briggsking@state.de.us</a></p> <p>Timothy D. Dukes (302) 280-6344 <a href="mailto:Timothy.Dukes@state.de.us">Timothy.Dukes@state.de.us</a> Earl G. Jaques, Jr. (302) 834-9231 <a href="mailto:earl.jaques@state.de.us">earl.jaques@state.de.us</a></p> <p>S. Quinton Johnson (302) 378-2681 <a href="mailto:Quinton.johnson@state.de.us">Quinton.johnson@state.de.us</a> John A. Kowalko, Jr. (302) 737-2396 <a href="mailto:john.kowalko@state.de.us">john.kowalko@state.de.us</a></p>
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<p>HB No. 74 (continued)</p>		<p>Joseph E. Miro (302) 454-1840 <a href="mailto:Joseph.miro@state.de.us">Joseph.miro@state.de.us</a> <a href="mailto:Edward.osiensi@state.de.us">Edward.osiensi@state.de.us</a></p> <p>Edward S. Osienski (302) 292-8903</p> <p>Charles Potter, Jr. (302) 762-8322 <a href="mailto:Charles.Potter@state.de.us">Charles.Potter@state.de.us</a></p> <p>Darryl M. Scott (302) 735-1781 <a href="mailto:Darryl.Scott@state.de.us">Darryl.Scott@state.de.us</a></p> <p>Kimberly Williams (302) 577-8476 <a href="mailto:kimberly.williams@state.de.us">kimberly.williams@state.de.us</a></p> <p>* Federal Health Care Legislation requires all citizens be covered – the new tax will fund</p> <p>* Delaware is currently establishing exchanges to provide coverage for all residents to comply with Federal requirements</p> <p>* HB74 is introduced to cover all Delawareans – doesn't appear to be part of the State or Federal exchange plan</p>
<p>HB No. 135</p>	<p>This Act seeks to create jobs and new sources of revenue for the State of Delaware by, among other means, authorizing the addition of two new video lottery agents, one in Sussex County and one in New Castle County, through an application process conducted by a Lottery Economic Development Committee. This Act creates a nine member, politically-balanced Committee with financial, accounting, or banking experience to select the sites and licensees. This Act also increases the number of required racing days to reflect the current amount of racing, and prevents the addition of video lottery agents from triggering a reduction in the minimum number of days that existing harness tracks must offer harness racing. Finally, this Act also expresses the intent of the General Assembly that the new video lottery casinos will be subject to a one-time license fee and ongoing license fees, as well as such fees as are necessary to create a level playing field for competition with video lottery</p>	<p>Introduced 5/9/13 - This Bill intends to add a casino in Sussex County.</p> <p>Assigned to House Gaming and Parimutuels Committee</p> <p>6/12/13 Tabled in Committee</p> <p>6/11/13 County Council voted to oppose this Bill.</p> <p>I have notified all Committee Members of our opposition.</p> <p>Tabled in Committee</p>

HB No. 135 (continued)	agents who operate horse racing or harness racing, and directs the Department of Finance to prepare legislation implementing that intent.	
HB No. 137	This Bill expands and promotes unity in the options for survivor pension payout choices for retired participants in the State pension programs, the State Employees' Pension Plan, the County and Municipal Employees' Pension Plan, the County and Municipal Police/Firefighter Pension Plan, the State Judiciary Pension Plan, and the State Police Pension Plan. There is no reduction for the 50% survivor benefit, a 2% reduction for a 66.67% survivor benefit, 3% reduction for a 75% survivor benefit, and 6% reduction for a 100% survivor benefit.	Introduced 5/14/13 - This Bill may cause changes in our pension calculations.  6/6/13 Passed the House  Assigned to Senate Finance Committee  Released from Committee – 6/11/14
HA No. 1 to HB No. 137	This technical amendment changes the term “employer” to “employee” and corrects a cross-reference.	Stricken
HA No. 2 To HB No. 137	This amendment makes the following technical changes: 1) the term “employer” is corrected to “employee”; a cross-reference is added for a newly added paragraph; internal cross-references are corrected; and the judiciary’s option of a 6% reduction in exchange for 100% survivor benefit is added.	
HA No. 1 To HA No. 2 To HB No. 137	This amendment to House Amendment No. 2 makes the provisions of this legislation effective for those retiring with an effective date of retirement of July 1, 2014, in order to allow for necessary administrative and systems changes.	
SB No. 78 + SA-1	This legislation establishes a Wetlands Advisory Committee to develop comprehensive recommendations for conserving and restoring non-tidal wetlands in Delaware, including evaluating national best practices and standards, evaluating incentive-based programs, and reviewing state and federal wetland permitting processes to identify opportunities to improve efficiency and eliminate redundancy. The Secretary will provide a final report of recommendations to the General Assembly no	Signed into Law 7/31/13

