

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED AUDIT COMMITTEE
MAY 15, 2023, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the May 15, 2023, Special Called Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O'Mara (Chair), Betty Pendergrass, Lynn Hampton, and William Summers, V. Staff members present were Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Leigh Ann Davis, Lori Casey, Steve Willer, Connie Davis, Kristen Coffey, Carrie Bass, Ashley Gabbard, Phillip Cook, Katie Park, and Sherry Rankin. Others present included CERS CEO Ed Owens, III, and KRS CEO John Chilton.

Mr. O'Mara called the meeting to order.

Mr. Board read the Opening Statement.

Ms. Rankin called roll.

Ms. Rankin advised that one (1) *Public Comment (Video 00:17:37 to 00:18:12)* was received from Steven Morgan Herbert and read it aloud to the KPPA Audit Committee: "It may behoove the members of this Committee and other KPPA Officials to review David Eager's deposition video and transcript codifying his sworn testimony on April 18, 2023, regarding Herbert v Kentucky Public Pensions Authority, which is currently available to you."

Mr. O'Mara introduced the agenda item *Approval of Minutes – May 2, 2023 (Video 00:18:13 to 00:18:47)*. Ms. Pendergrass made a motion to approve the minutes as presented. The motion was seconded by Ms. Hampton and passed unanimously.

Mr. O'Mara introduced the agenda item *Implementation of HB 587 (Video 00:18:48 to 01:41:05)*. Mr. Board shared a written email response from State Representative of the 26th District and the sponsor of HB 587, Mr. Russell Webber. The response provided clarification

regarding the intention of the legislation. Ms. Lori Casey presented a draft position description for Division Director of Internal Audit. She stated that the position description may be updated at any time, if needed. Ms. Pendergrass requested that all references of 'Board' be replaced with 'Authority'. Additionally, since there is no KPPA Investment Committee, the position description should reflect CERS or KRS Investment Committees, said Ms. Pendergrass. She mentioned that Ms. Coffey had emailed a drafted position description to the KPPA Audit Committee which included additional duties. Ms. Pendergrass stated that these additional duties should be included. Ms. Casey stated that there are character limitations within the personnel system; therefore, the position description provided by Ms. Coffey would need to be summarized. The Audit Committee directed KPPA Staff to incorporate the discussed amendments to the position description. There was brief discussion regarding the title of the position. It was agreed that 'Chief Auditor' would be the appropriate title.

Mr. Board presented proposed amendments to the KPPA bylaws. There was discussion regarding the delegation of administrative functions/duties. Ms. Pendergrass suggested that language regarding the evaluation of the KPPA Executive Director be added to the KPPA bylaws. Ms. Pendergrass made a motion to approve the presented amendments to the KPPA bylaws and forward to KPPA for ratification. Mr. Chilton encouraged that the bylaw amendments be studied further and reviewed at future meeting along with the Charter amendments. The motion was not seconded; therefore, the motion failed.

Next, Ms. Coffey reviewed drafted amendments to the Charter for the Audit Committee. The Committee requested that 'fix' be amended to 'recommend' in Section III. Authority, Items 1-3. The Committee discussed the performance evaluation of the Chief Auditor and who would conduct the evaluation. Ms. Hampton suggested that the Chair of the KPPA Audit Committee conduct the evaluation; however, input from all members of the Audit Committee would be gathered. Mr. O'Mara agreed. The evaluation/recommendation would be brought to the KPPA for ratification.

Ms. Pendergrass directed the Committee to Section 1.3 KPPA Board Responsibilities of the KPPA bylaws. She suggested that the following language be incorporated: The KPPA Board shall appoint a Chief Auditor, fix the Chief Auditor's salary, and perform an annual performance evaluation. In addition, language stating that the KPPA will perform the annual performance

review of the Executive Director in Section 1.3, Item II should also be included. Next, Section 1.4 Executive Director Responsibilities was reviewed. Ms. Pendergrass asked if a similar section should be added to describe the responsibilities of the Chief Auditor.

Mr. Chilton expressed concern regarding meeting attendance and the balance of CERS/KRS Committee members. He suggested that another CERS/KRS Trustee be able to vote by proxy should a member of the Audit Committee be absent, or the Committee refrain from a vote until all four (4) members are present. Ms. Hampton advised that the KPPA Chair may appoint a CERS/KRS member to replace an Audit Committee member should they be unable to attend; however, ample notice would be required. Mr. Board stated that he would research this suggestion and report his findings at the next KPPA Audit Committee meeting. Ms. Pendergrass and Mr. Owens expressed disapproval of the suggestion. Three (3) members constitutes a quorum and meetings are typically scheduled a year in advance, said Mr. Owens. Mr. Chilton and Ms. Hampton argued that the KPPA may determine that four (4) members is a quorum for the Audit Committee and that eight (8) members be a quorum for the KPPA, should it be the will of the Authority. Mr. Summers added that this appointment should occur only in times of emergency. Mr. O'Mara, a CERS Trustee, explained that when he serves as an Authority member, he represents the constituents of KPPA rather than CERS. Ms. Pendergrass stated that this issue should be presented to the KPPA, not the KPPA Audit Committee. Mr. Chilton agreed and stated that feedback and research regarding flexibility from Mr. Board would be helpful in making these decisions. Mr. Board stated that he would provide the information to Mr. Chilton and Ms. Hampton, however, all are welcome to review if requested.

Ms. Coffey continued to review the remaining drafted amendments to the Charter for the Audit Committee. She advised that all discussed edits had been incorporated and that the updated document would be provided to the KPPA Audit Committee members following the meeting. Mr. Chilton requested that an electronic version be provided to allow members to make comments. Mr. Board reminded the Committee to reply only to Ms. Coffey to not create a quorum. Ms. Coffey stated that all comments received would be incorporated and presented at the next meeting of the KPPA Audit Committee. Mr. Board stated that the discussed position description and bylaw amendments would also be presented at the next meeting of the KPPA Audit Committee.

Lastly, the next Special Called Meeting of the KPPA Audit Committee was scheduled for Thursday, June 1, 2023, at 2:00 p.m. EST.

There being no further business, Mr. O'Mara *adjourned* the meeting.

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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 Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on May 15, 2023, were approved by the Audit Committee on June 1, 2023.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on May 15, 2023, for form, content, and legality.


Executive Director
Office of Legal Services