

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
AND KENTUCKY RETIREMENT SYSTEMS
BOARD OF TRUSTEES JOINT AUDIT COMMITTEE
FEBRUARY 22, 2022, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 22, 2022 meeting of the Joint Audit Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, the following Committee members were present: Betty Pendergrass, William O'Mara, Larry Totten, and Lynn Hampton. Staff members present were David Eager, Rebecca Adkins, Erin Surratt, Vicki Hale, Connie Davis, Madeline Perry, Matthew Daugherty, Kristen Coffey, Elizabeth Smith, Carrie Bass, Ashley Gabbard, Sherry Rankin, Shaun Case, and PhillipCook. Others present included CERS Trustee George Cheatham, CERS CEO Ed Owens, III, and KRS CEO, John Chilton.

Ms. Pendergrass called the meeting to order and read the Opening Video Teleconference Statement.

Ms. Rankin called roll.

Being no Public Comment, Ms. Pendergrass introduced the agenda item *Approval of November 30, 2021 Joint Audit Committee Meeting Minutes*. A motion was made by Mr. Totten and seconded by Ms. Hampton to approve the minutes as presented. The motion carried unanimously.

Ms. Pendergrass introduced the agenda item *Draft GASB 68 and GASB 75 Proportionate Share Audits*. Ms. Pendergrass stated that Blue and Co does not have those audits completed and this item will be deferred to a future meeting. Realizing the March reporting deadline for the Water Districts is dependent upon the information in these proportionate share audits, Ms. Pendergrass expressed that once these audits are complete, a special meeting of this committee will be scheduled.

Ms. Pendergrass introduced the agenda item *Review of Issued Audits: Plan Liquidity, Phase I – Daily Qualification Process*. Ms. Pendergrass announced that Ms. Coffey was unable to attend this meeting and asked that this agenda item be deferred to a future meeting.

Ms. Pendergrass introduced the agenda item *KPPA Archives Policy*. Ms. Adkins stated that all state agencies are required to have on file an approved schedule of retention with the Kentucky Department of Libraries and Archives, the official record keepers for the Commonwealth of Kentucky. She reviewed the current KPPA Archives Policy, including the Record Retention and Electronic Record Retention Schedules followed by the agency. Upon conducting research, it was determined that KPPA currently has audio recordings since 2014, meeting minutes 2009 and forward digitized, video recordings since 2017 (available on the KPPA website and the Facebook page), and agenda, minutes, video records on KPPA website since 2021. Ms. Adkins indicated that KPPA is in the process of ensuring our record retention of board and committee meetings are compliance with KRS statutes. This project includes ensuring all meeting minutes are digitized and sent to KDLA and that all board minutes and materials that require adoption or ratification are posted properly. Ms. Pendergrass questioned the possibility of having a policy for retention that is outside of the statutes, as historical audio and/or video recordings, could be found beneficial for future use. Ms. Adkins stated that different agencies have varying needs and while it is possible, it would require the approval of KDLA. She indicated that this project will allow KPPA to work with KDLA to devise a schedule that will allow for flexibility in certain areas, such as keeping video and audio recordings to reflect the detail not fully shown in the written meeting minutes. Mr. O'Mara stated that record destruction with KDLA appears to be suggested not mandatory, and it is just encouraged to develop a policy that fits the agency's needs and to follow that policy. Mr. Chilton indicated that the discussion of details in the minutes has been a topic that he has discussed with Dentons, the KRS Legal Counsel. He stated that they will be issuing a memorandum soon, and he indicated that he will share that with both Ed Owens and Michael Board. This presentation was for informational purposes only.

Ms. Pendergrass introduced the agenda item *Financial Reporting Updates*. Ms. Adkins reviewed the KPPA Combining Statements of Fiduciary Net Positions for Pension and Insurance Funds, the KPPA Change in Fiduciary Net Positions for Pension and Insurance, the KPPA

Administrative Budget to Actual Analysis, the Contribution Reports for both Pension and Insurance Funds for all of the systems, KPPA Outstanding Invoices, and Penalty Waivers Report.

Ms. Davis provided a review of the changes made to the 2021 Annual Comprehensive Financial Report based on the comments received at the last joint audit committee meeting.

Ms. Davis then reviewed the Fiscal Year End June 30, 2021, End of Audit Requirements by stating that KPPA is required to submit its audited financial statements to the Legislative Research Commission and Auditor of Public Accounts. She indicated that the financial statements were sent electronically to both entities on December 8, 2022 and that the full Annual Comprehensive Financial Statement has been posted on the KPPA website. The full presentation under this agenda item was provided for informational purposes only.

Ms. Pendergrass introduced the agenda item *Joint Audit Committee Administrative Updates*. Ms. Bass provided a summary of the potential disclosures that occurred during the 4th Quarter of 2021, indicating that out of the eight possible occurrences, three warranted member notification while the remaining five did not. Ms. Bass stated that there were no external disclosures during this past quarter.

Ms. Bass then reviewed the Anonymous Tips Report indicating there were four cases in various stages during the last quarter. One has a hearing in progress, one is pending, and two were closed.

Ms. Pendergrass introduced Madeline Perry to present the updated Board Election Policies for both the CERS and KRS Boards. Ms. Perry indicated that there were a few minor changes that were necessary and she reviewed those changes on both of the CERS and KRS policies. The application process was amended to allow for the electronic submission through the KPPA Website using DocuSign and, in addition, require a candidate to submit a picture with an application. One additional change on the KRS Election policy pertains to invalid address of members and that if House Bill 297 passes that will change the portion to indicate a paper ballot

shall not be distributed by mail to a member address that has been proven invalid. Ms. Pendergrass expressed concern about communication issues with members, over and above the election ballots. Ms. Surratt stated that the member can contact KPPA directly, or use self-service, in order to provide the most updated addresses and other forms of communication. Mr. Totten questioned the increasing number of inactive accounts, which is currently stated to be approximately 140,000, and growing. He questioned if staff or an outside entity look into these accounts and update or clear those from the records. Ms. Surratt stated uncertainty in the number of members with invalid mailing addresses that are included in the inactive accounts. She agreed that this matter could be given some attention. Ms. Hampton asked for clarification regarding if these inactive accounts were retirees receiving benefits. Ms. Surratt indicated that the inactive accounts do not include members who are retired and receiving benefits. Mr. O'Mara made a motion and seconded by Ms. Hampton to recommend the CERS Election Policy as drafted to the CERS Board for approval. The motion passed unanimously. Ms. Hampton made a motion and seconded by Mr. Totten to recommend the KRS Election Policy with noted changes to the KRS Board for approval. The motion passed unanimously.

Ms. Pendergrass indicated that the items listed as Additions to the Current Audit Plan, Internal Audit Budget as of December 31, 2021, and the Status of Current Internal Audit Projects would all be deferred to a future meeting.

Ms. Pendergrass introduced the agenda item *Professional Articles*. Ms. Coffey provided two articles for review – AGA – *Auditors, Accountants, and ERM* and Gallup – *Five Ways Managers Can Stop Employee Turnover*.

There being no further business, Ms. Hampton moved and Mr. O'Mara seconded to adjourn the meeting. The motion was approved unanimously. Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of February 22, 2022.

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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 Joint Audit Committee of the Board of Trustees of the County Employees Retirement System and the Kentucky Retirement Systems, do certify that the Minutes of the meeting held on February 22, 2022 were approved by the Joint Audit Committee on April 7, 2022.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on February 22, 2022 for form, content, and legality.


Executive Director
Office of Legal Services