

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES OF APRIL 23, 2010

Audit Committee Members Present

Suzanne Grant, Chair
Joel Poorman
Araya Debessay
Mark Finrock
Susan Herrmann

Audit Committee Members Not Present

Robert Allen
Harold Smith

KPMG

Joseph Seibert
Sophia Smith

Others Present

David Craik, Pension Office
Wade Sallings, Pension Office
Jeffrey Hoover, Pension Office
Cindy Collins, DAG
Philip Reese, DPERS Board Chair
Kathleen O'Donnell, State Auditor's Office
Seth J. Yablonovitz, Ashford Consulting

1. OPENING COMMENTS

The meeting of the Audit Committee of the Board of Pension Trustees was called to order by Suzanne Grant, chair at 10:15 a.m.

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the public minutes of the March 3, 2010 meeting.

MOTION made by Joel Poorman and seconded by S. Herrmann to approve the public minutes of the Audit Committee Meeting on March 3, 2010.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the executive minutes of the March 3, 2010 meeting.

MOTION made by A. Debessay and seconded by M. Finfrock to approve the executive minutes of the Audit Committee Meeting on March 3, 2010.

MOTION ADOPTED UNANIMOUSLY

3. PENDING ITEMS (OLD BUSINESS)

No items to report.

4. DEPUTY ATTORNEY GENERAL REPORT

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

MOTION ADOPTED UNANIMOUSLY

5. INTERIM REPORT ON FY09 AUDIT COMMENTS (MANAGEMENT LETTER)

W. Sallings reviewed the Management Letter Audit Comments. A detailed discussion of the new G/L system was held and its role in the FY10 audit.

MOTION made by S. Herrmann and seconded by A. Debessay 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 A. Debessay and seconded by M. Finfrock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

6. FISCAL YEAR 2010 AUDIT DISCUSSIONS AND TIMELINE

KPMG's audit team for the fiscal year 2010 audit will be staffed as follows: Joseph Seibert, Engagement Partner; Jack Reagan, Concurring Review Partner; Sophia Smith, Engagement Manager; Scott Nunez, Senior Associate.

The Audit Committee and KPMG discussed the upcoming audit process. The Audit Committee questioned KPMG on what processes and procedures it uses during the annual audit process to identify and detect fraud. A discussion ensued on what procedures and policies KPMG. KPMG explained that it gives reasonable, but not absolute assurance that the financial statements are free of material misstatements. J. Seibert stated the annual audit processes and procedures are changed each year to make them "unpredictable" so that it is more difficult for staff or management to use inside information from previous audits.

A discussion was held regarding the use of actuarial estimates provided by DPERS' actuary in the financial statements. KPMG explained that although they rely on DPERS' actuarial estimates in preparing the CAFR those estimates are audited by KPMG's actuary staff and management's assumptions and investment performance are reviewed to assure that the actuarial estimates properly incorporate all the appropriate assumptions and historical investment performance. It was noted by P. Reese that pension fund was 103.1% and 98.8% funded for Fiscal Years 2008 and 2009 respectively.

MOTION made by S. Herrmann and seconded by M. Finfrock 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 A. Debessay and seconded by J. Poorman to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

7. REVIEW PROCESS FLOWCHARTS

Review of flowcharts rescheduled for next Audit Committee meeting.

8. FUTURE AUDIT COMMITTEE DATES

A list of Audit Committee dates will be discussed and distributed.

9. ADJOURNMENT

At 11:45 a.m. there being no further business,
MOTION was made by S. Grant and seconded
by J. Poorman to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Jeffrey Hoover
Investment Financial Manager

Suzanne Grant, Chairman
BOPT Audit Committee

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