



NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)

Financial Statements and Required Supplementary Information

For the Year Ended June 30, 2013

(With Report of Independent Public Accountants)

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Trustees
New Castle County, Delaware
Employees' Pension Program

Report on the Financial Statements

We have audited the accompanying statement of plan net position and statement of changes in plan net position of the New Castle County, Delaware Employees' Pension Program (the Pension Program), a pension trust fund of New Castle County, Delaware as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Pension Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Pension Program as of June 30, 2013, and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

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

Hunt Valley, Maryland
November 1, 2013

SB & Company, LLC

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)
Management's Discussion and Analysis

This discussion and analysis of the New Castle County, Delaware Employees' Pension Program (the Program) financial performance provides an overview of the Program's financial activities for the year ended June 30, 2013. Please read this discussion and analysis in conjunction with the Program's financial statements, which follows this section.

Financial Highlights

- Net position held in trust available for plan benefits increased by \$25.8 million during the year from \$372.9 million as of June 30, 2012, to \$398.7 million as of June 30, 2013. The increase is primarily due to investment value gains.
- The Plan had a net investment gain of \$42.5 million for the year ended June 30, 2013, compared to a net investment loss of \$7.7 million for the year ended June 30, 2012. These investment gains are attributable to favorable market conditions.
- Employer contributions increased by \$0.9 million for the year ended June 30, 2013, to \$11.6 million for the year ended June 30, 2012. Other contributions decreased from \$5.4 million as of June 30, 2012, to \$5.0 million as of June 30, 2013. This decrease is primarily due to decreased State contributions.
- Benefit payments to retirees increased by \$1.9 million during the year from \$30.7 million in FY 2012 to \$32.6 million in FY 2013.

Overview of the Financial Statements

This financial report consists of the statement of plan net position and the statement of changes in plan net position. These statements provide information about the financial position and activities of the Program as a whole. These amounts are included in the statement of fiduciary net position in New Castle County's financial statements.

Notes to the Financial Statements

The accompanying notes to the financial statements provide additional information that is essential for a comprehensive understanding of the Program's financial condition and financial performance. The notes to the financial statements can be found on pages 7-17 of this report.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the Program's progress funding as well as contributions required and made to the Plan as of and for the year ended June 30, 2013. Required supplementary information can be found on pages 18-19 of this report.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Management's Discussion and Analysis

Analysis of Financial Position and Financial Performance

The Plan's overall funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. Accordingly, collecting employer contributions as well as earning an adequate long-term rate of return on its investments are essential components of the Program for accumulating the funds needed to finance future retirement benefits.

Fiscal Year 2013 Compared to 2012

The following schedule depicts the balances of the plans allocation of investments from 2012 to 2013. The \$9.3 million increase in common stocks and the \$14.4 million increase in mutual funds were primarily due to the appreciation in value of investments from the stock market during the fiscal year ended June 30, 2013.

	2013	2012	Variance	%
				Change
Cash and cash equivalents	\$ 6,675,104	\$ 6,056,672	\$ 618,432	10%
Common and preferred stock	111,082,476	101,794,386	9,288,090	9%
Municipal obligations	2,080,664	2,862,333	(781,669)	-27%
Obligations of U.S. governments and agencies	24,657,881	22,247,289	2,410,592	11%
Corporate obligations	51,277,285	50,564,448	712,837	1%
Mutual funds	186,260,246	171,892,294	14,367,952	8%
Asset backed securities	12,816,194	10,513,616	2,302,578	22%
Other obligations	2,537,036	5,775,531	(3,238,495)	-56%
Total Cash, cash equivalents, and investments	397,386,886	371,706,569	\$ 25,680,317	7%

As depicted in the schedule below, interest income increased significantly during the year ended June 30, 2013, due to market outperformance. Benefit payments increased due to new retirees during the year.