<p>SB No. 78 + SA-1</p>	<p>later than December 31, 2014.</p> <p>The bill also amends Title 7 Del C. Chapter 66, §6607 and §6617 and Title 7 Del C. Chapter 72, §7205 and §7214 to expedite resolution of violations by allowing the use of administrative procedures and penalties to resolve wetland and subaqueous lands violations and by minimizing the use of civil or criminal prosecution to resolve violations. The bill also allows the Secretary to issue after-the-fact permits and assess administrative penalties as appropriate.</p>	
<p>SR No. 8</p>	<p>The Resolution urges the United States Congress to support efforts to reinstate the separation of commercial and investment banking functions in effect under the Glass-Steagall Act and supporting H.R. No. 129. <i>(See attached documentation)</i></p>	<p>This is a Resolution only; to demonstrate Delaware State support for Federal Legislation.</p> <p>State Senator Venables is requesting our endorsement.</p> <p>SR No. 8 demonstrates Delaware support for US House of Representative Resolution No. 129 which would support re-enacting Glass-Steagall Act adopted by Congress in 1933 to protect the public interest regarding banking regulations.</p> <p>Congress repealed this law in 1999 which many believe led to the 2<sup>nd</sup> Great Depression in America. Some members of Congress would like to reinstate the Glass-Steagall Act.</p> <p>This bill has passed both chambers.</p>
<p>HB No. 167</p>	<p>This bill would prohibit a public employer from inquiring into or considering the criminal record, criminal history or credit history or score of an applicant before it makes a conditional offer to the applicant. It would permit inquiry and consideration of criminal background after the conditional offer has been made. The bill specifies that once a background check is conducted an employer shall only consider felonies for 10 years from the completion of sentence, and misdemeanors for 5 years from the completion of sentence. Further, employers are required to consider several enumerated factors when deciding whether to revoke a conditional offer based on the results of a background</p>	<p>Amended by Amendments No. 1, Amendment 1 to No. 1 which were grammatical &amp; House Amendment No. 2 which aligns with County Council's request to eliminate the 5 &amp; 10 year look back limitations.</p> <p>See Synopsis on Attachment House Amendment No. 2 To House Bill No. 167</p> <p>Passed the House 1/28/14</p> <p>Passed the Senate 5/1/14</p>

HB No. 167 (continued)	check. Police forces, the Department of Corrections and other positions with a statutory mandate for background checks are excluded from these provisions. The bill also requires contractors with State agencies to employ similar policies where not in conflict with other State or federal requirements.	Signed into law by the Governor 5/8/14 Assigned to the Senate Labor and Industrial Relations Committee 1/29/14  Released from Committee 3/26/14
SB No. 159	This legislation provides clarification with respect to the placement, installation and maintenance of gateway signs to boundaries of political subdivisions and established non-incorporated areas of the State.	Passed the Senate 1/30/14  Released from House Transportation/Land Use and Infrastructure Committee
HB No. 243	Currently possession actions involving rental of residential or commercial property fall within the exclusive jurisdiction of the Justice of the Peace Court. There is no clear statement of jurisdiction for agricultural leases, though the possession issues are similar. This legislation provides that the Justice of the Peace Court has exclusive jurisdiction over agricultural lease matters and requires that service of process for any such action shall be provided by either personal service or certified mail, return receipt requested.	Introduced in the House 1/30/14  Passed the House 3/25/14  Assigned to the Senate Judiciary Committee 3/27/14 Passed the Senate 5/01/14 Signed by the Governor 6/18/14
HB No. 159	This bill prohibits a person from running as a candidate for more than one state, county or municipal office in the same election.	County Council supports this legislation.  Passed the House & passed the Senate 3/26/14  Signed by the Governor
SB No. 160	The bill would increase the weight limit for live-haul poultry trucks operating on Delaware highways within 100 miles of the plant in order to accommodate the poultry industry and ensure public safety. In addition, the bill would provide for a weight variance of 3 percent to account for variations in bird weight. Live-haul poultry trucks are granted the increased weight limit and associated variance provided that these trucks are in compliance with several conditions aimed at ensuring public safety. Provided these conditions are met, this bill would allow a live-haul poultry truck to weigh up to 92,700 pounds before any penalty is assessed for exceeding weight restrictions. This weight variance provided for in this bill is the same weight variance granted to vehicles used for farm operations by § 4502(c)(9) of Title 21.	Passed the Senate 3/18/14  Assigned to the House Ag Committee which will meet and consider this Bill 4/2/14  Passed the House and signed into law – 5/8/14

