

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
SPECIAL CALLED AUDIT COMMITTEE
MAY 2, 2023, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the May 2, 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 David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Michael Lamb, 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.

There being no *Public Comment*, Mr. O'Mara introduced the agenda item *Election of Chair and Vice-Chair (Video 00:08:48 to 00:10:22)*. Mr. Board advised that per the KPPA bylaws, the KPPA Chair can appoint the Chair of any KPPA Committee. Mr. Board reached out to the KPPA Chair, Mr. Keith Percy, who expressed in writing that his intent was to keep the current structure of the CERS and KRS Joint Audit Committee. Mr. William O'Mara and Ms. Lynn Hampton were appointed to the positions of Chair and Vice-Chair of the KPPA Audit Committee; therefore, no election was needed.

Mr. O'Mara introduced the agenda item *Implementation of HB 587 (Video 00:10:23 to 01:24:08)*. Mr. Board presented a previously reviewed memo which describes the required action items for the implementation of HB 587. The Joint Audit Committee bylaws were reviewed with the Committee. There was discussion regarding the authority of the KPPA Audit Committee. Mr. O'Mara and Ms. Coffey advised that the Audit Charters indicate that the Committee will request ratification by the KPPA for all actions. Mr. O'Mara made a motion to

adopt the current language in the bylaws as presented. Ms. Hampton seconded the motion and the motion passed unanimously. Mr. Board stated that any changes made to the bylaws would require KPPA ratification. He advised that the KPPA Audit Committee may need to review several times prior to the Authority.

There was discussion regarding the title of the new Internal Auditor position which is outside of 18A. Mr. Board advised that the position title of 'Internal Auditor' was already in use; therefore, a title change was suggested. The Committee was informed that the current 18A position, Division Director of Internal Audit, would remain in the KPPA organizational structure. The KPPA Audit Committee requested that Mr. Board and Ms. Coffey work with Ms. Lori Casey, Division Director of Human Resources, to suggest appropriate titles. Ms. Coffey suggested the title of 'Chief Auditor' for the role. Mr. Board stated that 'Chief Auditor' would be used for drafting purposes and may be amended once additional title recommendations are presented to the Committee.

Mr. Board reviewed the position description for the Division Director of Internal Audit position. He reported that he reached out to public pension attorneys across the country and requested position descriptions and compensation ranges for similar positions within their agencies; six (6) responses were received. Mr. Board stated that the information would be provided to the Committee Members. Ms. Pendergrass stated that she wished to keep the existing Division Director of Internal Audit position description for the 'Chief Auditor' position. Ms. Hampton requested that the received information be used to strengthen the existing position description. Mr. Board advised that the use of the existing position description would not be ideal since that position description belongs to the 18A position of Division Director of Internal Audit. The process for abolishing a position was discussed. Ms. Adkins explained that it is possible for Ms. Casey to complete the process to abolish an unfilled position should it be the will of the Committee. Further, that KPPA Divisions have been without a Division Director in the past. Mr. O'Mara stated that this path should also be reviewed by Ms. Casey. The Committee directed Ms. Coffey to work with Ms. Casey to draft a position description for Chief Auditor and Division Director of Internal Audit and to examine the routes of keeping both positions and abolishing the Division Director of Internal Audit position.

Next, the reporting structure of the new position was discussed. Mr. Summers requested that

Staff review the reporting structure of similar positions at various agencies. There was extensive discussion of functional vs. administrative oversight and the responsible party. The Committee directed Mr. Board to request clarification from the sponsors of HB 587 regarding the oversight of the KPPA Executive Director. Mr. Board stated that he would report his findings at the next meeting of the KPPA Audit Committee.

Ms. Pendergrass suggested that the KPPA Audit Committee report to the CERS and KRS Boards of Trustees for information and to the KPPA for ratification. Additionally, Ms. Pendergrass asked that all references to 'Annual Report' be replaced with 'Annual Financial Comprehensive Report (ACFR)' in the Audit Committee Charter. Ms. Hampton stated that the KPPA should provide authorization to the CERS or KRS Boards if they wish to communicate with or provide information to the KPPA Audit Committee. Ms. Pendergrass requested that Mr. Board present language which opens a channel of communication to the CERS and KRS Boards of Trustees and requires ratification of the KPPA. Mr. Chilton added that the KPPA Audit Committee has no connection to the CERS and KRS Boards of Trustees other than the Members of the Committee. Ms. Adkins added that the legislation does require that the 'Chief Auditor' position work cooperatively with the CERS and KRS Chief Executive Officers.

Mr. Chilton suggested that language be included in the Audit Charter regarding the alternation of Audit Committee Chair between CERS/KRS Members. Additionally, language to address absenteeism and the balance of CERS/KRS Board Members at meetings. Mr. Chilton requested information on the parameters of the KPPA Audit Committee to meet in Closed Session for sensitive matters. He suggested that this subject also be addressed in the Audit Charter. Mr. Board agreed to provide this information at an upcoming meeting.

Lastly, the next Special Called Meeting of the KPPA Audit Committee was scheduled for Tuesday, May 15, 2023, at 2:00 p.m. EST. Mr. Board advised that all meetings of the KPPA Audit Committee held during the 2023 calendar year would be Special Called Meetings. He stated that language regarding the creation of the meeting calendar would be included in the bylaws.

There being no further business, a motion to *adjourn* was made by Ms. Pendergrass and seconded by Ms. Hampton, the meeting adjourned.

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 2, 2023, were approved by the Audit Committee on May 15, 2023.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on May 2, 2023, for form, content, and legality.


Executive Director
Office of Legal Services