

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES OF APRIL 15, 2011

Audit Committee Members Present
Suzanne Grant, Chair
Araya Debessay
Susan Herrmann

Audit Committee Members Not Present
Mark Finrock

Others Present
David Craik, Pension Office
Wade Sallings, Pension Office
Jeffrey Hoover, Pension Office
Kathleen O'Donnell, State Auditor's Office
Garry Musto, Ashford Consulting
James Burke, nominee for Audit Committee

KPMG
Joseph Seibert
Sophia Smith

1. OPENING COMMENTS

The meeting of the Audit Committee of the Board of Pension Trustees was called to order by Suzanne Grant, chair at 9:30 a.m.

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the public minutes of the January 14, 2011 meeting.

MOTION made by A. Debessay and seconded by S. Herrmann to approve the public minutes of the Audit Committee Meeting of January 14, 2011.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the executive minutes of the January 14, 2011 meeting.

MOTION made by A. Debessay and seconded by S. Herrmann to approve the executive minutes of the Audit Committee Meeting of January 14, 2011.

MOTION ADOPTED UNANIMOUSLY

3. PENDING ITEMS (OLD BUSINESS)

No items to report.

4. DEPUTY ATTORNEY GENERAL REPORT

No report.

5. FISCAL YEAR 2011 AUDIT DISCUSSIONS AND TIMELINE

KPMG's audit team for the fiscal year 2011 audit will be staffed as follows: Joseph Seibert, Engagement Partner; Jack Reagan, Concurring Review Partner; Dave Lindquist, Senior Manager; Sophia Smith, Engagement Manager. It was noted that Sophia Smith will be absent for the majority of the audit due to planned Family Medical Leave Act leave and other members of the team will step in.

KPMG discussed the ongoing audit of the First State Independence Fund LLC (FSIF). S. Smith stated the goal is to release an opinion on the FSIF by the end of June 2011 and before the start of the DPERS audit fieldwork.

The Audit Committee and KPMG discussed the upcoming audit process. KPMG provided a handout that detailed what procedures and policies KPMG will use in the Fiscal Year 2011 DPERS audit. KPMG explained that it gives reasonable, but not absolute assurance that the financial statements are free of material misstatements.

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 reviewed 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. J. Seibert discussed that actuary assumptions are looked at to determine if management is trying to achieve a desired result or managing assumptions to actual outcomes. D. Craik stated DPERS' Board requested that its actuary conduct an experience study. This study examines the Systems actual results against the actuarial assumptions used in completing the actuarial report for the system. The Board of Trustees is currently in the process of reviewing the experience study results and considering if changes will be made to the actuarial assumptions going forward.

W. Sallings displayed the Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR) cover reflecting the 40th anniversary and stated that the Fiscal Year 2010 CAFR earned the Government Finance Officers Association award for the 15th consecutive year.

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 S. Herrmann to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

5. FUTURE AUDIT COMMITTEE DATES

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

6. ADJOURNMENT

At 11:15 a.m. there being no further business, MOTION was made by S. Grant and seconded by S. Hermann 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