	2013	2012	Variance	%
				Change
Additions:				
Contributions:				
Plan members	\$ 2,904,218	\$ 3,036,290	\$ (132,072)	-4%
New Castle County	11,592,772	10,719,798	872,974	8%
State of Delaware	2,033,896	2,343,810	(309,914)	-13%
Other contributions	28,421	2,965	25,456	859%
Net investment income (loss)	42,499,904	(7,684,225)	50,184,129	-653%
Total additions and investment gains (losses)	59,059,211	8,418,638	50,640,573	602%
Deductions:				
Benefit payments	32,617,505	30,670,365	1,947,140	6%
Refunds of contributions	86,913	145,531	(58,618)	-40%
Administrative expenses	588,967	809,984	(221,017)	-27%
Other expenses, net	6,533	37,687	(31,154)	-83%
Total deductions	33,299,918	31,663,567	1,636,351	5%
Change in net position	\$ 25,759,293	\$ (23,244,929)	\$ 49,004,222	-211%

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)
Management's Discussion and Analysis

Requests for Information

New Castle County's management are fiduciaries of the pension trust fund and, as such, are charged with the responsibility of ensuring that the Program's assets are used exclusively for the benefit of plan participants and their beneficiaries. This financial report is designed to provide an overview of the Programs' finances and to demonstrate accountability for the resources entrusted to the Program for the benefit of all of the Program's participants. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Michael Coupe, Chief Financial Officer, New Castle County Government Center, 87 Reads Way, New Castle, Delaware 19720, telephone (302) 395-5170. Visit the County's website at www.nccde.org.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Statement of Plan Net Position

June 30, 2013

Assets:	
Cash and cash equivalents	<u>\$ 6,675,104</u>
Receivables:	
New Castle County	1,823,785
Employee Contributions	10,658
State of Delaware	<u>52,767</u>
Total receivables	<u>1,887,210</u>
Investments:	
Mutual funds	186,260,246
Obligations of U.S. government and agencies	24,657,881
Corporate obligations	51,277,285
Municipal obligations	2,080,664
Common and preferred stock	111,082,476
Asset backed securities	12,816,194
Other obligations	<u>2,537,036</u>
Total investments	<u>390,711,782</u>
Total assets	<u>399,274,096</u>
Liabilities:	
Vouchers payable and accrued expenses	<u>597,464</u>
Net position held in trust for pension benefits	<u>\$398,676,632</u>

The accompanying notes are an integral part of this financial statement.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Statement of Changes to Plan Net Position

Year Ended June 30, 2013

Additions:

Contributions:

Plan members	\$2,904,218
New Castle County	11,592,772
State of Delaware	2,033,896
Other contributions	<u>28,421</u>

Total contributions 16,559,307

Investment income:

Net increase in fair value of investments	33,411,246
Interest, dividends, and other income, including realized gains/losses	<u>11,783,153</u>

Investment gain 45,194,399

Less: investment expense 2,694,495

Net investment gains 42,499,904

Total additions and investment gains 59,059,211

Deductions:

Benefit payments	32,617,505
Refunds of contributions	86,913
Administrative expenses	588,967
Other expenses, net	<u>6,533</u>

Total deductions 33,299,918

Change in net position 25,759,293

Net position held in trust for pension benefits:

Beginning of year 372,917,339

End of year \$398,676,632

The accompanying notes are an integral part of this financial statement.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

(1) The Program

New Castle County, Delaware Employees' Pension Program (the Program) is a quasi-independent agency established as a single-employer defined benefit pension plan to provide pension benefits to employees of New Castle County, Delaware (the County). The Program is considered part of the County's financial reporting entity and is included in the County's financial statements as a pension trust fund. These financial statements are not intended to present the financial position and results of operations of the County.

The Program is governed by a twelve member board of trustees comprised of the County's Chief Financial Officer and Chief Human Resources Officer, six member employees (five of whom are labor union representatives), one retired employee, and three persons not employed by or retired from the County (two of whom are to be in the banking or investment security business). All board of trustees decisions concerning the Pension code must be ratified by ordinance or resolution passed by the County Council before they can become effective.

The Program consists of five separate pension plans with members' benefits varying according to the plan in which they participate. Original membership in a particular plan generally is based upon the date of employment and occupation.

Upon organization of the Program, all of the assets of the County's previously separate pension plans were pooled and were made available to satisfy obligations of members under any of the plans. The County's contributions are based on the actuarial valuation of the Program as a single entity.