SB No. 166  SB No. 166 (continued)	This bill defines "industrial landfill" in conformity with the Department of Natural Resources and Environmental Control's <i>Regulations Governing Solid Waste</i> . This bill also establishes a height restriction, or vertical limit, for an industrial landfill at 130 feet above the mean sea level of the area.	Introduced in the Senate 1/29/14  Assigned to Senate Natural Resources and Environmental Control Committee
HB No. 272	This Bill, modeled after similar legislation enacted in Pennsylvania and West Virginia, clarifies paramedic immunity when consent to render care is unable to be obtained.	Our EMS Department is currently reviewing  Released from House Public Safety and Homeland Security Committee
SB No. 157	The bill adds sales and leases to the current language regarding publicly capital improvement.	This Bill allows public bodies to meet in Executive Session when considering sales or leases of real property  Passed the Senate
SB No. 191	This Act establishes "Downtown Development Districts". Under the Act, investors (both non-profit and for-profit) who make qualified real estate improvements in a District would be entitled to receive Downtown Development District (DDD) Grants of up to 20 percent of their "hard costs".	This is a Governor's initiative. Governor Markell explained this bill Wednesday evening, April 2, 2014 in Bridgeville at the SCAT meeting as a fund to help Delaware Municipalities grow.  Passed both chambers of the legislature and signed by the Governor
HB No. 289	This bill creates equity among users of telecommunications services by extending the 911 fee to prepaid wireless retail transactions.	The State shall create a special fund designated as the Enhanced 911 Emergency Reporting System Fund, which shall be used to reimburse the State, counties, local governments and providers of telecommunications services in this State for costs associated with the E-911 Emergency Reporting System.  Passed the House
SB No. 201	This bill clarifies the roles and authority of the Delaware Division of Public Health Office of Animal Welfare and Delaware Department of Agriculture. The Office of Animal Welfare was established to consolidate and coordinate companion animal programs and address the treatment of companion animals in Delaware by reviewing and determining emerging issues needing attention for the protection of both animals and members of the public. This bill not only authorizes the	Introduced April 2, 2014 assigned to Senate Health and Social Services Committee  Has passed both chambers of the legislature

	<p>Department of Health and Social Services to enforce existing shelter standards, the animal population control program and spay/neuter fund, and companion animal welfare license plate funds, all programs previously overseen by the Department of Agriculture, it also establishes an enforcement mechanism to do so. The bill also updates and clarifies the authority of the Department of Agriculture over poultry and livestock species and zoonotic disease prevention, eradication and mitigation.</p>	
SB No. 196	<p>This bill restores language to the Delaware Code that was inadvertently repealed in 2010 when SB 240 and HB 419 were enacted concurrently. This bill adds cats to the list of domestic animals that are protected under the dangerous dog law. Cats are domestic animals and dogs that viciously attack a cat on the property of its owner or under the immediate control of its owner should be evaluated according to dangerous dog provision.</p>	<p>Introduced April 10, 2014 assigned Senate Health and Social Services Committee.</p> <p>Released from Committee April 30, 2014.</p> <p>Passed the Senate</p>
HB No. 311	<p>During hearing of the Animal Welfare Task Force, established by Senate Concurrent Resolution 44 in the 146<sup>th</sup> General Assembly, members of the public expressed serious concern about the lack in standardized training and certification of Animal Control Officers (ACOs) and Animal Cruelty Agents (ACAs). ACOs and ACAs in the State of Delaware carry out law enforcement duties, such as issuing warrants, citations, and seizing evidence, yet they are not currently required to have any uniform training and certification. The Animal Welfare Task Force recommended that the Delaware Division of Public Health Office of Animal Welfare develop and implement statewide training and certification of ACOs and ACAs. This will promote safety of the public, officers and animals, reduce the possibility of having inadequately trained officers carrying out law enforcement duties, and enhance consistency in service among agencies. This Act is based upon those recommendations. This Act does not change the animal cruelty standards or investigative authority currently in the Delaware Code. This Act becomes effective upon final publication of the regulations by the Department of Health and Social Services.</p>	<p>Introduced April 29, 2014 assigned to House Health and Human Development Committee.</p> <p>Passed the House</p>

