



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES OF OCTOBER 12, 2012

Audit Committee Members Present

Helen R. Foster, Chair
Mark Finfrock
James Burke
Robert L. Paretta
Stephen Ritchie

Audit Committee Members Not Present

Araya Debessay

Others Present

David Craik, Pension Office
Wade Sallings, Pension Office
Kathy Kunkle, Pension Office
Jeffrey Hoover, Pension Office
Garry Musto, Ashford Consulting Group
Cindy Collins, DAG, Attorney General's Office
Andrena Hurley, Auditor's Office

KPMG

Joseph Seibert
Sophia Smith
Arthur M. Ayres

1. OPENING COMMENTS

The meeting of the Audit Committee of the Board of Pension Trustees was called to order by Helen Foster, Chair, at 9:33 a.m.

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the public minutes of the May 4, 2012 meeting.

MOTION made by M. Finfrock and seconded by R. Paretta to approve the public minutes of the Audit Committee Meeting from May 4, 2012

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the executive minutes of the May 4, 2012 meeting.

MOTION made by M. Finfrock and seconded by R. Paretta to approve the executive minutes of the Audit Committee Meeting on May 4, 2012.

MOTION ADOPTED UNANIMOUSLY

3. PENDING ITEMS (OLD BUSINESS)

No items to report.

4. FISCAL YEAR 2012 AUDIT DISCUSSION

KPMG advised the Audit Committee that it intended to issue an unqualified audit opinion for DPERS' FY 2012 pending confirmation letters. KPMG reviewed the draft FY 2012 CAFR with the Audit Committee. KPMG highlighted several sections in the CAFR including a fiscal year return on investments of 2% and the funding ratio of the various funds in DPERS. KPMG also noted in the funding section that the State of Delaware continues its established discipline of funding its pension obligations at 100%.

KPMG also noted the First State Independence Fund received an unqualified opinion for the financial statements for the fiscal year ended December 31, 2011. KPMG noted that with all the fund managers receiving redemption instructions on or before June 1, 2012, the financial statements completed for the fiscal year ended December 31, 2012 will be audited on a liquidation basis.

KPMG also mentioned GASB Statements 67(Accounting and Financial Reporting for Pensions) and 68(Financial Reporting for Pension Plans). KPMG mentioned these statements might affect the System's financial statements and funding levels going forward. GASB Statement 67 will go into effect for the 2014 Fiscal Year and GASB 68 will go into effect for the 2015 Fiscal Year.

A discussion of the audit results followed.

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

5. DEPUTY ATTORNEY GENERAL REPORT

C. Collins reported the System has received favorable determination letters from the Internal Revenue Service which stated the seven plans including State Employees' Pension Plan, New State Police Pension Plan, Closed State Police Pension Plan, Judiciary Pension Plan, County and Municipal Police and Firefighters' Pension Plan, County and Municipal Other Employees' Pension Plan and the Diamond State Port Corporation Pension Plan are designed in accordance with applicable sections of the Internal Revenue Code. The favorable determination letters are valid through January 31, 2014.

6. PROPOSED FUTURE AUDIT COMMITTEE DATES

The Committee discussed future meeting dates. Meeting dates will be determined by the availability of committee members via email correspondence.

7. ADJOURNMENT

At 11:50 a.m. there being no further business,
MOTION made by S. Ritchie and seconded by
M. Finfrock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Jeffrey Hoover
Financial/Investment Manager

Helen Foster
BOPT Audit Committee Chair

cc: Audit Committee Members
Suzanne Grant
David Craik
Cindy Collins