The Program's five retirement plans are the County Employees' Pension Plan (the Plan), the Employees' Retirement System (the System), the Alternate Pension Plan (the Closed Plan), the County 2011 Plan (the Hybrid Plan) and the School Crossing Guards' Pension Plan (the Guard Plan). The Closed Plan is the original County employees' pension plan established in 1947. In 1972, this plan was amended and the System was established. All County police and County employees, except appointments, hired after January 1, 1972, automatically became members of the System. The County Code was amended in May 1979, establishing the Plan effective November 1979. All eligible County nonpolice employees hired after May 1, 1979, automatically became members of the Plan after completing six months of service. All eligible County nonpolice employees hired after October 21, 1997, could choose between the Plan and the System. Effective June 24, 2011, the System was closed to new employees. As of November 1, 2011, the Plan was closed to new employees and participation in the Hybrid Plan will be compulsory for eligible individuals. In addition, nonpolice County employees have at various times been given the option to transfer between the three plans.

On January 1, 1992, the Guard Plan was established, at which time all eligible school crossing guards were offered the option to buy into the Guard Plan through the prior service purchase options. All eligible school crossing guards become members after six months of service.

On February 1, 1993, the County Code was amended to provide: (a) a compounded 3% postretirement increase for police members of the System commencing January 1, 1998, and (b) that all police employees hired on or after February 1, 1993, shall become members of the Delaware Municipal Police/Firefighter Pension Plan. The County contributes to the Program for County police officers who are members of the System.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

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Notes to Financial Statements

Year Ended June 30, 2013

In December 1996, the board of trustees and the County Council approved an ordinance to allow certain current and former employees to retroactively transfer between the Closed Plan, the Plan and the System, join the Plan or the System, or to buy in state service time through December 17, 1997. This ordinance was passed to correct past misinformation about the ability of an employee to buy in state service time and, thus, the possibility that some employees may have been deprived of the opportunity to join the Plan or the System.

On January 20, 2004, the County Code was amended to reflect the passing of an ordinance that allows certain current employees to retroactively transfer between the Closed Plan, the Plan, and the System; join the Plan or System; or buy in credited service time through January 20, 2005. The ordinance was passed to retain experienced officials and employees who have invested more time with the County since the approval of a similar ordinance passed in December 1996 and have been operating with no pension plan and no County-provided disability coverage through disability retirement benefits.

On December 15, 2006, an ordinance was signed to reinstate the 10 year vesting requirement for the System. It also restricted the buy-in of other government service to full-time service performed for the state or municipalities of Delaware, permits buy-in only after full vesting, and restricts the buy-in or plan switching to be calculated at full actuarial cost.

Program benefits are established under County Code and may be amended by action of the board of trustees of the Program and the approval of ordinances by the County Council.

County employees covered by the Plan and hired before December 15, 2006, become eligible for benefits upon 15 years of credited service and attainment of age 60, 5 years of credited service and attainment of age 65, 10 years of credited service and attainment of age 62, or 30 years of credited service. Employees hired after December 15, 2006, become eligible upon 15 years of credited service and age 60, 10 years of credited service and age 62, or 30 years of credited service. The amount of the monthly service or disability pension payable to a Plan member equals $\frac{1}{60}$ of his or her final average compensation multiplied by the number of years of his or her credited service, taken to the nearest $\frac{1}{12}$ of a year, provided that:

- A. Beginning no earlier than age 62, the service pension payable shall in no case exceed 1% of final average compensation plus 0.5% of final average compensation in excess of 30% of covered compensation plus 0.5% of final average pay in excess of covered compensation, the sum of which is multiplied by years of service not in excess of 30 and:
- B. The disability pension, when combined with the disability or old age insurance benefit for which he or she is eligible under the federal Social Security Act, without taking into account any increases in such benefit after payments commence, shall not exceed 75% of final average compensation.

For participants who are age 55 prior to January 1, 1997, benefits shall not be less than 75% of final average compensation less the age 62 Social Security benefit; the result to be multiplied by a ratio not to exceed 1, the numerator of which is the participant's years of credited service and the denominator of which is 30 years. Benefits are proportionately less for members with less than 30 years of credited service.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

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Notes to Financial Statements

