

**MINUTES OF MEETING
KENTUCKY RETIREMENT SYSTEMS
BOARD OF DIRECTORS AUDIT COMMITTEE
February 2, 2017, 10:00 A.M., E.T.
1270 LOUISVILLE ROAD, FRANKFORT, KENTUCKY 40601**

At the February 2, 2017 meeting of the Audit Committee of the Board of Directors, the following Committee members were present: John Chilton, Chair; David Rich, and Randy Stevens; Vince Lang was also present. Staff members present were David Eager, Karen Roggenkamp, Connie Davis, Carmine Iaccarino, Jennifer Jones, Todd Coleman, Ann Case, Liz Smith, Shaun Case, and Leigh Taylor. Larry Totten, Jim Carroll, Zach Ireland, and Jonathan Eakin were also present.

Mr. Chilton called the meeting to order and introduced the agenda item *Approval of Committee Minutes*. Mr. Stevens moved and was seconded by Mr. Rich to approve the minutes of the November 3, 2016 meeting. The motion passed.

Mr. Chilton introduced the agenda item *Review of Quarterly Financial Statements*. Ms. Roggenkamp reported the contribution balances to the Committee. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Outstanding Invoices*. Ms. Smith and Ms. Roggenkamp presented the report to the Committee. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Fiscal Year End June 30, 2016, End of year Audit Requirements*. Mr. Coleman and Ms. Roggenkamp presented the report to the Committee. This report was provided for informational purposes only.

Mr. Chilton introduced the agenda item *Disclosure of Assets, Liabilities, and Contingencies as of June 30, 2016*. Ms. Davis reported the findings to the Committee. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Management Follow-up on Audit Findings and Recommendation Summary Dashboard*. Ms. Roggenkamp recapped the progress on the

findings and summary for the Committee. This report was provided for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Information Disclosure Incidents, 4th Quarter Calendar Year 2016*. Ms. Roggenkamp reviewed the comparison of disclosures between the 4th quarter and 2nd and 3rd quarters and discussed the notification process. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Internal Audit Budget – 12/31/2016*. Ms. Davis provided a brief recap of the status of the Internal Audit budget. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Review of Anonymous Reporting Spreadsheet*. Ms. Davis recapped the items currently under investigation. This report was presented for informational purposes only.

Mr. Chilton introduced the agenda item *Contracting and Execution Process Audit*. Ms. Davis recapped the audit and findings for the Committee. Mr. Rich moved and was seconded by Mr. Stevens to accept the audit. The motion passed.

Mr. Chilton introduced the agenda item *CERS Board Election Winter/Spring*. Ms. Davis updated the Committee on the status of the election. This report was provided for informational purpose only.

Mr. Chilton introduced the agenda item *CERS Board Election Summer/Fall*. Ms. Davis updated the Committee on the status of this election. This report was provided for informational purpose only.

Mr. Chilton introduced the agenda item *KERS Board Election 2018*. Ms. Davis reviewed the election process for the Committee. This report was provided for informational purpose only.

Mr. Chilton introduced the agenda item *Status of Current Audits Memoranda*. Ms. Davis recapped the process of the ongoing audits and noted the delay in some audits due to a lack of staff. This report was provided for informational purposes only.

Mr. Chilton introduced the agenda item *Annual Review of the Charters of the Audit Committee, the Division of Internal Audit, and the Internal Audit Procedures Manual*; these reports were deferred to a later date and potential special called meeting.

Mr. Chilton called for a short break and the meeting was suspended. *Mr. Lang entered the meeting during the break.*

Mr. Chilton called the meeting back into session and introduced the agenda item *Discuss the Role of the Audit Committee*. Mr. Chilton outlined his vision for the duties and responsibilities of the Audit Committee and plans to detail these areas.

Mr. Chilton introduced the agenda item *APA Prior Approval Letter*. Mr. Coleman noted the APA has given approval and will conduct the FY18 audit. Mr. Coleman noted that the *Request for Proposals-Audit Services* for FY 2017, 2019, and 2020 needs to be issued; responses will be ranked internally and presented to the Committee at a later date. Mr. Stevens moved and was seconded by Mr. Rich to approve issuance of the Audit Services RFP. The motion passed.

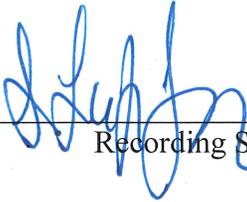
Mr. Chilton introduced the agenda item *Other Business*. Mr. Chilton reviewed the Ethics Complaint against Mr. Vince Lang by Secretary Stephens. Ms. Jones reported that she discussed the complaint with Katie Gabhart from the Executive Branch Ethics Commission. The Executive Branch Ethics Commission would only review the complaint for a violation of KRS Chapter 11A. The Commission could not investigate the complaint under the KRS Conflict of Interest and Confidentiality Policy. After further discussion of the issue and options, Mr. Stevens moved that based on presented evidence and the response from the Executive Branch Ethics Commission the issue should be presented to the Board to dismiss without further action; the motion was seconded by Mr. Rich. The motion carried by majority.

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

There being no further business, the meeting adjourned at 11:25 a.m. The next meeting of the Audit Committee is scheduled for 10:00 a.m. on April 6, 2017. Copies of all documents presented are incorporated as part of the minutes of the Audit Committee meeting as of February 2, 2017.

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 February 2, 2017 were approved by the Audit Committee on April 6, 2017.


Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on February 2, 2017, for form, content, and legality.


Executive Director
Office of Legal Services