

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF DIRECTORS AUDIT COMMITTEE
November 3, 2016, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the November 3, 2016 meeting of the Audit Committee of the Board of Directors, the following Committee members were present: John Chilton, Chair; Mary Helen Peter, David Rich, and Randy Stevens. Staff members present were David Eager, Karen Roggenkamp, Rebecca Stephens, Connie Davis, Jennifer Jones, Katherine Rupinen, Rebecca Adkins, Erica Bradley, Dick Brown, Todd Coleman, Ann Case, and Leigh Taylor. Joseph Overhults and Jim Tencza (Dean Dorton), Rebecca Hecker, Larry Totten, Jim Carroll, and Brad Gross were also present.

Mr. Chilton called the meeting to order and introduced the agenda item *Approval of Committee Minutes*. Ms. Peter moved and was seconded by Mr. Rich to approve the minutes of the May 5, 2016 meeting. The motion passed by majority; Mr. Chilton abstained.

Mr. Chilton introduced the agenda item *External Audit Report for the Fiscal Year End June 30, 2016*. Mr. Overhults and Mr. Tencza reviewed the draft report and answered questions. This report was presented for informational purposes only.

Mr. Tencza and Mr. Overhults exited the meeting.

Mr. Chilton introduced the agenda item *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016*. Ms. Roggenkamp reviewed the status of the CAFR and SAFR for the Committee. This report was provided for informational purposes only.

Mr. Chilton introduced the agenda item *Management Response to GFOA of CAFR 2015*. Mr. Coleman reviewed the report for the Committee. This report was provided for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Quarterly Financial Statements*. Ms. Roggenkamp reported the contribution balances to the Committee. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of A-133 Disclosure Letter (Federal Awards)*. Mr. Coleman noted that KRS is not in receipt of any Federal Awards. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Disclosure of Assets, Liabilities, and Contingencies as of June 30, 2016*. Ms. Davis reported the findings to the Committee. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Information Disclosure Incidents, 2nd and 3rd Quarters Calendar Year 2016*. Ms. Roggenkamp reviewed the comparison of disclosures between the 2nd and 3rd quarters. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Internal Audit Budget – 6/30/2016 and 9/30/2016*. Ms. Davis provided a brief recap of the status of the Internal Audit budget. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Anonymous Reporting Spreadsheet*. Ms. Davis recapped the items currently under investigation. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Refund Payments (Inactive Members)*. Ms. Davis recapped the audit and findings for the Committee. Mr. Rich moved and was seconded by Mr. Stevens to accept the audit. The motion carried unanimously.

Mr. Chilton introduced the agenda item *Travel and Procurement Card Expenditures*. Ms. Davis reviewed the audit and findings for the Committee. Mr. Stevens moved and was seconded by Ms. Peter to accept the audit. The motion carried unanimously.

Mr. Chilton introduced the agenda item *Review of START Project (Disability & Death Procedures/Process)*. Ms. Davis reviewed the findings of the audit. Ms. Peter moved and was seconded by Mr. Stevens to approve the audit. The motion carried unanimously.

Mr. Chilton introduced the agenda item *Review of Telephone System*. Ms. Davis recapped the findings and recommendations of the audit. Ms. Peter moved and was seconded by Mr. Stevens to accept the findings of the audit. The motion carried unanimously.

Mr. Chilton introduced the agenda item *Update on Contracting and Execution Process Audits*. Ms. Bradley reviewed the reports and findings and will present the audits in February 2017. These reports were provided for informational purposes only.

Mr. Chilton introduced the agenda item *Investment Compliance Report*. Ms. Bradley reported the security investment compliance, asset allocation restrictions, and short and long term fund goals for the pension and insurance funds. These reports were provided for informational purposes only.

Mr. Chilton called for a short break and the room emptied.

Mr. Chilton called the meeting back to order and introduced the agenda item *CERS Board Election Memoranda*. Ms. Davis reviewed the election process timeline and nomination results for the Committee. This report was provided for informational purpose only.

Mr. Chilton introduced the agenda item *Status of Current Audits Memoranda*. Ms. Davis recapped the process of the ongoing audits. Ms. Peter moved and was seconded by Mr. Rich to approve the removal of the Compensation and Classification Organization Structure Study and the Succession Planning Audits for the 2017 Plan as these are handled under the provisions of 18A. The motion passed unanimously.

Mr. Chilton introduced the agenda item *KRS Auditor Independence Statements*. Ms. Davis presented the statements to the Committee. This report was provided for informational purposes only.

Mr. Chilton introduced the agenda item *Audit Committee Meeting Dates for Calendar Year 2017*. Ms. Davis presented the 2017 meeting dates and Mr. Chilton announced the meetings would begin at 10 a.m. unless otherwise noted. This report was provided for informational purposes only.

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*. These reports and the agenda item *Discuss the Role of the Audit Committee* were deferred to a later date and potential special called meeting.

Mr. Chilton introduced the agenda item *Review of KiZan Security Assessment Audit*. Ms. Peter moved and was seconded by Mr. Rich to enter closed session. Mr. Chilton read the following statement and the meeting moved into closed session:

A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider public records or information pursuant to KRS 61.878(1)(l) and (m). Closed session is necessary because of public records, the disclosure of which would have a reasonable likelihood of threatening the public safety by exposing a vulnerability in preventing, protecting against, mitigating, or responding to a terrorist act.

All public attendees exited the meeting; Committee members, Ms. Adkins, Executive, Internal Audit and Legal Staff remained. During Closed Session, Ms. Adkins and Ms. Peter exited the meeting.

Mr. Chilton called the meeting back into Open Session after the public returned to the room. Mr. Stevens moved and was seconded by Mr. Rich to accept the results of the KiZan Audit. The motion passed unanimously. No other business transpired in Closed Session.

Mr. Chilton introduced the agenda item *Other Business*. After discussion of the Ethics Complaint against Mr. Vince Lang by Secretary Stephens, the Committee requested the issue be forwarded to Executive Branch Ethics Commission for a determination and Ms. Jones to report on any action at the next Audit Meeting.

Mr. Chilton noted the inclusion of professional articles for informational purposes only.

There being no further business, the meeting adjourned at 12:15 p.m. The next meeting of the Audit Committee is scheduled for February 2, 2017. Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of November 3, 2016.

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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 November 3, 2016 were approved by the Audit Committee on February 2, 2017.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on November 3, 2016, for form, content, and legality.


Executive Director
Office of Legal Services