Year Ended June 30, 2013

County nonpolice employees covered by the System and hired before December 15, 2006, become eligible for benefits at age 60, 55, or 50, provided they have completed at least 5, 15, or 25 years of service, respectively, or at any age upon attaining 30 years of credited service. Nonpolice employees hired after December 15, 2006, become eligible for benefits at age 60, 55, or 50, provided they have completed at least 10, 15, or 25 years of service, respectively, or at any age upon attaining 30 years of credited service. Police members become eligible to retire after 20 years if they complete a minimum of 15 years of service during the 20-year period or at age 50 with at least 10 years of service and have not obtained a refund. Police are subject to mandatory retirement at age 55. Normal monthly retirement benefits for nonpolice System members are calculated based upon a monthly average of the member's highest base salary or wage, excluding overtime and shift premium compensation, for 36 months (12 months for police members with at least 15 years of credited service), whether or not consecutive, multiplied by a specific percentage that ranges from 1.7% to 2.5% and multiplied by years of service. Police pensions are calculated at 2.5% of final average salary for each year of police service. Benefits are limited to 80% of the average salary calculated above. Service retirement benefits for nonpolice employees are automatically increased January 1st each year by 2% of the initial benefit beginning the earlier of five years of retirement or attaining age 60 and one year of retirement. Service retirement benefits for police members are automatically increased each year beginning after three years of retirement or age 60 and 1 year of retirement by a 3% cost of living adjustment compounded annually.

Under the Closed Plan, County members are eligible for benefits upon completion of 20 years of credited service or at age 60 and completion of 15 years of credited service. Normal monthly retirement benefit is calculated based upon a monthly average of a member's highest wage, excluding overtime and shift premium compensation, for 60 consecutive months, multiplied by 2.5% and further multiplied by the total years of service. Benefits range from a minimum of \$200 per month to a maximum of \$300 per month.

Under the Guard Plan, members hired before December 15, 2006, become eligible for benefits upon 15 years of credited service and attainment of age 60, 10 years of credited service and attainment of age 62, 5 years of credited service and attainment of age 65, or 30 years of credited service. Employees hired after December 15, 2006, become eligible upon 15 years of credited service and age 60, 10 years of credited service and age 62, or 30 years of credited service. The annual service retirement benefit is equal to \$10 per month for each year of credited service.

Under the Hybrid Plan, members hired after November 1, 2011, become eligible for benefits upon 10 years of credited service and attainment of age 65, or if they are an Emergency Responder with 10 years of credited service and attainment of age 60, or upon 30 years of credited service, regardless of age. The amount of monthly service retirement benefit is equal to 1% of his or her final average salary multiplied by the number of years and partial years of credited service, taken to the nearest month.

The Program also provides death and disability benefits.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

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Notes to Financial Statements

Year Ended June 30, 2013

As of January 1, 2013, the Program membership consisted of:

Retirees and beneficiaries currently receiving benefits:

Plan participants	152
System participants	1,043
Closed Plan participants	36
Guard Plan participants	<u>47</u>
Total retirees and beneficiaries currently receiving benefits	<u>1,278</u>

Terminated employees entitled to but not yet receiving benefits:

Plan participants	29
System participants	60
Closed Plan participants	-
Guard Plan participants	<u>5</u>
Total terminated employees entitled to but not yet receiving benefits	<u>94</u>

Active Program members, vested:

Plan participants	159
System participants	764
Closed Plan participants	6
Guard Plan participants	<u>77</u>
Total active Program members, vested	<u>1,006</u>

Active Program members, nonvested:

Plan participants	12
System participants	101
Guard Plan participants	<u>19</u>
Total active Program members, nonvested	<u>132</u>

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Program's financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Member, State of Delaware, and employer contributions are recognized in the period in which employee salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the Program.

(b) Investments and Cash Equivalents

The Program's investments are reported at fair value. Fair value is the amount that the Program can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller; that is, other than a forced or liquidated sale. Investments in SEC-registered mutual funds are valued at share values. U.S. government and agency obligations, corporate and municipal obligations, and common stocks are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued by the asset manager or third parties based on similar sales. Limited partnerships are valued based on amounts provided by the partnership and general partner.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

Purchases and sales are recorded on a trade-date basis. Unsettled investment sales are reported as investment proceeds receivable, and unsettled investment purchases are reported as investment purchases payable. Interest income is reported as earned, and dividend income is reported as dividends are declared. Investment expenses consist of investment managers' fees and those administrative expenses directly related to the Program's investment operations.

