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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES OF JANUARY 21, 2009

Audit Committee Members Present

Joel Poorman
Mark Finfrock

Audit Committee Members Not Present

Robert Allen
Harold Smith

Others Present

David Craik, Pension Office
Wade Sallings, Pension Office
Kathy Kunkle, Pension Office
Terri Timmons, Pension Office
Jeff Hoover, Pension Office
Debbie Nicholson, Pension Office
Cindy Collins, DAG

1. OPENING COMMENTS

The meeting of the Audit Committee of the Board of Pension Trustees was called to order by Joel Poorman at 10:08 a.m. J. Poorman welcomed everyone and announced that he had received Dr. William Markell's resignation letter on January 19, 2009. D. Craik stated that Dr. Markell had been with the Audit Committee for well over 20 years and that he would be preparing a Resolution recognizing Dr. Markell's service to the Committee for the Board's approval and signature.

J. Poorman stated he will discuss the options for Dr. Markell's replacement with P. Reese, Chairman of the Board.

2. APPROVAL OF THE MINUTES

Due to the fact that there was no quorum for this meeting, the minutes of the previous Audit Committee meeting can not be approved.

3. PENDING ITEMS (OLD BUSINESS)

J. Poorman requested that K. Kunkle describe the organizational structure and division of responsibilities of the Pension Offices' Investment Section was since W. Sallings had assumed the position of Cash Debt Manager and K. Kunkle had assumed her new position. K. Kunkle explained that W. Sallings was now responsible for the operations of the section, as the Cash Debt Manager. K. Kunkle will, for the next 12 months, focus primarily on the new general ledger system and provide transitional support. J. Hoover will be responsible for general financial overview and the daily tracking of investment activity.

General Ledger System

K. Kunkle reported that Pension Office had entered into a contract to purchase and implement a general ledger system for the Pension Office in June of 2008. Work on the project began in June. J. Johnson led a tremendous effort to get the general ledger project off and running. The new general ledger system should lead to significant improvements in record keeping, reports and improvement in the audit process. A discussion of the merits was held.

IRS Ruling

C. Collins reported that DPERS received a favorable Private Letter Ruling from the IRS on the Volunteer Firemen

MOTION made by M. Finfrock and seconded by J. Poorman to move into Executive Session for the purpose of discussing confidential financial information, sensitive commercial information, and proprietary business information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by M. Finfrock and seconded by J. Poorman to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

4. DEPUTY ATTORNEY GENERAL REPORT

C. Collins handed out the PowerPoint presentation, by Ashford Consulting Group, from the October Board meeting. C. Collins suggested that we have R. Gooderham, who is with the Ashford Consulting Group, come to an Audit Committee meeting to discuss this presentation with the Committee. J. Poorman asked M. Finfrock to review the presentation and prepare any necessary question that he may have in advance of the meeting with R. Gooderham.

5. REVIEW FY08 CAFR

K. Kunkle reported that nothing substantially changed from the draft report reviewed at the last meeting. She discussed the final version of the tax status note to the financial statements concerning the Cycle C Review with the IRS.

Questions were asked about private equities and valuation of employer contributions. D. Craik stated that the Investment Committee has done some defensive moves in terms of looking towards the future and has been very proactive. A discussion of the merits was held.

A discussion was also held on derivatives and the expected new reporting requirements under GSAB.

C. Collins discussed a trend of pension funds utilizing an independent expert to value illiquid fund investments. Such valuation would be co-incident with the audit and would serve to verify the stated value of the less readily priced pension assets. The Committee discussed several options, including going with a different independent advisor and the process for determining their expertise. Further discussions will be held on the merits of the concept as more information becomes available.

MOTION made by M. Finfrock and seconded by J. Poorman to move into Executive Session for the purpose of discussing confidential financial information, sensitive commercial information, and proprietary business information.

MOTION ADOPTED UNANIMOUSLY

6. INTERIM REPORT ON FY08 AUDIT COMMENTS (MANAGEMENT LETTER)

7. REVIEW PROCESS FLOW CHARTS

MOTION made by M. Finfrock and seconded by J. Poorman to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

8. FISCAL YEAR 2009 AUDIT DISCUSSION

A discussion was held about the nature of the role of the Audit Committee and the need to have the Audit Committee meet more frequently. The suggestions made were to increase the number of meetings to either a quarterly basis or bi-monthly. The Audit Committee determined that it would consider establishing a schedule of bi-monthly meetings with the next meeting to be held in March. W. Sallings will be sending committee members some suggested dates in March. Additionally, a suggested list of meeting dates for the remainder of the year will be presented to the Audit Committee for approval at the next meeting.

9. NEW BUSINESS

In order to keep the Audit Committee members informed of actions taken by the Board and the Investment Committee a copy of the Board and Investment Committee's meeting dates will be sent to each member and a copy of approved Board and Committee minutes will be e-mailed to each Audit Committee member on a monthly basis.

W. Sallings advised the Audit Committee that the Association of Public Pension fund Auditors is an organization comprised predominately of public employee retirement systems, including state, municipal and teacher plans. W. Sallings believes this could prove to be a valuable resource and DPERS has joined this organization. It holds meetings twice a year in May and November. W. Sallings will send the link to this organization to the Audit Committee Members.

10. ADJOURNMENT

The Audit Committee will next meet in March with a date to be determined.

At 12:35 p.m. there being no further business,
MOTION was made by M. Finrock and
seconded by J. Poorman to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Terri L. Timmons
Office Manager

cc: Audit Committee Members
 Phil Reese
 David Craik
 Wade Sallings
 Kathy Kunkle
 Cindy Collins