

**MINUTES OF MEETING
BOARD OF TRUSTEES AUDIT COMMITTEE
KENTUCKY RETIREMENT SYSTEMS
AUGUST 7, 2014, 9:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the August 7, 2014 meeting of the Audit Committee of the Board of Trustees, the following Committee members were present: Mike Cherry; Chair, Daniel Bauer, David Rich, Mary Helen Peter, Randy Overstreet, Randy Stevens, and Scott McKenzie as proxy for Tim Longmeyer. Staff members present were: William Thielen, Karen Roggenkamp, Rebecca Stephens, Brian Thomas, Todd Coleman, Connie Davis, Ann Case, Erica Bradley, Samantha Payne, Lisa Perry, and Leigh Taylor. Also in attendance were Joseph Overholtz of Dean Dorton Allen Ford; Larry Totten, Jim Carroll, and Brad Gross.

Mr. Cherry called the meeting to order and introduced the agenda item *Approval of Committee Minutes*. Dr. Bauer moved and was seconded by Ms. Peter to approve the minutes of the February 6, 2014 meeting. The motion passed unanimously. Ms. Peter moved and was seconded by Mr. McKenzie to approve the minutes of the May 1, 2016 meeting. The motion passed unanimously.

Mr. Cherry asked for nominations for committee Vice Chair. Dr. Bauer nominated David Rich and was seconded by Ms. Peter. There being no other nominations, Mr. Rich was elected Vice Chair by acclamation.

Mr. Cherry introduced the agenda item *Dean Dorton Update of Annual Audit for Fiscal Year End 2014*. Mr. Overholtz reviewed the scope of the upcoming audit by the external auditors. This presentation was provided for informational purposes only. Due to the scope and timing of this audit, the Committee agreed to cancel the scheduled November meeting and reschedule a special meeting on November 19, 2014.

Mr. Cherry introduced the agenda item *Review of Fiscal Year End June 30, 2014 Financial Statements*. Mr. Coleman reviewed the unaudited data for the Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Employer Penalty/Waiver List*. Ms. Case presented the spreadsheet to the Committee. This report was presented for informational purposes only.

Mr. Overholtz exited the meeting during the above presentation.

Mr. Cherry introduced the agenda item *Review of Management Follow up on Audit Findings and Recommendations Summary Dashboard*. Ms. Roggenkamp briefly summarized the updates implemented as a result of recommendations from the Auditor of Public Accounts report and reviewed the quarterly dashboard report to the Audit Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Internal Audit Budget - 6/30/2014 and FY 2015*. Ms. Davis updated the Committee on the budget expense items. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Anonymous Reporting Spreadsheet*. Ms. Davis updated the Committee on the status of the current items. This report was presented for informational purposes only.

David Peden of KRS entered the meeting during the above discussion.

Mr. Cherry introduced the agenda item *Review of Refund Payments (Inactive Members)*. Ms. Davis reviewed the information for the Committee. Mr. Overstreet moved and was seconded by Ms. Peter to approve the audit of refund payments for inactive members. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Investment Compliance Report*. Ms. Bradley . Action was postponed on this item due to the lack of a quorum.

Mr. Cherry introduced the agenda item *Review of Investment Compliance Report*. Ms. Bradley and Mr. Peden presented the information to the Committee. This report was presented for informational purposes only.

Mr. Cherry introduced the agenda item *Review of General Manager Risk – Public Equity and Fixed Income Report*. Ms. Bradley provided the report to the Committee. Mr. Overstreet moved and was seconded by Dr. Bauer to approve the audit. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Review of Investment Policies Report*. Ms. Bradley presented the information to the Committee. Mr. Overstreet moved and was seconded by Mr. Rich to approve the report and recommend the Securities Trading Policy for Trustees and Employees to the Investment Committee and Board for discussion. The motion passed unanimously.

Mr. Cherry called for a short break and the meeting was suspended. *Jeff Luckett of KRS entered the meeting during the break.*

Mr. Cherry called the meeting back into session and introduced the agenda items *Status of Current Audits Memoranda, State Police Employees Retirement System Board Election, and KRS Auditor Independence Statements*. Ms. Davis provided a brief recap of the audits in progress for the Committee. Ms. Davis noted there are two candidates for the upcoming SPRS election. Finally, Ms. Davis presented the auditor independence statements which showed no conflicts with current staff. These reports were provided for informational purposes only.

Mr. Cherry introduced the agenda item *KRS Travel Policy and Procedures (Amendment)*. Mr. Thielen provided the background on the various iterations of the Travel Policy. After discussion, Mr. Stevens moved and was seconded by Dr. Bauer to approve the amended KRS Travel Policy and Procedures as presented and send it to the full Board. The motion passed unanimously.

Mr. Cherry introduced the agenda item *KRS Disaster Recovery Planning*. Ms. Roggenkamp and Mr. Luckett provided the update to the Committee. This presentation was provided for informational purposes only.

Mr. Cherry introduced the agenda item *Review of Remote Access System*. Ms. Davis reviewed the findings of the remote access system audit. Dr. Bauer moved and was seconded by Ms. Peter to accept the findings of the report. The motion passed unanimously.

Mr. Cherry introduced the agenda item *Annual Audit Plan*. Ms. Davis explained the background process to determine the items included on the annual audit suggestion list. Mr. Overstreet moved and was seconded by Mr. McKenzie to accept the annual audit plan for 2015. The motion passed unanimously.

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

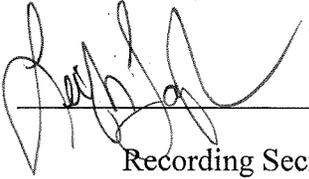
There being no further business, the meeting adjourned at 11:22 a.m. The next meeting of the Audit Committee is scheduled for November 19, 2014.

Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of August 7, 2014.

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CERTIFICATION

I, Leigh Taylor, 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.



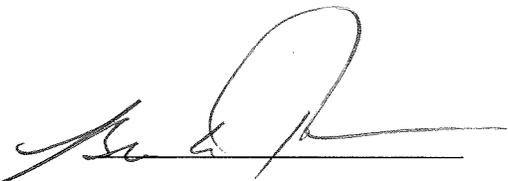
Recording Secretary

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 7, 2014 were approved by the Audit Committee on November 19, 2014.



Committee Chair

I, Brian C. Thomas, have reviewed the Minutes of the Audit Committee Meeting on August 7, 2014, for form, content, and legality.



General Counsel