All highly liquid debt instruments purchased with an original maturity date of three months or less at the date of acquisition are considered cash equivalents and are reported at cost, which approximates fair value.

(c) Tax Status

The Program is exempt from federal income tax under Section 115, sections 401(a) and 501(a) of the *Internal Revenue Code*.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

(3) Deposits and Investments

(a) Deposits

The carrying amount of the cash deposits and cash on hand as of June 30, 2013 is \$3,028,183. The bank balances were \$3,128,058. Of the bank balances, \$250,000 is covered by federal depository insurance. The remaining bank balance is uncollateralized.

(b) Investments:

The following is a schedule which details the Pension Trust fund's investments.

Investment Type	Fair Value	Credit Rating	Rating Agency
U.S. Government Obligations	<u>\$12,008,694</u>	NR	-
U.S. Government Agencies and Instrumentalities	<u>12,649,187</u>	AA+	S&P
Corporate Obligations	326,846	Aaa	Moody
Corporate Obligations	477,633	Aa2	Moody
Corporate Obligations	424,173	Aa1	Moody
Corporate Obligations	774,758	AA-	S&P
Corporate Obligations	670,363	A1	Moody
Corporate Obligations	384,531	A+	S&P
Corporate Obligations	834,956	A	S&P
Corporate Obligations	6,123,127	A3	Moody
Corporate Obligations	445,690	A-	Moody
Corporate Obligations	4,498,075	Baa1	Moody
Corporate Obligations	616,090	BBB+	S&P
Corporate Obligations	9,049,792	Baa2	Moody
Corporate Obligations	475,065	BBB	S&P
Corporate Obligations	750,381	Baa3	Moody
Corporate Obligations	309,925	Ba1	Moody
Corporate Obligations	783,883	BB+	S&P
Corporate Obligations	<u>3,164,527</u>	NR	-
Subtotal - Corporate Obligations	<u>30,109,815</u>		
Corporate Asset and Mortgage Backed Securities	4,510,688	Aaa	Moody
Corporate Asset and Mortgage Backed Securities	593,559	Aa2	Moody
Corporate Asset and Mortgage Backed Securities	600,924	AA	S&P
Corporate Asset and Mortgage Backed Securities	10,485	Baa1	Moody
Corporate Asset and Mortgage Backed Securities	895,933	BBB-	S&P
Corporate Asset and Mortgage Backed Securities	149,750	Caa1	Moody
Corporate Asset and Mortgage Backed Securities	40,751	Caa2	Moody
Corporate Asset and Mortgage Backed Securities	<u>14,365,380</u>	NR	-
Subtotal - Corporate Asset and Mortgage Backed Securities	<u>21,167,470</u>		

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

(b) Investments (Continued):

Investment Type	Fair Value	Credit Rating	Rating Agency
Other Asset Backed Securities	\$1,087,598	Aaa	Moody
Other Asset Backed Securities	987,152	A-	S&P
Other Asset Backed Securities	168,437	Caa3	Moody
Other Asset Backed Securities	<u>10,573,007</u>	NR	-
Subtotal – Other Asset Backed Securities	<u>12,816,194</u>		
 Municipal Obligations	 502,181	 AA-	 S&P
Municipal Obligations	693,761	A1	Moody
Municipal Obligations	737,356	A+	S&P
Municipal Obligations	<u>147,366</u>	NR	-
Subtotal - Municipal Obligations	<u>2,080,664</u>		
 Other Obligations	 526,762	 Aaa	 Moody
Other Obligations	<u>2,010,274</u>	NR	-
Subtotal - Other Obligations	<u>2,537,036</u>		
 Subtotal Fair Value of Investments	 <u>93,369,060</u>		
 Common and Preferred Stock	 111,082,476	 N/A	
Mutual Funds	<u>186,260,246</u>	N/A	
 Total Fair Value of Investments	 <u>\$390,711,782</u>		
Money Market Mutual Funds (included in cash deposits)	<u>3,646,921</u>	N/A	
Total	<u>\$394,358,703</u>		

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

(b) Investments (Continued):

