

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**AUDIT COMMITTEE**  
**MEETING MINUTES OF SEPTEMBER 18, 2009**

Audit Committee Members Present

Robert Allen, Acting Chair  
Araya Debessay  
Mark Finfrock  
Susan Herrmann

Audit Committee Members Not Present

Harold Smith  
Joel Poorman (participated by phone)

Others Present

David Craik, Pension Office  
Wade Sallings, Pension Office  
Kathy Kunkle, Pension Office  
Jeffrey Hoover, Pension Office  
Cindy Collins, DAG  
Robert Hicks, State Auditor's Office

KPMG

Joseph Seibert  
David Lindquist  
Sophia Smith  
Scott Nunez

1. OPENING COMMENTS

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

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the public minutes of the April 22, 2009 meeting and agreed to a revision to the General Ledger report to reflect staff efforts to implement the financial reporting system.

MOTION made by M. Finfrock and seconded by A. Debessay to approve the public minutes of the Audit Committee Meeting on April 22, 2009 as amended.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the executive minutes of the April 22, 2009 meeting.

MOTION made by S. Herrmann and seconded by A. Debessay to approve the executive minutes of the Audit Committee Meeting on April 22, 2009.

MOTION ADOPTED UNANIMOUSLY

2. PENDING ITEMS (OLD BUSINESS)

No items to report.

3. DEPUTY ATTORNEY GENERAL REPORT

The Best Practices project with respect to documentation/financial controls and compliance is still in process.

4. FISCAL YEAR 2009 AUDIT DISCUSSION

The KPMG audit team presented a status report that consisted of a high-level review of the DPERS and First State Independence Fund audits. KPMG noted their responsibility for the audit of the Financial Section of the CAFR; KPMG reviews the Introduction, Investment, Actuarial, and Statistical sections for consistency but do not offer an opinion on them.

J. Seibert called the Committee's attention to the draft Auditor's Report, noting that KPMG expects to issue a clean opinion. No significant deficiencies or material weaknesses were noted. The change in pension plan funding levels is primarily due to the

negative investment results of the previous year, in part a result of the global financial crisis, bringing the value of the System's net assets to \$5.8 billion as of June 30, 2009, from \$7.1 billion in the previous CAFR. He also commented on the update to the Cycle C filing of the qualified plans' tax status, and noted the smoothing effect of the actuarial asset valuation in the Schedule of Funding Progress.

The audit of the First State Independence Fund as of December 31, 2008, will result in a clean opinion, and KPMG will sign an unmodified opinion for internal controls. J. Seibert reviewed the draft Independent Auditor's Report in the stand-alone financial statements with the Committee.

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

MOTION ADOPTED UNANIMOUSLY

At this point, KPMG withdrew from the meeting.

MOTION made by S. Hermann 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 M. Finfrock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

8. ADJOURNMENT

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

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Kathy Kunkle  
Investment Financial Manager

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Robert Allen, Acting Chair  
BOPT Audit Committee

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