SB No. 207	This bill would implement one of the Task Force's recommendations to improve the funding of basic life support ambulance services in Delaware by ensuring that health insurers, health service corporations, health maintenance organizations, or managed care organizations do not set their allowable charges below the costs incurred by the volunteer ambulance companies in providing an ambulance run and basic life support services.	Introduced April 30, 2014 assigned to Senate Insurance Committee.  Released from Committee 5/7/14  Passed both chambers of the legislature – 6/11/14
HB No. 315	This bill would implement one of the Task Force's recommendations to improve the funding of basic life support ambulance services in Delaware by establishing a \$10 assessment on all violations of Title 21 and creating a Volunteer Ambulance Company Fund. The moneys collected would be earmarked for volunteer ambulance companies and distributed on a pro rata basis by the State Fire Prevention Commission.	Introduced April 30, 2014 assigned to the House Public Safety & Homeland Security Committee.  Released from Committee 5/7/14  Passed the House – 6/3/14; assigned to Senate Public Safety Committee
HB No. 316	This bill would implement one of the Task Force's recommendations to improve the funding of basic life support ambulance services in Delaware by requiring each county to contribute a minimum of 15% of the total countywide cost of basic life support services provided by volunteer ambulance companies within each county. The bill allows the counties the leeway to determine the best way to provide these funds; however the bill grants a county the power to support its volunteer ambulance companies through additional funding mechanisms designed solely for the support of volunteer ambulance companies, should it choose to do so. These additional powers are (1) to assess an additional tax rate, assessment, or fee on real property or (2) to adopt a user fee.	Introduced April 30, 2014 assigned to the House Public Safety & Homeland Security Committee.  This bill was reviewed Wednesday, May 7, by the House Public Safety & Homeland Security Committee. The committee tabled this bill to allow time for all three counties to join with the sponsors of the bill in order to amend or rewrite it to better serve all parties involved.  Todd, Gina, and I will provide this process with Sussex County's interests.  Bill remains tabled
HB No. 317	This bill would implement two of the Task Force's recommendations to improve the funding of basic life support ambulance services in Delaware by (1) specifying that certain types of health insurers are subject to the insurance premium tax assessment for ambulance service and (2) increasing the amount of the moneys placed in the fund to forty five one hundredths of 1 percent.  This bill also adds definitions for volunteer ambulance companies and other related terms. While the bill adds the new definition for volunteer ambulance companies, it retains the prior	Introduced April 30, 2014 assigned to the House Public Safety & Homeland Security Committee.  Released from Committee 5/7/14

	reference to volunteer rescue services to ensure those entities continue to receive funding from the special fund.	
HB No. 279	This bill includes uniformed paramedics as an employee for purposes of the Delaware County and Municipal Police and Firefighter Pension Plan.	Passed the House and released from Senate Finance Committee
HB No. 405	This bill is the first leg of a Constitutional amendment that eliminates reference to the county elective office of Clerk of the Peace. Contemporaneously with the second leg of the Constitutional Amendment, the implementation language will be filed as a separate bill to maintain a Marriage Bureau in each county under the Secretary of Health and Social Services.	Stricken 6/19/14

***El Centro Cultural, Inc.***  
***P. O. Box 347***  
***Georgetown, DE 19947***  
*(302) 745-6828*  
*festivalhispano@hotmail.com*  
*www.elcentrocultural.org*

June 10, 2014

Dear Joan Deaver,

*El Centro Cultural* would like to invite you to be a sponsor of ***Festival Hispano*** on **Sunday, August 10, 2014**, from 12:00 noon to 6:00 p.m. at the Little League Complex in Millsboro, Delaware.

**We are proud to celebrate our 20<sup>th</sup> Anniversary of Festival Hispano this year!**

Once again, it will be a great day for all of us to appreciate the diversity of Southern Delaware's Hispanic community. We are proud to celebrate a day in which Hispanic heritage and culture are on display for all to see. It is our desire that you participate in this wonderful day so you can promote your business, inform the community of your services, and reach thousands of Hispanic residents from all over Delaware.