Investment Type	Fair Value	Investment Maturities (In Years)				Interest Rate
		Less than 1	1 – 5	6 – 10	10 +	
U.S. Government Obligations	\$12,008,694	\$ -	\$2,636,680	\$3,898,943	\$5,473,071	0.75-6.35%
U.S. Government Agencies and Instrumentalities	12,649,187	-	834,771	-	11,814,416	2.049-12.0%
Corporate Obligations	30,109,815	522,105	3,296,143	12,618,247	13,673,320	.4433-10.35
Corp. Asset and Mortgage Backed Securities	21,167,470	-	-	4,386,116	16,781,354	0.946-7.00%
Asset Backed Securities	12,816,194	-	1,087,598	-	11,728,596	0.7616-6.15
Municipal Obligations	2,080,664	-	1,933,298	-	147,366	3.165-7.336
Other Obligations	<u>2,537,036</u>	<u>-</u>	<u>1,630,663</u>	<u>906,373</u>	<u>-</u>	0.75-1.42%
Total	<u>\$93,369,060</u>	<u>\$522,105</u>	<u>\$11,419,153</u>	<u>\$21,809,679</u>	<u>\$59,618,123</u>	

(c) Interest Rate Risk

The Pension fund's investment policy intermediate-term (three to five year) objective is to outperform each of the capital markets in which assets are invested but during periods of extreme volatility, preservation of capital takes a higher precedence than outperforming these capital markets. The long-term investment objective is to achieve a total rate of return, net of fees, which exceeds the actuarial return assumption used for funding purposes.

(d) Credit Risk

New Castle County Code, chapter 26 authorizes the Board of Trustees of the New Castle County Employees' Pension Program to manage the investment of the plan's assets. Per the Pension program's investment policy, the allowable investments are: 1) equities, including common and preferred stocks of companies domiciled both within the U.S. and outside the U.S. that trade on U.S. or foreign exchanges and over the counter, 2) fixed income, including U.S. Government and Federal Agency obligations, non-U.S. government/entities, corporate bonds, debentures, commercial paper, certificates of deposit, Yankee bonds, mortgage-backed securities and other domestically issued fixed income instruments deemed prudent by the investment managers, 3) mutual funds and other types of commingled vehicles under 1) and 2) and 4) other assets, professionally managed commingled funds investing predominantly in real assets, real estate, venture capital, or other types of private equity or private debt.

(e) Concentration of Credit Risk

The Program's investment policy states that no more than 5% of the market value of any equity manager's portfolio or 8% of any fixed income manager's portfolio will be invested in the securities of any single issuer at the time of purchase except for U.S. government agency or government-guaranteed issues. There were no concentration of credit risk issues.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

(4) Contributions

The requirements for County and employee contributions are established under County Code and may be amended by action of the board of trustees of the Program and the County Council. The County's contributions are required by County Code to be based on an actuarial valuation that considers the normal cost of the Program plus an amortization of the Program's unfunded actuarial liability on a sound actuarial basis.

Under County Code, Plan employees are required to contribute 3% of their total compensation exceeding \$115 per week plus 2% of the portion that exceeds the Social Security maximum wage base. Police officers and other System employees are required to contribute 7% and 5% of their base salary or wage, respectively. Closed Plan employees make no contributions. Guard employees are required to contribute \$10 (pretax) per biweekly pay period during the ten-month school year. Hybrid plan employees are required to contribute 3% of their base salary. In addition, if the recommended contribution of the Board exceeds 10% of total base salary of all the members of the County 2011 Plan, membership contributions for the twelve month period starting July 1st following the determination of the recommended contribution by the Board will be increased to the extent that the recommended contribution exceeds 10 percent.

Under the provisions of state law, the State of Delaware also contributes to the System for police employees from taxes received on certain insurance premiums. The contribution is based on the number of County police members covered by the System in relation to all state, county, and municipal police officers covered by pension plans that are eligible to share in the distribution of the premium tax. The tax on insurance premiums also provides a pool of funds for the Police COLA's.

Administrative expenses, which are paid to the County, are paid from Program revenues.

For police employees, the County contributes the difference between 17.06% of the salary of police officers covered by the Delaware Municipal Police/Firefighter Pension Plan and a rate determined by the actuaries associated with Delaware Municipal Police/Firefighter Pension Plan, plus the County's contribution given to all County employees based on the actuarial valuation of the County's Employees' Retirement Plan discussed above. The County's actuarial valuation includes the actuarial present value of an ad-hoc compounded 3% postretirement increase that was provided to police members of the System commencing January 1, 1998. That benefit is being financed by police employees and County and State contributions. The value of contributions received through June 30, 2013 for that enhanced postretirement increase is \$459,018.

