

**MINUTES OF MEETING
BOARD OF TRUSTEES AUDIT COMMITTEE
KENTUCKY RETIREMENT SYSTEMS
AUGUST 27 2015, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the August 27, 2015 meeting of the Audit Committee of the Board of Trustees, the following Committee members were present: Mike Cherry; Chair, Daniel Bauer, Mary Helen Peter, David Rich, Randy Stevens, Keith Percy and Scott McKenzie as proxy for Tim Longmeyer. Staff members present were: William Thielen, Karen Roggenkamp, David Peden, Rebecca Stephens, Brian Thomas, Connie Davis, Todd Coleman, Ann Case, Erica Bradley, Samantha Payne, Shawn Sparks, Shaun Case, Lisa Perry, and Leigh Taylor. Also in attendance were Larry Totten, Kim Nichol, Matt Strom, Joe Overhults and Jim Tencza.

Mr. Cherry called the meeting to order and introduced the agenda item *Approval of Committee Minutes*. Ms. Peter moved and was seconded by Dr. Bauer to approve the minutes of the May 7, 2015 meeting. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Dean Dorton—Update of Annual Audit for Fiscal Year End 2015*. Mr. Jim Tencza and Mr. Joe Overhults of Dean Dorton were introduced and reported on the financial statement audit and recent accounting pronouncements and implementation dates that will affect KRS.

Mr. Cherry introduced the agenda item *Actuarial Audit—The Segal Company*. Ms. Kim Nichol and Mr. Matthew Strom of The Segal Company presented the actuarial audit. A motion was made to accept the report of the *Actuarial Audit* by Mr. Rich and seconded by Ms. Peter. The motion passed unanimously. Ms. Nichol and Mr. Strom exited the meeting.

Mr. Cherry introduced the agenda item *Review of Fiscal Year End June 30, 2015 End of Year Financial Statements (Unaudited)*. Ms. Karen Roggenkamp reviewed the information for the Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Outstanding Invoices*. Ms. Ann Case reviewed the outstanding invoices. No action was taken for this item.

Mr. Cherry introduced the agenda item *Review of Management Follow up on Audit Findings and Recommendations Summary Dashboard*. Ms. Karen Roggenkamp presented the information. No action was taken for this item.

Mr. Cherry introduced the agenda item *GASB 68*, and gave an update on the *GASB 68* report which has been posted to the KRS website. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Information Disclosure Incidents, 2nd Quarter Calendar Year 2015*. Ms. Roggenkamp reviewed the comparison of disclosures between the 2nd Quarter summary and the 1st Quarter of 2015. This report was presented for informational purposes.

Mr. Cherry introduced the agenda item *Review of Internal Audit Budget 6/30/15*. Mr. Cherry gave an update on the Internal Audit Budget. No action was taken on this item.

Mr. Cherry introduced the agenda item *Review of Anonymous Reporting Spreadsheet*. Ms. Connie Davis reviewed the anonymous reporting spreadsheet. No action was necessary.

Mr. Cherry introduced the agenda item *Review of Auditor of Public Accounts 2013 Audit Follow up*. Mr. Cherry reported to the Committee on recommendations that were addressed. A motion was made to accept the report of the *Auditor of Public Accounts 2013 Audit Follow up* by Dr. Bauer and seconded by Mr. Rich. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Travel and Procurement Card Expenditures*. Ms. Samantha Payne provided an update of the review of travel and procurement card expenditures. Mr. Rich moved and was seconded by Dr. Bauer to approve the Travel and Procurement Card Expenditures Audit Report. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Death Audit Utilizing Lexis Nexis*. Mr. Cherry presented the update, there were no findings. Ms. Davis commended management's hard work for being in compliance for 2015. A motion was made by Ms. Peter and seconded by Dr. Bauer

to accept the findings of the *Death Audit Utilizing Lexis Nexis report*. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Refund Payments (Inactive Members)*. Mr. Cherry presented the findings of the refund payments report. A motion was made by Ms. Peter and seconded by Dr. Bauer to accept the Refund Payments (Inactive Members) Audit Report. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Investment Compliance Report*. Mr. Cherry noted that the SEC Rule 144a securities had exceeded the 7.5% of the market value for both pension and insurance and therefore was out of compliance. Ms. Bradley stated that the Investment committee has decided to suspend the SEC Rule 144a requirement for further review at the November investment committee meeting. No action was taken for this agenda item.

Mr. Cherry introduced the agenda item *Review of General Manager Risk—Absolute Return, Real Return, and Real Estate*. Ms. Erica Bradley presented the report. Ms. Bradley stated that more information was needed from the investment committee to make any recommendations. No action was taken for this agenda item.

Mr. Cherry introduced the agenda item *State Police Employees Retirement System Board Election Memoranda*. Mr. Cherry reported that the SPRS election ballots had been destroyed. This report was for informational purposes only.

The agenda item *Status of Current Audits Memoranda* was reviewed by Mr. Cherry and Ms. Davis noted that audits not completed during the fiscal year 2015 would be added to the 2016

audit plan. No action was needed for this agenda item.

Mr. Cherry presented the agenda item *KRS Auditor Independence Statements* and noted that all three of the KRS internal auditors have completed their independence statements for the Fiscal Year 2016. This report was for informational purposes only.

The agenda item *Request for External Assessment of KRS'S IT Infrastructure* was introduced by Mr. Cherry. Ms. Roggenkamp requested approval to enter into a contract for external assessment of KRS'S information technology systems and networks with Kizan. A motion to approve the request was made by Dr. Bauer and seconded by Ms. Peter. The motion passed unanimously.

Mr. Cherry introduced the agenda item *KRS Travel Policy and Procedures (Amendment)*. Mr. Thomas gave a brief description and noted the changes. Ms. Peter made motion to accept the changes to the *KRS Travel Policy and Procedures (Amendment)* and was seconded by Dr. Bauer. The motion carried unanimously.

Mr. Cherry made note of the final agenda item of *Professional Articles*. These articles were included for informational purposes only.

There being no further business, the meeting adjourned at 10:45 a.m. The next meeting of the Audit Committee is scheduled for November 19, 2015. Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of August 27, 2015.

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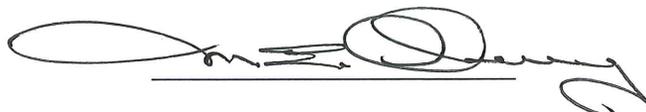
CERTIFICATION

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.



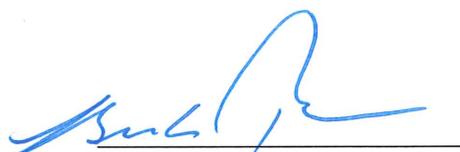
Recording Secretary

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 August 27, 2015 were approved by the Audit Committee on November 19, 2015.



Committee Chair

I, Brian C. Thomas, have reviewed the Minutes of the Audit Committee Meeting on August 27, 2015, for form, content, and legality.



General Counsel