**Sponsorship Form** - We have enclosed a sponsorship form where we have established five donation levels. For a contribution of \$1,000 or more, your business name is acknowledged in all ***Festival Hispano*** publicity, your business logo will be included on the official ***Festival Hispano*** color flyer, and your business is entitled to a 15 x 30 display space. For a contribution of \$500 or more, your business is entitled to a half page advertisement in the official ***Festival Hispano*** Program Booklet and a 15 x 30 display space. For a contribution of \$300 or more, your business is also entitled to a one third page advertisement in the official ***Festival Hispano*** Program Booklet and a 15 x 15 display space. For a contribution of \$150 or more, your business is entitled to a 15 x 15 display space at ***Festival Hispano***. To ensure we receive your logo and advertisement for this year's publication, please email the advertisement to [festivalhispano@hotmail.com](mailto:festivalhispano@hotmail.com) by **August 1, 2014**.

**Application Form** - If you are planning to have a display space at ***Festival Hispano***, please complete the Sponsor application and return it with your Sponsorship form and your donation.

**We look forward to having your support as we celebrate the 20<sup>th</sup> Anniversary of Festival Hispano!** All donations to *El Centro Cultural* are tax deductible. For more information, please contact *El Centro Cultural* – the non-profit arts organization which coordinates ***Festival Hispano*** by email at [festivalhispano@hotmail.com](mailto:festivalhispano@hotmail.com) or by phone at (302) 745-6828. Volunteers of ***Festival Hispano*** will check email messages and phone messages often. We will respond as soon as we can.

Thank you,

*Allison Burris Castellanos*

Allison Burris Castellanos

Treasurer of El Centro Cultural

**El Centro Cultural, Inc.**  
**P. O. Box 347**  
**Georgetown, DE 19947**  
(302) 745-6828  
*festivalhispano@hotmail.com*  
*www.elcentrocultural.org*

**Sponsorship Form**

<u>Level/Donation</u>	<u>Includes</u>
<b>Major Sponsor</b> <b>\$4,000 +</b>	Publicity Banner of your company on the artist's stage Logo on <i>Festival Hispano</i> color flyer Special cover page acknowledgement in the Program Booklet Full-page advertisement in the Program Booklet Acknowledgment in all <i>Festival Hispano</i> publicity 15 x 30 Display space at <i>Festival Hispano</i>
<b>Patron</b> <b>\$1,000</b>	Full-page advertisement in the Program Booklet Logo on <i>Festival Hispano</i> color flyer Acknowledgment in all <i>Festival Hispano</i> publicity 15 x 30 Display space at <i>Festival Hispano</i>
<b>Benefactor</b> <b>\$500</b>	Half-page advertisement in the Program Booklet 15 x 30 Display space at <i>Festival Hispano</i>
<b>Contributor</b> <b>\$300</b>	Quarter-page advertisement in the Program Booklet 15 x 15 Display space at <i>Festival Hispano</i>
<b>Friend</b> <b>\$150</b>	Name of Business listed in the Program Booklet 15 x 15 Display space at Festival Hispano

-----  
Name \_\_\_\_\_

Business \_\_\_\_\_

Mailing Address \_\_\_\_\_

Phone \_\_\_\_\_ Email \_\_\_\_\_

Fax \_\_\_\_\_ Amount of Donation \$ \_\_\_\_\_

Please make check payable and mail all forms and donations to *El Centro Cultural*, P.O. Box 347, Georgetown, DE 19947. All donations to *El Centro Cultural* are tax deductible (Employer Identification Number: 52-2048298). Thank you!

***If you are planning to have a display space, please also complete the sponsor application and return it with your donation. If you are planning to have an advertisement, please email the advertisement to be included in the program booklet to [festivalhispano@hotmail.com](mailto:festivalhispano@hotmail.com) before August 1, 2014. If we don't receive an advertisement by August 1, 2014, we will use a previous advertisement or create our own advertisement for your business.***



**FirstState**  
**COMMUNITY ACTION AGENCY**  
*People Helping People Build Community*

May 28, 2014

Councilwoman Joan Deaver  
 2 The Circle  
 P.O. Box 589  
 Georgetown, DE 19947

**RE: Pinetown Car Show & BBQ**

Dear Councilwoman Deaver:

Pinetown Civic Association is a non-profit organization, serve an unincorporated community located outside the town of Lewes, Delaware. The Civic Association's mission is to change the mind-set of the families and help them be move toward self-sufficiency and provide a positive learning environment for our youth. Pinetown is a low-income community of which a majority of the residents are senior citizens.

