

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES AUDIT COMMITTEE
May 4, 2017, 10:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the May 4, 2017 Quarterly meeting of the Audit Committee of the Board of Trustees, the following Committee members were present: John Chilton, Chair; Mary Helen Peter, David Rich, and Jerry Powell. Staff members present were David Eager, Karen Roggenkamp, Rebecca Stephens, Connie Davis, Brian Huffman, Rebecca Adkins, Ann Case, Elizabeth Smith, Kathy Rupinen, Joseph Bowman, Mark Blackwell, and Leigh Taylor. Also present were Larry Totten, Representative Jerry Miller, Brad Gross, and Joseph Overhults and Jim Tencza with Dean Dorton.

Mr. Chilton called the meeting to order and introduced the agenda item *Approval of Committee Minutes*. A motion was made by Ms. Peter to approve the April 6, 2017 Special Called Audit Committee Minutes and was seconded by Mr. Rich. The motion passed.

Mr. Chilton introduced the agenda item *Dean Dorton PLLC, Fiscal Year End 2016 GASB 68 Audit Report*. Mr. Jim Tencza and Mr. Joseph Overhults presented the Fiscal Year End 2016 GASB 68 Draft Audit Report. A motion was made by Mr. Rich and seconded by Ms. Peter to approve the recommendations of the Fiscal Year End 2016 GASB 68 Draft Audit Report by Dean Dorton. The motion passed.

Mr. Chilton introduced the agenda item *Review of Quarterly Financial Statements—03/31/2017*. Ms. Roggenkamp reviewed the quarterly financial statements and answered questions. No action was taken on this agenda item.

Mr. Chilton introduced the agenda item *Statewide Single Audit of the Commonwealth of Kentucky for the Fiscal year Ended June 30, 2016*. Ms. Connie Davis gave an update on this agenda item. No action necessary. This agenda item was presented for informational purposes only.

Mr. Chilton moved on to the next agenda item *Review of Information Disclosure Incidents, 1st Quarter Calendar Year 2017*. Ms. Roggenkamp gave a brief description and overview of

information disclosures. This agenda item was presented for informational purposes only. No action necessary.

Mr. Chilton introduced the agenda item *Review of Internal Audit Budget—3/31/17 and approval of FYE 2018 Internal Budget*. Ms. Davis gave an update on the 2017 Internal Audit Budget. She also reviewed FYE 2018 Internal Audit Budget. A motion was made to approve the FYE 2018 Internal Audit Budget by Ms. Peter and seconded by Mr. Rich. The motion passed.

Ms. Davis addressed the agenda item *Review of Anonymous Reporting Spreadsheet*. Ms. Davis stated there were no updates to report. No action necessary.

Mr. Chilton introduced the agenda item *Review of the Investment Compliance Report*. Ms. Davis stated this report is currently unavailable due to staff turnover, Mr. Brian Huffman will give an update at the August 24, 2017 Quarterly meeting. No action taken.

Mr. Chilton introduced the agenda item *County Employees Retirement System Board Election Winter / Spring 2017 Memoranda*. Ms. Davis explained the details of the memoranda. This item was presented for informational purposes only.

Ms. Davis also gave an overview of the agenda item *County Employees Retirement System Board Election Summer / Fall 2017 Memoranda*. Ms. Davis explained that one candidate was deemed ineligible due to incorrect employer reporting in CERS. This item was presented for informational purposes.

Ms. Davis introduced the agenda item *Kentucky Employees Retirement System Board Election 2018 Memoranda*. Ms. Davis gave an overview of the election process. This item was presented for informational purposes.

The agenda item *Information Systems- Request for External Assessments* was introduced by Ms. Davis. Ms. Karen Roggenkamp explained the need for security assessments and web application security assessments and reviewed the cost analysis. A motion was made to approve Crowe

Horwath to perform the Security Assessment Engagement at the cost of \$31,836.10 and the Web Application Security Assessment Engagement at the cost of \$34,198.60 by Ms. Peter and seconded by Mr. Rich. The motion passed.

Mr. Chilton introduced the agenda item *Annual Audit Plan for Fiscal Years 2018, 2019, & 2020*. Ms. Davis presented the audits to be performed in 2018, 2019, and 2020. The remaining Fiscal Year Audits for 2017 will be carried over to Fiscal Year 2018. A motion was made by Ms. Peter to approve the Annual Audit Plan—FYE 2018, 2019, & 2020 and seconded by Mr. Rich. The motion carried.

Mr. Chilton introduced the agenda item *Annual Review of the Charters of the Audit Committee—the Division of Internal Audit, and the Internal Audit Procedures Manual*. Ms. Davis went over the changes made to the Charter of the Audit Committee and the Internal Audit Procedures Manual. Mr. Chilton reviewed the changes and clarifications of the Role of the Audit Committee. Mr. Rich made a motion to adopt the changes to the Audit Committee Charter and the Division of the Internal Audit Procedures Manual and was seconded by Ms. Peter. The motion carried.

Break

The meeting was called back into session and Kathy Rupinen introduced the agenda item *Review Request for Proposal-- General Legal Counsel*. She gave an overview of the process for the RFP's and detailed the law firms that responded to the RFP. Mr. Rich made a motion to approve the award of the General Legal Counsel services to Stoll Keenon Ogden; Frost Brown Todd, LLC; Dinsmore & Shohl LLP; McBrayer, McGinnin, Leslie & Kirikland, PLLC and the motion was seconded by Ms. Peter. The motion passed.

Ms. Rupinen reviewed the agenda item *Review Request for Proposal –Tax Fiduciary Counsel*. She reviewed the scoring process of the selection committee. The selection committee selected Ice Miller, LLP and Reinhart Boerner Van Deuren, s.c. A motion was made to approve the selection committee's award of the Tax Fiduciary services to Ice Miller, LLP and Reinhart Boerner Van Deuren s.c. by Mr. Rich and seconded by Ms. Peter. The motion carried.

Mr. Chilton welcomed KRS staff member Mr. Brian Huffman to the Audit Committee.

Connie Davis reviewed the final agenda item *Professional Articles*.

There being no further business, the meeting adjourned at 12:15pm. The next meeting of the Audit Committee is scheduled for 10:00 a.m. on August 24, 2017. Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of May 4, 2017.

CERTIFICATION

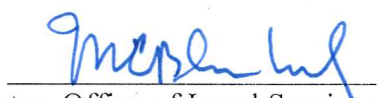
I do certify that I was present at this meeting and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.


Recording Secretary

I, as Chair of the Audit Committee of the Board of Trustees of the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on May 4, 2017 were approved by the Audit Committee on August 24, 2017.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on May 4, 2017, for form, content, and legality.


Executive Director, Office of Legal Services