(5) Risk Management

The Program is exposed to risk of loss arising from errors and omissions on the part of board members and to claims from members and beneficiaries related to benefit coverage and payments. The Program purchases fiduciary liability insurance for board members; there have been no claims against those policies in the past three years. The Program has no insurance against claims related to benefit coverage and payments. If such an event were to occur, then the additional costs would be recovered by the Program through adjustment to the County or members' contribution rates.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to Financial Statements

Year Ended June 30, 2013

(6) Actuarial Methods and Assumptions

The accumulated plan benefits are those future payments that are attributable under the Plan's provisions to the service that employees have already rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Accumulated plan benefits for all employees are based on the employee's compensation and credited service to the date for which the benefit information is presented (the valuation date). Benefits payable under all circumstances (retirement, death and termination of employment) are included to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of the accumulated plan benefits is determined by an independent actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements for death, withdrawal or retirement) between the valuation date and the expected date of payment.

Significant assumptions underlying the actuarial valuation as of June 30, 2013, were as follows:

Valuation date	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	20 years
Asset valuation method	5-year smoothing method
Actuarial assumptions:	
Investments rates of return	7.50% compounded annually
Projected salary increases	4.5%, compounded annually
Inflation rate	3.0%
Postretirement benefit increase	2% for System benefits and 3% for police participation after a specified waiting period. None for Plan members, alternative retirees, or survivors.
Cost-of-living adjustments	None

The actuarial valuations are used to determine the contributions to be made by the County in the fiscal year starting six months after the valuation date. For example, the January 1, 2012 valuation is used to establish the contribution level for the year ended June 30, 2013.

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Notes to the Financial Statements

June 30, 2013

(7) Funding Status and Funding Progress

The funded status of the Program as of January 1, 2013, the most recent actuarial valuation date, was as follows:

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded Actuarial Accrued Liability (Asset) <u>(UAAL)</u>	Ratio of Assets to <u>AAL</u>	Covered <u>Payroll</u>	UAAL as a % of Covered <u>Payroll</u>
1/1/2013	\$377,204,229	\$522,724,410	\$145,520,181	72.2%	\$74,640,625	195.0%

REQUIRED SUPPLEMENTARY INFORMATION

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM
(A Pension Trust Fund of New Castle County, Delaware)
Schedule of Funding Progress (Unaudited)
June 30, 2013

Six-year historical trend information about the Program is presented here as required supplementary information. This information is intended to help users assess the actuarially determined funded status of the Program from a long-term, ongoing perspective, the progress made in accumulating sufficient assets to pay Program benefits when due, and the changes over time in the funded status of the Program.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (Asset) (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2013	\$377,204,229	\$522,724,410	\$145,520,181	72.2%	\$74,640,625	195.0%
1/1/2012	394,237,598	499,506,373	105,268,775	78.9	84,649,548	124.4
1/1/2011	411,324,122	486,578,663	75,254,541	84.5	84,082,448	89.5
1/1/2010	415,695,765	473,437,999	57,742,234	87.8	84,688,128	68.2
1/1/2009	361,709,321	467,554,975	105,845,654	77.4	84,532,867	125.2
1/1/2008	427,325,596	459,861,461	32,535,865	92.9	84,360,661	38.6

NEW CASTLE COUNTY, DELAWARE EMPLOYEES' PENSION PROGRAM

(A Pension Trust Fund of New Castle County, Delaware)

Schedule of Employer Contributions (Unaudited)

June 30, 2013

Six-year historical trend information about the Program is presented here as required supplementary information. This information is intended to help users assess the actuarially determined funded status of the Program from a long-term, ongoing perspective, the progress made in accumulating sufficient assets to pay Program benefits when due, and the changes over time in the funded status of the Program.

Year ended December 31:	Annual required County <u>contributions</u>	Percentage <u>contributed</u>
2012	\$10,181,342	100.0%
2011	11,842,677	79.9
2010	11,111,476	80.3
2009	10,042,505	83.4
2008	8,491,059	89.9
2007	8,851,510	94.5
2006	9,111,506	88.9