The members of the Pinetown Civic Association in partnership with First State Community Action Agency would like to host a community Car Show & BBQ on Saturday, June 28, 2014. The civic association is seeking your assistance in making this event possible by submitting this request for \$500.00 to purchase the following items:

- Food**
- Supplies**
- Grand Rental Basketball Court Hoop Zone**

First State Community Action Agency, Inc. is a Delaware nonprofit organization (Tax ID #51-0104704).

Enclosed you will find a Budget Summary, if you have any questions, please feel free to contact Mrs. Michelle Johnson, Community Development Specialist at 302-856-7761 ext. 111. We thank you and appreciate any assistance you can provide to us in this matter.

Sincerely,

Bernice Edwards  
 Executive Director

Enclosure:

Stanford L. Bratton Building  
 P. O. Box 877  
 308 N. Railroad Avenue  
 Georgetown, Delaware 19947  
 Email: firststatecaa.org

Phone: 302 - 856 - 7761  
 800 - 372 - 2240  
 Fax: 302 - 856 - 2599

Blue Hen Corporate Center  
 655 S. Bay Road, Suite 4J  
 Dover, Delaware 19901

Phone: 302 - 674 - 1355  
 Fax: 302 - 674 - 5229

Rose Hill Community Center  
 19 Lambson Lane, Suite 8  
 New Castle, Delaware 19720

Phone: 302 - 498 - 0454  
 Fax: 302 - 575 - 1409

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 Bernice Edwards



Member of  
 Community Action Partnership



The Town of  
**Millville**  
*a beautiful way of life*

36404 Club House RD  
Millville, DE 19967  
Phone: 302.539.0449  
Fax: 302.539.0879  
[www.millville.delaware.gov](http://www.millville.delaware.gov)

17 June 2014

Sussex County Council  
Attn: Robin  
P.O. Box 589  
Georgetown, DE 19947

**RE: TOWN EVENT FINANCIAL ASSISTANCE GRANT**

Dear Sussex County Council:

The Town of Millville would like to apply for a financial assistance grant to be used toward the costs of Town events such as our annual Farmer's Market, which runs from June 19 to September 11; our Great Pumpkin Festival, which is scheduled for October 4; and our Holiday Market, which is scheduled for December 6. All of these events promote healthy and happy community bonding as well as help our local businesses.

Your consideration would be greatly appreciated by our Council, residents and local farmers.

Very truly yours,

Deborah Y. Botchie  
Town Manager

cc: County Councilman George Cole  
Town Council



*Seaford Historical Society, Inc.*

203 High Street  
Seaford, DE 19973  
June 13, 2014

The Honorable Mike Vincent, President  
Sussex County Council  
734 E. Ivy Dr.  
Seaford, DE 19973

Dear Council President Vincent,

The Seaford Historical Society is proud to announce the opening of the Nanticoke Maritime Gallery in one month's time. This is truly exciting for us. It also marks a change in our presentation allowing visitors to tour at their own pace with motion detector activated digital frames that will present individual slide show presentations to allow visitors to tour at their own pace. Even if the visitor arrives when a docent is not available to tour with them, the visitor can enjoy an informative presentation. This is a marked change from what we have done in the past. Through the use of vintage pictures of the town maritime heritage, a gallery of our history is now capable of taking the visitor back in time to the 1880s through 1910.

We can now see the benefit of "hand held digital docents" to allow visitors to tour at their own pace, by themselves if they would like. Some visitors want that full hour and a half presentation while others might prefer to take in the whole museum in only a half hour with a digital docent that can tell them about the subjects that they are most interested in.

We have done the basic research on this new technique, and the handheld devices and needed materials cost over four thousand dollars. We presently have one thousand dollars budgeted for this purpose. We need an additional \$3500 to enable us to purchase a quality digital docent program like the one at the Discovery Center in Pokomoke. The Seaford Museum is really a quality institution and our goal, as you will see in this new addition, is to continue to update the museum and provide a very high quality experience for the visitor as we see more and more visitors coming to our town to specifically come to our Seaford Museum and the Governor Ross Plantation.

We greatly appreciate your assistance in the past and hope that the Historical Society can again benefit from your generosity.

Sincerely,



Jim Blackwell, Grants Administrator